

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements
and Management's Discussion and Analysis
Together with
Report of Independent Certified Public Accountants

June 30, 2017 and 2016

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
June 30, 2017 and 2016
Table of Contents

	Page
Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis (unaudited)	3
Financial Statements:	
Statement of Net Position at June 30, 2017 and 2016	9
Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and 2016	10
Statement of Cash Flows for the years ended June 30, 2017 and 2016	11
Notes to Financial Statements:	
1. Organization and Summary of Significant Accounting Policies	12
2. Cash Held by New Jersey Institute of Technology and Endowment Investments	14
3. Supplementary Statement of Net Position Detail	18
4. Annuity Funds Liability	18
5. Investment Income (Loss)	20
6. Related Entity Transactions	20
7. Unrestricted Net Position	21



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Overseers of
Foundation at New Jersey Institute of Technology:

We have audited the accompanying financial statements of the business-type activities of the Foundation at New Jersey Institute of Technology (the Foundation), a component unit of New Jersey Institute of Technology, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities of the Foundation at New Jersey Institute of Technology as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis included on pages 3 through 8 be presented to supplement the basic financial statements. Such supplementary information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Iselin, New Jersey
October 20, 2017

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2017 and 2016

Introduction

The following discussion and analysis provides an analytical overview of the financial position and activities of Foundation at New Jersey Institute of Technology (Foundation) at and for the years ended June 30, 2017 and 2016. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Foundation is a 501(c)(3) tax-exempt resource development organization that raises and manages funds to support the further development and growth of programs at New Jersey Institute of Technology (NJIT).

The Financial Statements

The Foundation's financial statements include a statement of net position at June 30, 2017 and 2016, and statements of revenues, expenses, and changes in net position and of cash flows for the years then ended. The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Financial Highlights

The Foundation's financial position at June 30, 2017 and 2016 was sound, with total assets of \$115,179 and \$102,903 and total liabilities of \$3,307 and \$911, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities, totaled \$111,872 and \$101,992 at June 30, 2017 and 2016, respectively. Net position increased \$9,880 in fiscal year 2017, principally resulting from investment income and additions to permanent endowments, partially offset by an operating loss. Net position decreased \$1,196 in fiscal year 2016, principally resulting from operating and investment losses, partially offset by additions to permanent endowments.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2017 and 2016

Statement of Net Position

The statement of net position presents the Foundation's financial position at June 30, 2017 and 2016, and is summarized as follows. The summarized statement of net position at June 30, 2015 is also presented for comparative purposes.

	June 30,		
	2017	2016	2015
Current assets	\$ 2,475	\$ 4,320	\$ 3,896
Endowment investments	112,429	98,100	99,233
Pledges receivable and other assets, noncurrent	<u>275</u>	<u>483</u>	<u>1,038</u>
Total assets	<u>115,179</u>	<u>102,903</u>	<u>104,167</u>
Due to New Jersey Institute of Technology	2,526	-	-
Annuity funds liability, current	136	159	165
Accounts payable	8	7	2
Annuity funds liability, noncurrent	<u>637</u>	<u>745</u>	<u>812</u>
Total liabilities	<u>3,307</u>	<u>911</u>	<u>979</u>
Restricted nonexpendable	75,327	71,366	67,766
Restricted expendable	19,103	16,514	20,639
Unrestricted	<u>17,442</u>	<u>14,112</u>	<u>14,783</u>
Total net position	<u>\$ 111,872</u>	<u>\$ 101,992</u>	<u>\$ 103,188</u>

Current assets consist of cash held by New Jersey Institute of Technology, pledges and other receivables, net of allowances, and prepaid expenses. Current assets decreased \$1,845 at June 30, 2017, as compared to June 30, 2016, primarily as a result of a decrease in cash held by New Jersey Institute of Technology, partially offset by an increase in pledges and other receivables, net. Current assets increased \$424 at June 30, 2016, as compared to June 30, 2015, primarily as a result of an increase in cash held by New Jersey Institute of Technology, partially offset by a decrease in pledges and other receivables, net.

Endowment investments include gifts from donors, the corpus of which is to be invested in perpetuity, annuity funds, unrestricted funds established by NJIT as quasi-endowment, and the related income and appreciation. Endowment investments increased 14.6% and decreased 1.1% during fiscal years 2017 and 2016, respectively, reflecting growth from new gifts, realized net investment gains, a net increase in the fair value of investments at June 30, 2017 and a net decrease in the fair value of investments at June 30, 2016, and endowment spending in both years.

Total liabilities consist of Due to New Jersey Institute of Technology, the current and noncurrent portions of annuity funds liability and accounts payable. Liabilities increased \$2,396 at June 30, 2017, as compared to June 30, 2016, primarily as a result the timing of amounts owed to NJIT and a net gain

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2017 and 2016

on investments, partially offset by an adjustment of the annuity liability to present value, annuity maturities, and annuity payments. Liabilities decreased \$68 at June 30, 2016, as compared to June 30, 2015, primarily due to annuity payments and a net loss on investments, partially offset by an adjustment of the annuity liability to present value.

Restricted nonexpendable net position represents the original value of additions to the Foundation's donor-restricted endowments and annuity funds. Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, endowment income, and other restricted resources. As discussed above, donor-restricted endowment funds represent gifts from donors that are to be invested in perpetuity. Annuity funds are given to the Foundation to be invested with the stipulation that the Foundation pay an agreed-upon amount to designated individuals for a period of time or for the beneficiary's lifetime, after which period the remaining funds become part of the Foundation's endowment or are used for the purpose designated by the donor.

At June 30, 2017 and 2016, restricted net position is composed of the following. The components of restricted net position at June 30, 2015 are also presented for comparative purposes.

	June 30,		
	2017	2016	2015
Nonexpendable:			
Scholarship and fellowship grants	\$ 63,318	\$ 59,983	\$ 57,515
Instructional and other grants	12,009	11,383	10,251
Expendable:			
Scholarship and fellowship grants	13,453	8,502	11,627
Instructional and other grants	5,650	8,012	9,012
	<u>\$ 94,430</u>	<u>\$ 87,880</u>	<u>\$ 88,405</u>

Restricted net position increased \$6,550 during fiscal year 2017, principally due to investment income, gifts and bequests, and additions to permanent endowments, partially offset by operating expenses. Restricted net position decreased \$525 during fiscal year 2016, principally due to operating expenses and a net investment loss, partially offset by gifts and bequests and additions to permanent endowments.

The unrestricted component of net position is all other net position that is available for general operations in support of the Foundation's mission unless otherwise designated by the Foundation's Board. Unrestricted net position increased \$3,330 during fiscal year 2017, principally due to investment income and gifts and bequests, offset by operating expenses. Unrestricted net position decreased \$671 during fiscal year 2016, principally due to operating expenses and net investment loss, partially offset by gifts and bequests. Even though unrestricted net position is not subject to external restrictions, management, with the approval of the Board, has designated a portion of the unrestricted

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2017 and 2016

net position for the following specified purposes. The components of unrestricted net position at June 30, 2015 are also presented for comparative purposes.

	June 30,		
	2017	2016	2015
Designated unrestricted net position:			
Scholarship and fellowship grants	\$ 8,507	\$ 6,012	\$ 6,357
Instructional and other grants	7,286	6,663	7,039
	<u>15,793</u>	<u>12,675</u>	<u>13,396</u>
Undesignated unrestricted net position - operations	1,649	1,437	1,387
	<u>\$ 17,442</u>	<u>\$ 14,112</u>	<u>\$ 14,783</u>

Except for certain instructional and other grants of \$341, \$291, and \$255 at June 30, 2017, 2016, and 2015, respectively, the Foundation's designated unrestricted net position represents quasi-endowments.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the operating results and the non-operating and other revenues of the Foundation.

The components of revenues for the fiscal years ended June 30, 2017 and 2016 are as follows. The components of revenues for the fiscal year ended June 30, 2015 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2017	2016	2015
Operating revenues:			
Gifts and bequests	\$ 6,087	\$ 5,580	\$ 5,269
Donated services	2,418	2,153	2,018
Other grants	-	575	300
Total operating revenues	<u>8,505</u>	<u>8,308</u>	<u>7,587</u>
Non-operating and other revenues:			
Investment income (loss)	12,153	(1,607)	1,634
Additions to permanent endowments	3,409	4,185	2,971
Other non-operating revenues	86	33	55
Total non-operating and other revenues	<u>15,648</u>	<u>2,611</u>	<u>4,660</u>
Total revenues	<u>\$ 24,153</u>	<u>\$ 10,919</u>	<u>\$ 12,247</u>

Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. In fiscal years 2017 and 2016, gifts and bequests totaled \$6,087 and \$5,580, respectively, including \$2,000 from NJIT for quasi-endowment in support of scholarships in fiscal year 2017. In addition, fiscal years 2017 and 2016 include donor-restricted gifts of \$120 received on behalf of New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2017 and 2016

Additions to permanent endowments were \$3,409 and \$4,185, including \$138 and \$6 from annuity maturities, in fiscal years 2017 and 2016, respectively.

In fiscal years 2017 and 2016, NJIT donated \$2,418 and \$2,153 of services, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

Investment income (loss) includes interest and dividends, realized net gain on sale of investments, and net increase (decrease) in the fair value of investments. During fiscal years 2017 and 2016, investment income of \$12,153 and investment loss of \$1,607, respectively, were due to a realized net gain on sale of investments, interest and dividends, and a net increase and a net decrease in the fair value of investments at June 30, 2017 and 2016, respectively.

The components of operating expenses for the fiscal years ended June 30, 2017 and 2016 are as follows. The components of operating expenses for the fiscal year ended June 30, 2015 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2017	2016	2015
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ 10,925	\$ 8,555	\$ 6,216
Grants to New Jersey Innovation Institute, Inc.	120	595	420
Grants to New Jersey Institute of Technology student Greek organizations	139	126	153
Fundraising	2,862	2,621	2,516
Administration	227	218	196
Total operating expenses	<u>\$ 14,273</u>	<u>\$ 12,115</u>	<u>\$ 9,501</u>

Operating expenses increased 17.8% and 27.5% to \$14,273 and \$12,115 in fiscal years 2017 and 2016, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 76.5% and 70.6% of total operating expenses in fiscal years 2017 and 2016, respectively. The recipients of the grants are determined by NJIT, in accordance with donor and other restrictions. The fiscal years 2017 and 2016 increases of \$2,370 and \$2,339, respectively, relate to increases in instructional and other and scholarship and fellowship grants, in both fiscal years, and a decrease in construction grants in fiscal year 2017.

Grants to NJII, comprising 0.8% and 4.9% of total operating expenses in fiscal years 2017 and 2016, respectively, were made from donor-restricted gifts of \$120 in fiscal year 2017 and grants and gifts of \$595 in fiscal year 2016 received for the benefit of NJII programs.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2017 and 2016

Grants to NJIT student Greek organizations, comprising 1.0% and 1.1%, of total operating expenses in fiscal years 2017 and 2016, respectively, were made from donor-restricted gifts received for the benefit of specific student Greek organizations, and consist of grants for construction and furnishing of the educational areas of their chapter houses.

Fundraising expense comprised 20.1% and 21.6% of total operating expenses in fiscal years 2017 and 2016, respectively. The fiscal years 2017 and 2016 increases of \$241 and \$105, respectively, principally relate to an increase in personnel costs, partially offset by a reduction of event costs.

Administration expense, comprising 1.6% and 1.8% of total operating expenses in fiscal years 2017 and 2016, respectively, remained relatively constant from year to year.

Summary and Outlook

The Foundation's purpose is to raise and manage funds to support the further development and growth of programs at NJIT. The Foundation's fundraising activities are successful and have created a significant endowment, which will generate grants to NJIT for many years. During fiscal year 2017, the Foundation's fundraising efforts generated gifts and bequests of \$6,087 and additions to permanent endowments of \$3,409. It is management's intention to continue to place a significant emphasis on fundraising efforts.

The Foundation's endowment is managed with a broad-based asset allocation. The Foundation's endowment investment strategy is designed to maintain purchasing power of pooled endowment fund assets, with an emphasis on total return, via a group of managers each focused on their sector of the asset allocation, limited exposure to sub-prime investments, and use of alternative investments. The endowment spending policy provides for appropriate funding of donors' purposes.

Grants made to NJIT from the Foundation's restricted and unrestricted funds totaled \$10,925 in fiscal year 2017. Unrestricted net position totaled \$17,442 at June 30, 2017, of which \$15,793 is designated for future grants.

The Foundation's management believes that the Foundation is in sound financial condition and is properly positioned to continue to pursue its goal of supporting the further development and growth of programs at NJIT.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Net Position
(Dollars in thousands)
At June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 1,869	\$ 3,806
Pledges and other receivables, net	602	513
Prepaid expenses	<u>4</u>	<u>1</u>
Total current assets	<u>2,475</u>	<u>4,320</u>
Noncurrent assets:		
Endowment investments	112,429	98,100
Pledges receivable, net	259	467
Other assets	<u>16</u>	<u>16</u>
Total noncurrent assets	<u>112,704</u>	<u>98,583</u>
Total assets	<u>115,179</u>	<u>102,903</u>
Liabilities		
Current liabilities:		
Due to New Jersey Institute of Technology	2,526	-
Annuity funds liability, current portion	136	159
Accounts payable	<u>8</u>	<u>7</u>
Total current liabilities	<u>2,670</u>	<u>166</u>
Noncurrent liabilities:		
Annuity funds liability	<u>637</u>	<u>745</u>
Total liabilities	<u>3,307</u>	<u>911</u>
Net Position		
Restricted for:		
Nonexpendable:		
Scholarship and fellowship grants	63,318	59,983
Instructional and other grants	12,009	11,383
Expendable:		
Scholarship and fellowship grants	13,453	8,502
Instructional and other grants	5,650	8,012
Unrestricted (note 7)	<u>17,442</u>	<u>14,112</u>
Total net position	<u>\$ 111,872</u>	<u>\$ 101,992</u>

The accompanying notes are an integral part of these financial statements.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Revenues, Expenses, and Changes in Net Position
(Dollars in thousands)
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues		
Gifts and bequests	\$ 6,087	\$ 5,580
Donated services	2,418	2,153
Other grants	-	575
Total operating revenues	<u>8,505</u>	<u>8,308</u>
Operating expenses		
Grants to New Jersey Institute of Technology	10,925	8,555
Grants to New Jersey Innovation Institute, Inc.	120	595
Grants to New Jersey Institute of Technology student Greek organizations	139	126
Fundraising	2,862	2,621
Administration	227	218
Total operating expenses	<u>14,273</u>	<u>12,115</u>
Operating loss	<u>(5,768)</u>	<u>(3,807)</u>
Non-operating revenues (loss)		
Investment income (loss)	12,153	(1,607)
Other non-operating revenues	86	33
Total non-operating revenues (loss)	<u>12,239</u>	<u>(1,574)</u>
Income (loss) before other revenues	<u>6,471</u>	<u>(5,381)</u>
Other revenues		
Additions to permanent endowments	<u>3,409</u>	<u>4,185</u>
Increase (decrease) in net position	9,880	(1,196)
Net position, beginning of year	<u>101,992</u>	<u>103,188</u>
Net position, end of year	<u>\$ 111,872</u>	<u>\$ 101,992</u>

The accompanying notes are an integral part of these financial statements.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Cash Flows
(Dollars in thousands)
For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Gifts and bequests	\$ 5,643	\$ 4,060
Other grants	-	575
Grants to New Jersey Institute of Technology	(10,388)	(6,057)
Grants to New Jersey Innovation Institute, Inc.	(120)	(595)
Grants to New Jersey Institute of Technology student Greek organizations	(119)	(126)
Due to New Jersey Institute of Technology	2,526	-
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(180)	(171)
Payments on annuity funds	(136)	(162)
Payments for goods and services	(492)	(503)
Net cash used by operating activities	(3,266)	(2,979)
Cash flows from noncapital financing activities		
Additions to permanent endowments	2,956	4,013
New annuity agreements	-	7
Other	86	33
Net cash provided by noncapital financing activities	3,042	4,053
Cash flows from investing activities		
Proceeds from sales and maturities of investments	26,954	22,509
Interest and dividends on investments	2,143	1,630
Purchase of investments	(30,810)	(24,322)
Net cash used by investing activities	(1,713)	(183)
Net (decrease) increase in cash held by New Jersey Institute of Technology	(1,937)	891
Cash held by New Jersey Institute of Technology, beginning of year	3,806	2,915
Cash held by New Jersey Institute of Technology, end of year	\$ 1,869	\$ 3,806
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (5,768)	\$ (3,807)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(2,977)	(4,687)
Noncash operating expenses	2,977	4,653
Changes in assets and liabilities:		
Pledges and other receivables	114	1,014
Prepaid expenses	(3)	5
Due to New Jersey Institute of Technology	2,526	-
Annuity funds liability	(136)	(162)
Accounts payable	1	5
Net cash used by operating activities	\$ (3,266)	\$ (2,979)
Noncash transactions:		
Additions to permanent endowments	\$ 453	\$ 172
Investment income	\$ 416	\$ 1

The accompanying notes are an integral part of these financial statements.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

Foundation at New Jersey Institute of Technology (Foundation) is a resource development organization that has as its goal the support of the further development and growth of programs at New Jersey Institute of Technology (NJIT). The Foundation encourages private philanthropy on behalf of NJIT. Outstanding leaders from industry serve as Overseers of the Foundation and provide a vital link with the private sector.

Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Foundation, because of the significance of its operational and financial relationships with NJIT and because it exclusively benefits NJIT and its constituents, is considered to be a blended component unit of NJIT (collectively, the University) for financial reporting purposes. Accordingly, its financial statements are included in the financial statements of the University, which are included in the Comprehensive Annual Financial Report of the State of New Jersey (the State).

(a) Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles as promulgated by the GASB.

(b) Use of Estimates

The accompanying financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of net position dates, as well as the reported amounts of revenues and expenses for the fiscal years then ended. Actual results could differ from those estimates.

(c) Cash held by New Jersey Institute of Technology

The Foundation participates in a cash pooling arrangement with NJIT, which functions as its fiduciary agent. Cash balances due to the Foundation pursuant to this arrangement are included in cash held by New Jersey Institute of Technology in the statement of net position.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

(d) Fair Value Measurement

The Foundation's investments are measured at fair value using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are based on market assumptions. The fair value hierarchy is comprised of the following three levels of inputs, of which the first two are considered observable and the last unobservable:

- Level 1: Quoted prices in active markets for identical assets.
- Level 2: Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not as active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that are supported by little or no market activity.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input significant to the fair value measurement. The categorization of an investment is based upon its pricing transparency and liquidity and does not necessarily correspond to the Foundation's perceived risk of that investment.

(e) Endowment Investments

Investments in marketable equity securities, debt instruments, and mutual funds are carried at fair value, based on quoted market prices. Hedge and other investment funds are carried at estimated fair value based principally on the Net Asset Values (NAV) reported by the fund managers, which are reviewed by management for reasonableness. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could occur. Such changes could materially affect the amounts reported in the statement of net position.

(f) Classification of Net Position

The Foundation classifies its resources into two net position categories:

- Restricted nonexpendable net position is comprised of endowment and annuity funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Annuity funds consist of gift annuities and charitable remainder unitrusts (Unitrusts) which are given to the Foundation to be invested with the stipulation that the Foundation pay an agreed-upon amount to designated individuals for a period of time or for the beneficiary's lifetime. At the termination of the agreement, the remaining funds either become part of the Foundation's endowment or are used for the purpose designated by the donor.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the specified purposes.

- Unrestricted net position is derived principally from gifts and bequests and investment income, and is expended to meet the objectives of the Foundation. The Foundation's Board designates portions of its unrestricted net position for certain specific purposes (see Note 7).

The Foundation's policy is to first utilize available restricted expendable, and then unrestricted, resources in the conduct of its operations.

(g) Classification of Revenue

Operating revenues are those that result from the Foundation's principal purpose of fundraising, and are generally associated with nonexchange transactions. Non-operating revenues, which consist of exchange transactions, generally result from investment income. Other revenues are those that result from the Foundation's fundraising efforts to provide funding for additions to permanent endowments, and are generally associated with nonexchange transactions.

(h) Revenue Recognition

Gifts and bequests and additions to permanent endowments are recorded upon their receipt by the Foundation. Pledges, other than endowment, are recognized as gift income and recorded at their present value, using a risk adjusted rate of return.

Investment income, which includes interest, dividends, and realized and unrealized gains and losses, is recognized on the accrual basis. Gains and losses on investments are determined using specific identification, except for mutual funds, which are based on average cost.

(i) Tax Status

The Foundation has received a determination letter from the Internal Revenue Service recognizing it as an organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code on income generated by activities that are substantially related to its tax-exempt purpose. The Foundation has determined that it does not generate any material revenues from an unrelated trade or business; accordingly, a tax provision has not been reflected within these financial statements.

(j) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation.

2. Cash Held by New Jersey Institute of Technology and Endowment Investments

Cash held by NJIT is invested in money market funds totaling \$1,869 and \$3,806 at cost and fair value at June 30, 2017 and 2016, respectively.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

The cost and fair value of endowment investments, and their fair value measurements within the fair value hierarchy, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Money market funds	\$ 2,301	\$ 2,301	\$ -	\$ 2,301	\$ -	\$ -
U.S. Treasury and government agency bonds	1,282	1,304	1,304	-	-	-
Corporate equity securities	27,577	37,730	37,730	-	-	-
Corporate debt securities	131	133	133	-	-	-
Mutual equity funds	25,354	26,468	26,357	111	-	-
Mutual bond funds	16,808	16,462	16,462	-	-	-
Hedge and other investment funds	24,585	28,031	-	-	4,209	23,822
	<u>\$ 98,038</u>	<u>\$ 112,429</u>	<u>\$ 81,986</u>	<u>\$ 2,412</u>	<u>\$ 4,209</u>	<u>\$ 23,822</u>

June 30, 2016

	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>			<u>NAV</u>
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market funds	\$ 2,597	\$ 2,597	\$ 1,318	\$ 1,279	\$ -	\$ -
U.S. Treasury and government agency bonds	714	770	706	64	-	-
Corporate equity securities	29,224	35,220	35,220	-	-	-
Corporate debt securities	127	131	49	82	-	-
Mutual equity funds	17,377	17,442	17,334	108	-	-
Mutual bond funds	16,219	15,833	15,833	-	-	-
Hedge and other investment funds	24,152	26,107	2,373	-	1,846	21,888
	<u>\$ 90,410</u>	<u>\$ 98,100</u>	<u>\$ 72,833</u>	<u>\$ 1,533</u>	<u>\$ 1,846</u>	<u>\$ 21,888</u>

At June 30, 2017, endowment investments include \$2,516 of NJIT timing related funds. Endowment investments totaling \$4,076 and \$3,684 at fair value (\$3,395 and \$3,305 at cost) at June 30, 2017 and 2016, respectively, are held and administered by external trustees, while the remainder are held and administered by the Foundation.

Hedge and other investment funds are comprised of directional and multi-strategy funds, private equity, and real assets. The Foundation has committed to invest an additional \$2,927 in these funds over the next several fiscal years.

The Foundation invests its endowment funds in accordance with applicable limitations set forth in gift instruments or guidelines established by its Board of Overseers and NJIT's Board of Trustees. The Foundation's investment strategy is designed to maintain purchasing power of pooled endowment fund assets, with an emphasis on total return. The following are the Foundation's aggregate allocation guidelines by asset class: equities, up to 70%; real assets, up to 20%; multi-strategy hedges, up to 25%; and fixed income instruments, up to 35%. There are further allocation guidelines for specific investment categories within each asset class. The Foundation may also invest in below investment grade bonds as equity substitutes within the overall allocation for equities.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

Custodial credit risk - deposits is the risk that, in the event of the failure of a depository financial institution, NJIT, and consequently the Foundation, will not be able to recover deposits that are in that institution's possession. The University's investment policy does not address custodial credit risk - deposits. At June 30, 2017 and 2016, \$848 and \$845, respectively, of NJIT's cash is insured by the Federal Deposit Insurance Corporation (FDIC), and \$500 of NJIT's money market funds are insured by the Securities Investor Protection Corporation (SIPC); amounts in excess are neither collateralized nor insured.

Custodial credit risk - investments is the risk that, in the event of the failure of a counterparty, the Foundation will not be able to recover the value of the investments that are in that counterparty's possession. The University's investment policy does not address custodial credit risk - investments. The Foundation's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in the Foundation's name. Endowment investments totaling \$108,353 and \$94,416 at June 30, 2017 and 2016, respectively, are either insured or held by the Foundation or its agent in the Foundation's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy places no limitation on the ratings for debt instruments. U.S. Treasury and government agency bonds are considered to have no credit risk.

The money market funds and mutual bond funds included in the Foundation's investment portfolio are not rated. The Foundation's investments in corporate debt securities are rated as follows by Standard & Poor's:

	Rating	June 30,	
		2017	2016
Corporate debt securities	AA+	\$ 5	\$ 10
Corporate debt securities	AA	5	-
Corporate debt securities	AA-	22	13
Corporate debt securities	A+	5	4
Corporate debt securities	A	5	9
Corporate debt securities	A-	66	76
Corporate debt securities	BBB+	17	11
Corporate debt securities	BBB	5	6
Corporate debt securities	BBB-	3	2
		<u>\$ 133</u>	<u>\$ 131</u>

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. There is no limit on the amount the Foundation may invest in any issuer. The Foundation's endowment investments are diversified and are not currently exposed to this risk.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2017 and 2016, fixed income endowment investments have the following maturities:

	June 30, 2017			
	Fair Value	Investment Maturities (in years)		
		Less than 1	1 to 5	5 to 10
Money market funds	\$ 2,301	\$ 2,301	\$ -	\$ -
U.S. Treasury and government agency bonds	1,304	36	880	388
Corporate debt securities	133	10	95	28
Mutual bond funds	16,462	123	6,399	9,940
	<u>\$ 20,200</u>	<u>\$ 2,470</u>	<u>\$ 7,374</u>	<u>\$ 10,356</u>

	June 30, 2016			
	Fair Value	Investment Maturities (in years)		
		Less than 1	1 to 5	5 to 10
Money market funds	\$ 2,597	\$ 2,597	\$ -	\$ -
U.S. Treasury and government agency bonds	770	54	328	388
Corporate debt securities	131	12	89	30
Mutual bond funds	15,833	58	15,443	332
	<u>\$ 19,331</u>	<u>\$ 2,721</u>	<u>\$ 15,860</u>	<u>\$ 750</u>

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

A portion of the endowment investments are held in an endowment investment pool. The cost and fair value of the pooled investments are as follows:

	June 30,			
	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,911	\$ 1,911	\$ 1,716	\$ 1,716
Corporate equity securities	26,991	36,867	28,560	34,388
Mutual equity funds	21,954	22,586	14,090	14,054
Mutual bond funds	15,913	15,557	15,279	14,883
Hedge and other investment funds	24,280	27,690	23,848	25,754
	<u>\$ 91,049</u>	<u>\$ 104,611</u>	<u>\$ 83,493</u>	<u>\$ 90,795</u>

For the years ended June 30, 2017 and 2016, the average return for the endowment investment pool was 13.1% and (1.4%), respectively.

The spending policy for endowment funds requires an annual calculation based on a three year rolling average of the fair value per pool unit. The spending rates for the years ended June 30, 2017 and 2016 were 4.7% and 4.9%, respectively. The Foundation complies with the State's "Uniform Prudent Management of Institutional Funds Act", which governs the management and use of donor-restricted endowment funds held by it.

3. Supplementary Statement of Net Position Detail

	June 30,	
	2017	2016
Pledges and other receivables, net (current):		
Pledges receivable	\$ 796	\$ 678
Accounts receivable	4	2
Interest receivable	1	6
	<u>801</u>	<u>686</u>
Less: allowance for doubtful accounts	199	173
	<u>\$ 602</u>	<u>\$ 513</u>
Pledges receivable, net (noncurrent):		
Pledges receivable	\$ 318	\$ 544
Less: allowance for doubtful accounts	59	77
	<u>\$ 259</u>	<u>\$ 467</u>

4. Annuity Funds Liability

Annuity funds are composed of gift annuities and Unitrusts. These funds are given to the Foundation to be invested with the stipulation that the Foundation pay an agreed-upon amount to designated individuals for a period of time or for the beneficiary's lifetime. At the termination of

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

the agreement, the remaining funds become part of the Foundation's endowment or are used for the purpose designated by the donor.

The present value of the annuity funds liability was as follows at June 30:

	<u>2017</u>	<u>2016</u>
Gift annuities	\$ 287	\$ 305
Unitrusts	<u>486</u>	<u>599</u>
	773	904
Less: current portion	<u>136</u>	<u>159</u>
Annuity funds liability, noncurrent	<u>\$ 637</u>	<u>\$ 745</u>

The activity in the annuity funds liability for fiscal years 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 904	\$ 977
New annuity agreements	-	7
Net gain (loss) on investments	395	(69)
Annuity payments	(136)	(162)
Annuity maturities	(138)	(6)
Adjustment of liability to present value	<u>(252)</u>	<u>157</u>
Balance at June 30,	<u>\$ 773</u>	<u>\$ 904</u>

The components of net gain (loss) on investments for fiscal years 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 34	\$ 34
Realized net gain on the sale of investments	61	34
Net increase (decrease) in the fair value of investments	<u>300</u>	<u>(137)</u>
Net gain (loss) on investments	<u>\$ 395</u>	<u>\$ (69)</u>

For the fiscal years ended June 30, 2017 and 2016, annuity maturities of \$138 and \$6, respectively, are included in additions to permanent endowments in the statement of revenues, expenses, and changes in net position.

Adjustment of liability to present value of (\$252) and \$157 (using discount rates ranging from 1.2% to 8.4%) at June 30, 2017 and 2016, respectively, are included in additions to permanent endowments in the statement of revenues, expenses, and changes in net position.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

5. Investment Income (Loss)

Investment income (loss) is comprised of the following for the fiscal years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,688	\$ 1,593
Realized net gain on sale of investments	4,064	515
Net increase (decrease) in the fair value of investments	<u>6,401</u>	<u>(3,715)</u>
	<u>\$ 12,153</u>	<u>\$ (1,607)</u>

6. Related Entity Transactions

All of the Foundation's personnel are employees of NJIT. The Foundation's payments to NJIT in reimbursement of the salaries and fringe benefits of administrative employees in fiscal years 2017 and 2016 were \$180 and \$171, respectively. In fiscal years 2017 and 2016, NJIT donated services of \$2,418 and \$2,153, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation. In addition, during fiscal year 2017, NJIT transferred \$2,000 to the Foundation designated for quasi-endowment in support of scholarships.

During fiscal years 2017 and 2016, the Foundation made the following grants to NJIT:

	<u>2017</u>	<u>2016</u>
Scholarship and fellowship grants	\$ 4,122	\$ 3,521
Instructional and other grants	6,118	3,982
Construction grants	<u>685</u>	<u>1,052</u>
	<u>\$ 10,925</u>	<u>\$ 8,555</u>

The recipients of the grants are determined by NJIT, in accordance with donor and other restrictions.

In fiscal year 2016, instructional and other grants include an equipment and software gift in kind of \$2,177.

In fiscal years 2017 and 2016, grants of \$120 and \$595, respectively, were made to New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT, from grants and donor-restricted gifts received by the Foundation on NJII's behalf.

Grants to NJIT student Greek organizations of \$139 and \$126 in fiscal years 2017 and 2016, respectively, were made from donor-restricted gifts received for the benefit of specific student Greek organizations, and consist of grants for construction and furnishing of the educational areas of their chapter houses.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2017 and 2016

7. Unrestricted Net Position

The components of unrestricted net position are as follows:

	June 30,	
	2017	2016
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 8,507	\$ 6,012
Instructional and other grants	<u>7,286</u>	<u>6,663</u>
	15,793	12,675
Undesignated unrestricted net position - operations	<u>1,649</u>	<u>1,437</u>
	<u>\$ 17,442</u>	<u>\$ 14,112</u>

Except for certain instructional and other grants of \$341 and \$291 at June 30, 2017 and 2016, respectively, the Foundation's designated unrestricted net position represents quasi-endowments.