

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, 2022 and 2021



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

Philadelphia, Pennsylvania
December 5, 2022

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 the Foundation at New Jersey Institute of Technology (the Foundation) at and for the years ended June 30, 2022 and 2021. 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 raises, invests, and distributes philanthropic gifts on behalf 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 *U.S. News & World Report* Top 100 National University and an "R1 – highest research activity" institution by the Carnegie Classification of Institutions of Higher Education, 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 engineers, scientists, architects, CEOs, entrepreneurs, and leaders need to succeed. With an enrollment of roughly 12,000 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, 2022 and 2021, and statements of revenues, expenses, and changes in net position and 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, 2022 and 2021 was sound, with total assets of \$157,150 and \$177,818, total liabilities of \$653 and \$742, and deferred inflows of resources of \$1,979 and \$2,629, respectively. Net position, which represents the excess of the Foundation's assets over its liabilities and deferred inflows of resources, totaled \$154,518 and \$174,447 at June 30, 2022 and 2021, respectively. Net position decreased \$19,929 in fiscal year 2022 and increased \$38,608 in fiscal year 2021 principally resulting from investment losses and income, respectively.

Statement of Net Position

The statement of net position presents the Foundation's financial position at June 30, 2022 and 2021, and is summarized as follows. The summarized statement of net position at June 30, 2020 is also presented for comparative purposes.

	June 30,		
	2022	2021	2020
Current assets	\$ 4,802	\$ 4,124	\$ 3,859
Endowment investments	145,484	166,087	129,183
Beneficial interest trusts	5,429	6,846	5,013
Pledges receivable and other assets, noncurrent	1,435	761	230
Total assets	<u>157,150</u>	<u>177,818</u>	<u>138,285</u>
Due to New Jersey Institute of Technology	77	66	-
Annuity funds liability, current	116	110	99
Unearned advance payments	98	-	-
Accounts payable	3	20	8
Annuity funds liability, noncurrent	359	546	507
Total liabilities	<u>653</u>	<u>742</u>	<u>614</u>
Deferred inflows of resources	<u>1,979</u>	<u>2,629</u>	<u>1,832</u>
Restricted nonexpendable	98,770	95,353	85,702
Restricted expendable	26,763	45,512	22,038
Unrestricted	28,985	33,582	28,099
Total net position	<u>\$ 154,518</u>	<u>\$ 174,447</u>	<u>\$ 135,839</u>

Current assets consist of cash held by New Jersey Institute of Technology and pledges and other receivables, net, at June 30, 2022 and 2021 and prepaid expenses at June 30, 2022. Current assets increased \$678 and \$265 at June 30, 2022 and June 30, 2021, respectively, primarily resulting from an increase in pledges receivable in both fiscal years and an increase in cash held by New Jersey Institute of Technology at June 30, 2022.

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 return. Endowment investments decreased 12.4% during fiscal year 2022, reflecting growth from new gifts more than offset by investment loss and endowment distributions. Endowment investments increased 28.6% in fiscal year 2021 reflecting growth from new gifts and investment income, partially

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

offset by endowment distributions. 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, accounts payable, and due to New Jersey Institute of Technology at June 30, 2022 and 2021 and unearned advance payments at June 30, 2022. Liabilities decreased \$89 during fiscal year 2022 primarily due to a decrease in annuity funds liability, partially offset by an increase in unearned advance payments. 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.

Deferred inflows of resources consist of certain changes in annuity funds liability and beneficial interest in charitable annuity trusts. Deferred inflows of resources decreased \$650 and increased \$797 in fiscal years 2022 and 2021, respectively, resulting from changes in the fair value of annuity funds and beneficial interest in charitable remainder trusts.

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, 2022 and 2021, restricted net position is composed of the following. The components of restricted net position at June 30, 2020 are also presented for comparative purposes.

	June 30,		
	2022	2021	2020
Nonexpendable:			
Scholarship and fellowship grants	\$ 81,220	\$ 78,825	\$ 71,026
Instructional and other grants	17,550	16,528	14,676
Expendable:			
Scholarship and fellowship grants	19,900	35,575	15,969
Instructional and other grants	6,863	9,937	6,069
	<u>\$ 125,533</u>	<u>\$ 140,865</u>	<u>\$ 107,740</u>

Restricted net position decreased \$15,332 during fiscal year 2022 and increased \$33,125 during fiscal year 2021 principally resulting from investment losses and income, respectively.

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 decreased \$4,597 during fiscal year 2022 and increased \$5,483 during fiscal year 2021 principally resulting from investment losses and income, respectively. 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

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

position for the following specified purposes. The components of unrestricted net position at June 30, 2020 are also presented for comparative purposes.

		June 30,	
	2022	2021	2020
Designated unrestricted net position:			
Scholarship and fellowship grants	\$ 18,585	\$ 21,780	\$ 18,001
Instructional and other grants	7,515	8,933	7,520
	26,100	30,713	25,521
Undesignated unrestricted net position - operations	2,885	2,869	2,578
	<u>\$ 28,985</u>	<u>\$ 33,582</u>	<u>\$ 28,099</u>



Statement of Revenues, Expenses, and Changes in Net Position

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

The components of revenues for the fiscal years ended June 30, 2022 and 2021 are as follows. The components of revenues for the fiscal year ended June 30, 2020 are also presented for comparative purposes.

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

	Fiscal Year Ended June 30,		
	2022	2021	2020
Operating revenues:			
Gifts and bequests	\$ 5,006	\$ 4,145	\$ 6,832
Donated services	2,998	2,361	2,634
Total operating revenues	<u>8,004</u>	<u>6,506</u>	<u>9,466</u>
Non-operating and other revenues (loss):			
Investment (loss) income	(19,928)	35,535	4,979
Additions to permanent endowments	4,327	8,223	2,901
Other non-operating revenues	18	24	23
Total non-operating and other (loss) revenues	<u>(15,583)</u>	<u>43,782</u>	<u>7,903</u>
Total (loss) revenues	\$ <u>(7,579)</u>	\$ <u>50,288</u>	\$ <u>17,369</u>

Private support from corporations, foundations, alumni, and other donors is the major factor in the Foundation's growth and development. In fiscal years 2022 and 2021, gifts and bequests totaled \$5,006 and \$4,145, respectively.

In fiscal years 2022 and 2021, additions to permanent endowments totaled \$4,327 and \$8,223, respectively. The fiscal year 2021 increase is primarily due to the transfer of the Association's endowment investment assets discussed above.

In fiscal years 2022 and 2021, NJIT donated \$2,998 and \$2,361 of services, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

Investment (loss) income includes interest and dividend income as well as realized and unrealized gains and losses. During fiscal year 2022, investment loss totaled \$19,928 resulting from poor market conditions experienced in the second half of the fiscal year. During fiscal year 2021, the positive performance of the investment portfolio yielded a total return of \$35,535.

The components of operating expenses for the fiscal years ended June 30, 2022 and 2021 are as follows. The components of operating expenses for the fiscal year ended June 30, 2020 are also presented for comparative purposes.

	Fiscal Year Ended June 30,		
	2022	2021	2020
Operating expenses:			
Grants to New Jersey Institute of Technology	\$ 8,456	\$ 8,924	\$ 10,272
Grants to New Jersey Institute of Technology student Greek organization	16	10	11
Fundraising	3,689	2,577	2,968
Administration	189	169	172
Total operating expenses	\$ <u>12,350</u>	\$ <u>11,680</u>	\$ <u>13,423</u>

Management's Discussion and Analysis (unaudited)

(Dollars in thousands)

Operating expenses increased 5.7% to \$12,350 and decreased 13.0% to \$11,680 in fiscal years 2022 and 2021, respectively.

Grants to NJIT, consisting of grants for scholarships and fellowships to NJIT students, instructional and other purposes, and construction, comprised 68.5% and 76.4% of total operating expenses in fiscal years 2022 and 2021, respectively. The recipients of the grants are determined by NJIT, in accordance with donor restrictions. The fiscal year 2022 decrease relates to decreases in instructional and other grants and construction grants, partially offset by an increase in scholarship and fellowship grants. 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.

Grants to NJIT student Greek organization, comprising 0.1% of total operating expenses in both fiscal years 2022 and 2021, were made from donor-restricted gifts received for the benefit of a specific student Greek organization, and consist of grants for construction and furnishing of the educational areas of its chapter house.

Fundraising expense, comprising 29.9% and 22.1% of total operating expenses in fiscal years 2022 and 2021, respectively, increased to \$3,689 and decreased to \$2,577 in fiscal years 2022 and 2021, respectively. The fiscal year 2022 increase principally relates to increases in personnel costs, event expenses, and a gift-in-kind. The fiscal year 2021 decrease principally relates to decreases in event expenses and personnel costs.

Administration expense, comprising 1.5% and 1.4% of total operating expenses in fiscal years 2022 and 2021, 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 2022, the Foundation's fundraising efforts generated gifts and bequests of \$5,006 and additions to permanent endowments of \$4,327. It is management's intention to continue to place a significant emphasis on fundraising efforts.

In the period subsequent to June 30, 2022, the Foundation's investment portfolio has declined in value due to market conditions. The 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 allocation. The endowment spending policy provides for appropriate funding of donors' purposes.

Management's Discussion and Analysis (unaudited)

(Dollars in thousands)

Grants made to NJIT from the Foundation's restricted and unrestricted funds totaled \$8,456 in fiscal year 2022. Unrestricted net position totaled \$28,985 at June 30, 2022, of which \$26,100 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.



Statement of Net Position
(Dollars in thousands)
At June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash held by New Jersey Institute of Technology	\$ 3,095	\$ 2,891
Pledges and other receivables, net	1,647	1,233
Prepaid expenses	60	-
Total current assets	<u>4,802</u>	<u>4,124</u>
Noncurrent assets:		
Endowment investments	145,484	166,087
Beneficial interest trusts	5,429	6,846
Pledges receivable, net	1,419	745
Other assets	16	16
Total noncurrent assets	<u>152,348</u>	<u>173,694</u>
Total assets	<u>157,150</u>	<u>177,818</u>
Liabilities		
Current liabilities:		
Due to New Jersey Institute of Technology	77	66
Annuity funds liability, current portion	116	110
Unearned advance payments	98	-
Accounts payable	3	20
Total current liabilities	<u>294</u>	<u>196</u>
Noncurrent liabilities:		
Annuity funds liability	359	546
Total liabilities	<u>653</u>	<u>742</u>
Deferred inflows of resources	<u>1,979</u>	<u>2,629</u>
Net position		
Restricted:		
Nonexpendable:		
Scholarship and fellowship grants	81,220	78,825
Instructional and other grants	17,550	16,528
Expendable:		
Scholarship and fellowship grants	19,900	35,575
Instructional and other grants	6,863	9,937
Unrestricted	28,985	33,582
Total net position	<u>\$ 154,518</u>	<u>\$ 174,447</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Gifts and bequests	\$ 5,006	\$ 4,145
Donated services	2,998	2,361
Total operating revenues	<u>8,004</u>	<u>6,506</u>
Operating expenses		
Grants to New Jersey Institute of Technology	8,456	8,924
Grants to New Jersey Institute of Technology student Greek organization	16	10
Fundraising	3,689	2,577
Administration	189	169
Total operating expenses	<u>12,350</u>	<u>11,680</u>
Operating loss	<u>(4,346)</u>	<u>(5,174)</u>
Non-operating (loss) revenues		
Investment (loss) income	(19,928)	35,535
Other non-operating revenues	18	24
Total non-operating (loss) revenues	<u>(19,910)</u>	<u>35,559</u>
(Loss) income before other revenues	<u>(24,256)</u>	<u>30,385</u>
Other revenues		
Additions to permanent endowments	4,327	8,223
(Decrease) increase in net position	<u>(19,929)</u>	<u>38,608</u>
Net position, beginning of year	174,447	135,839
Net position, end of year	<u>\$ 154,518</u>	<u>\$ 174,447</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Gifts and bequests	\$ 3,704	\$ 3,150
Due to/from New Jersey Institute of Technology	11	148
Grants to New Jersey Institute of Technology	(7,950)	(8,316)
Grants to New Jersey Institute of Technology student Greek organization	(16)	(10)
Payments to New Jersey Institute of Technology for salaries and fringe benefits	(148)	(139)
Payments on annuity funds	(112)	(106)
Payments for goods and services	(809)	(222)
Net cash used by operating activities	<u>(5,320)</u>	<u>(5,495)</u>
Cash flows from noncapital financing activities		
Additions to permanent endowments	4,132	7,790
Other	18	24
Net cash provided by noncapital financing activities	<u>4,150</u>	<u>7,814</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	64,286	44,733
Interest and dividends on investments	3,536	3,059
Purchase of investments	(66,448)	(50,043)
Net cash provided (used) by investing activities	<u>1,374</u>	<u>(2,251)</u>
Net increase in cash held by New Jersey Institute of Technology	204	68
Cash held by New Jersey Institute of Technology, beginning of year	<u>2,891</u>	<u>2,823</u>
Cash held by New Jersey Institute of Technology, end of year	<u>\$ 3,095</u>	<u>\$ 2,891</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (4,346)	\$ (5,174)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating revenues	(3,310)	(2,546)
Noncash operating expenses	3,504	2,981
Changes in assets and liabilities:		
Pledges and other receivables	(1,088)	(810)
Prepaid expenses	(60)	-
Due to from New Jersey Institute of Technology	11	148
Annuity funds liability	(112)	(106)
Accounts payable	(17)	12
Unearned advance payments	98	-
Net cash used by operating activities	<u>\$ (5,320)</u>	<u>\$ (5,495)</u>
Noncash transactions:		
Additions to permanent endowments	<u>\$ 195</u>	<u>\$ 433</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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

(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 \$3,095 and \$2,891 at June 30, 2022 and 2021, respectively. The Foundation's endowment investments at June 30, 2022 and 2021 and their fair value measurements within the fair value hierarchy are as follows:

	June 30, 2022				
	Fair Value Measurements				NAV
	Total	Level 1	Level 2	Level 3	
Money market funds	\$ 9,783	\$ 9,734	\$ 49	\$ -	\$ -
Corporate debt securities	113	-	113	-	-
Mutual equity funds	85,922	60,606	25,316	-	-
Mutual bond funds	37,714	6,529	31,185	-	-
Hedge and other investment funds	11,952	-	-	5	11,947
	<u>\$ 145,484</u>	<u>\$ 76,869</u>	<u>\$ 56,663</u>	<u>\$ 5</u>	<u>\$ 11,947</u>

Notes to the Financial Statements
(Dollars in thousands)
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		June 30, 2021			
		Fair Value Measurements			
	Total	Level 1	Level 2	Level 3	NAV
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>

Hedge and other investment funds are comprised of private equity, real assets, and private debt. At June 30, 2022, the Foundation has committed to invest an additional \$11,175 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% - 39%
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%

Notes to the Financial Statements
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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, 2022 and 2021, \$750 and \$632, 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 \$145,484 and \$166,087 at June 30, 2022 and 2021, 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, 2022 and 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, 2022 and 2021, the Foundation's fixed income endowment investments have the following maturities:

Maturing in Years	June 30, 2022		June 30, 2021	
	Money market funds	Corporate debt securities	Money market funds	Corporate debt securities
Less than 1	\$ 9,783	\$ -	\$ 3,733	\$ -
1 to 5	-	113	-	192
	<u>\$ 9,783</u>	<u>\$ 113</u>	<u>\$ 3,733</u>	<u>\$ 192</u>

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

	June 30,	
	2022	2021
Money market funds	\$ 9,719	\$ 3,714
Corporate equity securities	-	4
Corporate debt securities	113	192
Mutual equity funds	85,458	108,593
Mutual bond funds	36,189	42,823
Hedge and other investment funds	11,947	8,490
	<u>\$ 143,426</u>	<u>\$ 163,816</u>

For the years ended June 30, 2022 and 2021, the average (loss) return for the endowment investment pool was (12.0%) and 26.0%, 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, 2022 and 2021 was 4.56% and 4.6%, 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,	
	2022	2021
Pledges and other receivables, net (current):		
Pledges receivable	\$ 1,821	\$ 1,352
Accounts receivable	53	16
	<u>1,874</u>	<u>1,386</u>
Less: allowance for doubtful accounts	227	135
	<u>\$ 1,647</u>	<u>\$ 1,233</u>
Pledges receivable, net (noncurrent)		
Pledges receivable	\$ 1,580	\$ 831
Less: allowance for doubtful accounts	161	86
	<u>\$ 1,419</u>	<u>\$ 745</u>
Deferred inflows of resources:		
Annuity related funds	\$ 1,150	\$ 1,312
Beneficial interest trusts related	829	1,317
	<u>\$ 1,979</u>	<u>\$ 2,629</u>

Notes to the Financial Statements
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For the years ended June 30, 2022 and 2021

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, 2022 and 2021, the Foundation received \$144 and \$208, respectively, of income from perpetual trusts. The assets are carried at fair value (\$4,600 and \$5,530 at June 30, 2022 and 2021, 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 \$829 and \$1,317 at June 30, 2022 and 2021, 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>2022</u>		<u>2021</u>
Gifts annuities	\$ 95	\$	171
Unitrusts	380		485
	<u>475</u>		<u>656</u>
Less: current portion	116		110
Annuity funds liability, noncurrent	<u>\$ 359</u>	\$	<u>546</u>

The activity in the annuity funds liability for fiscal years 2022 and 2021 was as follows:

	<u>2022</u>		<u>2021</u>
Balance, beginning of year	\$ 656	\$	606
Net (loss) gain on investments	(231)		437
Annuity payments	(112)		(106)
Adjustments of liability to present value	162		(281)
Balance at June 30,	<u>\$ 475</u>	\$	<u>656</u>

Adjustments of liability to present value of \$162 and (\$281) (using discount rates ranging from 1.2% to 8.2%) at June 30, 2022 and 2021, 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 2022

Notes to the Financial Statements
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and 2021 were \$148 and \$139, respectively. In fiscal years 2022 and 2021, NJIT donated services of \$2,998 and \$2,361, respectively, composed of the salaries and fringe benefits of fundraising employees, to the Foundation.

During fiscal years 2022 and 2021, the Foundation made the following grants to NJIT:

	<u>2022</u>	<u>2021</u>
Scholarship and fellowship grants	\$ 5,453	\$ 4,852
Instructional and other grants	2,958	3,346
Construction grants	45	726
	<u>\$ 8,456</u>	<u>\$ 8,924</u>

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

Grants to NJIT student Greek organization of \$16 and \$10 in fiscal years 2022 and 2021, respectively, were made from donor-restricted gifts received for the benefit of a specific student Greek organization, and consist of grants for construction and furnishings of the educational areas of its chapter house.

7. Unrestricted Net Position

The components of unrestricted net position are as follows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Designated unrestricted net position:		
Scholarship and fellowship grants	\$ 18,585	\$ 21,780
Instructional and other grants	7,515	8,933
	<u>26,100</u>	<u>30,713</u>
Undesignated unrestricted net position - operations	2,885	2,869
	<u>\$ 28,985</u>	<u>\$ 33,582</u>

The Foundation's designated unrestricted net position represents quasi-endowments.