



**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Financial Statements and  
Management's Discussion and Analysis

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Table of Contents

	<b>Page</b>
Management's Discussion and Analysis	1
Independent Auditors' Report	10
Financial Statements:	
Statements of Net Assets as of June 30, 2007 and 2006	11
Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2007 and 2006	12
Statements of Cash Flows for the years ended June 30, 2007 and 2006	13
Notes to Financial Statements	14

# THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

## Management's Discussion and Analysis

June 30, 2007 and 2006

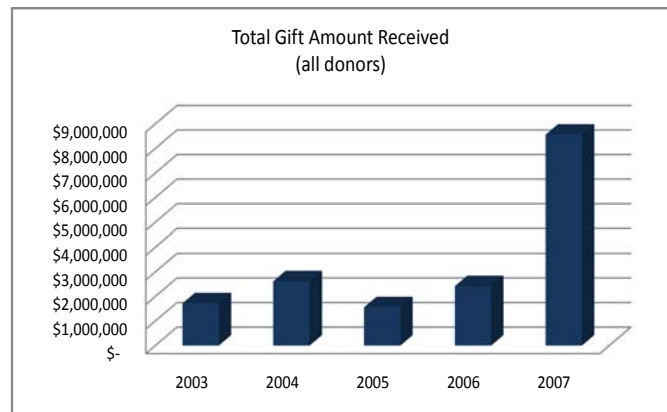
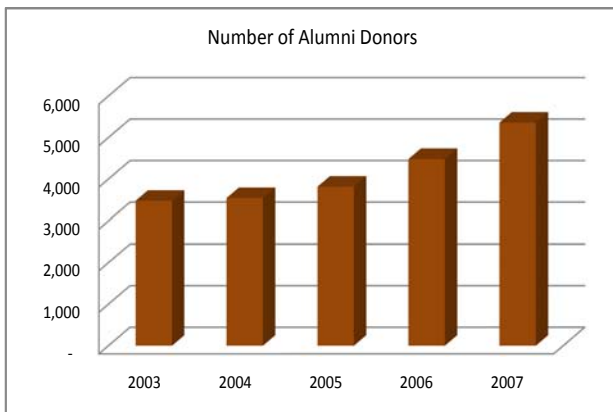
### Overview of Financial Statements and Financial Analysis

This section of The College of New Jersey Foundation, Inc. (the Foundation) annual financial report presents management's discussion and analysis of the Foundation's financial performance during the fiscal years ended June 30, 2007 and 2006. Since the management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, it should be read in conjunction with the Foundation's financial statements and the related footnote disclosures. The financial statements, footnote disclosures, and this discussion are the responsibility of management.

### Fund-raising Highlights for the 2007 Fiscal Year

In the face of dramatic budget cuts by the state, our alumni and friends responded with both activism and generous donations to The College of New Jersey (the College). During fiscal year 2007, the Foundation's fund-raising results exceeded the annual goal by approximately 10%. Records were set in the number of alumni contributing cash and the cash received from private foundations and friends were up significantly from previous fiscal years. Except for three bequests totaling \$383 thousand, this is the most the Foundation has ever raised from actively solicited donors. A few highlights from this fund-raising year include:

- \$8.5 million in donations to the Foundation – Our largest cash total ever received.
- 5,760 Alumni gifts – Another record level of contributions in one year.
- \$1.03 million dollars given by Alumni which represent a 19% increase over the previous fiscal year.
- A single gift annuity of \$5 million from two dear friends of the College, to support the School of Nursing, Health, and Exercise Science.
- Extremely generous gifts were received to enhance the library and the Schools of Art, Media, and Music and Education.



# **THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**

## **Management's Discussion and Analysis**

June 30, 2007 and 2006

### **Using the Financial Statements**

The Foundation's financial report includes three financial statements, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities, with resources classified for accounting and reporting purposes into four net asset categories. The financial statements presented focus on the financial condition of the Foundation, the changes in financial position, and cash flows of the Foundation as a whole.

### **Statement of Net Assets**

The Statement of Net Assets presents the financial position of the Foundation as of the end of the fiscal year. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the Foundation.

Assets that the Foundation owns are primarily measured at fair value. Assets are categorized as either current or noncurrent. Liabilities are what the Foundation owes to others and are also categorized as either current or noncurrent.

The change in net assets — the difference between total assets and total liabilities — is one indicator of whether the overall financial condition of the Foundation has improved or worsened during the fiscal year.

The Foundation's net assets are divided into two major categories. Restricted net assets are categorized as either nonexpendable or expendable, which are available to the Foundation but must be used for purposes as determined by donors and/or external entities. Restricted nonexpendable net assets represent the historical gift value, which donors required to be invested in perpetuity. Restricted expendable net assets include amounts committed for such things as scholarships. Finally, unrestricted net assets include amounts internally designated or committed to support specific academic and research programs and unrestricted funds functioning as endowments.

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**

Management's Discussion and Analysis

June 30, 2007 and 2006

The following table shows a condensed statement of net assets as of June 30, 2007, 2006, and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Assets:</b>			
Current assets	\$ 5,656,727	1,675,003	1,456,775
Noncurrent assets	<u>10,734,314</u>	<u>6,625,279</u>	<u>5,843,643</u>
Total assets	<u>16,391,041</u>	<u>8,300,282</u>	<u>7,300,418</u>
<b>Liabilities:</b>			
Current liabilities	364,253	13,148	—
Noncurrent liabilities	<u>3,162,812</u>	<u>70,146</u>	<u>—</u>
Total liabilities	<u>3,527,065</u>	<u>83,294</u>	<u>—</u>
<b>Net assets:</b>			
Restricted – nonexpendable	3,614,479	2,661,200	2,262,204
Restricted – expendable	7,294,274	4,542,257	4,014,215
Unrestricted	<u>1,955,223</u>	<u>1,013,531</u>	<u>1,023,999</u>
Total net assets	<u>\$ 12,863,976</u>	<u>8,216,988</u>	<u>7,300,418</u>

***Endowments***

Endowment gifts make it possible to maintain perpetual support for student scholarships and fellowships given by the College. Only a portion of the endowment earnings is expended annually with the balance reinvested to protect the principal.

The Foundation utilizes the pooled investment concept whereby all invested funds are included in various investment pools, except for investments of certain funds that are otherwise restricted. The endowment portfolio is managed with a philosophy of diversifying investment across asset classes and investment managers to maximize long-term performance, reduce volatility, and control risks. Based upon the established objectives and the risk and reward characteristics of each asset class, the normal target asset mix of the investment portfolio is 60%–65% equities and stock funds, 30%–48% bonds and bond funds, and 2%–5% cash or cash equivalents. The asset mix of the pooled investments was 63% equity, 22% mutual funds, 11% fixed income, and 4% cash and cash equivalents as of June 30, 2007.

The Foundation received three major endowment commitments totaling \$850,000 to be funded over the next three to five years. A pledge in the amount of \$500,000 was used to establish an endowed scholarship fund to support students in the School of Education. As of June 30, 2007, a payment \$104,183 was received on this pledge. The second commitment of \$250,000 was used to establish a permanent endowment in support of music scholarships within the School of Art, Media, and Music. A payment of \$50,000 was received toward this commitment.

## THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

### Management's Discussion and Analysis

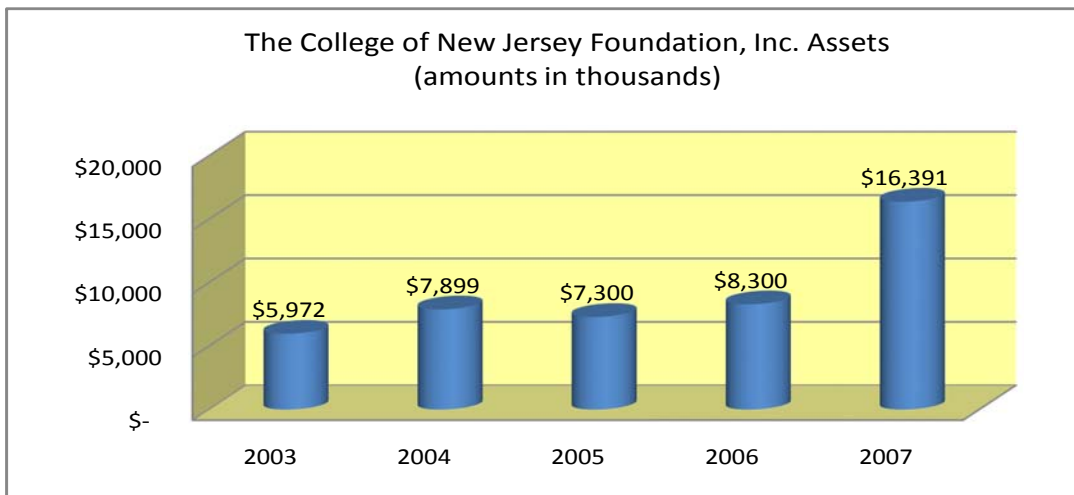
June 30, 2007 and 2006

The third commitment of \$100,000 created another permanent endowment fund whose earnings will be used to supplement the library acquisitions budget and other library programs. As of June 30, 2007, payments totaling \$50,000 were received toward this commitment. The Foundation also received \$146,592 on a \$500,000 pledge that was designated in fiscal year 2006 by the donor as a permanent endowment. The earnings from these funds will be used to support the orchestra program and the opera/lyric theatre program in the Department of Music.

Three bequests totaling \$382,717 were received during the current fiscal year to be added to an existing endowment fund and to create two new permanent endowments funds. The earnings from these funds will be used to provide funding for scholarships for students at the College.

During fiscal year 2006, two major endowment funds were established. The Foundation received a pledge in the amount of \$500,000 to be funded over the next three years, but not beyond December 2008. As of June 30, 2006, the Foundation received \$300,117 of this pledge that was designated by the donor as a permanent endowment. The earnings from these funds will be used to support the orchestra program and the opera/lyric theatre program in the Department of Music. Receipt of another endowment in the amount of \$100,000 will be used to provide financial assistance for high-achieving students enrolled in the School of Culture and Society, who conduct academic research abroad under the auspices of the College. In addition, the Foundation received a bequest in the amount of \$177,000 that was added to its expendable net assets. This fund will be used to provide funding for scholarships for students majoring in Art and Music at the College.

As of June 30, 2007, the Foundation's assets, which primarily consist of investments and cash and cash equivalents totaled \$16.4 million. The chart below illustrates the total assets for the five-year period ended June 30, 2007.

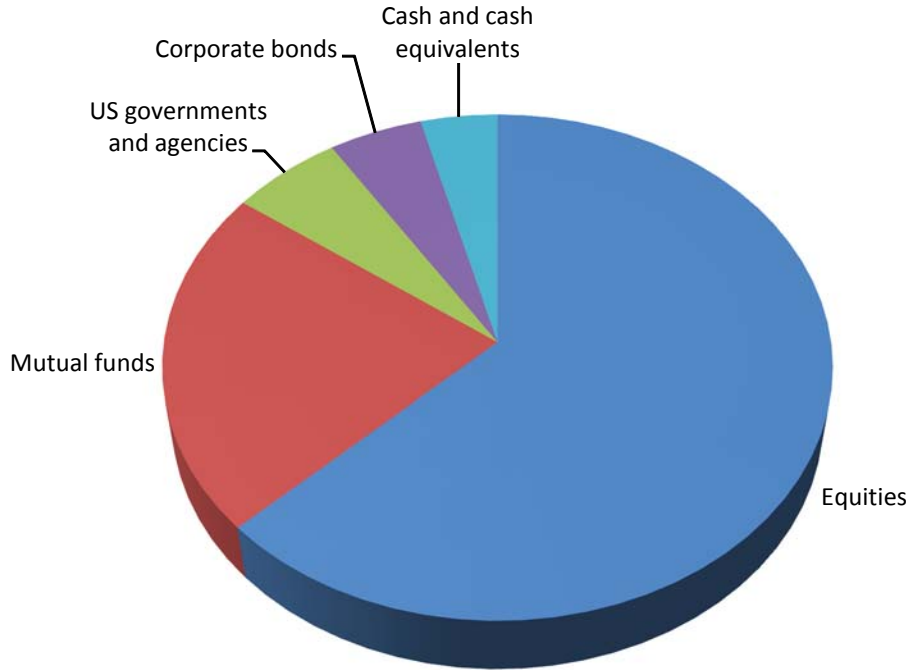


**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**

Management's Discussion and Analysis

June 30, 2007 and 2006

Below is a graphical illustration of investments by asset allocation as of June 30, 2007.



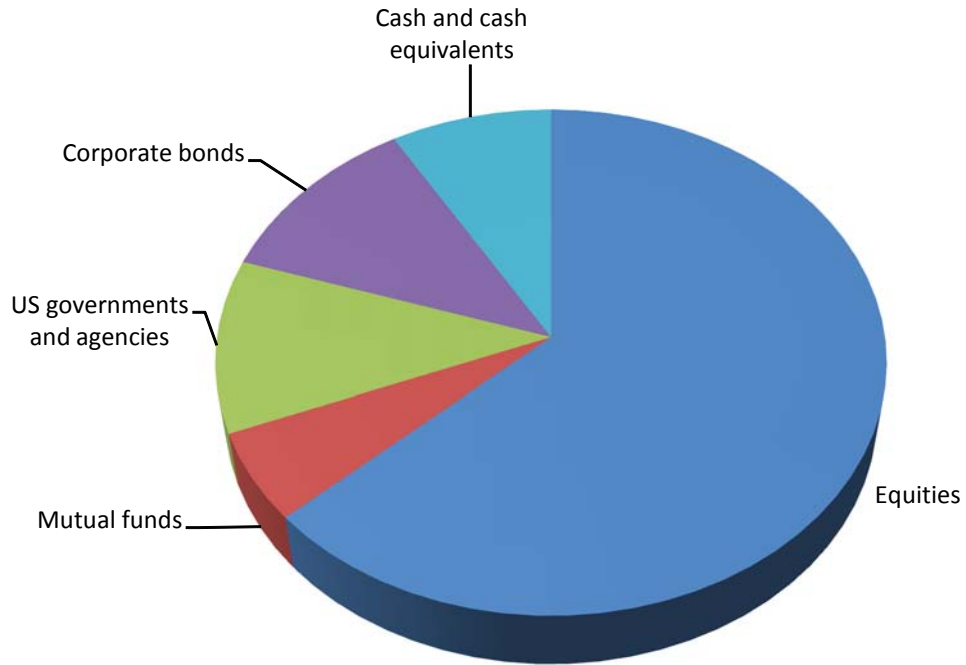
<u>Asset Allocation</u>	<u>Balance</u>	<u>Percentage</u>
Equities	\$ 9,057,468	62.9%
Mutual funds	3,185,304	22.1%
US governments and agencies	850,924	5.9%
Corporate bonds	716,538	5.0%
Cash and cash equivalents	587,031	4.1%
<b>Total Investments</b>	<b>\$ 14,397,265</b>	<b>100.0%</b>

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**

Management's Discussion and Analysis

June 30, 2007 and 2006

Below is a graphical illustration of investments by asset allocation as of June 30, 2006.



<u>Asset Allocation</u>	<u>Balance</u>	<u>Percentage</u>
Equities	\$ 4,817,722	63.3%
Mutual funds	431,948	5.7%
US governments and agencies	840,533	11.0%
Corporate bonds	872,039	11.5%
Cash and cash equivalents	649,231	8.5%
<b>Total Investments</b>	<b>\$ 7,611,473</b>	<b>100.0%</b>



## THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

### Management's Discussion and Analysis

June 30, 2007 and 2006

#### **Assets**

##### ***Cash and Cash Equivalents***

During fiscal year 2007, the Foundation's cash and cash equivalents increased by \$1.3 million due primarily to a successful fund-raising campaign. Cash receipts from contributions totaled \$8.5 million. This increase was offset by transfers of \$5.2 million to investments for the planned giving program plus operating expenses of \$633,140 and restricted funds contributed to the College of \$1.1 million.

During fiscal year 2006, the Foundation's cash and cash equivalents increased by \$248,852 or 77.3% due primarily to a successful fund-raising campaign. Cash receipts from contributions totaled \$2.4 million. This increase was offset by a transfer of \$275,000 to investments plus expenditures and other transfers totaling \$1.8 million.

##### ***Investments***

In fiscal year 2007, investments increased significantly by \$6.8 million primarily due to gift annuities in excess of \$5.2 million. The growth was also driven by fair value appreciation coupled with investment income of \$1.6 million. For fiscal year 2007, the net rate of return on the endowment pool was 13.1%.

In fiscal year 2006, investments increased by \$708,888 or 10.3%. The increase in investments can be primarily attributed to the unrealized appreciation in the fair value coupled with investment income and the \$275,000 transferred from cash and cash equivalents. For fiscal year 2006, the net rate of return on the endowment pool was 6.3%.

#### **Liabilities**

In fiscal years 2007 and 2006, liabilities increased by \$3.4 million and \$83,294, respectively, due to the recording of the actuarial present value of the gift annuities.

##### ***Current Ratio***

The Foundation's current ratio measures its ability to satisfy current obligations as they come due. As of June 30, 2007 and 2006, the current liability was \$364,253 and \$13,148, respectively. This indicates that the Foundation's current assets of \$5.7 million and \$1.7 million as of June 30, 2007 and 2006, respectively, were sufficient to cover its current liabilities.

#### **Net Assets**

##### ***Nonexpendable Net Assets***

During fiscal years 2007 and 2006, nonexpendable net assets increased by \$953,279 or 35.8% and \$398,996 or 17.6%, respectively. These increases were mainly due to some large endowment gifts received during those years that were permanently restricted by donors.

# THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

## Management's Discussion and Analysis

June 30, 2007 and 2006

### *Expendable Net Assets*

Expendable net assets increased by \$2.8 million or 60.6% and \$528,042 or 13.2% in fiscal years 2007 and 2006, respectively. The fiscal year 2007 increase was primarily due to the receipt of gift annuities in excess of \$5.2 million. The actuarial liability (present value of these gift annuities) is reported as a reduction of the expendable net assets.

The fiscal year 2006 increase can be attributed to the Foundation's receipt of more gifts during the year that were restricted by donors and, therefore, classified as expendable.

### *Unrestricted Net Assets*

In fiscal year 2007, the unrestricted net assets increased by \$941,692 or 92.9% due to the receipt of more unrestricted gifts. In fiscal year 2006, unrestricted net assets remained relatively stable compared to the previous fiscal year.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred by the Foundation during the fiscal year. Activities are reported as either operating or nonoperating. Generally speaking, operating revenues are earned in exchange for providing goods and services and operating expenses are incurred in the normal operation of the Foundation.

The following table shows a condensed statement of revenues, expenses, and changes in net assets for the years ended June 30, 2007, 2006, and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 4,173,040	2,021,035	1,516,864
Operating expenses	633,140	506,829	582,343
Operating income	3,539,900	1,514,206	934,521
Nonoperating and other revenues (expenses), net	1,107,088	(597,636)	(628,158)
Increase in net assets	4,646,988	916,570	306,363
Net assets as of beginning of year	8,216,988	7,300,418	6,994,055
Net assets as of end of year	\$ <u>12,863,976</u>	<u>8,216,988</u>	<u>7,300,418</u>

### *Operating Revenues*

The Foundation's main source of revenue is contributions. Under GASB 34 and 35, unrestricted and restricted contributions are reflected as operating revenue. The operating revenues rose significantly during fiscal years 2007 and 2006. The fiscal year 2007 increase of \$2.2 million was primarily due to a successful fund-raising campaign that resulted in the receipt of a number of significant contributions, portions of which were designated by donors as restricted.

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**

Management's Discussion and Analysis

June 30, 2007 and 2006

***Operating Expenses***

Scholarships and awards increased during fiscal years 2007 and 2006 due to the funding of more donor designated scholarships. Program services expense which includes membership dues and investment manager fees also remained stable during fiscal years 2007 and 2006. Fund-raising expense decreased in fiscal year 2007 by \$35,702 or 46.8% because in fiscal year 2006, the Foundation incurred more expenses in support of the fund-raising events.

***Nonoperating and Other Revenues (Expenses), net***

In fiscal year 2007, nonoperating revenues (net) totaled \$134,608. Of this amount, nonoperating revenues totaled \$1,644,788, which was comprised of investment income and investment fair value appreciation. The total nonoperating expenses of \$1,510,180 included contributions to the College for scholarship support. Other revenues included additions to permanent endowments of \$972,480.

In fiscal year 2006, nonoperating expenses (net) totaled \$997,753. Of this amount, nonoperating revenues totaled \$532,526, which was comprised of investment income and investment fair value appreciation. The total nonoperating expenses of \$1,530,279 included contributions to the College for scholarship support and restricted funds disbursements. Other revenues included additions to permanent endowments of \$400,117.



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## **Independent Auditors' Report**

The Board of Directors  
The College of New Jersey Foundation, Inc.:

We have audited the accompanying financial statements of The College of New Jersey Foundation, Inc. (the Foundation), a component unit of The College of New Jersey, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College of New Jersey Foundation, Inc. as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 1 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

October 16, 2007

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Statements of Net Assets

June 30, 2007 and 2006

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Current assets:		
Cash and cash equivalents	\$ 1,835,542	570,618
Investments (note 3)	3,772,335	1,081,179
Miscellaneous receivables	47,651	—
Due from The College of New Jersey (note 4)	1,199	23,206
Total current assets	<u>5,656,727</u>	<u>1,675,003</u>
Noncurrent assets:		
Investments (note 3)	10,624,930	6,530,294
Other assets	109,384	94,985
Total noncurrent assets	<u>10,734,314</u>	<u>6,625,279</u>
Total assets	<u>16,391,041</u>	<u>8,300,282</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	4,415	1,433
Annuities payable	359,838	11,715
Total current liabilities	<u>364,253</u>	<u>13,148</u>
Noncurrent liabilities:		
Annuities payable	3,162,812	70,146
Total noncurrent liabilities	<u>3,162,812</u>	<u>70,146</u>
Total liabilities	<u>3,527,065</u>	<u>83,294</u>
<b>Net Assets</b>		
Restricted:		
Nonexpendable:		
Scholarships	2,517,913	2,023,949
Other programs	1,096,566	637,251
Expendable:		
Scholarships	4,139,274	3,467,780
Research	330,227	298,843
Other	2,824,773	775,634
Unrestricted	1,955,223	1,013,531
Total net assets	<u>\$ 12,863,976</u>	<u>8,216,988</u>

See accompanying notes to financial statements.

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Operating revenues:		
Contributions	\$ 4,173,040	2,021,035
Total operating revenues	4,173,040	2,021,035
Operating expenses:		
Scholarships and awards	449,896	282,488
Fund-raising events	40,503	76,205
Program services	142,741	148,136
Total operating expenses	633,140	506,829
Operating income	3,539,900	1,514,206
Nonoperating revenues (expenses):		
Investment income	1,644,788	532,526
Restricted funds disbursements	—	(192,800)
Scholarships and restricted funds contributed to The College of New Jersey (note 4)	(1,135,068)	(1,243,574)
Adjustment to actuarial liability for annuities payable	(375,112)	(93,905)
Net nonoperating revenues (expenses)	134,608	(997,753)
Income before other revenues	3,674,508	516,453
Additions to permanent endowments	972,480	400,117
Increase in net assets	4,646,988	916,570
Net assets as of beginning of year	8,216,988	7,300,418
Net assets as of end of year	\$ 12,863,976	8,216,988

See accompanying notes to financial statements.

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Statements of Cash Flows

Years ended June 30, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Contributions	\$ 4,147,396	1,998,896
Scholarships and awards	(449,896)	(282,488)
Fund-raising	(40,503)	(76,205)
Program services	(142,741)	(148,136)
Net cash provided by operating activities	3,514,256	1,492,067
Cash flows from noncapital financing activities:		
Contributions to annuity funds	3,440,789	81,861
Additions permanent endowments	972,480	400,117
Restricted funds disbursements	—	(192,800)
Scholarships and restricted funds contributed to The College of New Jersey	(1,135,068)	(1,243,574)
Payments to annuitants	(370,510)	(93,905)
Net cash provided by (used by) noncapital financing activities	2,907,691	(1,048,301)
Cash flows from investing activities:		
Interest income	676,277	34,916
Purchases of securities	(10,115,876)	(2,731,924)
Proceeds from sale of securities	4,282,576	2,502,094
Net cash used by investing activities	(5,157,023)	(194,914)
Net increase in cash and cash equivalents	1,264,924	248,852
Cash and cash equivalents as of beginning of year	570,618	321,766
Cash and cash equivalents as of end of year	\$ 1,835,542	570,618
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,539,900	1,514,206
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Miscellaneous receivables	(47,651)	—
Due from The College of New Jersey	22,007	(22,139)
Net cash provided by operating activities	\$ 3,514,256	1,492,067

See accompanying notes to financial statements.

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2007 and 2006

**(1) Organization**

The College of New Jersey Foundation, Inc. (the Foundation) is a not-for-profit organization exempt from income tax under Internal Revenue Service Code 501(c)(3). The Foundation's objective is to obtain private funding to enhance the educational goals of The College of New Jersey (the College).

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accounting policies of the Foundation conform to U.S. generally accepted accounting principles. The Foundation financial statements are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Review Board of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that a statement of cash flows be prepared using the direct method and that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Restricted:**

*Nonexpendable:* Net assets subject to externally imposed stipulations that must be maintained permanently by the Foundation.

*Expendable:* Net assets whose use by the Foundation are subject to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to the stipulations or that expire by the passage of time.

- **Unrestricted:**

Net assets that are not subject to externally imposed stipulations and may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

**(b) Measurement Focus and Basis of Accounting**

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting using the economic resources measurement focus.



**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2007 and 2006

(c) ***Cash and Cash Equivalents***

Cash and cash equivalents consist of investments with the New Jersey State Cash Management Fund and Wachovia Bank. The New Jersey State Cash Management Fund is combined into a large scale investment program with amounts contributed by other state entities. These investments consist primarily of U.S. Treasury securities. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

(d) ***Investments***

Investments are reflected at fair value, which is based on quoted market price. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

(e) ***Contributions***

Contributions are generally recorded upon their communication to the Foundation. Additions to permanent endowments are recorded upon receipt. Pledges related to permanent endowments and term endowments do not meet the recognition criteria of GASB Statement No. 33. These pledges, which approximated \$699,108 and \$199,883 as of June 30, 2007 and 2006, respectively, have not been included in the accompanying statements of net assets.

(f) ***Operating Activities***

The Foundation's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net assets are those that serve the Foundation's principal purpose. Operating activities generally result from contributions received, payments made for scholarships and awards, and expenses associated with fund-raising events and investment manager fees. The annual scholarship support to the College is considered a nonoperating expense as defined by GASB Statement No. 34.

(g) ***Annuities Payable***

Annuities payable are created when assets are contributed to the Foundation on condition that the Foundation obligate itself to pay stipulated amounts periodically to designated annuitants. Annuities payable are recorded at the present value of the expected future cash payments to the annuitants. Changes in the life expectancy of the donor or annuitant, amortization of the discount and other changes in the estimates of future payments are reported as an adjustment to actuarial liability for annuities payable in the accompanying statements of revenues, expenses, and changes in net assets.

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2007 and 2006

**(h) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**(3) Investments**

The Foundation has an investment policy, which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, and bonds and bond funds. Investments consist of the following as of June 30, 2007 and 2006:

	<b>2007</b>	<b>2006</b>
Equities	\$ 9,057,468	4,817,722
Mutual funds	3,185,304	431,948
U.S. Treasury bills and notes and Government agencies	850,924	840,533
Corporate bonds	716,538	872,039
Cash and cash equivalents	587,031	649,231
Total	\$ 14,397,265	7,611,473

The Foundation's investments are subject to various risks. Among these risks are credit risk, concentration of credit risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's).

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2007 and 2006

As of June 30, 2007, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

<u>Rating</u>	<u>Total</u>	<u>U.S. Treasury bills and notes</u>	<u>U.S. Government agencies</u>	<u>Corporate bonds</u>
Aaa	\$ 919,403	570,070	280,854	68,479
Aa1	63,248	—	—	63,248
Aa2	168,022	—	—	168,022
Aa3	126,152	—	—	126,152
A1	120,360	—	—	120,360
A2	106,555	—	—	106,555
A3	13,104	—	—	13,104
Baa3	50,618	—	—	50,618
Total	<u>\$ 1,567,462</u>	<u>570,070</u>	<u>280,854</u>	<u>716,538</u>

As of June 30, 2006, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

<u>Rating</u>	<u>Total</u>	<u>U.S. Treasury bills and notes</u>	<u>U.S. Government agencies</u>	<u>Corporate bonds</u>
Aaa	\$ 958,048	621,049	219,484	117,515
Aa1	63,117	—	—	63,117
Aa2	102,277	—	—	102,277
Aa3	157,281	—	—	157,281
A1	131,182	—	—	131,182
A2	212,533	—	—	212,533
A3	38,625	—	—	38,625
Baa3	49,509	—	—	49,509
Total	<u>\$ 1,712,572</u>	<u>621,049</u>	<u>219,484</u>	<u>872,039</u>

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2007 and 2006

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2007, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

<u>Maturing in years</u>	<u>Total</u>	<u>U.S. Treasury bills and notes</u>	<u>U.S. Government agencies</u>	<u>Corporate bonds</u>
Less than 1	\$ 196,448	55,023	91,158	50,267
1 – 5	742,070	202,957	87,716	451,397
6 – 10	533,271	262,302	56,095	214,874
Greater than 10	95,673	49,788	45,885	—
Total	<u>\$ 1,567,462</u>	<u>570,070</u>	<u>280,854</u>	<u>716,538</u>

As of June 30, 2006, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

<u>Maturing in years</u>	<u>Total</u>	<u>U.S. Treasury bills and notes</u>	<u>U.S. Government agencies</u>	<u>Corporate bonds</u>
Less than 1	\$ 248,906	186,247	12,943	49,716
1 – 5	923,397	160,742	174,464	588,191
6 – 10	494,791	240,714	32,077	222,000
Greater than 10	45,478	33,346	—	12,132
Total	<u>\$ 1,712,572</u>	<u>621,049</u>	<u>219,484</u>	<u>872,039</u>

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2007 and 2006

**(4) Transactions with Affiliates**

The Foundation has approved contributions to the College for support of scholarships, restricted funds, and library acquisitions of \$1,135,068 and \$1,243,574 during 2007 and 2006, respectively. Annually, the board of directors of the Foundation approves the amount to be transferred to the College. The following table shows the contributions to the College for 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Scholarship support	\$ 75,346	1,000,000
Restricted funds	<u>1,059,722</u>	<u>243,574</u>
Total	<u>\$ 1,135,068</u>	<u>1,243,574</u>

As of June 30, 2007 and 2006, there was a net receivable of \$1,199 and \$23,206, respectively, due from the College to the Foundation for employee annual fund contributions.

**(5) Funds Held in Trust**

Funds held in trust by others and not in the possession of, nor under the control of, the Foundation are not included in the Foundation's cash and cash equivalents and investments. The fair value of such funds approximated \$1,431,000 and \$1,346,000 as of June 30, 2007 and 2006, respectively.