

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, 2018 and 2017

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
June 30, 2018 and 2017
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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 the 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, 2018 and 2017, 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 the Foundation at New Jersey Institute of Technology as of June 30, 2018 and 2017, 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. 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 18, 2018

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Management's Discussion and Analysis (unaudited)
(Dollars in thousands)
June 30, 2018 and 2017

Introduction

The following discussion and analysis provides an analytical overview of the financial position and activities of Foundation at New Jersey Institute of Technology (Foundation) at and for the years ended June 30, 2018 and 2017. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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, 2018 and 2017, 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).

The Foundation adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, (GASB 81), which establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts. The financial reporting impact resulting from the adoption of GASB 81 was a restatement of the prior year financial statements to reclassify restricted nonexpendable net position and additions to permanent endowments to deferred inflows of resources and record an additional amount due to NJIT. Fiscal year 2016 amounts presented in this discussion have not been restated.

Financial Highlights

The Foundation's financial position at June 30, 2018 and 2017 was sound, with total assets of \$121,289 and \$115,179, total liabilities of \$877 and \$3,595 and deferred inflows of resources of \$750 and \$786, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities and deferred inflows of resources, totaled \$119,662 and \$110,798 at June 30, 2018 and 2017, respectively. Net position increased \$8,864 and \$10,095 in fiscal years 2018 and 2017, respectively, principally resulting from investment income and additions to permanent endowments, 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, 2018 and 2017, and is summarized as follows. The summarized statement of net position at June 30, 2016 is also presented for comparative purposes.

	June 30,		
	2017		
	2018	(restated)	2016
Current assets	\$3,150	\$2,475	\$4,320
Endowment investments	113,638	108,353	98,100
Beneficial interest in perpetual trusts	4,237	4,076	-
Pledges receivable and other assets, noncurrent	264	275	483
Total assets	<u>121,289</u>	<u>115,179</u>	<u>102,903</u>
Due to New Jersey Institute of Technology	108	2,814	-
Annuity funds liability, current	176	136	159
Accounts payable	11	8	7
Annuity funds liability, noncurrent	582	637	745
Total liabilities	<u>877</u>	<u>3,595</u>	<u>911</u>
Deferred inflows of resources	<u>750</u>	<u>786</u>	<u>-</u>
Restricted nonexpendable	77,528	74,891	71,366
Restricted expendable	21,391	18,479	16,514
Unrestricted	20,743	17,428	14,112
Total net position	<u>\$119,662</u>	<u>\$110,798</u>	<u>\$101,992</u>

Current assets consist of cash held by New Jersey Institute of Technology, pledges and other receivables, net, and prepaid expenses. Current assets increased \$675 at June 30, 2018, as compared to June 30, 2017, primarily as a result of an increase in cash held by New Jersey Institute of Technology. Current assets decreased \$1,845 at June 30, 2017, as compared to June 30, 2016, primarily 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.

Endowment investments include gifts from donors, the corpus of which is to be invested in perpetuity, annuity funds, unrestricted funds established by NJIT as quasi-endowment, and the related income and appreciation. Endowment investments increased 4.9% during fiscal year 2018 primarily due to growth from new gifts, realized net investment gains, and a net increase in the fair value of investments at June 30, 2018, partially offset by endowment spending. Endowment investments increased 10.5% during fiscal year 2017, reflecting growth from new gifts, realized net investment gains, a net increase in the fair value of investments at June 30, 2017, partially offset by endowment spending and a reclassification of assets to beneficial interest in perpetual trusts for those assets which are held and managed by third parties.

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Total liabilities consist of Due to New Jersey Institute of Technology, the current and noncurrent portions of annuity funds liability and accounts payable. Liabilities decreased \$2,718 at June 30, 2018, as compared to June 30, 2017, primarily as a result of a reduction in amounts owed to NJIT. Liabilities increased \$2,684 at June 30, 2017, as compared to June 30, 2016, primarily as a result the timing of amounts owed to NJIT and a net gain on investments, partially offset by an adjustment of the annuity liability to present value, annuity maturities, and annuity payments.

Deferred inflows of resources consist of certain changes in annuity funds liability. Deferred inflows of resources decreased \$36 in fiscal year 2018, primarily due to the present value adjustment of annuity funds. Deferred inflows of resources increased \$786 in fiscal year 2017 was due to the adoption of GASB 81.

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

At June 30, 2018 and 2017, restricted net position is composed of the following. The components of restricted net position at June 30, 2016 are also presented for comparative purposes.

	June 30,		
	2017		
	2018	(restated)	2016
Nonexpendable:			
Scholarship and fellowship grants	\$64,971	\$62,868	\$59,983
Instructional and other grants	12,557	12,023	11,383
Expendable:			
Scholarship and fellowship grants	15,433	12,829	8,502
Instructional and other grant	5,958	5,650	8,012
	\$98,919	\$93,370	\$87,880

Restricted net position increased \$5,549 and \$5,490 during fiscal years 2018 and 2017, respectively, principally due to investment income, gifts and bequests, and additions to permanent endowments, partially offset by operating expenses.

The unrestricted component of net position is all other net position that is available for general operations in support of the Foundation's mission unless otherwise designated by the Foundation's Board. Unrestricted net position increased \$3,315 and \$3,316 during fiscal years 2018 and 2017, respectively, principally due to investment income and gifts and bequests, offset by operating expenses. Even though unrestricted net position is not subject to external restrictions, management, with the approval of the Board, has designated a portion of the unrestricted net position for the following specified purposes. The components of unrestricted net position at June 30, 2016 are also presented for comparative purposes.

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	June 30,		
	2018	2017	2016
Designated unrestricted net position:			
Scholarship and fellowship grants	\$10,897	\$8,507	\$6,012
Instructional and other grants	7,656	7,286	6,663
	18,553	15,793	12,675
Undesignated unrestricted net position - operations	2,190	1,635	1,437
	<u>\$20,743</u>	<u>\$17,428</u>	<u>\$14,112</u>

Except for certain instructional and other grants of \$462, \$341, and \$291 at June 30, 2018, 2017, and 2016, respectively, the Foundation's designated unrestricted net position represents quasi-endowments.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the operating results and the non-operating and other revenues of the Foundation.

The components of revenues for the fiscal years ended June 30, 2018 and 2017 are as follows. The components of revenues for the fiscal year ended June 30, 2016 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2018	2017 (restated)	2016
Operating revenues:			
Gifts and bequests	\$7,604	\$6,087	\$5,580
Donated services	2,444	2,418	2,153
Other	195	-	575
Total operating revenues	<u>10,243</u>	<u>8,505</u>	<u>8,308</u>
Non-operating and other revenues:			
Investment income (loss)	8,472	12,153	(1,607)
Additions to permanent endowments	2,298	3,624	4,185
Other non-operating revenues	37	86	33
Total non-operating and other revenues	<u>10,807</u>	<u>15,863</u>	<u>2,611</u>
Total revenues	<u>\$21,050</u>	<u>\$24,368</u>	<u>\$10,919</u>

Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. In fiscal years 2018 and 2017, gifts and bequests totaled \$7,604 and \$6,087, respectively, including \$2,000 from NJIT for quasi-endowment in support of scholarships in both fiscal years. In addition, fiscal years 2018 and 2017 include donor-restricted gifts of \$20 and \$120, respectively, received on behalf of New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT.

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In fiscal years 2018 and 2017, additions to permanent endowments totaled \$2,298 and \$3,624, respectively, including \$138 from annuity maturities in fiscal year 2017.

In fiscal years 2018 and 2017, NJIT donated \$2,444 and \$2,418 of services, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

Investment income includes interest and dividends, realized net gain on sale of investments, and net increase in the fair value of investments. During fiscal years 2018 and 2017, investment income of \$8,472 and \$12,153, respectively, were due to a realized net gain on sale of investments, interest and dividends, and a net increase in the fair value of investments at June 30, 2018 and 2017.

The components of operating expenses for the fiscal years ended June 30, 2018 and 2017 are as follows. The components of operating expenses for the fiscal year ended June 30, 2016 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2018	2017	2016
Operating expenses:			
Grants to New Jersey Institute of Technology	\$8,879	\$10,925	\$8,555
Grants to New Jersey Innovation Institute, Inc.	215	120	595
Grants to New Jersey Institute of Technology student Greek organizations	100	139	126
Fundraising	2,854	2,862	2,621
Administration	138	227	218
Total operating expenses	\$12,186	\$14,273	\$12,115

Operating expenses decreased 14.6% and increased 17.8% to \$12,186 and \$14,273 in fiscal years 2018 and 2017, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 72.9% and 76.5% of total operating expenses in fiscal years 2018 and 2017, respectively. The recipients of the grants are determined by NJIT, in accordance with donor restrictions. The fiscal year 2018 decrease of \$2,046 relates to decreases in instructional and other, scholarship and fellowship, and construction grants. The fiscal year 2017 increase of \$2,370 relates to increases in instructional and other grants and scholarship and fellowship grants, partially offset by a decrease in construction grants.

Grants to NJII, comprising 1.8% and 0.8% of total operating expenses in fiscal years 2018 and 2017, respectively, were made from grants and donor - restricted gifts of \$215 in fiscal year 2018 and donor-restricted gifts of \$120 in fiscal year 2017, received for the benefit of NJII programs.

Grants to NJIT student Greek organizations, comprising 0.8% and 1.0%, of total operating expenses in fiscal years 2018 and 2017, respectively, were made from donor-restricted gifts received for the benefit of specific student Greek organizations, and consist of grants for construction and furnishing of the educational areas of their chapter houses.

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Fundraising expense, comprising 23.4% and 20.1% of total operating expenses in fiscal years 2018 and 2017, respectively, remained relatively constant in fiscal year 2018. The fiscal year 2017 increase of \$241 principally relates to an increase in personnel costs, partially offset by a reduction in event costs.

Administration expense, comprising 1.1% and 1.6% of total operating expenses in fiscal years 2018 and 2017, 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 2018, the Foundation's fundraising efforts generated gifts and bequests of \$7,604 and additions to permanent endowments of \$2,298. It is management's intention to continue to place a significant emphasis on fundraising efforts.

The Foundation's endowment is managed with a broad-based asset allocation. The Foundation's endowment investment strategy is designed to maintain purchasing power of pooled endowment fund assets, with an emphasis on total return, via a group of managers each focused on their sector of the asset allocation, limited exposure to sub-prime investments, and use of alternative investments. The endowment spending policy provides for appropriate funding of donors' purposes.

Grants made to NJIT from the Foundation's restricted and unrestricted funds totaled \$8,879 in fiscal year 2018. Unrestricted net position totaled \$20,743 at June 30, 2018, of which \$18,553 is designated for future grants.

The Foundation's management believes that the Foundation is in sound financial condition and is properly positioned to continue to pursue its goal of supporting the further development and growth of programs at NJIT.

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Statement of Net Position
(Dollars in thousands)
At June 30, 2018 and 2017

	2018	2017 (restated)
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$2,516	\$1,869
Pledges and other receivables, net	631	602
Prepaid expenses	3	4
Total current assets	<u>3,150</u>	<u>2,475</u>
Noncurrent assets:		
Endowment investments	113,638	108,353
Beneficial interest in perpetual trusts	4,237	4,076
Pledges receivable, net	248	259
Other assets	16	16
Total noncurrent assets	<u>118,139</u>	<u>112,704</u>
Total assets	<u>121,289</u>	<u>115,179</u>
Liabilities		
Current liabilities:		
Due to New Jersey Institute of Technology	108	2,814
Annuity funds liability, current portion	176	136
Accounts payable	11	8
Total current liabilities	<u>295</u>	<u>2,958</u>
Noncurrent liabilities:		
Annuity funds liability	582	637
Total liabilities	<u>877</u>	<u>3,595</u>
Deferred inflows of resources		
Annuity funds related	<u>750</u>	<u>786</u>
Net position		
Restricted:		
Nonexpendable:		
Scholarship and fellowship grants	64,971	62,868
Instructional and other grants	12,557	12,023
Expendable:		
Scholarship and fellowship grants	15,433	12,829
Instructional and other grants	5,958	5,650
Unrestricted	20,743	17,428
Total net position	<u>\$119,662</u>	<u>\$110,798</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, 2018 and 2017

	2018	2017 (restated)
Operating revenues		
Gifts and bequests	\$7,604	\$6,087
Donated services	2,444	2,418
Other	195	-
Total operating revenues	<u>10,243</u>	<u>8,505</u>
Operating expenses		
Grants to New Jersey Institute of Technology	8,879	10,925
Grants to New Jersey Innovation Institute, Inc.	215	120
Grants to New Jersey Institute of Technology student Greek organizations	100	139
Fundraising	2,854	2,862
Administration	138	227
Total operating expenses	<u>12,186</u>	<u>14,273</u>
Operating loss	<u>(1,943)</u>	<u>(5,768)</u>
Non-operating revenues		
Investment income	8,472	12,153
Other non-operating revenues	37	86
Total non-operating revenues	<u>8,509</u>	<u>12,239</u>
Income before other revenues	<u>6,566</u>	<u>6,471</u>
Other revenues		
Additions to permanent endowments	2,298	3,624
Increase in net position	8,864	10,095
Net position, beginning of year	110,798	101,992
Cumulative effect of accounting change	-	(1,289)
Net position, end of year	<u>\$119,662</u>	<u>\$110,798</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, 2018 and 2017

	2018	2017 (restated)
Cash flows from operating activities		
Gifts and bequests	\$6,473	\$5,643
Other grants	195	-
Grants to New Jersey Institute of Technology	(7,314)	(10,388)
Grants to New Jersey Innovation Institute, Inc.	(215)	(120)
Grants to New Jersey Institute of Technology student Greek organizations	(100)	(119)
Due to New Jersey Institute of Technology	(4,381)	2,526
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(131)	(180)
Payments on annuity funds	(173)	(136)
Payments for goods and services	(379)	(492)
Net cash used by operating activities	<u>(6,025)</u>	<u>(3,266)</u>
Cash flows from noncapital financing activities		
Additions to permanent endowments	1,843	2,956
Other	37	86
Net cash provided by noncapital financing activities	<u>1,880</u>	<u>3,042</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	41,601	26,345
Interest and dividends on investments	1,839	2,344
Purchase of investments	(38,648)	(30,402)
Net cash provided (used) by investing activities	<u>4,792</u>	<u>(1,713)</u>
Net increase (decrease) in cash held by New Jersey Institute of Technology	647	(1,937)
Cash held by New Jersey Institute of Technology, beginning of year	1,869	3,806
Cash held by New Jersey Institute of Technology, end of year	<u>\$2,516</u>	<u>\$1,869</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$(1,943)	\$(5,768)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(3,556)	(2,977)
Noncash operating expenses	4,043	2,977
Changes in assets and liabilities:		
Pledges and other receivables	(19)	114
Prepaid expenses	1	(3)
Due to New Jersey Institute of Technology	(4,381)	2,526
Annuity funds liability	(173)	(136)
Accounts payable	3	1
Net cash used by operating activities	<u>\$(6,025)</u>	<u>\$(3,266)</u>
Noncash transactions:		
Additions to permanent endowments	<u>\$455</u>	<u>\$668</u>
Investment income	<u>\$24</u>	<u>\$416</u>

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

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
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1. Organization and Summary of Significant Accounting Policies

Foundation at New Jersey Institute of Technology (Foundation) is a resource development organization that has as its goal the support of the further development and growth of programs at New Jersey Institute of Technology (NJIT). The Foundation encourages private philanthropy on behalf of NJIT. Outstanding leaders from industry serve as 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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 85, *Omnibus 2017*, 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.

The Foundation adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), which establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts. The financial reporting impact resulting from the adoption of GASB 81 was a restatement of the prior year financial statements to reclassify restricted nonexpendable net position and additions to permanent endowments to deferred inflows of resources and record an additional amount due to NJIT, as follows:

	As previously reported	Adjustments	As restated
Statement of Net Position at June 30, 2017:			
Due to New Jersey Institute of Technology	2,526	288	2,814
Deferred inflows of resources - annuity funds	-	786	786
Net position - nonexpendable scholarships and fellowships	63,318	(1,074)	62,244
Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017:			
Additions to permanent endowments	\$3,409	\$215	\$3,624
Net position, beginning of year	101,992	(1,289)	100,703
Net position, end of year	111,872	(1,074)	110,798
Statement of Cash Flows for the year ended June 30, 2017:			
Noncash transactions: additions to permanent endowments	\$453	\$215	\$668

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
Notes to Financial Statements
(Dollars in thousands)
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(b) Use of Estimates

The accompanying financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of net position dates, as well as the reported amounts of revenues and expenses for the fiscal years then ended. Actual results could differ from those estimates.

(c) Cash held by New Jersey Institute of Technology

The Foundation participates in a cash pooling arrangement with NJIT, which functions as its fiduciary agent. Cash balances due to the Foundation pursuant to this arrangement are included in cash held by New Jersey Institute of Technology in the statement of net position.

(d) Fair Value Measurement

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

- Level 1: Quoted prices in active markets for identical assets.
- Level 2: Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not as active, or other inputs that are observable or can be corroborated by observable market data.
- 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.

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(f) Beneficial Interest in Perpetual Trusts

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

(g) Classification of Net Position

The Foundation classifies its resources into two net position categories:

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

Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the specified purposes.

- Unrestricted net position is derived principally from gifts and bequests and investment income, and is expended to meet the objectives of the Foundation. The Foundation's Board designates portions of its unrestricted net position for certain specific purposes (see Note 8).

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

(h) Classification of Revenue

Operating revenues are those that result from the Foundation's principal purpose of fundraising, and are generally associated with nonexchange transactions. Non-operating revenues, which consist of exchange transactions, generally result from investment income. Other revenues are those that result from the Foundation's fundraising efforts to provide funding for additions to permanent endowments, and are generally associated with nonexchange transactions.

(i) Revenue Recognition

Gifts and bequests and additions to permanent endowments are recorded upon their receipt by the Foundation. Pledges, other than endowment, are recognized as gift income and recorded at their present value, using a risk adjusted rate of return.

Investment income, which includes interest, dividends, and realized and unrealized gains and losses, is recognized on the accrual basis. Gains and losses on investments are determined using specific identification, except for mutual funds, which are based on average cost.

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(j) Tax Status

The Foundation has received a determination letter from the Internal Revenue Service recognizing it as an organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code on income generated by activities that are substantially related to its tax-exempt purpose. The Foundation has determined that it does not generate any material revenues from an unrelated trade or business; accordingly, a tax provision has not been reflected within these financial statements.

(k) Reclassifications

Certain prior year amounts have been reclassified 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 \$2,516 and \$1,869 at cost and fair value at June 30, 2018 and 2017, respectively. The cost and fair value of endowment investments, and their fair value measurements within the fair value hierarchy, are as follows:

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

	June 30, 2017					
	Cost	Fair Value	Fair Value Measurements			NAV
			Level 1	Level 2	Level 3	
Money market funds	\$2,021	\$2,021	\$-	\$2,021	\$-	\$-
U.S. Treasury and government agency bonds	1,200	1,223	1,223	-	-	-
Corporate equity securities	26,991	36,867	36,867	-	-	-
Corporate debt securities	44	47	47	-	-	-
Mutual equity funds	23,394	24,139	24,139	-	-	-
Mutual bond funds	16,526	16,182	16,182	-	-	-
Hedge and other investment funds	24,467	27,874	-	-	4,052	23,822
	\$94,643	\$108,353	\$78,458	\$2,021	\$4,052	\$23,822

At June 30, 2017, endowment investments include \$2,516 of NJIT timing related funds.

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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 \$4,100 in these funds over the next several fiscal years.

The Foundation invests its endowment funds in accordance with applicable limitations set forth in gift instruments or guidelines established by its Board of Overseers and NJIT's Board of Trustees. The Foundation's investment strategy is designed to maintain purchasing power of pooled endowment fund assets, with an emphasis on total return. The following are the Foundation's aggregate allocation guidelines by asset class: equities, up to 70%; real assets, up to 20%; multi-strategy hedges, up to 25%; and fixed income instruments, up to 35%. There are further allocation guidelines for specific investment categories within each asset class. The Foundation may also invest in below investment grade bonds as equity substitutes within the overall allocation for equities.

Custodial credit risk - deposits is the risk that, in the event of the failure of a depository financial institution, NJIT, and consequently the Foundation, will not be able to recover deposits that are in that institution's possession. The University's investment policy does not address custodial credit risk - deposits. At June 30, 2018 and 2017, \$851 and \$848, 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 \$113,638 and \$108,353 at June 30, 2018 and 2017, 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.

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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 at June 30, 2017 are rated A- by Standard & Poor's.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2018 and 2017, fixed income endowment investments have the following maturities:

	June 30, 2018			
	Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	5 to 10
Money market funds	\$2,207	\$2,207	\$-	\$-
U.S. Treasury and government agency bonds	25	25	-	-
Mutual bond funds	15,227	34	10,950	4,243
	\$17,459	\$2,266	\$10,950	\$4,243
	June 30, 2017			
	Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	5 to 10
Money market funds	\$2,021	\$2,021	\$-	\$-
U.S. Treasury and government agency bonds	1,223	27	842	354
Corporate debt securities	47	-	47	-
Mutual bond funds	16,182	112	6,299	9,771
	\$19,473	\$2,160	\$7,188	\$10,125

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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,			
	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$2,195	\$2,195	\$1,911	\$1,911
Corporate equity securities	39,262	49,655	26,991	36,867
Mutual equity funds	14,985	15,127	21,954	22,586
Mutual bond funds	15,378	14,926	15,913	15,557
Hedge and other investment funds	25,826	29,638	24,280	27,690
	<u>\$97,646</u>	<u>\$111,541</u>	<u>\$91,049</u>	<u>\$104,611</u>

For the years ended June 30, 2018 and 2017, the average return for the endowment investment pool was 7.4% and 13.1%, 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, 2018 and 2017 were 4.6% and 4.7%, respectively. The Foundation complies with the State's "Uniform Prudent Management of Institutional Funds Act", which governs the management and use of donor-restricted endowment funds held by it.

3. Supplementary Statement of Net Position Detail

	June 30,	
	2018	2017
Pledges and other receivables, net (current):		
Pledges receivable	\$753	\$796
Accounts receivable	10	4
Interest receivable	-	1
	<u>763</u>	<u>801</u>
Less: allowance for doubtful accounts	132	199
	<u>\$631</u>	<u>\$602</u>
Pledges receivable, net (noncurrent)		
Pledges receivable	\$303	\$318
Less: allowance for doubtful accounts	55	59
	<u>\$248</u>	<u>\$259</u>

4. Beneficial Interest in Perpetual Trusts

The Foundation is the beneficiary of trusts whose assets are not under its control. The Foundation has legally enforceable rights or claims to its beneficial interest in the annual income from the trusts. During the fiscal years ended June 30, 2018 and 2017, the Foundation received \$180 and

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\$129, respectively, of income from the trusts. The assets are carried at fair value based on the NAV reported by the trusts' managers.

5. Annuity Funds Liability

Annuity funds are composed of gift annuities and Unitrusts. These funds are given to the Foundation to be invested with the stipulation that the Foundation pay an agreed-upon amount to designated individuals for a period of time or for the beneficiary's lifetime. At the termination of the agreement, the remaining funds become part of the Foundation's endowment or are used for the purpose designated by the donor.

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

	2018	2017
Gifts annuities	\$284	\$287
Unitrusts	474	486
	<u>758</u>	<u>773</u>
Less: current portion	176	136
Annuity funds liability, noncurrent	<u>\$582</u>	<u>\$637</u>

The activity in the annuity funds liability for fiscal years 2018 and 2017 was as follows:

	2018	2017
Balance, beginning of year	\$ 773	\$904
Net gain on investments	122	395
Annuity payments	(173)	(136)
Annuity maturities	-	(138)
Adjustments of liability to present value	36	(252)
Balance at June 30, 2018	<u>\$758</u>	<u>\$773</u>

The components of net gain on investments for fiscal years 2018 and 2017 are as follows:

	2018	2017
Interest and dividends	\$22	\$34
Realized net gain on the sale of investments	88	61
Net increase in the fair value of investments	12	300
	<u>\$122</u>	<u>\$395</u>

For the fiscal year ended June 30, 2017, annuity maturities of \$138, is included in additions to permanent endowments in the statement of revenues, expenses, and changes in net position.

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Adjustment of liability to present value of \$36 and (\$252) (using discount rates ranging from 1.2% to 8.4%) at June 30, 2018 and 2017, respectively, are included in deferred inflows of resources, in the statement of revenues, expenses, and changes in net position.

6. Investment Income

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$1,840	\$1,719
Realized net gain on sale of investments	6,198	3,944
Net increase in the fair value of investments	434	6,490
	<u>\$8,472</u>	<u>\$12,153</u>

7. Related Entity Transactions

All of the Foundation's personnel are employees of NJIT. The Foundation's payments to NJIT in reimbursement of the salaries and fringe benefits of administrative employees in fiscal years 2018 and 2017 were \$131 and \$180, respectively. In fiscal years 2018 and 2017, NJIT donated services of \$2,444 and \$2,418, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation. In addition, during fiscal years 2018 and 2017, NJIT transferred \$2,000 to the Foundation designated for quasi-endowment in support of scholarships.

During fiscal years 2018 and 2017, the Foundation made the following grants to NJIT:

	<u>2018</u>	<u>2017</u>
Scholarship and fellowship grants	\$3,676	\$4,122
Instructional and other grants	4,560	6,118
Construction grants	643	685
	<u>\$8,879</u>	<u>\$10,925</u>

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

In fiscal years 2018 and 2017, grants of \$215 and \$120, respectively, were made to New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT, from grants and donor-restricted gifts received by the Foundation on NJII's behalf.

Grants to NJIT student Greek organizations of \$100 and \$139 in fiscal years 2018 and 2017, respectively, were made from donor-restricted gifts received for the benefit of specific student Greek organizations, and consist of grants for construction and furnishing of the educational areas of their chapter houses.

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8. Unrestricted Net Position

The components of unrestricted net position are as follows:

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

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