

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, 2021 and 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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 9 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Philadelphia, Pennsylvania
November 19, 2021

Management's Discussion and Analysis (unaudited)

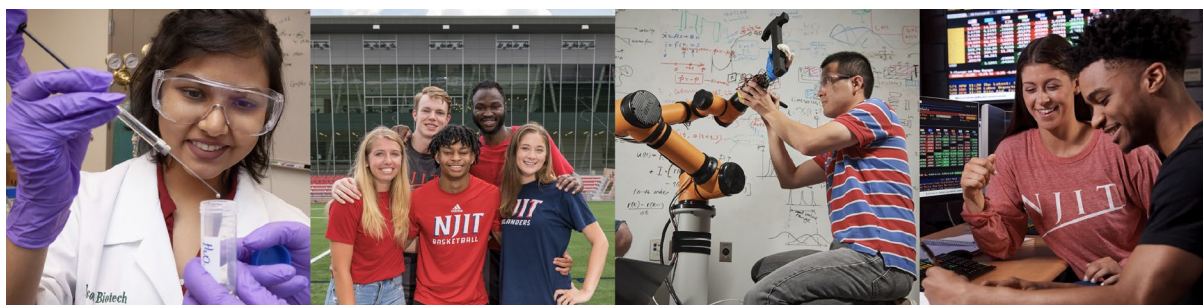
(Dollars in thousands)

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, 2021 and 2020. 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 upward 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 11,600 undergraduates and graduate students in more than 125 programs, NJIT offers small-campus intimacy with the resources of a major public polytechnic university.



The Financial Statements

The Foundation's financial statements include a statement of net position at June 30, 2021 and 2020, 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 accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Management's Discussion and Analysis (unaudited)
(Dollars in thousands)

Financial Highlights

The Foundation's financial position at June 30, 2021 and 2020 was sound, with total assets of \$177,818 and \$138,285, total liabilities of \$742 and \$614, and deferred inflows of resources of \$2,629 and \$1,832, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities and deferred inflows of resources, totaled \$174,447 and \$135,839 at June 30, 2021 and 2020, respectively. Net position increased \$38,608 and \$3,946 in fiscal years 2021 and 2020, 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, 2021 and 2020, and is summarized as follows. The summarized statement of net position at June 30, 2019 is also presented for comparative purposes.

	June 30,		
	2021	2020	2019
Current assets	\$ 4,124	\$ 3,859	\$ 6,195
Endowment investments	166,087	129,183	122,812
Beneficial interest trusts	6,846	5,013	4,499
Pledges receivable and other assets, noncurrent	761	230	165
Total assets	<u>177,818</u>	<u>138,285</u>	<u>133,671</u>
Due to New Jersey Institute of Technology	66	-	-
Annuity funds liability, current	110	99	96
Accounts payable	20	8	7
Annuity funds liability, noncurrent	546	507	550
Total liabilities	<u>742</u>	<u>614</u>	<u>653</u>
Deferred inflows of resources	<u>2,629</u>	<u>1,832</u>	<u>1,125</u>
Restricted nonexpendable	95,353	85,702	83,012
Restricted expendable	45,512	22,038	24,502
Unrestricted	33,582	28,099	24,379
Total net position	<u>\$ 174,447</u>	<u>\$ 135,839</u>	<u>\$ 131,893</u>

Current assets consist of cash held by New Jersey Institute of Technology and pledges and other receivables, net, at June 30, 2021 and 2020, and due from New Jersey Institute of Technology at June 30, 2020. Current assets increased \$265 at June 30, 2021, as compared to June 30, 2020, primarily resulting from an increase in pledges receivable. 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.

Management's Discussion and Analysis (unaudited)
(Dollars in thousands)

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 investment income. Endowment investments increased 28.6% and 5.2% during fiscal years 2021 and 2020, respectively, reflecting growth from new gifts and investment income, offset by endowment distributions in both fiscal years. In fiscal year 2021, The Independent Alumni Association (the Association), formerly known as the Alumni Association of New Jersey Institute of Technology, dissolved their organization and transferred its endowment investment assets, totaling \$3,845, to NJIT, through the Foundation, who will maintain and steward the funds on an on-going basis as part of its endowment investments.

Total liabilities consist of the current and noncurrent portions of annuity funds liability and accounts payable at June 30, 2021 and 2020, and due to New Jersey Institute of Technology at June 30, 2021. Liabilities increased \$128 during fiscal year 2021 primarily due to increases in the fair value of the annuity funds and the amount due to New Jersey Institute of Technology. Liabilities decreased \$39 during fiscal year 2020 as a result of a decrease in annuity funds liability.

Deferred inflows of resources consist of certain changes in annuity funds liability and beneficial interest in charitable annuity trusts. Deferred inflows of resources increased \$797 in fiscal year 2021 primarily due to increases in the fair value of the annuity funds and beneficial interest in charitable annuity trusts. Deferred inflows of resources increased \$707 in fiscal year 2020 primarily due to a new beneficial interest in a charitable annuity trust.

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, 2021 and 2020, restricted net position is composed of the following. The components of restricted net position at June 30, 2019 are also presented for comparative purposes.

	June 30,		
	2021	2020	2019
Nonexpendable:			
Scholarship and fellowship grants	\$ 78,825	\$ 71,026	\$ 69,079
Instructional and other grants	16,528	14,676	13,933
Expendable:			
Scholarship and fellowship grants	35,575	15,969	18,954
Instructional and other grants	9,937	6,069	5,548
	<u>\$ 140,865</u>	<u>\$ 107,740</u>	<u>\$ 107,514</u>

Management's Discussion and Analysis (unaudited)

(Dollars in thousands)

Restricted net position increased \$33,125 and \$226 during fiscal years 2021 and 2020, respectively, principally due to investment income, gifts and bequests, and additions to permanent endowments, partially offset by operating expenses in both fiscal years.

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 \$5,483 and \$3,720 during fiscal years 2021 and 2020, 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, 2019 are also presented for comparative purposes.

		June 30,	
	2021	2020	2019
Designated unrestricted net position:			
Scholarship and fellowship grants	\$ 21,780	\$ 18,001	\$ 14,497
Instructional and other grants	8,933	7,520	7,561
	30,713	25,521	22,058
Undesignated unrestricted net position - operations	2,869	2,578	2,321
	<u>\$ 33,582</u>	<u>\$ 28,099</u>	<u>\$ 24,379</u>

Except for certain instructional and other grants of \$319 at June 30, 2020, 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, 2021 and 2020 are as follows. The components of revenues for the fiscal year ended June 30, 2019 are also presented for comparative purposes.

Management's Discussion and Analysis (unaudited)
(Dollars in thousands)

	Fiscal Year Ended June 30,		
	2021	2020	2019
Operating revenues:			
Gifts and bequests	\$ 4,145	\$ 6,832	\$ 10,802
Donated services	2,361	2,634	2,683
Other	-	-	100
Total operating revenues	<u>6,506</u>	<u>9,466</u>	<u>13,585</u>
Non-operating and other revenues:			
Investment income	35,535	4,979	6,144
Additions to permanent endowments	8,223	2,901	5,261
Other non-operating revenues	<u>24</u>	<u>23</u>	<u>19</u>
Total non-operating and other revenues	<u>43,782</u>	<u>7,903</u>	<u>11,424</u>
Total revenues	<u>\$ 50,288</u>	<u>\$ 17,369</u>	<u>\$ 25,009</u>

Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. In fiscal years 2021 and 2020, gifts and bequests totaled \$4,145 and \$6,832, respectively, including \$3,161 in fiscal year 2020 from NJIT for quasi-endowment in support of scholarships. The fiscal year 2020 decrease is principally due to a fiscal year 2019 pledge of approximately \$3,000 in support of scholarships.

In fiscal years 2021 and 2020, additions to permanent endowments totaled \$8,223 and \$2,901, respectively. The fiscal year 2021 increase is primarily due to the transfer of the Association's endowment investment assets discussed above. The fiscal year 2020 decrease is primarily related to a bequest received in fiscal year 2019.

In fiscal years 2021 and 2020, NJIT donated \$2,361 and \$2,634 of services, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

Investment income includes interest and dividend income as well as realized and unrealized gains and losses. During fiscal years 2021 and 2020, the positive performance of the investment portfolio yielded a total return of \$35,535 and \$4,979, respectively.

The components of operating expenses for the fiscal years ended June 30, 2021 and 2020 are as follows. The components of operating expenses for the fiscal year ended June 30, 2019 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2021	2020	2019
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ 8,924	\$ 10,272	\$ 9,326
Grants to New Jersey Innovation Institute, Inc.	-	-	120
Grants to New Jersey Institute of Technology student Greek organizations	10	11	56
Fundraising	2,577	2,968	3,109
Administration	<u>169</u>	<u>172</u>	<u>167</u>
Total operating expenses	<u>\$ 11,680</u>	<u>\$ 13,423</u>	<u>\$ 12,778</u>

Management's Discussion and Analysis (unaudited)

(Dollars in thousands)

Operating expenses decreased 13.0% and increased 5.0% to \$11,680 and \$13,423 in fiscal years 2021 and 2020, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 76.4% and 76.5% of total operating expenses in fiscal years 2021 and 2020, respectively. The recipients of the grants are determined by NJIT, in accordance with donor restrictions. The fiscal year 2021 decrease relates to a decrease in scholarship and fellowship grants, partially offset by increases in instruction and other grants and construction grants. The fiscal year 2020 increase relates to an increase in scholarship and fellowship grants, partially offset by decreases in instruction and other grants and construction grants.

Grants to NJIT student Greek organizations, comprising 0.1% of total operating expenses in both fiscal years 2021 and 2020, 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% of total operating expenses in fiscal both years 2021 and 2020, decreased 13.2% and 4.5% in fiscal years 2021 and 2020, respectively, principally resulting from decreases in event expenses and personnel costs.

Administration expense, comprising 1.4% and 1.3% of total operating expenses in fiscal years 2021 and 2020, respectively, remained relatively constant from year to year.

Summary and Outlook

The Foundation's mission 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 2021, the Foundation's fundraising efforts generated gifts and bequests of \$4,145 and additions to permanent endowments of \$8,223. 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 \$8,924 in fiscal year 2021. Unrestricted net position totaled \$33,582 at June 30, 2021, of which \$30,713 is designated for future grants.

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.

Management's Discussion and Analysis (unaudited)
(Dollars in thousands)

Despite the continued uncertainty relating 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.



Statement of Net Position
(Dollars in thousands)
At June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 2,891	\$ 2,823
Pledges and other receivables, net	1,233	954
Due from New Jersey Institute of Technology	-	82
Total current assets	<u>4,124</u>	<u>3,859</u>
Noncurrent assets:		
Endowment investments	166,087	129,183
Beneficial interest trusts	6,846	5,013
Pledges receivable, net	745	214
Other assets	16	16
Total noncurrent assets	<u>173,694</u>	<u>134,426</u>
Total assets	<u>177,818</u>	<u>138,285</u>
Liabilities		
Current liabilities:		
Due to New Jersey Institute of Technology	66	-
Annuity funds liability, current portion	110	99
Accounts payable	20	8
Total current liabilities	<u>196</u>	<u>107</u>
Noncurrent liabilities:		
Annuity funds liability	546	507
Total liabilities	<u>742</u>	<u>614</u>
Deferred inflows of resources	<u>2,629</u>	<u>1,832</u>
Net position		
Restricted:		
Nonexpendable:		
Scholarship and fellowship grants	78,825	71,026
Instructional and other grants	16,528	14,676
Expendable:		
Scholarship and fellowship grants	35,575	15,969
Instructional and other grants	9,937	6,069
Unrestricted	33,582	28,099
Total net position	<u>\$ 174,447</u>	<u>\$ 135,839</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
(Dollars in thousands)
For the years ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Gifts and bequests	\$ 4,145	\$ 6,832
Donated services	2,361	2,634
Total operating revenues	<u>6,506</u>	<u>9,466</u>
Operating expenses		
Grants to New Jersey Institute of Technology	8,924	10,272
Grants to New Jersey Institute of Technology student Greek organizations	10	11
Fundraising	2,577	2,968
Administration	169	172
Total operating expenses	<u>11,680</u>	<u>13,423</u>
Operating loss	<u>(5,174)</u>	<u>(3,957)</u>
Non-operating revenues		
Investment income	35,535	4,979
Other non-operating revenues	24	23
Total non-operating revenues	<u>35,559</u>	<u>5,002</u>
Income before other revenues	<u>30,385</u>	<u>1,045</u>
Other revenues		
Additions to permanent endowments	8,223	2,901
Increase in net position	<u>38,608</u>	<u>3,946</u>
Net position, beginning of year	135,839	131,893
Net position, end of year	<u>\$ 174,447</u>	<u>\$ 135,839</u>

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

Statement of Cash Flows
(Dollars in thousands)
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Gifts and bequests	\$ 3,150	\$ 9,248
Due to/from New Jersey Institute of Technology	148	54
Grants to New Jersey Institute of Technology	(8,316)	(9,606)
Grants to New Jersey Institute of Technology student Greek organizations	(10)	(11)
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(139)	(132)
Payments on annuity funds	(106)	(99)
Payments for goods and services	(222)	(363)
Net cash used by operating activities	<u>(5,495)</u>	<u>(909)</u>
Cash flows from noncapital financing activities		
Additions to permanent endowments	7,790	2,322
Other	24	23
Net cash provided by noncapital financing activities	<u>7,814</u>	<u>2,345</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	44,733	177,108
Interest and dividends on investments	3,059	2,579
Purchase of investments	(50,043)	(180,827)
Net cash used by investing activities	<u>(2,251)</u>	<u>(1,140)</u>
Net increase in cash held by New Jersey Institute of Technology	68	296
Cash held by New Jersey Institute of Technology, beginning of year	<u>2,823</u>	<u>2,527</u>
Cash held by New Jersey Institute of Technology, end of year	<u>\$ 2,891</u>	<u>\$ 2,823</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (5,174)	\$ (3,957)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(2,546)	(2,727)
Noncash operating expenses	2,981	3,306
Changes in assets and liabilities:		
Pledges and other receivables	(810)	2,510
Prepaid expenses	-	3
Due to from New Jersey Institute of Technology	148	54
Annuity funds liability	(106)	(99)
Accounts payable	12	1
Net cash used by operating activities	<u>\$ (5,495)</u>	<u>\$ (909)</u>
Noncash transactions:		
Additions to permanent endowments	<u>\$ 433</u>	<u>\$ 579</u>

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

Notes to the Financial Statements
(Dollars in thousands)
For the years ended June 30, 2021 and 2020

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 accounting principles generally accepted in the United States of America 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.
- Level 3: Significant unobservable inputs that are supported by little or no market activity.

Notes to the Financial Statements
(Dollars in thousands)
For the years ended June 30, 2021 and 2020

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 and adjustments to the beneficial interest, to reflect changes in the fair value, are reported as investment income 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 7).

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

Notes to the Financial Statements
(Dollars in thousands)
For the years ended June 30, 2021 and 2020

(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 \$2,891 and \$2,823 at June 30, 2021 and 2020, respectively. The Foundation's endowment investments at June 30, 2021 and 2020 and their fair value measurements within the fair value hierarchy are as follows:

	June 30, 2021				
	Fair Value Measurements				NAV
	Total	Level 1	Level 2	Level 3	
Money market funds	\$ 3,733	\$ 3,327	\$ 406	\$ -	\$ -
Corporate equity securities	4	4	-	-	-
Corporate debt securities	192	-	192	-	-
Mutual equity funds	109,237	68,163	41,074	-	-
Mutual bond funds	44,425	4,132	40,293	-	-
Hedge and other investment funds	8,496	-	-	6	8,490
	<u>\$ 166,087</u>	<u>\$ 75,626</u>	<u>\$ 81,965</u>	<u>\$ 6</u>	<u>\$ 8,490</u>

Notes to the Financial Statements
(Dollars in thousands)
For the years ended June 30, 2021 and 2020

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

Hedge and other investment funds are comprised of private equity, real assets, and private debt. At June 30, 2021, the Foundation has committed to invest an additional \$7,740 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%

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, 2021 and 2020, \$632 and \$270, respectively, of NJIT's cash is insured by the Federal Deposit Insurance Corporation (FDIC).

Notes to the Financial Statements
(Dollars in thousands)
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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 \$166,087 and \$129,183 at June 30, 2021 and 2020, 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. The Foundation's investments in corporate debt securities at June 30, 2021 are convertible bonds and 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, 2021 and 2020, the Foundation's fixed income endowment investments have the following maturities:

<u>Maturing in Years</u>	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Money market funds</u>	<u>Corporate debt securities</u>	<u>Money market funds</u>	
Less than 1	\$ 3,733	\$ -	\$ 5,326	
1 to 5	-	192	-	
	<u>\$ 3,733</u>	<u>\$ 192</u>	<u>\$ 5,326</u>	

Notes to the Financial Statements
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A portion of the Foundation's endowment investments are held in an endowment investment pool, as follows:

	June 30,	
	2021	2020
Money market funds	\$ 3,714	\$ 4,946
Corporate equity securities	4	-
Corporate debt securities	192	-
Mutual equity funds	108,593	73,184
Mutual bond funds	42,823	42,356
Hedge and other investment funds	8,490	6,550
	<u>\$ 163,816</u>	<u>\$ 127,036</u>

For the years ended June 30, 2021 and 2020, the average return for the endowment investment pool was 26.0% and 3.7%, 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, 2021 and 2020 was 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,	
	2021	2020
Pledges and other receivables, net (current):		
Pledges receivable	\$ 1,352	\$ 1,283
Accounts receivable	16	23
	<u>1,368</u>	<u>1,306</u>
Less: allowance for doubtful accounts	135	352
	<u>\$ 1,233</u>	<u>\$ 954</u>
Pledges receivable, net (noncurrent)		
Pledges receivable	\$ 831	\$ 431
Less: allowance for doubtful accounts	86	217
	<u>\$ 745</u>	<u>\$ 214</u>
Deferred inflows of resources:		
Annuity related funds	\$ 1,312	\$ 1,031
Beneficial interest trusts related	1,317	801
	<u>\$ 2,629</u>	<u>\$ 1,832</u>

Notes to the Financial Statements
(Dollars in thousands)
For the years ended June 30, 2021 and 2020

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, 2021 and 2020, the Foundation received \$208 and \$183, respectively, of income from perpetual trusts. The assets are carried at fair value (\$5,530 and \$4,212 at June 30, 2021 and 2020, 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 \$1,316 and \$801 at June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Gifts annuities	\$ 171	\$ 185
Unitrusts	485	421
	<u>656</u>	<u>606</u>
Less: current portion	110	99
Annuity funds liability, noncurrent	<u>\$ 546</u>	<u>\$ 507</u>

The activity in the annuity funds liability for fiscal years 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 606	\$ 646
Net gain on investments	437	64
Annuity payments	(106)	(99)
Adjustments of liability to present value	<u>(281)</u>	<u>(5)</u>
Balance at June 30,	<u>\$ 656</u>	<u>\$ 606</u>

Adjustment of liability to present value of (\$281) and (\$5) (using discount rates ranging from 1.2% to 8.2% at June 30, 2021 and 1.2% to 8.4% at June 30, 2020) at June 30, 2021 and 2020, respectively, are included in deferred inflows of resources in the statement of net position.

6. Related Entity Transactions

All of the Foundation's personnel are employees of NJIT. The Foundation's payments to NJIT in reimbursement of the salaries and fringe benefits of administrative employees in fiscal years 2021 and 2020 were \$139 and \$132, respectively. In fiscal years 2021 and 2020, NJIT donated services

Notes to the Financial Statements
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of \$2,361 and \$2,634, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation. In addition, during fiscal year 2020, NJIT transferred \$3,161 to the Foundation designated for quasi-endowment in support of scholarships.

During fiscal years 2021 and 2020, the Foundation made the following grants to NJIT:

	<u>2021</u>	<u>2020</u>
Scholarship and fellowship grants	\$ 4,852	\$ 7,609
Instructional and other grants	3,346	2,628
Construction grants	726	35
	<u>\$ 8,924</u>	<u>\$ 10,272</u>

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

Grants to NJIT student Greek organizations of \$10 and \$11 in fiscal years 2021 and 2020, 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.

7. Unrestricted Net Position

The components of unrestricted net position are as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 21,780	\$ 18,001
Instructional and other grants	8,933	7,520
	<u>30,713</u>	<u>25,521</u>
Undesignated unrestricted net position - operations	2,869	2,578
	<u>\$ 33,582</u>	<u>\$ 28,099</u>

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