



FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Financial Statements and
Management's Discussion and Analysis

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

June 30, 2013 and 2012

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Independent Auditors' Report

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

We have audited the accompanying 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, 2013 and 2012, 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 U.S. generally accepted accounting principles; 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 auditors' 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 financial position of Foundation at New Jersey Institute of Technology as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 7 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 11, 2013

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2013 and 2012

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, 2013 and 2012. 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, 2013 and 2012 was sound, with total assets of \$87,282 and \$79,652 and total liabilities of \$2,005 and \$2,184, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities, totaled \$85,277 and \$77,468 at June 30, 2013 and 2012, respectively. Net position increased \$7,809 in fiscal year 2013, principally resulting from investment gains and additions to permanent endowments, partially offset by an operating loss. Net position decreased \$1,436 in fiscal year 2012, principally resulting from operating and investment losses, partially offset by additions to permanent endowments.

The Financial Statements

The Foundation's financial statements include a statement of net position at June 30, 2013 and 2012, 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).

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2013 and 2012

Statement of Net Position

The statement of net position presents the Foundation's financial position at June 30, 2013 and 2012, and is summarized as follows. The summarized statement of net position at June 30, 2011 is also presented for comparative purposes.

	June 30,		
	2013	2012	2011
Current assets	\$ 3,959	\$ 4,273	\$ 4,817
Endowment investments	82,925	74,513	75,582
Pledges receivable and other assets, noncurrent	398	866	904
Total assets	87,282	79,652	81,303
Annuity funds liability, current	469	489	506
Other current liabilities	—	—	35
Annuity funds liability, noncurrent	1,536	1,695	1,858
Total liabilities	2,005	2,184	2,399
Restricted nonexpendable	58,952	53,197	49,851
Restricted expendable	14,124	12,242	15,434
Unrestricted	12,201	12,029	13,619
Total net position	\$ 85,277	\$ 77,468	\$ 78,904

Current assets consist of cash held by New Jersey Institute of Technology, pledges and other receivables, and prepaid expenses. Current assets decreased \$314 at June 30, 2013, as compared to June 30, 2012, as a result of a decrease in pledges receivable and prepaid expenses, partially offset by an increase in cash held by New Jersey Institute of Technology. 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.

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 increased 11.3% during fiscal year 2013 reflecting fair value increases at June 30, 2013, realized investment gains, and growth from new gifts. 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.

Total liabilities consist of the current and noncurrent portions of annuity funds liability. Annuity funds liability decreased \$179 at June 30, 2013, as compared to June 30, 2012, primarily due to annuity payments and an adjustment of the liability to present value, partially offset by a net gain on investments. 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.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2013 and 2012

Restricted net position represents the original value of additions to the Foundation's endowment, the remainder of 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 the Foundation pay an agreed-upon sum 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, 2013 and 2012, restricted net position is composed of the following. The components of restricted net position at June 30, 2011 are also presented for comparative purposes.

	June 30,		
	2013	2012	2011
Nonexpendable:			
Scholarship and fellowship grants	\$ 49,135	\$ 43,488	\$ 40,031
Instructional and other grants	9,817	9,709	9,820
Expendable:			
Scholarship and fellowship grants	6,816	5,358	7,862
Instructional and other grants	7,308	6,884	7,572
	<u>\$ 73,076</u>	<u>\$ 65,439</u>	<u>\$ 65,285</u>

Restricted net position increased \$7,637 during fiscal year 2013, principally due to an increase in the fair value of investments at June 30, 2013, realized net investment gains, gifts and bequests, and additions to permanent endowments, partially offset by operating expenses. Restricted net position increased \$154 during fiscal year 2012, 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. At June 30, 2013 and 2012, \$1,136 and \$2,118 were transferred from restricted nonexpendable net position – scholarship and fellowship grants, and \$36 and \$141 were transferred from restricted nonexpendable net position – instructional and other grants, respectively, to the corresponding restricted expendable net position to temporarily fund deficits therein.

The unrestricted component of net position is all other net position that is available for general operations. Even though unrestricted net position is not subject to external restrictions, management has designated a portion of the unrestricted net position for the following specified purposes:

	June 30,		
	2013	2012	2011
Scholarship and fellowship grants	\$ 5,740	\$ 5,421	\$ 5,841
Instructional and other grants	6,194	5,800	6,250
	<u>\$ 11,934</u>	<u>\$ 11,221</u>	<u>\$ 12,091</u>

Undesignated unrestricted net position totaled \$267, \$808, and \$1,528 at June 30, 2013, 2012, and 2011, respectively.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2013 and 2012

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 nonoperating and other revenues of the Foundation.

The components of revenues for the fiscal years ended June 30, 2013 and 2012 are as follows. The components of revenues for the fiscal year ended June 30, 2011 are also presented for comparative purposes.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Gifts and bequests	\$ <u>3,737</u>	\$ <u>2,928</u>	\$ <u>3,513</u>
Total operating revenues	<u>3,737</u>	<u>2,928</u>	<u>3,513</u>
Nonoperating and other revenues:			
Investment income (loss)	6,917	(1,817)	11,635
Additions to permanent endowments	4,668	4,008	2,311
Other nonoperating revenues	<u>24</u>	<u>19</u>	<u>21</u>
Total nonoperating and other revenues	<u>11,609</u>	<u>2,210</u>	<u>13,967</u>
Total revenues	\$ <u><u>15,346</u></u>	\$ <u><u>5,138</u></u>	\$ <u><u>17,480</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 \$3,737 and \$2,928 for the fiscal years ended June 30, 2013 and 2012, respectively. Additions to permanent endowments were \$4,668 and \$4,008, respectively, including \$33 from annuity maturities in fiscal year 2013.

Investment income (loss) includes interest and dividends, realized net gain (loss) on the sale of investments, and net increase (decrease) in the fair value of investments. Fiscal year 2013 investment income increased by \$8,734 over fiscal year 2012 due to increases in the fair value of investments at June 30, 2013 and a realized net gain on the sale of investments, partially offset by a decrease in interest and dividends. 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.

The components of operating expenses for the fiscal years ended June 30, 2013 and 2012 are as follows. The components of operating expenses for the fiscal year ended June 30, 2011 are also presented for comparative purposes.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ <u>5,225</u>	\$ <u>4,804</u>	\$ <u>4,611</u>
Fundraising	<u>2,072</u>	<u>1,604</u>	<u>1,620</u>
Foundation administration	<u>240</u>	<u>166</u>	<u>168</u>
Total operating expenses	\$ <u><u>7,537</u></u>	\$ <u><u>6,574</u></u>	\$ <u><u>6,399</u></u>

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)

June 30, 2013 and 2012

Operating expenses increased 14.6% to \$7,537 in fiscal year 2013 after remaining relatively constant in fiscal year 2012.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 69.3% and 73.1% of total operating expenses in fiscal years 2013 and 2012, respectively. The recipients of the grants are determined by NJIT, in accordance with donor and other restrictions. The fiscal year 2013 increase of \$421 principally relates to an increase in construction related grants, partially offset by a decrease in instructional and other grants.

Fundraising expense comprised 27.5% and 24.4% of total operating expenses in fiscal years 2013 and 2012, respectively. The fiscal year 2013 increase of \$468, principally relates to increases in salaries and benefits, primarily due to a fringe benefit equalization adjustment, and fundraising event costs.

Foundation administration expense comprised 3.2% and 2.5% of total operating expenses in fiscal years 2013 and 2012, respectively. The fiscal year 2013 increase of \$74 principally relates to costs incurred in support of NJIT's participation in an industry-led education outreach program regarding public funding of higher education initiatives.

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 2013, the Foundation's fundraising efforts generated gifts and bequests of \$3,737 and additions to permanent endowments of \$4,668. 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 maintain purchasing power of pooled endowment fund assets, with an emphasis on total return. 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.

The endowment spending policy provides for appropriate funding of donors' purposes. Scholarship and fellowship grants, instructional and other grants, and construction grants totaling \$5,225 were made to NJIT in fiscal year 2013. Unrestricted net position totaled \$12,201 at June 30 2013, of which \$11,934 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 Position

(Dollars in thousands)

At June 30,

	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 3,681	\$ 3,619
Pledges and other receivables, net	256	603
Prepaid expenses	<u>22</u>	<u>51</u>
Total current assets	<u>3,959</u>	<u>4,273</u>
Noncurrent assets:		
Endowment investments	82,925	74,513
Pledges receivable, net	382	850
Other assets	<u>16</u>	<u>16</u>
Total noncurrent assets	<u>83,323</u>	<u>75,379</u>
Total assets	<u>\$ 87,282</u>	<u>\$ 79,652</u>
Liabilities		
Current liabilities:		
Annuity funds liability, current portion	\$ <u>469</u>	\$ <u>489</u>
Total current liabilities	<u>469</u>	<u>489</u>
Noncurrent liabilities:		
Annuity funds liability	<u>1,536</u>	<u>1,695</u>
Total liabilities	<u>\$ 2,005</u>	<u>\$ 2,184</u>
Net Position		
Restricted for:		
Nonexpendable:		
Scholarship and fellowship grants	\$ 49,135	\$ 43,488
Instructional and other grants	9,817	9,709
Expendable:		
Scholarship and fellowship grants	6,816	5,358
Instructional and other grants	7,308	6,884
Unrestricted (see note 6)	<u>12,201</u>	<u>12,029</u>
Total net position	<u><u>\$ 85,277</u></u>	<u><u>\$ 77,468</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 Position

(Dollars in thousands)

For the years ended June 30,

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Gifts and bequests	\$ 3,737	\$ 2,928
Total operating revenues	<u>3,737</u>	<u>2,928</u>
Operating expenses:		
Grants to New Jersey Institute of Technology	5,225	4,804
Fundraising	2,072	1,604
Foundation administration	240	166
Total operating expenses	<u>7,537</u>	<u>6,574</u>
Operating loss	<u>(3,800)</u>	<u>(3,646)</u>
Nonoperating revenues (loss):		
Investment income (loss)	6,917	(1,817)
Other nonoperating revenues	24	19
Total nonoperating revenues (loss)	<u>6,941</u>	<u>(1,798)</u>
Income (loss) before other revenues	<u>3,141</u>	<u>(5,444)</u>
Other revenues:		
Additions to permanent endowments	4,668	4,008
Increase (decrease) in net assets	<u>7,809</u>	<u>(1,436)</u>
Net position, beginning of year	<u>77,468</u>	<u>78,904</u>
Net position, end of year	<u>\$ 85,277</u>	<u>\$ 77,468</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>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Gifts and bequests	\$ 4,234	\$ 2,258
Grants to New Jersey Institute of Technology	(5,133)	(4,206)
Payments for salaries and fringe benefits	(1,686)	(1,374)
Payments on annuity funds	(468)	(481)
Payments to suppliers	(571)	(477)
Net cash used by operating activities	<u>(3,624)</u>	<u>(4,280)</u>
Cash flows from noncapital financing activities:		
Additions to permanent endowments	4,492	4,441
New annuity agreement	21	—
Other	24	19
Net cash provided by noncapital financing activities	<u>4,537</u>	<u>4,460</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	26,257	18,885
Interest and dividends on investments	1,507	1,348
Purchase of investments	(28,615)	(21,100)
Net cash used by investing activities	<u>(851)</u>	<u>(867)</u>
Net increase (decrease) in cash held by New Jersey Institute of Technology	62	(687)
Cash held by New Jersey Institute of Technology, beginning of year	<u>3,619</u>	<u>4,306</u>
Cash held by New Jersey Institute of Technology, end of year	<u>\$ 3,681</u>	<u>\$ 3,619</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (3,800)	\$ (3,646)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(164)	(610)
Noncash operating expenses	118	598
Changes in assets and liabilities:		
Pledges and other receivables	661	(60)
Prepaid expenses	29	(46)
Annuity funds liability	(468)	(481)
Other current liabilities	—	(35)
Net cash used by operating activities	<u>\$ (3,624)</u>	<u>\$ (4,280)</u>
Noncash transactions:		
Additions to permanent endowments	\$ 79	\$ 7

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, 2013 and 2012

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*, 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, 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.

Effective July 1, 2012, the Foundation adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, (GASB 63), which standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effect on the Foundation's net position. The financial reporting impact resulting from the adoption of GASB 63 was the renaming of "Net Assets" to "Net Position."

(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 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) 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.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

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.

(e) Classification of Net Position

The Foundation classifies its resources into two net position categories:

- Restricted nonexpendable net position is comprised of endowment and 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 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 spent to meet the objectives of the Foundation. The Foundation designates portions of its unrestricted net position 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 on income generated by activities that are substantially related to its tax-exempt purpose.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2013 and 2012

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

Cash held by NJIT is invested in money market funds totaling \$3,681 and \$3,619 at cost and fair value at June 30, 2013 and 2012, respectively.

The cost and fair value of endowment investments are as follows:

	June 30,			
	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Endowment investments:				
Money market funds	\$ 4,410	\$ 4,410	\$ 4,581	\$ 4,581
U.S. Treasury and government agency bonds	1,142	1,170	1,387	1,483
Corporate equity securities	22,561	26,881	20,857	23,531
Corporate debt securities	237	249	661	712
Mutual equity funds	18,676	19,273	10,825	11,179
Mutual bond funds	9,383	9,651	8,513	8,960
Hedge and other investment funds	17,710	18,491	23,876	24,067
Receivable for investments sold	2,800	2,800	—	—
	<u>\$ 76,919</u>	<u>\$ 82,925</u>	<u>\$ 70,700</u>	<u>\$ 74,513</u>

Endowment investments totaling \$2,712 and \$2,143 at fair value (\$2,473 and \$1,992 at cost) at June 30, 2013 and 2012, 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 and private equity, real estate, and timber funds. The Foundation is committed to invest an additional \$2,685 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 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 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, 2013 and 2012

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 Foundation's investment policy does not address custodial credit risk. 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. At June 30, 2013 and 2012, \$80,213 and \$72,370, respectively, of endowment investments 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 Foundation'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. Corporate debt securities are rated as follows by Standard & Poor's:

	Rating	June 30,	
		2013	2012
Corporate debt securities	AAA	\$ 2	\$ —
Corporate debt securities	AA+	3	50
Corporate debt securities	AA-	53	104
Corporate debt securities	A+	2	25
Corporate debt securities	A	60	52
Corporate debt securities	A-	79	201
Corporate debt securities	BBB+	45	80
Corporate debt securities	BBB	5	21
Corporate debt securities	BB+	—	23
Corporate debt securities	Not Rated	—	156
Total corporate debt securities		\$ 249	\$ 712

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.

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(Dollars in thousands)

June 30, 2013 and 2012

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Foundation'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, 2013 and 2012, fixed income endowment investments have the following maturities:

		June 30, 2013			
		Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	5 to 10	More Than 10
Money market funds	\$ 4,410	\$ 4,410	\$ —	\$ —	\$ —
U.S. Treasury and government agency bonds	1,170	507	377	286	—
Corporate debt securities	249	5	244	—	—
Mutual bond funds	9,651	104	6,337	3,210	—
	<u>\$ 15,480</u>	<u>\$ 5,026</u>	<u>\$ 6,958</u>	<u>\$ 3,496</u>	<u>\$ —</u>

		June 30, 2012			
		Investment Maturities (in years)			
	Fair Value	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	—
	<u>\$ 15,736</u>	<u>\$ 4,789</u>	<u>\$ 4,505</u>	<u>\$ 6,209</u>	<u>\$ 233</u>

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,			
		2013		2012	
		Cost	Fair Value	Cost	Fair Value
Money market funds	\$	4,140	\$ 4,140	\$ 4,294	\$ 4,294
Corporate equity securities		22,037	26,296	20,493	23,154
Mutual equity funds		15,768	16,130	8,520	8,927
Mutual bond funds		8,456	8,730	7,051	7,474
Hedge and other investment funds		17,564	18,320	23,653	23,829
Receivable for investments sold		2,800	2,800	—	—
	<u>\$</u>	<u>70,765</u>	<u>\$ 76,416</u>	<u>\$ 64,011</u>	<u>\$ 67,678</u>

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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 376,358 and 352,948 pool units with a fair unit value of \$203.04 and \$191.75 at June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, the average return of the endowment investment pool was 11.5% and (1.8%), 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, 2013 and 2012 were 5.5% and 5.4%, respectively. The Foundation complies with the "Uniform Prudent Management of Institutional Funds Act", which governs the management and use of funds held by it.

3. Supplementary Statement of Net Position Detail

	June 30,	
	2013	2012
Pledges and other receivables, net (current):		
Pledges receivable	\$ 354	\$ 630
Accounts receivable	—	150
Interest receivable	8	12
	<u>362</u>	<u>792</u>
Less allowance for doubtful accounts	<u>106</u>	<u>189</u>
	<u>\$ 256</u>	<u>\$ 603</u>
Pledges receivable, net (noncurrent):		
Pledges receivable	\$ 549	\$ 1,238
Less: allowance for doubtful accounts	<u>167</u>	<u>388</u>
	<u>\$ 382</u>	<u>\$ 850</u>

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, 2013 and 2012 were:

	2013	2012
Fundraising	\$ 1,536	\$ 1,242
Foundation administration	<u>150</u>	<u>132</u>
	<u>\$ 1,686</u>	<u>\$ 1,374</u>

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(Dollars in thousands)

June 30, 2013 and 2012

During fiscal years 2013 and 2012, the Foundation made the following grants to NJIT:

	2013	2012
Scholarship and fellowship grants	\$ 2,793	\$ 2,837
Instructional and other grants	1,482	1,867
Construction grants	950	100
	<u>\$ 5,225</u>	<u>\$ 4,804</u>

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

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 designated individuals 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:

	2013	2012
Gift annuities	\$ 1,566	\$ 1,742
Unitrusts	439	442
	2,005	2,184
Less current portion	469	489
Annuity funds liability, noncurrent	<u>\$ 1,536</u>	<u>\$ 1,695</u>

The activity in the annuity funds liability for fiscal years 2013 and 2012 was as follows:

	2013	2012
Balance, beginning of year	\$ 2,184	\$ 2,364
New annuity agreements	21	—
Net gain (loss) on investments	398	(139)
Annuity payments	(468)	(481)
Annuity maturities	(33)	—
Adjustment of liability to present value	(97)	440
Balance at June 30,	<u>\$ 2,005</u>	<u>\$ 2,184</u>

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(Dollars in thousands)

June 30, 2013 and 2012

Included in net gain (loss) on investments are a net increase of \$285 and a net decrease of \$95 in the fair value of investments at June 30, 2013 and 2012, respectively.

For the fiscal year ended June 30, 2013, annuity maturities of \$33 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 (\$97) and \$440 at June 30, 2013 and 2012, respectively, are included in additions to permanent endowments in the statement of revenues, expenses, and changes in net position.

6. Unrestricted Net Position

The components of unrestricted net position are as follows:

	June 30,	
	2013	2012
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 5,740	\$ 5,421
Instructional and other grants	6,194	5,800
	<u>11,934</u>	<u>11,221</u>
Undesignated unrestricted net position	267	808
	<u>\$ 12,201</u>	<u>\$ 12,029</u>

7. Investment Income (Loss)

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

	2013	2012
Interest and dividends	\$ 1,319	\$ 1,390
Realized net gain (loss) on sale of investments	3,690	(1,789)
Net increase (decrease) in the fair value of investments	<u>1,908</u>	<u>(1,418)</u>
	<u>\$ 6,917</u>	<u>\$ (1,817)</u>

At June 30, 2013 and 2012, \$1,136 and \$2,118 were transferred from restricted nonexpendable net position – scholarship and fellowship grants, and \$36 and \$141 were transferred from restricted nonexpendable net position – instructional and other grants, respectively, to the corresponding restricted expendable net position to temporarily fund deficits therein.