

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, 2016 and 2015

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
June 30, 2016 and 2015
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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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities of Foundation at New Jersey Institute of Technology as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis included on pages 3 through 8 be presented to supplement the basic financial statements. Such supplementary information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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 black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Iselin, New Jersey
October 28, 2016

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis

(Dollars in thousands)
June 30, 2016 and 2015

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, 2016 and 2015. 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, 2016 and 2015, 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).

Effective July 1, 2015, the Foundation adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which clarifies the definition of fair value, establishes a framework for measuring fair value, provides additional fair value application guidance, and enhances disclosures of fair value measurements.

Financial Highlights

The Foundation's financial position at June 30, 2016 and 2015 was sound, with total assets of \$102,903 and \$104,167 and total liabilities of \$911 and \$979, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities, totaled \$101,992 and \$103,188 at June 30, 2016 and 2015, respectively. Net position decreased \$1,196 in fiscal year 2016, principally resulting from operating and investment losses, partially offset by additions to permanent endowments. Net position increased \$2,746 in fiscal year 2015, 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, 2016 and 2015, and is summarized as follows. The summarized statement of net position at June 30, 2014 is also presented for comparative purposes.

	June 30,		
	2016	2015	2014
Current assets	\$ 4,320	\$ 3,896	\$ 2,838
Endowment investments	98,100	99,233	98,197
Pledges receivable and other assets, noncurrent	483	1,038	525
Total assets	102,903	104,167	101,560
Annuity funds liability, current	159	165	198
Accounts payable	7	2	2
Annuity funds liability, noncurrent	745	812	918
Total liabilities	911	979	1,118
Restricted nonexpendable	71,366	67,766	64,748
Restricted expendable	16,514	20,639	21,867
Unrestricted	14,112	14,783	13,827
Total net position	\$ 101,992	\$ 103,188	\$ 100,442

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

Endowment investments include gifts from donors that are to be invested in perpetuity, annuity funds, unrestricted funds established by NJIT as quasi-endowment, and the related income and appreciation. Except for quasi-endowments, which can be expended at the discretion of NJIT, only the realized income and appreciation can be spent for the purposes specified by the donors in the gift documents. Endowment investments decreased 1.1% and increased 1.1% during fiscal years 2016 and 2015, respectively, reflecting growth from new gifts, realized net investment gains, net decreases in the fair value of investments at June 30, 2016 and 2015, and endowment spending.

Total liabilities consist of the current and noncurrent portions of annuity funds liability and accounts payable. Liabilities decreased \$68 at June 30, 2016, as compared to June 30, 2015, primarily due to annuity payments and a net loss on investments, partially offset by an adjustment of the liability to present value. Liabilities decreased \$139 at June 30, 2015, as compared to June 30, 2014, primarily

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due to annuity payments and annuity maturities, partially offset by a net gain on investments and an adjustment of the liability to present value.

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

At June 30, 2016 and 2015, restricted net position is composed of the following. The components of restricted net position at June 30, 2014 are also presented for comparative purposes.

	June 30,		
	2016	2015	2014
Nonexpendable:			
Scholarship and fellowship grants	\$ 59,983	\$ 57,515	\$ 54,797
Instructional and other grants	11,383	10,251	9,951
Expendable:			
Scholarship and fellowship grants	8,502	11,627	12,981
Instructional and other grants	8,012	9,012	8,886
	<u>\$ 87,880</u>	<u>\$ 88,405</u>	<u>\$ 86,615</u>

Restricted net position decreased \$525 during fiscal year 2016, principally due to operating expenses and an investment loss, partially offset by gifts and bequests and additions to permanent endowments. Restricted net position increased \$1,790 during fiscal year 2015, 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 in support of the Foundation's mission. Unrestricted net position decreased \$671 during fiscal year 2016, principally due to operating expenses and an investment loss, partially offset by gifts and bequests. Unrestricted net position increased \$956 during fiscal year 2015, 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, 2014 are also presented for comparative purposes.

	June 30,		
	2016	2015	2014
Designated unrestricted net position:			
Scholarship and fellowship grants	\$ 6,012	\$ 6,357	\$ 6,484
Instructional and other grants	6,663	7,039	7,059
	12,675	13,396	13,543
Undesignated unrestricted net position	1,437	1,387	284
	<u>\$ 14,112</u>	<u>\$ 14,783</u>	<u>\$ 13,827</u>

Except for certain instructional and other grants of \$291, \$255, and \$130 at June 30, 2016, 2015, and 2014, respectively, the Foundation's designated unrestricted net position represents quasi-endowments established by NJIT.

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, 2016 and 2015 are as follows. The components of revenues for the fiscal year ended June 30, 2014 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2016	2015	2014
Operating revenues:			
Gifts and bequests	\$ 5,580	\$ 5,269	\$ 5,024
Donated services	2,153	2,018	-
Other grants	575	300	-
Total operating revenues	<u>8,308</u>	<u>7,587</u>	<u>5,024</u>
Nonoperating and other revenues:			
Investment (loss) income	(1,607)	1,634	13,200
Additions to permanent endowments	4,185	2,971	4,921
Other nonoperating revenues	33	55	20
Total nonoperating and other revenues	<u>2,611</u>	<u>4,660</u>	<u>18,141</u>
Total revenues	<u>\$ 10,919</u>	<u>\$ 12,247</u>	<u>\$ 23,165</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. In fiscal years 2016 and 2015, gifts and bequests totaled \$5,580 and \$5,269 which includes \$20 and \$120, respectively, received on behalf of New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT. Additions to permanent endowments were \$4,185 and \$2,971, including \$6 and \$82 from annuity maturities, in fiscal years 2016 and 2015, respectively.

In fiscal years 2016 and 2015, NJIT donated \$2,153 and \$2,018 of services, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

Investment (loss) income includes interest and dividends, realized net gain on sale of investments, and net decrease in the fair value of investments. During fiscal years 2016 and 2015, investment loss of \$1,607 and investment income of \$1,634, respectively, were due to a realized net gain on sale of investments and interest and dividends, offset by net decreases in the fair value of investments at June 30, 2016 and 2015.

The components of operating expenses for the fiscal years ended June 30, 2016 and 2015 are as follows. The components of operating expenses for the fiscal year ended June 30, 2014 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2016	2015	2014
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ 8,555	\$ 6,216	\$ 5,364
Grants to New Jersey Innovation Institute, Inc.	595	420	-
Grants to New Jersey Institute of Technology student Greek organizations	126	153	208
Fundraising	2,621	2,516	2,239
Administration	218	196	189
Total operating expenses	<u>\$ 12,115</u>	<u>\$ 9,501</u>	<u>\$ 8,000</u>

Operating expenses increased 27.5% and 18.8% to \$12,115 and \$9,501 in fiscal years 2016 and 2015, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 70.6% and 65.4% of total operating expenses in fiscal years 2016 and 2015, respectively. The recipients of the grants are determined by NJIT, in accordance with donor and other restrictions. The fiscal year 2016 increase of \$2,339 relates to increases in instructional and other grants and scholarship and fellowship grants. The fiscal year 2015 increase of \$852 relates to increases in construction and scholarship and fellowship grants, partially offset by a decrease in instructional and other grants.

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Grants to NJII, comprising 4.9% and 4.4% of total operating expenses in fiscal years 2016 and 2015, respectively, were made from grants and gifts received for the benefit of NJII programs.

Grants to NJIT student Greek organizations, comprising 1.1% and 1.6% of total operating expenses in fiscal years 2016 and 2015, 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 21.6% and 26.5% of total operating expenses in fiscal years 2016 and 2015, respectively. The fiscal years 2016 and 2015 increases of \$105 and \$277, respectively, principally relate to an increase in personnel costs, partially offset by a reduction of event costs.

Administration expense, comprising 1.8% and 2.1% of total operating expenses in fiscal years 2016 and 2015, respectively, remained relatively constant from year to year.

Summary and Outlook

The Foundation's purpose is to raise and manage funds to support the further development and growth of programs at NJIT. The Foundation's fundraising activities are successful and have created a significant endowment which will generate grants to NJIT for many years. During fiscal year 2016, the Foundation's fundraising efforts generated gifts and bequests of \$5,580 and additions to permanent endowments of \$4,185. 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, via a group of managers each focused on their sector of the asset allocation, limited exposure to sub-prime investments, and use of alternative investments. The endowment spending policy provides for appropriate funding of donors' purposes.

Grants made from the Foundation's restricted and unrestricted funds totaled \$9,276 in fiscal year 2016. Unrestricted net position totaled \$14,112 at June 30, 2016, of which \$12,675 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 3,806	\$ 2,915
Pledges and other receivables, net	513	976
Prepaid expenses	<u>1</u>	<u>5</u>
Total current assets	<u>4,320</u>	<u>3,896</u>
Noncurrent assets:		
Endowment investments	98,100	99,233
Pledges receivable, net	467	1,022
Other assets	<u>16</u>	<u>16</u>
Total noncurrent assets	<u>98,583</u>	<u>100,271</u>
Total assets	<u>\$ 102,903</u>	<u>\$ 104,167</u>
Liabilities		
Current liabilities:		
Annuity funds liability, current portion	\$ 159	\$ 165
Accounts payable	<u>7</u>	<u>2</u>
Total current liabilities	<u>166</u>	<u>167</u>
Noncurrent liabilities:		
Annuity funds liability	<u>745</u>	<u>812</u>
Total liabilities	<u>\$ 911</u>	<u>\$ 979</u>
Net Position		
Restricted for:		
Nonexpendable:		
Scholarship and fellowship grants	\$ 59,983	\$ 57,515
Instructional and other grants	11,383	10,251
Expendable:		
Scholarship and fellowship grants	8,502	11,627
Instructional and other grants	8,012	9,012
Unrestricted (note 7)	<u>14,112</u>	<u>14,783</u>
Total net position	<u>\$ 101,992</u>	<u>\$ 103,188</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues		
Gifts and bequests	\$ 5,580	\$ 5,269
Donated services	2,153	2,018
Other grants	<u>575</u>	<u>300</u>
Total operating revenues	<u>8,308</u>	<u>7,587</u>
Operating expenses		
Grants to New Jersey Institute of Technology	8,555	6,216
Grants to New Jersey Innovation Institute, Inc.	595	420
Grants to New Jersey Institute of Technology student Greek organizations	126	153
Fundraising	2,621	2,516
Administration	<u>218</u>	<u>196</u>
Total operating expenses	<u>12,115</u>	<u>9,501</u>
Operating loss	<u>(3,807)</u>	<u>(1,914)</u>
Nonoperating (loss) revenues		
Investment (loss) income	(1,607)	1,634
Other nonoperating revenues	<u>33</u>	<u>55</u>
Total nonoperating (loss) revenues	<u>(1,574)</u>	<u>1,689</u>
Loss before other revenues	(5,381)	(225)
Other revenues		
Additions to permanent endowments	<u>4,185</u>	<u>2,971</u>
(Decrease) increase in net position	(1,196)	2,746
Net position, beginning of year	<u>103,188</u>	<u>100,442</u>
Net position, end of year	<u><u>\$ 101,992</u></u>	<u><u>\$ 103,188</u></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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Gifts and bequests	\$ 4,060	\$ 3,776
Other grants	575	300
Grants to New Jersey Institute of Technology	(6,057)	(5,774)
Grants to New Jersey Innovation Institute, Inc.	(595)	(420)
Grants to New Jersey Institute of Technology student Greek organizations	(126)	(153)
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(171)	(156)
Payments on annuity funds	(162)	(175)
Payments for goods and services	(503)	(511)
Net cash used by operating activities	<u>(2,979)</u>	<u>(3,113)</u>
Cash flows from noncapital financing activities		
Additions to permanent endowments	4,013	2,832
New annuity agreements	7	-
Other	33	55
Net cash provided by noncapital financing activities	<u>4,053</u>	<u>2,887</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	22,509	29,978
Interest and dividends on investments	1,630	1,245
Purchase of investments	(24,322)	(30,379)
Net cash (used) provided by investing activities	<u>(183)</u>	<u>844</u>
Net increase in cash held by New Jersey Institute of Technology	891	618
Cash held by New Jersey Institute of Technology, beginning of year	<u>2,915</u>	<u>2,297</u>
Cash held by New Jersey Institute of Technology, end of year	<u><u>\$ 3,806</u></u>	<u><u>\$ 2,915</u></u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (3,807)	\$ (1,914)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(4,687)	(2,537)
Noncash operating expenses	4,653	2,466
Changes in assets and liabilities:		
Pledges and other receivables	1,014	(974)
Prepaid expenses	5	21
Annuity funds liability	(162)	(175)
Accounts payable	5	-
Net cash used by operating activities	<u><u>\$ (2,979)</u></u>	<u><u>\$ (3,113)</u></u>
Noncash transactions:		
Additions to permanent endowments	\$ 172	\$ 139
Investment income	1	6

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

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
June 30, 2016 and 2015

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.

Effective July 1, 2015, the Foundation adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which clarifies the definition of fair value, establishes a framework for measuring fair value, provides additional fair value application guidance, and enhances disclosures of fair value measurements.

(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) Fair Value Measurement

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

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three levels of inputs, of which the first two are considered observable and the last unobservable:

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

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

(e) Endowment Investments

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

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

(f) Classification of Net Position

The Foundation classifies its resources into two net position categories:

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

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.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

(Dollars in thousands)

June 30, 2016 and 2015

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

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

(g) Classification of Revenue

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

(h) 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.

(i) 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.

(j) Reclassifications

Certain prior year amounts have been reclassified in the statement of cash flows to conform with the current year's presentation.

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

Cash held by NJIT is invested in money market funds totaling \$3,806 and \$2,915 at cost and fair value at June 30, 2016 and 2015, respectively.

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

June 30, 2016					
	Cost	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Money market funds	\$ 2,597	\$ 2,597	\$ 1,318	\$ 1,279	\$ -
U.S. Treasury and government agency bonds	714	770	706	64	-
Corporate equity securities	29,224	35,220	35,220	-	-
Corporate debt securities	127	131	49	82	-
Mutual equity funds	17,377	17,442	17,334	108	-
Mutual bond funds	16,219	15,833	15,833	-	-
Hedge and other investment funds	<u>24,152</u>	<u>26,107</u>	<u>2,373</u>	<u>-</u>	<u>23,734</u>
	<u>\$ 90,410</u>	<u>\$ 98,100</u>	<u>\$ 72,833</u>	<u>\$ 1,533</u>	<u>\$ 23,734</u>

June 30, 2015					
	Cost	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Money market funds	\$ 2,352	\$ 2,352	\$ 516	\$ 1,836	\$ -
U.S. Treasury and government agency bonds	982	1,012	933	79	-
Corporate equity securities	28,079	34,881	34,881	-	-
Corporate debt securities	171	175	175	-	-
Mutual equity funds	20,912	22,163	22,046	117	-
Mutual bond funds	12,833	12,988	12,988	-	-
Hedge and other investment funds	<u>22,362</u>	<u>25,662</u>	<u>2,652</u>	<u>-</u>	<u>23,010</u>
	<u>\$ 87,691</u>	<u>\$ 99,233</u>	<u>\$ 74,191</u>	<u>\$ 2,032</u>	<u>\$ 23,010</u>

Endowment investments totaling \$3,684 and \$3,876 at fair value (\$3,305 and \$3,393 at cost) at June 30, 2016 and 2015, respectively, are held and administered by external trustees, while the remainder are held and administered by the Foundation.

Hedge and other investment funds are comprised of directional and multi-strategy funds, private equity, and real assets. The Foundation has committed to invest an additional \$3,850 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

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may also invest in below investment grade bonds as equity substitutes within the overall allocation for equities.

Custodial credit risk - deposits is the risk that, in the event of the failure of a depository financial institution, NJIT, and consequently the Foundation, will not be able to recover deposits that are in that institution's possession. The University's investment policy does not address custodial credit risk - deposits. At June 30, 2016 and 2015, \$845 and \$841, respectively, of NJIT's cash is insured by the Federal Deposit Insurance Corporation (FDIC), and \$500 of NJIT's money market funds are insured by the Securities Investor Protection Corporation (SIPC); amounts in excess are neither collateralized nor insured.

Custodial credit risk - investments is the risk that, in the event of the failure of a counterparty, the Foundation will not be able to recover the value of the investments that are in that counterparty's possession. The University's investment policy does not address custodial credit risk - investments. The Foundation's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in the Foundation's name. Endowment investments totaling \$94,416 and \$95,357 at June 30, 2016 and 2015, 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,	
		2016	2015
Corporate debt securities	AA+	\$ 10	\$ 9
Corporate debt securities	AA-	13	51
Corporate debt securities	A+	4	5
Corporate debt securities	A	9	78
Corporate debt securities	A-	76	8
Corporate debt securities	BBB+	11	10
Corporate debt securities	BBB	6	11
Corporate debt securities	BBB-	2	3
		<u>\$ 131</u>	<u>\$ 175</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, 2016 and 2015, fixed income endowment investments have the following maturities:

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

June 30, 2015				
Fair Value	Investment Maturities (in years)			
	Less than 1	1 to 5	5 to 10	
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>

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,			
	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 1,716	\$ 1,716	\$ 1,701	\$ 1,701
Corporate equity securities	28,560	34,388	27,638	34,279
Mutual equity funds	14,090	14,054	17,472	18,382
Mutual bond funds	15,279	14,883	11,870	12,029
Hedge and other investment funds	23,848	25,754	22,011	25,288
	<u>\$ 83,493</u>	<u>\$ 90,795</u>	<u>\$ 80,692</u>	<u>\$ 91,679</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 428,964 and 408,426 pool units with a fair value per pool unit of \$211.66 and \$224.47 at June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, the average return for the endowment investment pool was (1.4%) and 1.6%, 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, 2016 and 2015 were 4.9% and 5.0%, 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,	
	2016	2015
Pledges and other receivables, net (current):		
Pledges receivable	\$ 678	\$ 1,107
Accounts receivable	2	15
Interest receivable	6	10
	686	1,132
Less: allowance for doubtful accounts	173	156
	<u>\$ 513</u>	<u>\$ 976</u>
Pledges receivable, net (noncurrent):		
Pledges receivable	\$ 544	\$ 1,196
Less: allowance for doubtful accounts	77	174
	<u>\$ 467</u>	<u>\$ 1,022</u>

4. Annuity Funds Liability

Annuity funds are composed of gift annuities and Unitrusts. These funds are given to the Foundation to be invested with the stipulation that the Foundation pay an agreed-upon amount to designated individuals for a period of time or for the beneficiary's lifetime. At the termination of 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>2016</u>	<u>2015</u>
Gift annuities	\$ 305	\$ 313
Unitrusts	<u>599</u>	<u>664</u>
	904	977
Less: current portion	<u>159</u>	<u>165</u>
Annuity funds liability, noncurrent	<u>\$ 745</u>	<u>\$ 812</u>

The activity in the annuity funds liability for fiscal years 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 977	\$ 1,116
New annuity agreements	7	-
Net (loss) gain on investments	(69)	61
Annuity payments	(162)	(175)
Annuity maturities	(6)	(82)
Adjustment of liability to present value	<u>157</u>	<u>57</u>
Balance at June 30,	<u>\$ 904</u>	<u>\$ 977</u>

The components of net (loss) gain on investments for fiscal years 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 34	\$ 38
Realized net gain on the sale of investments	34	348
Net decrease in the fair value of investments	<u>(137)</u>	<u>(325)</u>
Net (loss) gain on investments	<u>\$ (69)</u>	<u>\$ 61</u>

For the fiscal years ended June 30, 2016 and 2015, annuity maturities of \$6 and \$82, 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 \$157 and \$57 (using discount rates ranging from 1.2% to 8.4%) at June 30, 2016 and 2015, respectively, is included in additions to permanent endowments in the statement of revenues, expenses, and changes in net position.

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5. Investment (Loss) Income

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,593	\$ 1,213
Realized net gain on sale of investments	515	4,317
Net decrease in the fair value of investments	<u>(3,715)</u>	<u>(3,896)</u>
	<u>\$ (1,607)</u>	<u>\$ 1,634</u>

6. Related Entity Transactions

All of the Foundation's personnel are employees of NJIT. The Foundation's payments to NJIT in reimbursement of the salaries and fringe benefits of administrative employees in fiscal years 2016 and 2015 were \$171 and \$156, respectively. In fiscal years 2016 and 2015, NJIT donated services of \$2,153 and \$2,018, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

During fiscal years 2016 and 2015, the Foundation made the following grants to NJIT:

	<u>2016</u>	<u>2015</u>
Scholarship and fellowship grants	\$ 3,521	\$ 3,324
Instructional and other grants	3,982	1,860
Construction grants	<u>1,052</u>	<u>1,032</u>
	<u>\$ 8,555</u>	<u>\$ 6,216</u>

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

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

In fiscal years 2016 and 2015, grants of \$595 and \$420, respectively, were made to New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT, from grants and gifts received by the Foundation on NJII's behalf.

Grants to NJIT student Greek organizations of \$126 and \$153 in fiscal years 2016 and 2015, 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:

	June 30,	
	2016	2015
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 6,012	\$ 6,357
Instructional and other grants	6,663	7,039
	12,675	13,396
Undesignated unrestricted net position	1,437	1,387
	<u>\$ 14,112</u>	<u>\$ 14,783</u>

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