

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, 2020 and 2019

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY
June 30, 2020 and 2019
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GRANT THORNTON LLP

Two Commerce Square
2001 Market Street, Suite 700
Philadelphia, PA 19103

D +1 215.561.4200

F +1 215.561.1066

GrantThornton.com

[Linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)

[Twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of Foundation at New Jersey Institute of Technology (the Foundation), a component unit of New Jersey Institute of Technology, as of and for the years ended June 30, 2020 and 2019, 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 Foundation at New Jersey Institute of Technology as of June 30, 2020 and 2019, 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.



Philadelphia, Pennsylvania
October 28, 2020

FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

Management's Discussion and Analysis (unaudited)

(Dollars in thousands)
June 30, 2020 and 2019

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, 2020 and 2019. 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.

Established in 1959, the Foundation is a 501(c)(3) tax-exempt organization that serves as the fundraising arm of New Jersey Institute of Technology (NJIT), the state's public polytechnic university. In connecting alumni and friends with NJIT's innovative programs, research-active faculty, and talented and hardworking students, the Foundation advances NJIT's pursuit of its mission of education, research, service, and economic development.

Recognized as a top college by The Princeton Review, identified as an "R1 – highest research activity" institution by the Carnegie Commission, and ranked by *Forbes* as the #1 university in the nation for student economic mobility, NJIT prepares students to be leaders in the technology-dependent economy of the 21st century. NJIT's multidisciplinary curriculum and computing-intensive approach to education provide the technological proficiency, business knowledge, and leadership skills that future CEOs, entrepreneurs, and leaders need to succeed. With an enrollment of more than 11,500 undergraduates and graduate students in more than 125 programs, NJIT offers small-campus intimacy with the resources of a major public university.

The Financial Statements

The Foundation's financial statements include a statement of net position at June 30, 2020 and 2019, 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, 2020 and 2019 was sound, with total assets of \$138,285 and \$133,671, total liabilities of \$614 and \$653, and deferred inflows of resources of \$1,832 and \$1,125, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities and deferred inflows of resources, totaled \$135,839 and \$131,893 at June 30, 2020 and 2019, respectively. Net position increased \$3,946 and \$12,231 in fiscal years 2020 and 2019, respectively, principally resulting from gifts and bequests, investment income, and additions to permanent endowments, partially offset by operating expenses.

Statement of Net Position

The statement of net position presents the Foundation's financial position at June 30, 2020 and 2019, and is summarized as follows. The summarized statement of net position at June 30, 2018 is also presented for comparative purposes.

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(Dollars in thousands)
June 30, 2020 and 2019

	June 30,		
	2020	2019	2018
Current assets	\$ 3,859	\$ 6,195	\$ 3,150
Endowment investments	129,183	122,812	113,638
Beneficial interest trusts	5,013	4,499	4,237
Pledges receivable and other assets, noncurrent	230	165	264
Total assets	<u>138,285</u>	<u>133,671</u>	<u>121,289</u>
Due to New Jersey Institute of Technology	-	-	108
Annuity funds liability, current	99	96	176
Accounts payable	8	7	11
Annuity funds liability, noncurrent	507	550	582
Total liabilities	<u>614</u>	<u>653</u>	<u>877</u>
Deferred inflows of resources	<u>1,832</u>	<u>1,125</u>	<u>750</u>
Restricted nonexpendable	85,702	83,012	77,528
Restricted expendable	22,038	24,502	21,391
Unrestricted	28,099	24,379	20,743
Total net position	<u>\$ 135,839</u>	<u>\$ 131,893</u>	<u>\$ 119,662</u>

Current assets consist of cash held by New Jersey Institute of Technology, pledges and other receivables, net, and due from New Jersey Institute of Technology at June 30, 2020 and 2019, and prepaid expenses at June 30, 2019. Current assets decreased \$2,336 at June 30, 2020, as compared to June 30, 2019, primarily resulting from the cash receipt of a fiscal year 2019 pledge receivable of approximately \$3,000 in support of scholarships. Current assets increased \$3,045 at June 30, 2019, as compared to June 30, 2018, primarily as a result of one pledge of approximately \$3,000 in support of scholarships.

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 5.2% and 8.1% during fiscal years 2020 and 2019, respectively, reflecting growth from new gifts, realized net investment gains, and a net (decrease) increase in the fair value of investments at June 30, 2020 and 2019, respectively, offset by endowment distributions in both fiscal years.

During August 2019, the Foundation transferred management of the pooled endowment to a new investment manager, resulting in the sale and purchase of endowment investments.

Total liabilities consist of the current and noncurrent portions of annuity funds liability and accounts payable. Liabilities decreased \$39 and \$224 during fiscal years 2020 and 2019, respectively, as a result of a decrease in annuity funds liability in both fiscal years and a reduction in the amount due to New Jersey Institute of Technology in fiscal year 2019.

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Deferred inflows of resources consist of certain changes in annuity funds liability and beneficial interest in charitable annuity trusts. Deferred inflows of resources increased \$707 and \$375 in fiscal years 2020 and 2019, respectively, due to new beneficial interest in charitable annuity trusts and the present value adjustment of annuity funds in both fiscal years, and the maturity of an annuitant who outlived their annuity in fiscal year 2019.

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, 2020 and 2019, restricted net position is composed of the following. The components of restricted net position at June 30, 2018 are also presented for comparative purposes.

		June 30,		
		2020	2019	2018
Nonexpendable:				
Scholarship and fellowship grants	\$	71,026	\$ 69,079	\$ 64,971
Instructional and other grants		14,676	13,933	12,557
Expendable:				
Scholarship and fellowship grants		15,969	18,954	15,433
Instructional and other grants		6,069	5,548	5,958
	\$	<u>107,740</u>	<u>107,514</u>	<u>98,919</u>

Restricted net position increased \$226 and \$8,595 during fiscal years 2020 and 2019, 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 of Overseers. Unrestricted net position increased \$3,720 and \$3,636 during fiscal years 2020 and 2019, respectively, principally due to gifts and bequests and investment income, offset by operating expenses. Even though unrestricted net position is not subject to external restrictions, management, with the approval of the Foundation's Board of Overseers, has designated a portion of the unrestricted net position for the following specified purposes. The components of unrestricted net position at June 30, 2018 are also presented for comparative purposes.

		June 30,		
		2020	2019	2018
Designated unrestricted net position:				
Scholarship and fellowship grants	\$	18,001	\$ 14,497	\$ 10,897
Instructional and other grants		7,520	7,561	7,656
		25,521	22,058	18,553
Undesignated unrestricted net position - operations		2,578	2,321	2,190
	\$	<u>28,099</u>	<u>24,379</u>	<u>20,743</u>

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Except for certain instructional and other grants of \$319 at June 30, 2020 and 2019 and \$462 at June 30, 2018, 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, 2020 and 2019 are as follows. The components of revenues for the fiscal year ended June 30, 2018 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2020	2019	2018
Operating revenues:			
Gifts and bequests	\$ 6,832	\$ 10,802	\$ 7,604
Donated services	2,634	2,683	2,444
Other	-	100	195
Total operating revenues	<u>9,466</u>	<u>13,585</u>	<u>10,243</u>
Non-operating and other revenues:			
Investment income	4,979	6,144	8,472
Additions to permanent endowments	2,901	5,261	2,298
Other non-operating revenues	<u>23</u>	<u>19</u>	<u>37</u>
Total non-operating and other revenues	<u>7,903</u>	<u>11,424</u>	<u>10,807</u>
Total revenues	<u>\$ 17,369</u>	<u>\$ 25,009</u>	<u>\$ 21,050</u>

Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. In fiscal years 2020 and 2019, gifts and bequests totaled \$6,832 and \$10,802, respectively, including \$3,161 and \$3,353, respectively, from NJIT for quasi-endowment in support of scholarships. The fiscal year 2020 decrease and the fiscal year 2019 increase is principally due to a fiscal year 2019 pledge of approximately \$3,000 in support of scholarships.

In fiscal years 2020 and 2019, additions to permanent endowments totaled \$2,901 and \$5,261, respectively. The decrease from fiscal year 2019 to fiscal year 2020 is primarily related to a \$1,756 bequest received in fiscal year 2019.

In fiscal years 2020 and 2019, NJIT donated \$2,634 and \$2,683 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 (decrease) increase in the fair value of investments. During fiscal years 2020 and 2019, investment income of \$4,979 and \$6,144, respectively, was due to a realized net gain on sale of investments, interest and dividends, and a net (decrease) increase in the fair value of investments at June 30, 2020 and 2019, respectively. The fiscal year 2020 realized net gain on sale of investments is primarily due

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to the sale of investments resulting from the transfer of endowment investments to a new investment manager and the full redemption of two alternative investments. The fiscal year 2020 net decrease in the fair value of investments is primarily due to the sale and full redemption of endowment investments, as noted above, and market volatility as a result of the novel coronavirus 2019 (COVID-19), partially offset by a net increase in the fair value of investments during the first seven months of fiscal year 2020.

The components of operating expenses for the fiscal years ended June 30, 2020 and 2019 are as follows. The components of operating expenses for the fiscal year ended June 30, 2018 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2020	2019	2018
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ 10,272	\$ 9,326	\$ 8,879
Grants to New Jersey Innovation Institute, Inc.	-	120	215
Grants to New Jersey Institute of Technology student Greek organizations	11	56	100
Fundraising	2,968	3,109	2,854
Administration	172	167	138
Total operating expenses	<u>\$ 13,423</u>	<u>\$ 12,778</u>	<u>\$ 12,186</u>

Operating expenses increased 5.0% and 4.9% to \$13,423 and \$12,778 in fiscal years 2020 and 2019, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 76.5% and 73.0% of total operating expenses in fiscal years 2020 and 2019, respectively. The recipients of the grants are determined by NJIT, in accordance with donor restrictions. The fiscal years 2020 and 2019 increase of \$946 and \$447, respectively, relates to an increase in scholarship and fellowship grants, partially offset by decreases in instructional and other grants and construction grants.

Grants to New Jersey Innovation Institute, Inc. (NJII), a component unit of NJIT, comprising 0.9% of total operating expenses in fiscal year 2019, were made from grants and donor-restricted gifts of \$120 received for the benefit of NJII programs.

Grants to NJIT student Greek organizations, comprising 0.1% and 0.4%, of total operating expenses in fiscal years 2020 and 2019, 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.

Fundraising expense, comprising 22.1% and 24.4% of total operating expenses in fiscal years 2020 and 2019, respectively, decreased 4.5% in fiscal year 2020 and increased 8.9% in fiscal year 2019. The fiscal year 2020 decrease principally relates to decreases in event expenses and personnel costs. The fiscal year 2019 increase principally relates to an increase in personnel costs.

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Administration expense, comprising 1.3% of total operating expenses in both fiscal years, 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 2020, the Foundation's fundraising efforts generated gifts and bequests of \$6,832 and additions to permanent endowments of \$2,901. 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. The endowment spending policy provides for appropriate funding of donors' purposes.

Grants made to NJIT from the Foundation's restricted and unrestricted funds totaled \$10,272 in fiscal year 2020. Unrestricted net position totaled \$28,099 at June 30, 2020, of which \$25,521 is designated for future grants.

The Independent Alumni Association (the Association), an independent 501(c)(3) non-profit organization, formerly known as the Alumni Association of New Jersey Institute of Technology, worked actively and collegially in partnership with NJIT, its alumni and other members of the university community to provide and support NJIT as a leading public research university. The Association determined to dissolve their organization and transfer its assets and funds to NJIT, through the Foundation, who will undertake responsibility to maintain and steward the funds on an on-going basis as part of its endowment investments. In May 2020, the Superior Court of New Jersey authorized the dissolution of the Association. As of August 31, 2020, NJIT took ownership of \$3,816 of the Association's endowment investment assets.

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact to its operations.

Despite the uncertainty related to COVID-19, 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)

June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 2,823	\$ 2,527
Pledges and other receivables, net	954	3,529
Due from New Jersey Institute of Technology	82	136
Prepaid expenses	-	3
Total current assets	<u>3,859</u>	<u>6,195</u>
Noncurrent assets:		
Endowment investments	129,183	122,812
Beneficial interest trusts	5,013	4,499
Pledges receivable, net	214	149
Other assets	16	16
Total noncurrent assets	<u>134,426</u>	<u>127,476</u>
Total assets	<u>138,285</u>	<u>133,671</u>
Liabilities		
Current liabilities:		
Annuity funds liability, current portion	99	96
Accounts payable	8	7
Total current liabilities	<u>107</u>	<u>103</u>
Noncurrent liabilities:		
Annuity funds liability	507	550
Total liabilities	<u>614</u>	<u>653</u>
Deferred inflows of resources	<u>1,832</u>	<u>1,125</u>
Net position		
Restricted:		
Nonexpendable:		
Scholarship and fellowship grants	71,026	69,079
Instructional and other grants	14,676	13,933
Expendable:		
Scholarship and fellowship grants	15,969	18,954
Instructional and other grants	6,069	5,548
Unrestricted	28,099	24,379
Total net position	<u>\$ 135,839</u>	<u>\$ 131,893</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Gifts and bequests	\$ 6,832	\$ 10,802
Donated services	2,634	2,683
Other grants	-	100
Total operating revenues	<u>9,466</u>	<u>13,585</u>
Operating expenses		
Grants to New Jersey Institute of Technology	10,272	9,326
Grants to New Jersey Innovation Institute, Inc.	-	120
Grants to New Jersey Institute of Technology student Greek organizations	11	56
Fundraising	2,968	3,109
Administration	172	167
Total operating expenses	<u>13,423</u>	<u>12,778</u>
 Operating (loss) income	 <u>(3,957)</u>	 <u>807</u>
Non-operating revenues		
Investment income	4,979	6,144
Other non-operating revenues	23	19
Total non-operating revenues	<u>5,002</u>	<u>6,163</u>
 Income before other revenues	 <u>1,045</u>	 <u>6,970</u>
Other revenues		
Additions to permanent endowments	2,901	5,261
Increase in net position	<u>3,946</u>	<u>12,231</u>
 Net position, beginning of year	 <u>131,893</u>	 <u>119,662</u>
Net position, end of year	\$ <u>135,839</u>	\$ <u>131,893</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Gifts and bequests	\$ 9,248	\$ 7,789
Other grants	-	100
Due from New Jersey Institute of Technology	54	(136)
Grants to New Jersey Institute of Technology	(9,606)	(8,616)
Grants to New Jersey Innovation Institute, Inc.	-	(120)
Grants to New Jersey Institute of Technology student Greek organizations	(11)	(56)
Due to New Jersey Institute of Technology	-	(108)
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(132)	(127)
Payments on annuity funds	(99)	(128)
Payments for goods and services	(363)	(460)
Net cash used by operating activities	<u>(909)</u>	<u>(1,862)</u>
Cash flows from noncapital financing activities		
Additions to permanent endowments	2,322	4,967
Other	23	19
Net cash provided by noncapital financing activities	<u>2,345</u>	<u>4,986</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	177,108	18,800
Interest and dividends on investments	2,579	2,068
Purchase of investments	(180,827)	(23,981)
Net cash used by investing activities	<u>(1,140)</u>	<u>(3,113)</u>
Net increase in cash held by New Jersey Institute of Technology	296	11
Cash held by New Jersey Institute of Technology, beginning of year	<u>2,527</u>	<u>2,516</u>
Cash held by New Jersey Institute of Technology, end of year	<u>\$ 2,823</u>	<u>\$ 2,527</u>
Reconciliation of operating (loss) income to net cash used by operating activities		
Operating (loss) income	\$ (3,957)	\$ 807
Adjustments to reconcile operating (loss) income to net cash used by operating activities:		
Noncash operating revenues	(2,727)	(3,166)
Noncash operating expenses	3,306	3,403
Changes in assets and liabilities:		
Pledges and other receivables	2,510	(2,799)
Prepaid expenses	3	-
Due from New Jersey Institute of Technology	54	(244)
Annuity funds liability	(99)	(128)
Accounts payable	1	(4)
Deferred inflows of resources	-	269
Net cash used by operating activities	<u>\$ (909)</u>	<u>\$ (1,862)</u>
Noncash transactions:		
Additions to permanent endowments	<u>\$ 579</u>	<u>\$ 294</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 (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 Board of 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, 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 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.

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(Dollars in thousands)
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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 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) Beneficial Interest Trusts

Beneficial interest trusts are 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.

(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 of Overseers designates portions of its unrestricted net position for certain specific purposes (see Note 8).

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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.

(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.

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

Cash held by NJIT is invested in money market funds totaling \$2,823 and \$2,527 at cost and fair value at June 30, 2020 and 2019, respectively. The cost and fair value of endowment investments, and their fair value measurements within the fair value hierarchy, are as follows:

	June 30, 2020					
	Cost	Fair Value	Fair Value Measurements			NAV
			Level 1	Level 2	Level 3	
Money market funds	\$ 5,326	\$ 5,326	\$ 4,992	\$ 334	\$ -	\$ -
Mutual equity funds	70,917	73,271	7,010	66,261	-	-
Mutual bond funds	43,550	44,029	11,661	32,368	-	-
Hedge and other investment funds	8,101	6,557	-	-	7	6,550
	<u>\$ 127,894</u>	<u>\$ 129,183</u>	<u>\$ 23,663</u>	<u>\$ 98,963</u>	<u>\$ 7</u>	<u>\$ 6,550</u>

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	June 30, 2019					
	Cost	Fair Value	Fair Value Measurements			
			Level 1	Level 2	Level 3	NAV
Money market funds	\$ 6,253	\$ 6,253	\$ -	\$ 6,253	\$ -	\$ -
Corporate equity securities	40,786	53,242	53,242	-	-	-
Mutual equity funds	17,781	18,038	17,644	394	-	-
Mutual bond funds	17,556	17,324	15,807	1,517	-	-
Hedge and other investment funds	24,483	27,955	-	-	3,675	24,280
	<u>\$ 106,859</u>	<u>\$ 122,812</u>	<u>\$ 86,693</u>	<u>\$ 8,164</u>	<u>\$ 3,675</u>	<u>\$ 24,280</u>

Hedge and other investment funds are comprised of directional, private equity, real assets and private debt. The Foundation has committed to invest an additional \$6,867 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, as well as provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments, or industries. The following are the Foundation's allocation guidelines by asset class and specific investment categories within each asset class:

Asset Class	Range
Equity Assets:	
Domestic equity	6% - 56%
International equity	0% - 9%
Other equity	0% - 20%
Income Assets:	
Fixed income	10% - 50%
Other income	0% - 20%
Alternative Assets:	
Private equity	0% - 25%
Private debt	0% - 25%
Real assets	0% - 25%
Hedge funds	0% - 20%
Cash Equivalents	0% - 20%

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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, 2020 and 2019, \$270 and \$356, respectively, of NJIT's cash is insured by the Federal Deposit Insurance Corporation (FDIC).

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 \$129,183 and \$122,812 at June 30, 2020 and 2019, 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. The money market funds and mutual bond funds included in the Foundation's investment portfolio are not rated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. There is a limit on the amount the Foundation may invest in any issuer. The Foundation's endowment investments are diversified.

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, 2020 and 2019, fixed income endowment investments have the following maturities:

June 30, 2020				
Fair Value	Investment Maturities (in years)			
	Less than 1	1 to 5	5 to 10	
Money market funds	\$ 5,326	\$ 5,326	\$ -	\$ -
Mutual bond funds	44,029	-	11,860	32,169
	<u>\$ 49,355</u>	<u>\$ 5,326</u>	<u>\$ 11,860</u>	<u>\$ 32,169</u>
June 30, 2019				
Fair Value	Investment Maturities (in years)			
	Less than 1	1 to 5	5 to 10	
Money market funds	\$ 6,253	\$ 6,253	\$ -	\$ -
Mutual bond funds	17,324	-	6,464	10,860
	<u>\$ 23,577</u>	<u>\$ 6,253</u>	<u>\$ 6,464</u>	<u>\$ 10,860</u>

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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,			
	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 4,946	\$ 4,946	\$ 6,214	\$ 6,214
Corporate equity securities	-	-	40,786	53,242
Mutual equity funds	70,836	73,184	17,305	17,541
Mutual bond funds	41,935	42,356	16,012	15,749
Hedge and other investment funds	8,095	6,550	24,476	27,948
	<u>\$ 125,812</u>	<u>\$ 127,036</u>	<u>\$ 104,793</u>	<u>\$ 120,694</u>

For the years ended June 30, 2020 and 2019, the average return for the endowment investment pool was 3.7% and 5.6%, 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 rate for the years ended June 30, 2020 and 2019 was 4.7%. 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,	
	2020	2019
Pledges and other receivables, net (current):		
Pledges receivable	\$ 1,283	\$ 3,584
Accounts receivable	23	24
	<u>1,306</u>	<u>3,608</u>
Less: allowance for doubtful accounts	352	79
	<u>\$ 954</u>	<u>\$ 3,529</u>
Pledges receivable, net (noncurrent)		
Pledges receivable	\$ 431	\$ 191
Less: allowance for doubtful accounts	217	42
	<u>\$ 214</u>	<u>\$ 149</u>
Deferred inflows of resources:		
Annuity related funds	\$ 1,031	\$ 1,026
Beneficial interest trusts related	801	99
	<u>\$ 1,832</u>	<u>\$ 1,125</u>

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4. Beneficial Interest 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, 2020 and 2019, the Foundation received \$183 and \$111, respectively, of income from perpetual trusts. The assets are carried at fair value (\$4,212 and \$4,400 at June 30, 2020 and 2019, respectively) based on the NAV reported by the trusts' managers. The Foundation also has beneficial interest in charitable remainder annuity trusts, with a present value of \$801 and \$99 at June 30, 2020 and 2019, respectively.

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:

	<u>2020</u>	<u>2019</u>
Gifts annuities	\$ 185	\$ 195
Unitrusts	421	451
	<u>606</u>	<u>646</u>
Less: current portion	99	96
Annuity funds liability, noncurrent	<u>\$ 507</u>	<u>\$ 550</u>

The activity in the annuity funds liability for fiscal years 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 646	\$ 758
Net gain on investments	64	81
Annuity payments	(99)	(128)
Annuity maturities	-	(57)
Adjustments of liability to present value	(5)	(8)
Balance at June 30,	<u>\$ 606</u>	<u>\$ 646</u>

The components of net gain on investments for fiscal years 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 34	\$ 28
Realized net gain on the sale of investments	218	33
Net (decrease) increase in the fair value of investments	(188)	20
	<u>\$ 64</u>	<u>\$ 81</u>

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For the fiscal year ended June 30, 2019, annuity maturities of \$57 are included in gifts and bequests in the statement of revenues, expenses, and changes in net position.

Adjustment of liability to present value of (\$5) and (\$8) (using discount rates ranging from 1.2% to 8.4%) at June 30, 2020 and 2019, respectively, are included in deferred inflows of resources in the statement of net position.

6. Investment Income

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 2,545	\$ 2,041
Realized net gain on sale of investments	17,098	1,912
Net (decrease) increase in the fair value of investments	(14,664)	2,191
	<u>\$ 4,979</u>	<u>\$ 6,144</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 2020 and 2019 were \$132 and \$127, respectively. In fiscal years 2020 and 2019, NJIT donated services of \$2,634 and \$2,683, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation. In addition, during fiscal years 2020 and 2019, NJIT transferred \$3,161 and \$3,353, respectively, to the Foundation designated for quasi-endowment in support of scholarships.

During fiscal years 2020 and 2019, the Foundation made the following grants to NJIT:

	<u>2020</u>	<u>2019</u>
Scholarship and fellowship grants	\$ 7,609	\$ 5,594
Instructional and other grants	2,628	3,581
Construction grants	35	151
	<u>\$ 10,272</u>	<u>\$ 9,326</u>

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

In fiscal year 2019, grants of \$120 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.

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Grants to NJIT student Greek organizations of \$11 and \$56 in fiscal years 2020 and 2019, respectively, were made from donor-restricted gifts received for the benefit of specific student Greek organizations, and consist of grants for construction and furnishings of the educational areas of their chapter houses.

8. Unrestricted Net Position

The components of unrestricted net position are as follows:

	June 30,	
	2020	2019
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 18,001	\$ 14,497
Instructional and other grants	7,520	7,561
	<u>25,521</u>	<u>22,058</u>
Undesignated unrestricted net position - operations	2,578	2,321
	<u>\$ 28,099</u>	<u>\$ 24,379</u>

Except for certain instructional and other grants of \$319 at June 30, 2020 and 2019, the Foundation's designated unrestricted net position represents quasi-endowments.

9. Subsequent Events

The Independent Alumni Association (the Association), an independent 501(c)(3) non-profit organization, formerly known as the Alumni Association of New Jersey Institute of Technology, worked actively and collegially in partnership with NJIT, its alumni and other members of the university community to provide and support NJIT as a leading public research university. The Association determined to dissolve their organization and transfer its assets and funds to NJIT, through the Foundation, who will undertake responsibility to maintain and steward the funds on an on-going basis as part of its endowment investments. In May 2020, the Superior Court of New Jersey authorized the dissolution of the Association. As of August 31, 2020, NJIT took ownership of \$3,816 of the Association's endowment investment assets.