



FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2012 and 2011

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Independent Auditors' Report

The Board of Overseers
Foundation at New Jersey Institute of Technology:

We have audited the accompanying basic financial statements of 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, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation at New Jersey Institute of Technology as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 through 6 be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

October 5, 2012

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2012 and 2011

Introduction

The following discussion and analysis provides an analytical overview of the financial position and activities of Foundation at New Jersey Institute of Technology (the Foundation) at and for the years ended June 30, 2012 and 2011. This discussion 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) resource development organization that raises and manages funds to support the further development and growth of programs at New Jersey Institute of Technology (NJIT).

Financial Highlights

The Foundation's financial position at June 30, 2012 and 2011 was sound, with total assets of \$79,652 and \$81,303 and total liabilities of \$2,184 and \$2,399, respectively. Net assets, which represent the excess of the Foundation's assets over its liabilities, totaled \$77,468 and \$78,904 at June 30, 2012 and 2011, respectively. Net assets decreased \$1,436 in fiscal year 2012, principally resulting from operating and investment losses, partially offset by additions to permanent endowments. Net assets increased \$11,081 in fiscal year 2011, principally resulting from investment income and additions to permanent endowments, partially offset by an operating loss.

The Financial Statements

The Foundation's financial statements include a statement of net assets at June 30, 2012 and 2011, and statements of revenues, expenses, and changes in net assets 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).

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2012 and 2011

Statement of Net Assets

The statement of net assets presents the Foundation's financial position at June 30, 2012 and 2011, and is summarized as follows. The summarized statement of net assets at June 30, 2010 is also presented for comparative purposes.

	June 30,		
	2012	2011	2010
Current assets	\$ 4,273	\$ 4,817	\$ 5,056
Endowment investments	74,513	75,582	64,527
Pledges receivable and other assets, noncurrent	866	904	914
Total assets	<u>79,652</u>	<u>81,303</u>	<u>70,497</u>
Annuity funds liability, current	489	506	492
Other current liabilities	—	35	97
Annuity funds liability, noncurrent	1,695	1,858	2,085
Total liabilities	<u>2,184</u>	<u>2,399</u>	<u>2,674</u>
Restricted nonexpendable	53,197	49,851	44,809
Restricted expendable	12,242	15,434	11,192
Unrestricted	12,029	13,619	11,822
Total net assets	<u>\$ 77,468</u>	<u>\$ 78,904</u>	<u>\$ 67,823</u>

Current assets consist of cash held by New Jersey Institute of Technology, pledges and other receivables, and prepaid expenses. Current assets decreased \$544 at June 30, 2012, as compared to June 30, 2011 as a result of a decrease in cash held by New Jersey Institute of Technology, partially offset by increases in pledges receivable and prepaid expenses. Current assets decreased \$239 at June 30, 2011 as compared to June 30, 2010 as a result of decreases in cash held by New Jersey Institute of Technology and prepaid expenses, partially offset by an increase in pledges receivable.

Endowment investments include gifts from donors that are to be invested in perpetuity, life income and annuity funds, unrestricted funds designated by management as quasi-endowment, and the related income and appreciation. Only the realized income and appreciation can be spent for the purposes specified by the donors in the gift documents. Endowment investments decreased 1.4% during fiscal year 2012 reflecting fair value decreases at June 30, 2012 and realized investment losses, partially offset by growth from new gifts. Endowment investments increased 17.1% during fiscal year 2011, reflecting fair value increases at June 30, 2011, realized investment income, and growth from new gifts.

Total liabilities include the current and noncurrent portions of annuity funds liability and other current liabilities. Annuity funds liability decreased \$180 at June 30, 2012, as compared to June 30, 2011, primarily due to annuity payments and a net loss on investments, partially offset by an adjustment of the liability to present value. Annuity funds liability decreased \$213 at June 30, 2011 as compared to June 30, 2010, primarily due to annuity payments, an adjustment of the liability to present value and annuity maturities, partially offset by a net gain on investments.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2012 and 2011

Restricted net assets represent the original value of additions to the Foundation's endowment, life income, and annuity funds, gifts that are restricted to use for specific purposes by the donor, endowment income, and other restricted resources. As discussed above, endowment funds represent gifts from donors that are to be invested in perpetuity. Life income and annuity funds are given to the Foundation to be invested with the stipulation that an agreed-upon sum be paid to the donor 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, 2012 and 2011, restricted net assets are composed of the following. The components of restricted net assets at June 30, 2010 are also presented for comparative purposes.

	June 30,		
	2012	2011	2010
Nonexpendable:			
Scholarship and fellowship grants	\$ 43,488	\$ 40,031	\$ 36,042
Instructional and other grants	9,709	9,820	8,767
Expendable:			
Scholarship and fellowship grants	5,358	7,862	4,880
Instructional and other grants	6,884	7,572	6,312
Total restricted net assets	<u>\$ 65,439</u>	<u>\$ 65,285</u>	<u>\$ 56,001</u>

Restricted net assets increased \$154 principally due to gifts and bequests and additions to permanent endowments, partially offset by realized net investment losses, a decrease in the fair value of investments at June 30, 2012, and operating expenses. Restricted net assets increased \$9,284 during fiscal year 2011, principally due to gifts and bequests, additions to permanent endowments, realized investment income, and an increase in the fair value of investments at June 30, 2011, partially offset by operating expenses. At June 30, 2012 and 2011, \$2,118 and \$1,571 were transferred from restricted nonexpendable net assets—scholarship and fellowship grants, and \$141 and \$26 were transferred from restricted nonexpendable net assets—instructional and other grants, respectively, to the corresponding restricted expendable net assets to temporarily fund deficits therein.

Unrestricted net assets are all other net assets that are available for general operations. Even though unrestricted net assets are not subject to external restrictions, management has designated the following unrestricted net assets in order to set them aside for the following specified purposes:

	June 30,		
	2012	2011	2010
Scholarship and fellowship grants	\$ 5,421	\$ 5,841	\$ 5,160
Instructional and other grants	5,800	6,250	4,753
Designated unrestricted net assets	<u>\$ 11,221</u>	<u>\$ 12,091</u>	<u>\$ 9,913</u>

Undesignated unrestricted net assets totaled \$808, \$1,528, and \$1,909 at June 30, 2012, 2011, and 2010, respectively.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2012 and 2011

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating results and the nonoperating and other revenues of the Foundation.

The components of revenues for the fiscal years ended June 30, 2012 and 2011 are as follows. The components of revenues for the fiscal year ended June 30, 2010 are also presented for comparative purposes.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Gifts and bequests	\$ <u>2,928</u>	\$ <u>3,513</u>	\$ <u>3,563</u>
Total operating revenues	<u>2,928</u>	<u>3,513</u>	<u>3,563</u>
Nonoperating and other revenues:			
Investment (loss) income	(1,817)	11,635	5,512
Additions to permanent endowments	4,008	2,311	3,299
Other nonoperating revenues	<u>19</u>	<u>21</u>	<u>14</u>
Total nonoperating and other revenues	<u>2,210</u>	<u>13,967</u>	<u>8,825</u>
Total revenues	\$ <u><u>5,138</u></u>	\$ <u><u>17,480</u></u>	\$ <u><u>12,388</u></u>

Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. Gifts and bequests totaled \$2,928 and \$3,513 for the fiscal years ended June 30, 2012 and 2011, respectively. Additions to permanent endowments were \$4,008 and \$2,311, respectively, including \$76 from matured annuity funds in fiscal year 2011.

Investment (loss) income includes interest and dividends, realized net (loss) gain on the sale of investments, and net (decrease) increase in the fair value of investments. Fiscal year 2012 investment income decreased by \$13,452 over fiscal year 2011 due to a decrease in the fair value of investments at June 30, 2012 and a realized net loss on the sale of investments, partially offset by increases in interest and dividends. Fiscal year 2011 investment income increased \$6,123 over fiscal year 2010, primarily due to an increase in the fair value of investments at June 30, 2011 and a realized net gain on the sale of investments.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2012 and 2011

The components of operating expenses for the fiscal years ended June 30, 2012 and 2011 are as follows. The components of operating expenses for the fiscal year ended June 30, 2010 are also presented for comparative purposes.

	<u>2012</u>		<u>2011</u>		<u>2010</u>
Operating expenses:					
Grants to New Jersey Institute of Technology	\$ 4,804	\$	4,611	\$	4,690
Fundraising	1,604		1,620		1,613
Foundation administration	166		168		124
Total operating expenses	<u>\$ 6,574</u>	<u>\$</u>	<u>6,399</u>	<u>\$</u>	<u>6,427</u>

Operating expenses increased 2.7% to \$6,574 in fiscal year 2012 after remaining relatively constant in fiscal year 2011. Grants to NJIT in the amounts of \$4,804 and \$4,611, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 73.1% and 72.1% of total operating expenses in fiscal years 2012 and 2011, respectively. Fundraising expense comprised 24.4% and 25.3% of total operating expenses in fiscal years 2012 and 2011, respectively. Foundation administration expense comprised 2.5% and 2.6% of total operating expenses in fiscal years 2012 and 2011, respectively.

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 2012, the Foundation's fundraising efforts generated gifts and bequests of \$2,928 and additions to permanent endowments of \$4,008. It is management's intention to continue to place a significant emphasis on fundraising efforts.

The Foundation's endowment is prudently managed, with a broad-based asset allocation. The Foundation's endowment investment strategy is designed to maximize total returns, at an acceptable level of risk, over the long term. A group of managers each focused on their sector of the asset allocation, limited exposure to sub-prime investments, and use of alternative investments, including timber, to implement the investment strategy have, to date, been reasonably effective given the overall market conditions.

The endowment spending policy provides for appropriate funding of donors' purposes. Scholarship and fellowship grants, instructional and other grants, and construction grants totaling \$4,804 were made to NJIT in fiscal year 2012. Unrestricted net assets totaled \$12,029 at June 30 2012, of which \$11,221 is designated for future grants to NJIT.

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 Assets

(Dollars in thousands)

at June 30,

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 3,619	\$ 4,306
Pledges and other receivables, net	603	506
Prepaid expenses	51	5
Total current assets	<u>4,273</u>	<u>4,817</u>
Noncurrent assets:		
Endowment investments	74,513	75,582
Pledges receivable, net	850	888
Other assets	16	16
Total noncurrent assets	<u>75,379</u>	<u>76,486</u>
Total assets	<u>\$ 79,652</u>	<u>\$ 81,303</u>
Liabilities		
Current liabilities:		
Annuity funds liability, current portion	\$ 489	\$ 506
Other current liabilities	—	35
Total current liabilities	<u>489</u>	<u>541</u>
Noncurrent liabilities:		
Annuity funds liability	<u>1,695</u>	<u>1,858</u>
Total liabilities	<u>\$ 2,184</u>	<u>\$ 2,399</u>
Net Assets		
Restricted for:		
Nonexpendable:		
Scholarship and fellowship grants	\$ 43,488	\$ 40,031
Instructional and other grants	9,709	9,820
Expendable:		
Scholarship and fellowship grants	5,358	7,862
Instructional and other grants	6,884	7,572
Unrestricted (see note 6)	<u>12,029</u>	<u>13,619</u>
Total net assets	<u><u>\$ 77,468</u></u>	<u><u>\$ 78,904</u></u>

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

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Revenues, Expenses, and Changes in Net Assets

(Dollars in thousands)

For the years ended June 30,

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Gifts and bequests	\$ 2,928	\$ 3,513
Total operating revenues	<u>2,928</u>	<u>3,513</u>
Operating expenses:		
Grants to New Jersey Institute of Technology	4,804	4,611
Fundraising	1,604	1,620
Foundation administration	166	168
Total operating expenses	<u>6,574</u>	<u>6,399</u>
Operating loss	<u>(3,646)</u>	<u>(2,886)</u>
Nonoperating (loss) revenues:		
Investment (loss) income	(1,817)	11,635
Other nonoperating revenues	19	21
Total nonoperating (loss) revenues	<u>(1,798)</u>	<u>11,656</u>
(Loss) income before other revenues	<u>(5,444)</u>	<u>8,770</u>
Other revenues:		
Additions to permanent endowments	4,008	2,311
(Decrease) increase in net assets	<u>(1,436)</u>	<u>11,081</u>
Net assets, beginning of year	<u>78,904</u>	<u>67,823</u>
Net assets, end of year	<u>\$ 77,468</u>	<u>\$ 78,904</u>

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

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

(Dollars in thousands)

For the years ended June 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Gifts and bequests	\$ 2,258	\$ 3,027
Grants to New Jersey Institute of Technology	(4,206)	(4,151)
Payments for salaries and fringe benefits	(1,374)	(1,292)
Payments on annuity funds	(481)	(510)
Payments to suppliers	(477)	(548)
Net cash used by operating activities	<u>(4,280)</u>	<u>(3,474)</u>
Cash flows from noncapital financing activities:		
Additions to permanent endowments	4,441	1,753
Other	19	21
Net cash provided by noncapital financing activities	<u>4,460</u>	<u>1,774</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	18,885	23,176
Interest and dividends on investments	1,348	958
Purchase of investments	(21,100)	(22,680)
Net cash (used by) provided by investing activities	<u>(867)</u>	<u>1,454</u>
Net decrease in cash held by New Jersey Institute of Technology	(687)	(246)
Cash held by New Jersey Institute of Technology, beginning of year	<u>4,306</u>	<u>4,552</u>
Cash held by New Jersey Institute of Technology, end of year	<u>\$ 3,619</u>	<u>\$ 4,306</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (3,646)	\$ (2,886)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(610)	(476)
Noncash operating expenses	598	460
Changes in assets and liabilities:		
Pledges and other receivables	(60)	(10)
Prepaid expenses	(46)	10
Annuity funds liability	(481)	(510)
Other current liabilities	(35)	(62)
Net cash used by operating activities	<u>\$ (4,280)</u>	<u>\$ (3,474)</u>
Noncash transactions:		
Additions to permanent endowments	\$ 7	\$ 123

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

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

1. Organization and Summary of Significant Accounting Policies

Foundation at New Jersey Institute of Technology (the 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*, the Foundation, because of the significance of its operational and financial relationships with NJIT, 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 State of New Jersey's Comprehensive Annual Financial Report.

(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 financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of net assets 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 assets.

(d) *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 on the net asset values 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 assets.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

(e) *Classification of Net Assets*

The Foundation classifies its resources into two net asset categories:

- Restricted nonexpendable net assets are comprised of endowment, life income, and annuity funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the realized income and appreciation be utilized.

Restricted expendable net assets include 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 purposes specified by the donor.

- Unrestricted net assets are derived principally from gifts and bequests and investment income, and are spent to meet the objectives of the Foundation. The Foundation designates portions of its unrestricted net assets for certain specific purposes (see Note 6).

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

(f) *Classification of Revenue*

Operating revenues are those that result from the Foundation's principal purpose of fundraising, and are generally associated with nonexchange transactions. Nonoperating revenues, which generally consist of exchange transactions, 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.

(g) *Revenue Recognition*

Gifts and bequests are recorded upon their donation to the Foundation. Pledges, other than endowment, are recognized as gift income and recorded at their present value. Additions to permanent endowments are recognized upon their receipt.

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, for which they are based on average cost.

(h) *Tax Status*

The Foundation has received a determination letter from the Internal Revenue Service stating that it is 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.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

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

Cash held by NJIT is invested in money market funds totaling \$3,619 and \$4,306 at cost and fair value at June 30, 2012 and 2011, respectively. Money market funds have an investment maturity of less than one year and are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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 cost and fair value of endowment investments are as follows:

	June 30,			
	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Endowment investments:				
Money market funds	\$ 4,581	\$ 4,581	\$ 2,566	\$ 2,566
U.S. Treasury and government agency bonds	1,387	1,483	1,282	1,353
Corporate equity securities	20,857	23,531	12,479	15,381
Corporate debt securities	661	712	587	619
Mutual equity funds	10,825	11,179	20,437	20,991
Mutual bond funds	8,513	8,960	8,256	8,620
Hedge and other investment funds	23,876	24,067	24,649	26,052
Total endowment investments	<u>\$ 70,700</u>	<u>\$ 74,513</u>	<u>\$ 70,256</u>	<u>\$ 75,582</u>

All of the endowment investments are either insured or held by the Foundation or its agent in the Foundation's name, except for money market and mutual funds, which are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Endowment investments totaling \$2,143 and \$2,295 at fair value (\$1,992 and \$2,093 at cost) at June 30, 2012 and 2011, 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 market neutral funds and private equity, real estate, and timber funds. The Foundation is committed to invest an additional \$963 in these funds over the next two fiscal years.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

The Foundation invests in investment grade bonds rated at least BBB (or equivalent) at the time of purchase and in repurchase agreements rated at least A1 (or equivalent) at the time of purchase. The Foundation may also invest in below investment grade bonds to serve as equity substitutes within the overall allocation for equities. There is no limitation placed on the ownership of U.S. Treasury or government agency bonds. The endowment investment policy establishes as an objective that the aggregate fixed income portfolio have an average rating of A or better.

The Foundation limits its investments to 5% of the securities of any one company and 15% of the securities of any one industry, in order to achieve a prudent level of portfolio diversification.

At June 30, 2012 and 2011, fixed income endowment investments have the following maturities:

Investment Type	Fair Value	June 30, 2012			
		Investment Maturities (in years)			
		Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	\$ 4,581	\$ 4,581	\$ —	\$ —	\$ —
U.S. Treasury and government agency bonds	1,483	61	1,053	326	43
Corporate debt securities	712	93	318	111	190
Mutual bond funds	8,960	54	3,134	5,772	—
Total fixed income endowment investments	\$ 15,736	\$ 4,789	\$ 4,505	\$ 6,209	\$ 233

Investment Type	Fair Value	June 30, 2011			
		Investment Maturities (in years)			
		Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	\$ 2,566	\$ 2,566	\$ —	\$ —	\$ —
U.S. Treasury and government agency bonds	1,353	19	1,272	24	38
Corporate debt securities	619	82	221	146	170
Mutual bond funds	8,620	37	6,038	2,545	—
Total fixed income endowment investments	\$ 13,158	\$ 2,704	\$ 7,531	\$ 2,715	\$ 208

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

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,			
	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 4,294	\$ 4,294	\$ 2,223	\$ 2,223
Corporate equity securities	20,493	23,154	12,283	15,171
Mutual equity funds	8,520	8,927	17,221	17,682
Mutual bond funds	7,051	7,474	6,744	7,078
Hedge and other investment funds	23,653	23,829	24,441	25,847
Total endowment investment pool	<u>\$ 64,011</u>	<u>\$ 67,678</u>	<u>\$ 62,912</u>	<u>\$ 68,001</u>

In order to limit the risks associated with changes in interest rates, the Foundation's endowment investment policy calls for a weighted average portfolio duration of not more than seven and one-half years for fixed income securities. At June 30, 2012 and 2011, the weighted average portfolio duration of fixed income securities included in the Foundation's endowment investment pool was 4.4 years and 4.1 years, respectively.

Endowment investment pool units are assigned to new gifts based upon the value of the pool at the end of the quarter in which the gifts are received. There were 352,948 and 329,157 pool units with a fair unit value of \$191.75 and \$206.59 at June 30, 2012 and 2011, respectively. For the years ended June 30, 2012 and 2011, the average return per pool unit was (7.0%) and 16.0%, respectively.

The spending policy for endowment funds requires an annual calculation based on a three year rolling average of the market value per pool unit. The spending rates for the years ended June 30, 2012 and 2011 were 5.4% and 5.1%, respectively.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

3. Supplementary Statement of Net Assets Detail

	June 30,	
	2012	2011
Pledges and other receivables, net (current):		
Pledges receivable	\$ 630	\$ 487
Accounts receivable	150	150
Interest receivable	12	13
	<hr/> 792	<hr/> 650
Less: allowance for doubtful accounts	189	144
	<hr/> \$ 603	<hr/> \$ 506
Pledges receivable, net (noncurrent):		
Pledges receivable	\$ 1,238	\$ 1,293
Less: allowance for doubtful accounts	388	405
	<hr/> \$ 850	<hr/> \$ 888

4. Transactions with New Jersey Institute of Technology

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 fundraising and administrative employees for the fiscal years ended June 30, 2012 and 2011 were:

	2012	2011
Fundraising	\$ 1,242	\$ 1,162
Foundation administration	132	130
	<hr/> \$ 1,374	<hr/> \$ 1,292

During fiscal years 2012 and 2011, the Foundation made the following grants to NJIT:

	2012	2011
Scholarship and fellowship grants	\$ 2,837	\$ 2,911
Instructional and other grants	1,867	1,532
Construction grants	100	168
Grants to NJIT	<hr/> \$ 4,804	<hr/> \$ 4,611

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

5. Annuity Funds Liability

Life income and annuity funds are composed of gift annuities and charitable remainder unitrusts (Unitrusts). These funds are given to the Foundation to be invested with the stipulation that the Foundation pay an agreed-upon sum to the donor for a period of time or for the beneficiary's lifetime. At the termination of the agreement, the remaining funds are used for the purpose designated by the donor.

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

	2012	2011
Gift annuities	\$ 1,742	\$ 1,879
Unitrusts	442	485
	<u>2,184</u>	<u>2,364</u>
Less: current portion	489	506
Annuity funds liability, noncurrent	<u>\$ 1,695</u>	<u>\$ 1,858</u>

The activity in the annuity funds liability for fiscal years 2012 and 2011 was as follows:

	2012	2011
Balance, beginning of year	\$ 2,364	\$ 2,577
Net (loss) gain on investments	(139)	808
Annuity payments	(481)	(510)
Annuity maturities	—	(76)
Adjustment of liability to present value	440	(435)
Balance at June 30,	<u>\$ 2,184</u>	<u>\$ 2,364</u>

Included in net (loss) gain on investments are a net decrease of \$95 and a net increase of \$814 in the fair value of investments at June 30, 2012 and 2011, respectively.

For the fiscal year ended June 30, 2011, annuity maturities of \$76 are included in additions to permanent endowments in the statement of revenues, expenses, and changes in net assets.

Adjustment of liability to present value of \$440 and (\$435) at June 30, 2012 and 2011, respectively, is included in additions to permanent endowments in the statement of revenues, expenses, and changes in net assets.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2012 and 2011

6. Unrestricted Net Assets

The components of unrestricted net assets are as follows:

	June 30,	
	2012	2011
Designated unrestricted net assets:		
Scholarship and fellowship grants	\$ 5,421	\$ 5,841
Instructional and other grants	5,800	6,250
	<u>11,221</u>	<u>12,091</u>
Undesignated unrestricted net assets	808	1,528
Unrestricted net assets	<u>\$ 12,029</u>	<u>\$ 13,619</u>

7. Investment (Loss) Income

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

	2012	2011
Interest and dividends	\$ 1,390	\$ 964
Realized net (loss) gain on sale of investments	(1,789)	2,350
Net (decrease) increase in the fair value of investments	<u>(1,418)</u>	<u>8,321</u>
Investment (loss) income	<u>\$ (1,817)</u>	<u>\$ 11,635</u>

At June 30, 2012 and 2011, \$2,118 and \$1,571 were transferred from restricted nonexpendable net assets—scholarship and fellowship grants, and \$141 and \$26 were transferred from restricted nonexpendable net assets—instructional and other grants, respectively, to the corresponding restricted expendable net assets to temporarily fund deficits therein.