

**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, 2015 and 2014

**FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY**  
**June 30, 2015 and 2014**  
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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the business-type activities of 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Foundation at New Jersey Institute of Technology as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis included on pages 3 through 8 be presented to supplement the basic financial statements. Such 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. However, 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.

A handwritten signature in cursive script that reads "GRANT THORNTON LLP".

Iselin, New Jersey  
January 11, 2016



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**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, 2015 and 2014. 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) tax-exempt resource development organization that raises and manages funds to support the further development and growth of programs at New Jersey Institute of Technology (NJIT).

**The Financial Statements**

The Foundation's financial statements include a statement of net position at June 30, 2015 and 2014, 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, 2015 and 2014 was sound, with total assets of \$104,167 and \$101,560 and total liabilities of \$979 and \$1,118, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities, totaled \$103,188 and \$100,442 at June 30, 2015 and 2014, respectively. Net position increased \$2,746 and \$15,165 in fiscal years 2015 and 2014, respectively, principally resulting from additions to permanent endowments and investment income, partially offset by an operating loss.

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**Statement of Net Position**

The statement of net position presents the Foundation's financial position at June 30, 2015 and 2014, and is summarized as follows. The summarized statement of net position at June 30, 2013 is also presented for comparative purposes.

	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	\$ 3,896	\$ 2,838	\$ 3,959
Endowment investments	99,233	98,197	82,925
Pledges receivable and other assets, noncurrent	1,038	525	398
Total assets	<u>104,167</u>	<u>101,560</u>	<u>87,282</u>
Annuity funds liability, current	165	198	469
Accounts payable	2	2	-
Annuity funds liability, noncurrent	812	918	1,536
Total liabilities	<u>979</u>	<u>1,118</u>	<u>2,005</u>
Restricted nonexpendable	67,766	64,748	58,952
Restricted expendable	20,639	21,867	14,124
Unrestricted	14,783	13,827	12,201
Total net position	<u>\$ 103,188</u>	<u>\$ 100,442</u>	<u>\$ 85,277</u>

Current assets consist of cash held by New Jersey Institute of Technology, pledges and other receivables, net and prepaid expenses. Current assets increased \$1,058 at June 30, 2015, as compared to June 30, 2014, as a result of an increase in cash held by New Jersey Institute of Technology and pledges and other receivables, net, partially offset by a decrease in prepaid expenses. Current assets decreased \$1,121 at June 30, 2014, as compared to June 30, 2013, as a result of a decrease in cash held by New Jersey Institute of Technology, partially offset by an increase in pledges and other receivables, net 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 1.1% to \$99,233 and 18.4% to \$98,197 during fiscal years 2015 and 2014, respectively, reflecting realized net investment gains and growth from new gifts, and a net decrease and a net increase in the fair value of investments at June 30, 2015 and 2014, respectively.

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Total liabilities consist of the current and noncurrent portions of annuity funds liability and accounts payable. Liabilities decreased \$139 at June 30, 2015, as compared to June 30, 2014, primarily due to annuity payments and annuity maturities, partially offset by a net gain on investments and an adjustment of the liability to present value. Liabilities decreased \$887 at June 30, 2014, as compared to June 30, 2013, primarily due to annuity maturities, an adjustment of the annuity liability to present value, and annuity payments, partially offset by a net gain on investments and new annuity agreements.

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, 2015 and 2014, restricted net position is composed of the following. The components of restricted net position at June 30, 2013 are also presented for comparative purposes.

	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Nonexpendable:			
Scholarship and fellowship grants	\$ 57,515	\$ 54,797	\$ 49,135
Instructional and other grants	10,251	9,951	9,817
Expendable:			
Scholarship and fellowship grants	11,627	12,981	6,816
Instructional and other grants	9,012	8,886	7,308
	<u>\$ 88,405</u>	<u>\$ 86,615</u>	<u>\$ 73,076</u>

Restricted net position increased \$1,790 and \$13,539 during fiscal years 2015 and 2014, respectively, principally due to gifts and bequests, additions to permanent endowments, and investment income, partially offset by operating expenses.

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The unrestricted component of net position is all other net position that is available for general operations. Unrestricted net position increased \$956 and \$1,626 during fiscal years 2015 and 2014, respectively, principally due to gifts and bequests and investment income, partially offset by operating expenses. 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. The components of unrestricted net position at June 30, 2013 are also presented for comparative purposes.

	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Designated unrestricted net position:			
Scholarship and fellowship grants	\$ 6,357	\$ 6,484	\$ 5,740
Instructional and other grants	7,039	7,059	6,194
	<u>13,396</u>	<u>13,543</u>	<u>11,934</u>
Undesignated unrestricted net position	1,387	284	267
	<u>\$ 14,783</u>	<u>\$ 13,827</u>	<u>\$ 12,201</u>

**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, 2015 and 2014 are as follows. The components of revenues for the fiscal year ended June 30, 2013 are also presented for comparative purposes.

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating revenues:			
Gifts and bequests	\$ 5,269	\$ 5,024	\$ 3,737
Donated services	2,018	-	-
Other grants	300	-	-
Total operating revenues	<u>7,587</u>	<u>5,024</u>	<u>3,737</u>
Nonoperating and other revenues:			
Investment income	1,634	13,200	6,917
Additions to permanent endowments	2,971	4,921	4,668
Other nonoperating revenues	55	20	24
Total nonoperating and other revenues	<u>4,660</u>	<u>18,141</u>	<u>11,609</u>
Total revenues	<u>\$ 12,247</u>	<u>\$ 23,165</u>	<u>\$ 15,346</u>

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Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. Gifts and bequests totaled \$5,269 and \$5,024 for the fiscal years ended June 30, 2015 and 2014, respectively. Additions to permanent endowments were \$2,971 and \$4,921, including \$82 and \$230 from annuity maturities, in fiscal years 2015 and 2014, respectively.

In fiscal year 2015, NJIT donated \$2,018 of services, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

In fiscal year 2015, the Foundation received a \$300 grant and \$120 in gifts on behalf of New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT.

Investment income includes interest and dividends, realized net gain on sale of investments, and net (decrease) increase in the fair value of investments. During fiscal years 2015 and 2014, investment income of \$1,634 and \$13,200, respectively, was due to realized net gain on sale of investments, interest and dividends, and a net decrease and a net increase in the fair value of investments at June 30, 2015 and 2014, respectively.

The components of operating expenses for the fiscal years ended June 30, 2015 and 2014 are as follows. The components of operating expenses for the fiscal year ended June 30, 2013 are also presented for comparative purposes.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ 6,216	\$ 5,364	\$ 5,225
Grants to New Jersey Innovation Institute, Inc.	420	-	-
Grants to New Jersey Institute of Technology student Greek organizations	153	208	-
Fundraising	2,516	2,239	2,072
Administration	196	189	240
Total operating expenses	<u>\$ 9,501</u>	<u>\$ 8,000</u>	<u>\$ 7,537</u>

Operating expenses increased 18.8% and 6.1% to \$9,501 and \$8,000 in fiscal years 2015 and 2014, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 65.4% and 67.0% of total operating expenses in fiscal years 2015 and 2014, respectively. The recipients of the grants are determined by NJIT, in accordance with donor and other restrictions. The fiscal year 2015 increase of \$852 principally relates to increases in construction and scholarship and fellowship grants, partially offset by a decrease in instructional and other grants. The fiscal year 2014 increase of \$139 principally relates to an increase in instructional and other grants, partially offset by a decrease in construction grants.

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

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Grants to NJII, comprising 4.4% of total operating expenses in fiscal year 2015, were made from a grant and gifts received for the benefit of NJII programs.

Grants to NJIT student Greek organizations, comprising 1.6% and 2.6% of total operating expenses in fiscal years 2015 and 2014, respectively, were made from gifts received for the benefit of specific student Greek organizations, and consist of grants for construction and furnishing of the educational areas of their chapter houses.

Fundraising expense comprised 26.5% and 28.0% of total operating expenses in fiscal years 2015 and 2014, respectively. The fiscal year 2015 and 2014 increases of \$277 and \$167, respectively, principally relate to an increase in personnel costs, partially offset by a reduction of event costs.

Administration expense comprised 2.1% and 2.4% of total operating expenses in fiscal years 2015 and 2014, respectively. The fiscal year 2015 expense remained relatively constant after decreasing \$51 in fiscal year 2014.

### **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 2015, the Foundation's fundraising efforts generated gifts and bequests of \$5,269 and additions to permanent endowments of \$2,971. 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.

Grants made from the Foundation's restricted and unrestricted funds totaled \$6,789 in fiscal year 2015. Unrestricted net position totaled \$14,783 at June 30, 2015, of which \$13,396 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, 2015 and 2014**

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	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 2,915	\$ 2,297
Pledges and other receivables, net	976	515
Prepaid expenses	<u>5</u>	<u>26</u>
Total current assets	<u>3,896</u>	<u>2,838</u>
Noncurrent assets:		
Endowment investments	99,233	98,197
Pledges receivable, net	1,022	509
Other assets	<u>16</u>	<u>16</u>
Total noncurrent assets	<u>100,271</u>	<u>98,722</u>
Total assets	<u>\$ 104,167</u>	<u>\$ 101,560</u>
<b>Liabilities</b>		
Current liabilities:		
Annuity funds liability, current portion	\$ 165	\$ 198
Accounts payable	<u>2</u>	<u>2</u>
Total current liabilities	<u>167</u>	<u>200</u>
Noncurrent liabilities:		
Annuity funds liability	<u>812</u>	<u>918</u>
Total liabilities	<u>\$ 979</u>	<u>\$ 1,118</u>
<b>Net Position</b>		
Restricted for:		
Nonexpendable:		
Scholarship and fellowship grants	\$ 57,515	\$ 54,797
Instructional and other grants	10,251	9,951
Expendable:		
Scholarship and fellowship grants	11,627	12,981
Instructional and other grants	9,012	8,886
Unrestricted (see note 7)	<u>14,783</u>	<u>13,827</u>
Total net position	<u>\$ 103,188</u>	<u>\$ 100,442</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, 2015 and 2014**

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	<b>2015</b>	<b>2014</b>
<b>Operating revenues</b>		
Gifts and bequests	\$ 5,269	\$ 5,024
Donated services	2,018	-
Other grants	300	-
Total operating revenues	<u>7,587</u>	<u>5,024</u>
<b>Operating expenses</b>		
Grants to New Jersey Institute of Technology	6,216	5,364
Grants to New Jersey Innovation Institute, Inc.	420	-
Grants to New Jersey Institute of Technology student Greek organizations	153	208
Fundraising	2,516	2,239
Administration	196	189
Total operating expenses	<u>9,501</u>	<u>8,000</u>
Operating loss	<u>(1,914)</u>	<u>(2,976)</u>
<b>Nonoperating revenues</b>		
Investment income	1,634	13,200
Other nonoperating revenues	55	20
Total nonoperating revenues	<u>1,689</u>	<u>13,220</u>
(Loss) income before other revenues	(225)	10,244
<b>Other revenues</b>		
Additions to permanent endowments	<u>2,971</u>	<u>4,921</u>
Increase in net position	2,746	15,165
<b>Net position, beginning of year</b>	<u>100,442</u>	<u>85,277</u>
<b>Net position, end of year</b>	<u>\$ 103,188</u>	<u>\$ 100,442</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Gifts and bequests	\$ 3,776	\$ 2,783
Other grants	300	-
Grants to New Jersey Institute of Technology	(5,774)	(4,832)
Grants to New Jersey Innovation Institute, Inc.	(420)	-
Grants to New Jersey Institute of Technology student Greek organizations	(153)	(208)
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(156)	(1,900)
Payments on annuity funds	(175)	(226)
Payments to suppliers	(511)	(520)
Net cash used by operating activities	<u>(3,113)</u>	<u>(4,903)</u>
<b>Cash flows from noncapital financing activities</b>		
Additions to permanent endowments	2,832	4,279
New annuity agreements	-	11
Other	55	20
Net cash provided by noncapital financing activities	<u>2,887</u>	<u>4,310</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	29,978	29,664
Interest and dividends on investments	1,245	1,246
Purchase of investments	(30,379)	(31,701)
Net cash provided (used) by investing activities	<u>844</u>	<u>(791)</u>
Net increase (decrease) in cash held by New Jersey Institute of Technology	618	(1,384)
<b>Cash held by New Jersey Institute of Technology, beginning of year</b>	<u>2,297</u>	<u>3,681</u>
<b>Cash held by New Jersey Institute of Technology, end of year</b>	<u><u>\$ 2,915</u></u>	<u><u>\$ 2,297</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>		
Operating loss	\$ (1,914)	\$ (2,976)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(519)	(1,856)
Noncash operating expenses	448	542
Changes in assets and liabilities:		
Pledges and other receivables	(974)	(385)
Prepaid expenses	21	(4)
Annuity funds liability	(175)	(226)
Accounts payable	-	2
Net cash used by operating activities	<u><u>\$ (3,113)</u></u>	<u><u>\$ (4,903)</u></u>
<b>Noncash transactions:</b>		
Additions to permanent endowments	\$ 139	\$ 642
New annuity agreements - marketable securities	-	230
Investment income	(32)	102

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

**FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY**  
**Notes to Financial Statements**  
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**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 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 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.

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.

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***(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. Life income and annuity funds consist of annuity and unitrust funds which 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 either become part of the Foundation's endowment or are used for the purpose designated by the donor.

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 7).

The Foundation's policy is to first utilize available restricted expendable, 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 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.

***(g) Revenue Recognition***

Gifts and bequests are recorded upon their receipt by 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, which are based on average cost.

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*(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.

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

Cash held by NJIT is invested in money market funds totaling \$2,915 and \$2,297 at cost and fair value at June 30, 2015 and 2014, respectively.

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

	June 30,			
	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 2,352	\$ 2,352	\$ 3,388	\$ 3,388
U.S. Treasury and government agency bonds	982	1,012	1,008	1,038
Corporate equity securities	28,079	34,881	32,422	41,519
Corporate debt securities	171	175	272	280
Mutual equity funds	20,912	22,163	17,321	19,972
Mutual bond funds	12,833	12,988	9,907	10,607
Hedge and other investment funds	22,362	25,662	18,116	21,393
	<u>\$ 87,691</u>	<u>\$ 99,233</u>	<u>\$ 82,434</u>	<u>\$ 98,197</u>

Endowment investments totaling \$3,876 and \$3,918 at fair value (\$3,393 and \$3,385 at cost) at June 30, 2015 and 2014, 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, commodity, and timber funds. The Foundation has committed to invest an additional \$3,039 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 investment grade bonds as equity substitutes within the overall allocation for equities.

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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, 2015 and 2014, \$841 and \$539 of NJIT's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC), and \$500 and \$548 of NJIT's money market funds are insured by the Securities Investor Protection Corporation (SIPC), respectively; 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 \$95,357 and \$94,279 at June 30, 2015 and 2014, respectively, are either insured or held by the Foundation or its agent in the Foundation's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy places no limitation on the ratings for debt instruments. U.S. Treasury and government agency bonds are considered to have no credit risk. The money market funds and mutual bond funds included in the Foundation's investment portfolio are not rated. The Foundation's investments in corporate debt securities are rated as follows by Standard & Poor's:

	Rating	June 30,	
		2015	2014
Corporate debt securities	AA+	\$ 9	\$ 6
Corporate debt securities	AA-	51	51
Corporate debt securities	A+	5	10
Corporate debt securities	A	78	70
Corporate debt securities	A-	8	78
Corporate debt securities	BBB+	10	56
Corporate debt securities	BBB	11	9
Corporate debt securities	BBB-	3	-
		<u>\$ 175</u>	<u>\$ 280</u>

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

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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, 2015 and 2014, fixed income endowment investments have the following maturities:

		<b>June 30, 2015</b>		
		<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 5</b>	<b>5 to 10</b>
Money market funds	\$ 2,352	\$ 2,352	\$ -	\$ -
U.S. Treasury and government agency bonds	1,012	274	94	644
Corporate debt securities	175	51	99	25
Mutual bond funds	12,988	205	12,625	158
	<u>\$ 16,527</u>	<u>\$ 2,882</u>	<u>\$ 12,818</u>	<u>\$ 827</u>

		<b>June 30, 2014</b>		
		<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 5</b>	<b>5 to 10</b>
Money market funds	\$ 3,388	\$ 3,388	\$ -	\$ -
U.S. Treasury and government agency bonds	1,038	20	385	633
Corporate debt securities	280	117	163	-
Mutual bond funds	10,607	3,345	6,853	409
	<u>\$ 15,313</u>	<u>\$ 6,870</u>	<u>\$ 7,401</u>	<u>\$ 1,042</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,			
	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,701	\$ 1,701	\$ 2,908	\$ 2,908
Corporate equity securities	27,638	34,279	31,896	40,840
Mutual equity funds	17,472	18,382	14,024	16,027
Mutual bond funds	11,870	12,029	8,845	9,523
Hedge and other investment funds	22,011	25,288	17,970	21,207
	<u>\$ 80,692</u>	<u>\$ 91,679</u>	<u>\$ 75,643</u>	<u>\$ 90,505</u>

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Endowment investment pool units are assigned to new gifts based upon the fair value of the pool at the end of the quarter in which the gifts are received. There were 408,426 and 395,303 pool units with a fair value per pool unit of \$224.47 and \$228.95 at June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, the average return for the endowment investment pool was 1.6% and 17.6%, 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, 2015 and 2014 were 5.0% and 5.2%, respectively. The Foundation complies with the State's "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,	
	2015	2014
Pledges and other receivables, net (current):		
Pledges receivable	\$ 1,107	\$ 722
Accounts receivable	15	1
Interest receivable	10	9
	<u>1,132</u>	<u>732</u>
Less: allowance for doubtful accounts	<u>156</u>	<u>217</u>
	<u>\$ 976</u>	<u>\$ 515</u>
Pledges receivable, net (noncurrent):		
Pledges receivable	\$ 1,196	\$ 730
Less: allowance for doubtful accounts	<u>174</u>	<u>221</u>
	<u>\$ 1,022</u>	<u>\$ 509</u>

### 4. 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 become part of the Foundation's endowment or are used for the purpose designated by the donor.

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

	<u>2015</u>	<u>2014</u>
Gift annuities	\$ 313	\$ 411
Unitrusts	<u>664</u>	<u>705</u>
	977	1,116
Less: current portion	<u>165</u>	<u>198</u>
Annuity funds liability, noncurrent	<u><u>\$ 812</u></u>	<u><u>\$ 918</u></u>

The activity in the annuity funds liability for fiscal years 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,116	\$ 2,005
New annuity agreements	-	241
Net gain on investments	61	576
Annuity payments	(175)	(226)
Annuity maturities	(82)	(1,229)
Adjustment of liability to present value	<u>57</u>	<u>(251)</u>
Balance at June 30,	<u><u>\$ 977</u></u>	<u><u>\$ 1,116</u></u>

Included in net gain on investments is a net decrease of \$325 and a net increase of \$441 in the fair value of investments at June 30, 2015 and 2014, respectively.

For the fiscal years ended June 30, 2015 and 2014, annuity maturities of \$82 and \$230, respectively, are included in additions to permanent endowments in the statement of revenues, expenses, and changes in net position.

Adjustment of liability to present value of \$57 and (\$251) (using discount rates ranging from 1.2% to 8.4%) at June 30, 2015 and 2014, respectively, are included in additions to permanent endowments in the statement of revenues, expenses, and changes in net position.

## **5. Investment Income**

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

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 1,213	\$ 1,348
Realized net gain on sale of investments	4,317	2,536
Net (decrease) increase in the fair value of investments	<u>(3,896)</u>	<u>9,316</u>
	<u><u>\$ 1,634</u></u>	<u><u>\$ 13,200</u></u>



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**6. Related Entity Transactions**

All of the Foundation's personnel are employees of NJIT. The Foundation's payments to NJIT in reimbursement of their salaries and fringe benefits in fiscal years 2015 and 2014 were:

	<u>2015</u>	<u>2014</u>
Fundraising	\$ -	\$ 1,739
Administration	156	161
	<u>\$ 156</u>	<u>\$ 1,900</u>

In fiscal year 2015, NJIT donated services of \$2,018, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

During fiscal years 2015 and 2014, the Foundation made the following grants to NJIT:

	<u>2015</u>	<u>2014</u>
Scholarship and fellowship grants	\$ 3,324	\$ 3,079
Instructional and other grants	1,860	2,185
Construction grants	1,032	100
	<u>\$ 6,216</u>	<u>\$ 5,364</u>

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

In fiscal year 2015, grants of \$420 were made to New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT, from a grant and gifts received by the Foundation on NJII's behalf.

Grants to NJIT student Greek organizations of \$153 and \$208 in fiscal years 2015 and 2014, respectively, were made from 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.

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**7. Unrestricted Net Position**

The components of unrestricted net position are as follows:

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 6,357	\$ 6,484
Instructional and other grants	<u>7,039</u>	<u>7,059</u>
	13,396	13,543
Undesignated unrestricted net position	<u>1,387</u>	<u>284</u>
	<u>\$ 14,783</u>	<u>\$ 13,827</u>