

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, 2019 and 2018

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
June 30, 2019 and 2018
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, 2019 and 2018	9
Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018	10
Statement of Cash Flows for the years ended June 30, 2019 and 2018	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	17
4. Beneficial Interest Trusts	18
5. Annuity Funds Liability	18
6. Investment Income	19
7. Related Entity Transactions	19
8. Unrestricted Net Position	20

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

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 of New Jersey Institute of Technology, as of and for the years ended June 30, 2019 and 2018, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2019 and 2018, 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 page 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, who 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 11, 2019

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis (unaudited)

(Dollars in thousands)
June 30, 2019 and 2018

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, 2019 and 2018. 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.

Established in 1959, the Foundation is a 501(c)(3) tax-exempt organization that serves as the fundraising arm of New Jersey Institute of Technology (NJIT), the state's public polytechnic university. In connecting alumni and friends with NJIT's innovative programs, research-active faculty, and talented and hardworking students, the Foundation advances the University's pursuit of its mission of education, research, service, and economic development.

Recognized as a U.S. News and World Report Top 100 National University in 2019 and identified as an "R1 – highest research activity" institution by the Carnegie Commission, NJIT prepares students to be leaders in the technology-dependent economy of the 21st century. The university's multidisciplinary curriculum and computing-intensive approach to education provide the technological proficiency, business knowledge, and leadership skills that future CEOs and entrepreneurs need to succeed. With an enrollment of more than 11,400 undergraduate and graduate students in more than 125 programs, NJIT offers small-campus intimacy with the resources of a major public university.

The Financial Statements

The Foundation's financial statements include a statement of net position at June 30, 2019 and 2018, 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, 2019 and 2018 was sound, with total assets of \$133,671 and \$121,289, total liabilities of \$653 and \$877, and deferred inflows of resources of \$1,125 and \$750, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities and deferred inflows of resources, totaled \$131,893 and \$119,662 at June 30, 2019 and 2018, respectively. Net position increased \$12,231 and \$8,864 in fiscal years 2019 and 2018, respectively, principally resulting from investment income and additions to permanent endowments.

Statement of Net Position

The statement of net position presents the Foundation's financial position at June 30, 2019 and 2018, and is summarized as follows. The summarized statement of net position at June 30, 2017 is also presented for comparative purposes.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2019 and 2018

	June 30,		
	2019	2018	2017
Current assets	\$ 6,195	\$ 3,150	\$ 2,475
Endowment investments	122,812	113,638	108,353
Beneficial interest trusts	4,499	4,237	4,076
Pledges receivable and other assets, noncurrent	165	264	275
Total assets	<u>133,671</u>	<u>121,289</u>	<u>115,179</u>
Due to New Jersey Institute of Technology	-	108	2,814
Annuity funds liability, current	96	176	136
Accounts payable	7	11	8
Annuity funds liability, noncurrent	550	582	637
Total liabilities	<u>653</u>	<u>877</u>	<u>3,595</u>
Deferred inflows of resources	<u>1,125</u>	<u>750</u>	<u>786</u>
Restricted nonexpendable	83,012	77,528	74,891
Restricted expendable	24,502	21,391	18,479
Unrestricted	24,379	20,743	17,428
Total net position	<u>\$ 131,893</u>	<u>\$ 119,662</u>	<u>\$ 110,798</u>

Current assets consist of cash held by New Jersey Institute of Technology, pledges and other receivables, net, and prepaid expenses at June 30, 2019 and 2018, and due from New Jersey Institute of Technology at June 30, 2019. Current assets increased \$3,045 at June 30, 2019, as compared to June 30, 2018, primarily as a result of one pledge of approximately \$3,000 in support of scholarships. Current assets increased \$675 at June 30, 2018, as compared to June 30, 2017, primarily as a result of an increase in cash held by New Jersey Institute of Technology.

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 8.1% and 4.9% during fiscal years 2019 and 2018, respectively, reflecting growth from new gifts, realized net investment gains, and a net increase in the fair value of investments at June 30, 2019 and 2018, offset by endowment distributions.

Total liabilities consist of the current and noncurrent portions of annuity funds liability and accounts payable at June 30, 2019 and 2018, and due to New Jersey Institute of Technology at June 30, 2018. Liabilities decreased \$224 and \$2,718 at June 30, 2019 and 2018, as compared to June 30, 2018 and 2017, respectively, primarily as a result of a decrease in annuity funds liability at June 30, 2019 and a reduction in the amount due to New Jersey Institute of Technology in both fiscal years.

Deferred inflows of resources consist of certain changes in annuity funds liability and a beneficial interest in a charitable annuity trust. Deferred inflows of resources increased \$375 in fiscal year 2019, primarily due the maturity of an annuitant who outlived their annuity and the present value adjustment of a beneficial interest in a charitable annuity trust. Deferred inflows of resources decreased \$36 in fiscal year 2018, primarily due to the present value adjustment of annuity funds.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2019 and 2018

Restricted nonexpendable net position represents the original value of additions to the Foundation's donor-restricted endowments and the fair value of beneficial interest in perpetual trusts. Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor and restricted investment income. As discussed above, donor-restricted endowment funds represent gifts from donors that are to be invested in perpetuity.

At June 30, 2019 and 2018, restricted net position is composed of the following. The components of restricted net position at June 30, 2017 are also presented for comparative purposes.

	June 30,		
	2019	2018	2017
Nonexpendable:			
Scholarship and fellowship grants	\$ 69,079	\$ 64,971	\$ 62,868
Instructional and other grants	13,933	12,557	12,023
Expendable:			
Scholarship and fellowship grants	18,954	15,433	12,829
Instructional and other grant	5,548	5,958	5,650
	<u>\$ 107,514</u>	<u>\$ 98,919</u>	<u>\$ 93,370</u>

Restricted net position increased \$8,595 and \$5,549 during fiscal years 2019 and 2018, respectively, principally due to investment income, gifts and bequests, and additions to permanent endowments, partially offset by operating expenses.

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 of Overseers. Unrestricted net position increased \$3,636 and \$3,315 during fiscal years 2019 and 2018, respectively, principally due to investment income and gifts and bequests, offset by operating expenses. Even though unrestricted net position is not subject to external restrictions, management, with the approval of the Foundation's Board of Overseers, has designated a portion of the unrestricted net position for the following specified purposes. The components of unrestricted net position at June 30, 2017 are also presented for comparative purposes.

	June 30,		
	2019	2018	2017
Designated unrestricted net position:			
Scholarship and fellowship grants	\$ 14,497	\$ 10,897	\$ 8,507
Instructional and other grants	7,561	7,656	7,286
	<u>22,058</u>	<u>18,553</u>	<u>15,793</u>
Undesignated unrestricted net position - operations	2,321	2,190	1,635
	<u>\$ 24,379</u>	<u>\$ 20,743</u>	<u>\$ 17,428</u>

Except for certain instructional and other grants of \$319, \$462, and \$341 at June 30, 2019, 2018, and 2017, respectively, the Foundation's designated unrestricted net position represents quasi-endowments.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2019 and 2018

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, 2019 and 2018 are as follows. The components of revenues for the fiscal year ended June 30, 2017 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2019	2018	2017
Operating revenues:			
Gifts and bequests	\$ 10,802	\$ 7,604	\$ 6,087
Donated services	2,683	2,444	2,418
Other	100	195	-
Total operating revenues	<u>13,585</u>	<u>10,243</u>	<u>8,505</u>
Non-operating and other revenues:			
Investment income	6,144	8,472	12,153
Additions to permanent endowments	5,261	2,298	3,624
Other non-operating revenues	19	37	86
Total non-operating and other revenues	<u>11,424</u>	<u>10,807</u>	<u>15,863</u>
Total revenues	<u>\$ 25,009</u>	<u>\$ 21,050</u>	<u>\$ 24,368</u>

Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. In fiscal years 2019 and 2018, gifts and bequests totaled \$10,802 and \$7,604, respectively, including \$3,353 and \$2,000, respectively, from NJIT for quasi-endowment in support of scholarships and one pledge of approximately \$3,000 in fiscal year 2019 in support of scholarships.

In fiscal years 2019 and 2018, additions to permanent endowments totaled \$5,261 and \$2,928, respectively.

In fiscal years 2019 and 2018, NJIT donated \$2,683 and \$2,444 of services, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

Investment income includes interest and dividends, realized net gain on sale of investments, and net increase in the fair value of investments. During fiscal years 2019 and 2018, investment income of \$6,144 and \$8,472, respectively, were due to a realized net gain on sale of investments, interest and dividends, and a net increase in the fair value of investments at June 30, 2019 and 2018.

The components of operating expenses for the fiscal years ended June 30, 2019 and 2018 are as follows. The components of operating expenses for the fiscal year ended June 30, 2017 are also presented for comparative purposes.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2019 and 2018

	Fiscal Year Ended June 30,		
	2019	2018	2017
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ 9,326	\$ 8,879	\$ 10,925
Grants to New Jersey Innovation Institute, Inc.	120	215	120
Grants to New Jersey Institute of Technology student Greek organizations	56	100	139
Fundraising	3,109	2,854	2,862
Administration	167	138	227
Total operating expenses	<u>\$ 12,778</u>	<u>\$ 12,186</u>	<u>\$ 14,273</u>

Operating expenses increased 4.9% and decreased 14.6% to \$12,778 and \$12,186 in fiscal years 2019 and 2018, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 73.0% and 72.9% of total operating expenses in fiscal years 2019 and 2018, respectively. The recipients of the grants are determined by NJIT, in accordance with donor restrictions. The fiscal year 2019 increase of \$447 relates to an increase in scholarship and fellowship grants, partially offset by decreases in instructional and other grants and construction grants. The fiscal year 2018 decrease of \$2,046 relates to decreases in instructional and other grants, scholarship and fellowship grants, and construction grants.

Grants to NJII, comprising 0.9% and 1.8% of total operating expenses in fiscal years 2019 and 2018, respectively, were made from grants and donor-restricted gifts of \$120 and \$215, respectively, in fiscal years 2019 and 2018, respectively, received for the benefit of NJII programs.

Grants to NJIT student Greek organizations, comprising 0.4% and 0.8%, of total operating expenses in fiscal years 2019 and 2018, 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, comprising 24.4% and 23.4% of total operating expenses in fiscal years 2019 and 2018, respectively, increased 8.9% in fiscal year 2019 after remaining relatively constant in fiscal year 2018. The fiscal year 2019 increase principally relates to an increase in personnel costs.

Administration expense, comprising 1.3% and 1.1% of total operating expenses in fiscal years 2019 and 2018, respectively, remained relatively constant from year to year.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2019 and 2018

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 2019, the Foundation's fundraising efforts generated gifts and bequests of \$10,802 and additions to permanent endowments of \$5,261. 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 \$9,326 in fiscal year 2019. Unrestricted net position totaled \$24,379 at June 30, 2019, of which \$22,058 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 2,527	\$ 2,516
Pledges and other receivables, net	3,529	631
Due from New Jersey Institute of Technology	136	-
Prepaid expenses	3	3
Total current assets	<u>6,195</u>	<u>3,150</u>
Noncurrent assets:		
Endowment investments	122,812	113,638
Beneficial interest trusts	4,499	4,237
Pledges receivable, net	149	248
Other assets	16	16
Total noncurrent assets	<u>127,476</u>	<u>118,139</u>
Total assets	<u>133,671</u>	<u>121,289</u>
Liabilities		
Current liabilities:		
Due to New Jersey Institute of Technology	-	108
Annuity funds liability, current portion	96	176
Accounts payable	7	11
Total current liabilities	<u>103</u>	<u>295</u>
Noncurrent liabilities:		
Annuity funds liability	550	582
Total liabilities	<u>653</u>	<u>877</u>
Deferred inflows of resources	<u>1,125</u>	<u>750</u>
Net position		
Restricted:		
Nonexpendable:		
Scholarship and fellowship grants	69,079	64,971
Instructional and other grants	13,933	12,557
Expendable:		
Scholarship and fellowship grants	18,954	15,433
Instructional and other grants	5,548	5,958
Unrestricted	24,379	20,743
Total net position	<u>\$ 131,893</u>	<u>\$ 119,662</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Gifts and bequests	\$ 10,802	\$ 7,604
Donated services	2,683	2,444
Other	100	195
Total operating revenues	<u>13,585</u>	<u>10,243</u>
Operating expenses		
Grants to New Jersey Institute of Technology	9,326	8,879
Grants to New Jersey Innovation Institute, Inc.	120	215
Grants to New Jersey Institute of Technology student Greek organizations	56	100
Fundraising	3,109	2,854
Administration	167	138
Total operating expenses	<u>12,778</u>	<u>12,186</u>
Operating income (loss)	<u>807</u>	<u>(1,943)</u>
Non-operating revenues		
Investment income	6,144	8,472
Other non-operating revenues	19	37
Total non-operating revenues	<u>6,163</u>	<u>8,509</u>
Income before other revenues	<u>6,970</u>	<u>6,566</u>
Other revenues		
Additions to permanent endowments	5,261	2,298
Increase in net position	12,231	8,864
Net position, beginning of year	<u>119,662</u>	<u>110,798</u>
Net position, end of year	<u>\$ 131,893</u>	<u>\$ 119,662</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Gifts and bequests	\$ 7,789	\$ 6,473
Other grants	100	195
Due from New Jersey Institute of Technology	(136)	-
Grants to New Jersey Institute of Technology	(8,616)	(7,314)
Grants to New Jersey Innovation Institute, Inc.	(120)	(215)
Grants to New Jersey Institute of Technology student Greek organizations	(56)	(100)
Due to New Jersey Institute of Technology	(108)	(4,381)
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(127)	(131)
Payments on annuity funds	(128)	(173)
Payments for goods and services	(460)	(379)
Net cash used by operating activities	<u>(1,862)</u>	<u>(6,025)</u>
Cash flows from noncapital financing activities		
Additions to permanent endowments	4,967	1,843
Other	19	37
Net cash provided by noncapital financing activities	<u>4,986</u>	<u>1,880</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	18,800	41,601
Interest and dividends on investments	2,068	1,839
Purchase of investments	(23,981)	(38,648)
Net cash (used) provided by investing activities	<u>(3,113)</u>	<u>4,792</u>
Net increase in cash held by New Jersey Institute of Technology	11	647
Cash held by New Jersey Institute of Technology, beginning of year	<u>2,516</u>	<u>1,869</u>
Cash held by New Jersey Institute of Technology, end of year	<u>\$ 2,527</u>	<u>\$ 2,516</u>
Reconciliation of operating income (loss) to net cash used by operating activities		
Operating income (loss)	\$ 807	\$ (1,943)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Noncash operating revenues	(3,166)	(3,556)
Noncash operating expenses	3,403	4,043
Changes in assets and liabilities:		
Pledges and other receivables	(2,799)	(19)
Prepaid expenses	-	1
Due from (to) New Jersey Institute of Technology	(244)	(4,381)
Annuity funds liability	(128)	(173)
Accounts payable	(4)	3
Deferred inflows of resources	269	-
Net cash used by operating activities	<u>\$ (1,862)</u>	<u>\$ (6,025)</u>
Noncash transactions:		
Additions to permanent endowments	\$ 294	\$ 455
Investment income	<u>\$ -</u>	<u>\$ 24</u>

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, 2019 and 2018

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 Board of 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, 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.

(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.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

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 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) Beneficial Interest Trusts

Donor-established and funded trusts, which are not in the possession of, nor under the control of the Foundation. Under the terms of the trusts, the Foundation has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity or for the life of the trust. Annual distributions from the trusts are reported as investment income and adjustments to the beneficial interest to reflect changes in the fair value (if any) are reported as net increase (decrease) in the fair value of investments in the statement of revenues, expenses, and changes in net position.

(g) Classification of Net Position

The Foundation classifies its resources into two net position categories:

- Restricted nonexpendable net position is comprised of endowment and beneficial interest in perpetual trusts funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Beneficial interest in perpetual trusts represent funds for which the Foundation is the beneficiary whose assets are not under its control.

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 of Overseers designates portions of its unrestricted net position for certain specific purposes (see Note 8).

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

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

(h) 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.

(i) 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.

(j) 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.

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

Cash held by NJIT is invested in money market funds totaling \$2,527 and \$2,516 at cost and fair value at June 30, 2019 and 2018, respectively. The cost and fair value of endowment investments, and their fair value measurements within the fair value hierarchy, are as follows:

	June 30, 2019					
	Cost	Fair Value	Fair Value Measurements			NAV
			Level 1	Level 2	Level 3	
Money market funds	\$ 6,253	\$ 6,253	\$ -	\$ 6,253	\$ -	\$ -
Corporate equity securities	40,786	53,242	53,242	-	-	-
Mutual equity funds	17,781	18,038	17,644	394	-	-
Mutual bond funds	17,556	17,324	15,807	1,517	-	-
Hedge and other investment funds	24,483	27,955	-	-	3,675	24,280
	<u>\$ 106,859</u>	<u>\$ 122,812</u>	<u>\$ 86,693</u>	<u>\$ 8,164</u>	<u>\$ 3,675</u>	<u>\$ 24,280</u>

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

	June 30, 2018					
	Cost	Fair Value	Fair Value Measurements			NAV
			Level 1	Level 2	Level 3	
Money market funds	\$ 2,207	\$ 2,207	\$ -	\$ 2,207	\$ -	\$ -
U.S. Treasury and government agency bonds	35	25	25	-	-	-
Corporate equity securities	39,262	49,655	49,655	-	-	-
Mutual equity funds	15,493	16,866	15,281	1,585	-	-
Mutual bond funds	16,890	15,227	15,000	227	-	-
Hedge and other investment funds	25,846	29,658	-	-	4,913	24,745
	<u>\$ 99,733</u>	<u>\$ 113,638</u>	<u>\$ 79,961</u>	<u>\$ 4,019</u>	<u>\$ 4,913</u>	<u>\$ 24,745</u>

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 \$3,764 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.

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, 2019 and 2018, \$356 and \$851, respectively, of NJIT's cash is insured by the Federal Deposit Insurance Corporation (FDIC), and \$500 of NJIT's cash and cash equivalents at June 30, 2018 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 \$122,812 and \$113,638 at June 30, 2019 and 2018, respectively, are either insured or held by the Foundation or its agent in the Foundation's name.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

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. The money market funds and mutual bond funds included in the Foundation's investment portfolio are not rated.

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.

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, 2019 and 2018, fixed income endowment investments have the following maturities:

		June 30, 2019			
		Investment Maturities (in years)			
Fair Value		Less than 1	1 to 5	5 to 10	
Money market funds	\$ 6,253	\$ 6,253	\$ -	\$ -	
Mutual bond funds	17,324	-	6,464	10,860	
	<u>\$ 23,577</u>	<u>\$ 6,253</u>	<u>\$ 6,464</u>	<u>\$ 10,860</u>	

		June 30, 2018			
		Investment Maturities (in years)			
Fair Value		Less than 1	1 to 5	5 to 10	
Money market funds	\$ 2,207	\$ 2,207	\$ -	\$ -	
U.S. Treasury and government agency bonds	25	25	-	-	
Mutual bond funds	15,227	34	10,950	4,243	
	<u>\$ 17,459</u>	<u>\$ 2,266</u>	<u>\$ 10,950</u>	<u>\$ 4,243</u>	

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

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,			
	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 6,214	\$ 6,214	\$ 2,195	\$ 2,195
Corporate equity securities	40,786	53,242	39,262	49,655
Mutual equity funds	17,305	17,541	14,985	15,127
Mutual bond funds	16,012	15,749	15,378	14,926
Hedge and other investment funds	24,476	27,948	25,826	29,638
	<u>\$ 104,793</u>	<u>\$ 120,694</u>	<u>\$ 97,646</u>	<u>\$ 111,541</u>

For the years ended June 30, 2019 and 2018, the average return for the endowment investment pool was 5.6% and 7.4%, 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, 2019 and 2018 were 4.7% and 4.6%, 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,	
	2019	2018
Pledges and other receivables, net (current):		
Pledges receivable	\$ 3,584	\$ 753
Accounts receivable	24	10
	<u>3,608</u>	<u>763</u>
Less: allowance for doubtful accounts	79	132
	<u>\$ 3,529</u>	<u>\$ 631</u>
Pledges receivable, net (noncurrent)		
Pledges receivable	\$ 191	\$ 303
Less: allowance for doubtful accounts	42	55
	<u>\$ 149</u>	<u>\$ 248</u>
Deferred inflows of resources:		
Annuity related funds	\$ 1,026	\$ 750
Beneficial interest trust related	99	-
	<u>\$ 1,125</u>	<u>\$ 750</u>

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

4. Beneficial Interest Trusts

The Foundation is the beneficiary of trusts whose assets are not under its control. The Foundation has legally enforceable rights or claims to its beneficial interest in the annual income from the trusts. During the fiscal years ended June 30, 2019 and 2018, the Foundation received \$111 and \$180, respectively, of income from perpetual trusts. The assets are carried at fair value (\$4,400 and \$4,237 at June 30, 2019 and 2018, respectively) based on the NAV reported by the trusts' managers. The Foundation also has a beneficial interest in a charitable remainder annuity trust, with a present value of \$99 at June 30, 2019.

5. 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 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>2019</u>	<u>2018</u>
Gifts annuities	\$ 195	\$ 284
Unitrusts	451	474
	<u>646</u>	<u>758</u>
Less: current portion	96	176
Annuity funds liability, noncurrent	<u>\$ 550</u>	<u>\$ 582</u>

The activity in the annuity funds liability for fiscal years 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 758	\$ 773
Net gain on investments	81	122
Annuity payments	(128)	(173)
Annuity maturities	(57)	-
Adjustments of liability to present value	(8)	36
Balance at June 30,	<u>\$ 646</u>	<u>\$ 758</u>

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

The components of net gain on investments for fiscal years 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 28	\$ 22
Realized net gain on the sale of investments	33	88
Net increase in the fair value of investments	<u>20</u>	<u>12</u>
	<u>\$ 81</u>	<u>\$ 122</u>

For the fiscal year ended June 30, 2019, annuity maturities of \$57 are included in gifts and bequests in the statement of revenues, expenses, and changes in net position.

Adjustment of liability to present value of (\$8) and \$36 (using discount rates ranging from 1.2% to 8.4%) at June 30, 2019 and 2018, respectively, are included in deferred inflows of resources in the statement of net position.

6. Investment Income

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 2,041	\$ 1,840
Realized net gain on sale of investments	1,912	6,198
Net increase in the fair value of investments	<u>2,191</u>	<u>434</u>
	<u>\$ 6,144</u>	<u>\$ 8,472</u>

7. 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 2019 and 2018 were \$127 and \$131, respectively. In fiscal years 2019 and 2018, NJIT donated services of \$2,683 and \$2,444, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation. In addition, during fiscal years 2019 and 2018, NJIT transferred \$3,353 and \$2,000, respectively, to the Foundation designated for quasi-endowment in support of scholarships.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2019 and 2018

During fiscal years 2019 and 2018, the Foundation made the following grants to NJIT:

	<u>2019</u>	<u>2018</u>
Scholarship and fellowship grants	\$ 5,594	\$ 3,676
Instructional and other grants	3,581	4,560
Construction grants	151	643
	<u>\$ 9,326</u>	<u>\$ 8,879</u>

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

In fiscal years 2019 and 2018, grants of \$120 and \$215, 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 \$56 and \$100 in fiscal years 2019 and 2018, 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.

8. Unrestricted Net Position

The components of unrestricted net position are as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 14,497	\$ 10,897
Instructional and other grants	7,561	7,656
	<u>22,058</u>	<u>18,553</u>
Undesignated unrestricted net position - operations	2,321	2,190
	<u>\$ 24,379</u>	<u>\$ 20,743</u>

Except for certain instructional and other grants of \$319 and \$462 at June 30, 2019 and 2018, respectively, the Foundation's designated unrestricted net position represents quasi-endowments.