

**Montclair State University
Foundation, Inc.**

(A Component Unit of
Montclair State University)

Financial Statements

June 30, 2023 and 2022

Independent Auditors' Report

**To the Board of Trustees
Montclair State University Foundation, Inc.**

Opinion

We have audited the accompanying financial statements of Montclair State University Foundation, Inc. (a not-for-profit organization), a component unit of Montclair State University, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montclair State University Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets 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 in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montclair State University Foundation, Inc. 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 opinion.

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 Montclair State University Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Montclair State University Foundation, Inc.'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 Montclair State University Foundation, Inc.'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.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
October 5, 2023

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Cash	\$ 2,122,628	\$ 4,108,904
Unconditional promises to give, net	9,918,432	7,581,390
Investments, at fair value	106,460,190	97,393,243
Prepaid expenses and other assets, net	69,298	116,505
Beneficial interest in trusts, split-interest agreements and beneficial interest in life insurance	432,015	361,193
	\$ 119,002,563	\$ 109,561,235
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 3,718,944	\$ 4,797,790
 Net Assets		
Without donor restrictions	13,758,336	9,558,144
With donor restrictions	101,525,283	95,205,301
Total Net Assets	115,283,619	104,763,445
	\$ 119,002,563	\$ 109,561,235

See notes to financial statements

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions			Total
		Program Restricted	Endowment Funds	Total	
REVENUES, GAINS AND OTHER SUPPORT					
Contributions, net	\$ 308,757	\$ 10,512,584	\$ 697,265	\$ 11,209,849	\$ 11,518,606
Special events, net of expenses	4,365	111,944	-	111,944	116,309
In-kind contributions	2,273,958	-	-	-	2,273,958
Non-cash contributions	-	53,312	-	53,312	53,312
Other support	3,156	97,905	11,916	109,821	112,977
Investment income	5,654,042	3,431,526	-	3,431,526	9,085,568
Change in value of beneficial interest in trusts, split-interest agreements and beneficial interest in life insurance	-	(76,980)	6,651	(70,329)	(70,329)
Net assets released from restrictions	8,450,024	(8,450,024)	-	(8,450,024)	-
Total Revenues, Gains and Other Support	<u>16,694,302</u>	<u>5,680,267</u>	<u>715,832</u>	<u>6,396,099</u>	<u>23,090,401</u>
EXPENSES					
Program services	8,517,557	-	-	-	8,517,557
Institutional support	430,070	-	-	-	430,070
Management and general	3,622,600	-	-	-	3,622,600
Total Expenses	<u>12,570,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,570,227</u>
Reclassifications	<u>76,117</u>	<u>(499,246)</u>	<u>423,129</u>	<u>(76,117)</u>	<u>-</u>
Change in Net Assets	4,200,192	5,181,021	1,138,961	6,319,982	10,520,174
NET ASSETS					
Beginning of year	<u>9,558,144</u>	<u>41,394,720</u>	<u>53,810,581</u>	<u>95,205,301</u>	<u>104,763,445</u>
End of year	<u>\$ 13,758,336</u>	<u>\$ 46,575,741</u>	<u>\$ 54,949,542</u>	<u>\$ 101,525,283</u>	<u>\$ 115,283,619</u>

See notes to financial statements

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions			
		Program Restricted	Endowment Funds	Total	Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions, net	\$ 824,789	\$ 6,669,891	\$ 1,897,422	\$ 8,567,313	\$ 9,392,102
Special events, net of expense	4,090	93,339	-	93,339	97,429
In-kind contributions	2,315,223	-	-	-	2,315,223
Non-cash contributions	-	40,803	-	40,803	40,803
Other support	75	175,712	10,665	186,377	186,452
Investment income (loss)	(8,929,616)	3,306,344	-	3,306,344	(5,623,272)
Change in value of beneficial interest in trusts, split-interest agreements and beneficial interest in life insurance	-	6,456	(43,880)	(37,424)	(37,424)
Net assets released from restrictions	6,658,277	(6,658,277)	-	(6,658,277)	-
Total Revenues, Gains and Other Support	<u>872,838</u>	<u>3,634,268</u>	<u>1,864,207</u>	<u>5,498,475</u>	<u>6,371,313</u>
EXPENSES					
Program services	6,793,172	-	-	-	6,793,172
Institutional support	460,462	-	-	-	460,462
Management and general	3,204,943	-	-	-	3,204,943
Total Expenses	<u>10,458,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,458,577</u>
Reclassifications	<u>47,220</u>	<u>(63,384)</u>	<u>16,164</u>	<u>(47,220)</u>	<u>-</u>
Change in Net Assets	(9,538,519)	3,570,884	1,880,371	5,451,255	(4,087,264)
NET ASSETS					
Beginning of year	<u>19,096,663</u>	<u>37,823,836</u>	<u>51,930,210</u>	<u>89,754,046</u>	<u>108,850,709</u>
End of year	<u>\$ 9,558,144</u>	<u>\$ 41,394,720</u>	<u>\$ 53,810,581</u>	<u>\$ 95,205,301</u>	<u>\$ 104,763,445</u>

See notes to financial statements

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services				Cost of Direct Benefit to Donors	Institutional Support			Management and General			
	Program General	Capital	Scholarship	Total		Program	Fundraising	Total	Administrative	In-Kind Expenses - Fundraising	Total	Total
Grants and other assistance	\$ 5,481,827	\$ -	\$ -	\$ 5,481,827	\$ -	\$ 125,000	\$ -	\$ 125,000	\$ -	\$ -	\$ -	\$ 5,606,827
Salaries and fringe benefits	-	-	-	-	-	-	-	-	591,327	-	591,327	591,327
In-kind - development costs	-	-	-	-	-	-	-	-	-	2,251,558	2,251,558	2,251,558
Events and outside services	184,025	-	-	184,025	40,243	-	-	-	-	-	-	224,268
Travel	35,679	-	-	35,679	-	-	-	-	-	-	-	35,679
Classroom and instructional supplies	64,127	-	-	64,127	-	-	-	-	-	-	-	64,127
Scholarships, Stipends, Honorariums and Awards	397,004	-	2,207,881	2,604,885	-	-	-	-	-	-	-	2,604,885
Equipment and other capital funding	57,636	70,000	-	127,636	-	-	-	-	-	-	-	127,636
Insurance	1,990	-	-	1,990	-	-	-	-	26,667	-	26,667	28,657
Professional fees	2,370	-	-	2,370	-	-	-	-	122,267	-	122,267	124,637
Development support	-	-	-	-	-	-	305,070	305,070	-	-	-	305,070
Occupancy	-	-	-	-	-	-	-	-	22,400	-	22,400	22,400
Bad debt expense	-	-	-	-	-	-	-	-	396,884	-	396,884	396,884
Computer expense	-	-	-	-	-	-	-	-	137,964	-	137,964	137,964
Office expense	-	-	-	-	-	-	-	-	6,734	-	6,734	6,734
Other	14,290	-	728	15,018	-	-	-	-	66,799	-	66,799	81,817
Total Expenses	6,238,948	70,000	2,208,609	8,517,557	40,243	125,000	305,070	430,070	1,371,042	2,251,558	3,622,600	12,610,470
Costs of direct benefit to donors	-	-	-	-	(40,243)	-	-	-	-	-	-	(40,243)
Total Expenses by Function	\$ 6,238,948	\$ 70,000	\$ 2,208,609	\$ 8,517,557	\$ -	\$ 125,000	\$ 305,070	\$ 430,070	\$ 1,371,042	\$ 2,251,558	\$ 3,622,600	\$ 12,570,227

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Cost of Direct Benefit to Donors	Institutional Support			Management and General			
	Program General	Capital	Scholarship	Total		Program	Fundraising	Total	Administrative	In-Kind Expenses - Fundraising	Total	Total
Grants and other assistance	\$ 4,266,034	\$ -	\$ -	\$ 4,266,034	\$ -	\$ 125,000	\$ -	\$ 125,000	\$ -	\$ -	\$ -	\$ 4,391,034
Salaries and fringe benefits	-	-	-	-	-	-	-	-	558,668	-	558,668	558,668
In-kind - development costs	-	-	-	-	-	-	-	-	-	2,292,823	2,292,823	2,292,823
Events and outside services	119,441	-	-	119,441	36,439	-	-	-	-	-	-	155,880
Scholarships, Stipends, Honorariums and Awards	418,124	-	1,776,373	2,194,497	-	-	-	-	-	-	-	2,194,497
Equipment and other capital funding	70,441	79,500	-	149,941	-	-	-	-	-	-	-	149,941
Insurance	1,990	-	-	1,990	-	-	-	-	28,157	-	28,157	30,147
Professional fees	-	-	-	-	-	-	-	-	93,550	-	93,550	93,550
Development support	-	-	-	-	-	-	335,462	335,462	-	-	-	335,462
Occupancy	-	-	-	-	-	-	-	-	22,400	-	22,400	22,400
Bad debt expense	-	-	-	-	-	-	-	-	23,956	-	23,956	23,956
Computer expense	-	-	-	-	-	-	-	-	126,204	-	126,204	126,204
Office expense	-	-	-	-	-	-	-	-	4,496	-	4,496	4,496
Depreciation and amortization	-	-	-	-	-	-	-	-	12,089	-	12,089	12,089
Other	15,607	-	45,662	61,269	-	-	-	-	42,600	-	42,600	103,869
Total Expenses	4,891,637	79,500	1,822,035	6,793,172	36,439	125,000	335,462	460,462	912,120	2,292,823	3,204,943	10,495,016
Costs of direct benefit to donors	-	-	-	-	(36,439)	-	-	-	-	-	-	(36,439)
Total Expenses by Function	\$ 4,891,637	\$ 79,500	\$ 1,822,035	\$ 6,793,172	\$ -	\$ 125,000	\$ 335,462	\$ 460,462	\$ 912,120	\$ 2,292,823	\$ 3,204,943	\$ 10,458,577

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,520,174	\$ (4,087,264)
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions with donor restrictions held as endowments	(697,265)	(1,897,422)
Discounts on promises to give	352,272	46,293
Amortization	-	12,089
Allowance for doubtful accounts	284,999	(50,000)
Net realized gain on investments	(612,196)	(403,253)
Net unrealized (gain) loss on investments	(5,997,850)	8,725,488
Beneficial interest in trust, split-interest agreements and beneficial interest in life insurance	70,329	37,424
Donated artwork, property, equipment and other non-cash items	(48,711)	(30,175)
Donated stock	(243,090)	(259,593)
Transfers of property and equipment to University	48,711	30,175
Change in operating assets and liabilities		
Unconditional promises to give	(2,974,313)	(966,955)
Prepaid expenses and other assets	47,207	(25,986)
Accounts payable and accrued expenses	(1,078,846)	2,188,057
Net Cash from Operating Activities	<u>(328,579)</u>	<u>3,318,878</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(14,302,956)	(16,138,511)
Proceeds from sale of long-term investments	12,089,145	13,143,438
Receipt from beneficial interest in split-interest agreement and trusts	(150,000)	-
Proceeds from beneficial interest in trusts	8,849	51,312
Net Cash from Investing Activities	<u>(2,354,962)</u>	<u>(2,943,761)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with donor restrictions held as endowments	697,265	1,897,422
Net Change in Cash and Cash Equivalents	<u>(1,986,276)</u>	<u>2,272,539</u>
CASH		
Beginning of year	<u>4,108,904</u>	<u>1,836,365</u>
End of year	<u>\$ 2,122,628</u>	<u>\$ 4,108,904</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing activities		
Gifts of property, equipment and other non-cash items	\$ 48,711	\$ 30,175
Gifts of stock	243,090	259,593
Transfers of property, equipment and artwork to MSU	48,711	30,175

See notes to financial statements

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Organization

The Montclair State University Foundation, Inc. (the "Foundation") is a non-profit 501(c)(3) corporation organized under the provisions of Title 15A of the New Jersey Nonprofit Corporation Act. The Foundation was established primarily for the purposes of encouraging and supporting the development of Montclair State University (the "University") through fundraising activities which include, but are not limited to, extending the educational and cultural influence of the University, adding to its cultural programs and facilities, and improving the opportunity for advanced study and research by the faculty and the student body. The Foundation's Board of Trustees oversees the use of funds raised by the Foundation.

The Foundation is considered a component unit of the University for financial reporting purposes, as its purpose for operations is entirely or almost entirely for the direct benefit of the University. Accordingly, the Foundation's financial statements are discretely presented in the University's basic financial statements. The Foundation's Board of Trustees is separate from the University's Board of Trustees.

2. Significant Accounting Policies

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), whereby revenues are recognized when earned and expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Estimates which are significant to the Foundation include:

- **Scholarship expense:** The University awards scholarships which are funded by the Foundation to students based on each student's anticipated enrollment status at the time of the award. Scholarship expense is recorded at the time the award is made. If a student's enrollment status changes, the amount of that individual's scholarship will be reduced accordingly and will be reflected as a scholarship modification, which is a decrease to scholarship expense.
- **Other estimates:** The Foundation relies on estimates in recording allowances and discounts applied towards unconditional promises to give, in the valuation of investments, the valuation of non-cash assets it retains and in the net present valuation techniques applied to split-interest agreements.

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

Use of Estimates (continued)

Management periodically evaluates all of the estimates used in the preparation of the Foundation's financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates are made prospectively based on such periodic evaluations.

Net Asset Presentation

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- ***Without donor restrictions*** – net assets not subject to donor-imposed stipulations, and therefore are expendable for operating purposes.
- ***With donor restrictions*** – net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or by the passage of time or net assets to be maintained permanently by the Foundation. Generally, the donors of permanently endowed assets permit the Foundation to use all or part of the income earned on related investments for general or donor-specified purposes.

The Foundation maintains quasi-endowed funds which have been established by its Board of Trustees to be retained and invested for specified purposes. Certain quasi-endowments have been classified as a component of without donor restrictions net assets since they were created by designation of the Foundation's Board of Trustees from unrestricted donations. Other quasi-endowments have been classified as with donor restrictions net assets since they were created by designation of the Foundation's Board of Trustees from temporarily restricted resources and the restrictions have not yet been satisfied. These restrictions may include, but not be limited to, the receipt of a gift in an amount which is in excess of the Foundation's current needs.

Unconditional Promises to Give

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in "without donor restrictions" net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases to net assets as "with donor restrictions" and are internally classified as temporarily or permanently restricted net assets depending on the nature of the restriction. Unconditional promises to give are recorded at net present value, reduced for any uncollectible amounts. Management determines the allowance for doubtful promises based on a variety of considerations including the historical experience applied to an aging of promises, current facts and circumstances concerning collectability, and other factors.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

Investments

The following applies to the Foundation's investments which are managed pursuant to a Board of Trustees approved Investment Policy Statement:

- **Valuation:** Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment funds.
- **Investment Income:** Unrealized gains and losses are reported in the statements of activities as a part of investment return. Interest and dividends from investments are recorded as investment return when earned. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.
- **Investment Income Allocations:** The Foundation maintains investment accounts for its endowments, including quasi-endowments, under the pooled unitization method. Realized and unrealized gains and losses from securities in the investment accounts are allocated quarterly to the individual endowment funds based on the relationship of the market value of each endowment fund to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

Fair Value of Financial Instruments

The Foundation follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The following is a description of the valuation methodologies used for assets measured at fair value by the Foundation.

- **Investments in Equity Funds, Fixed Income Securities, and Public REITS:** All investments in passively managed equity, as well as all fixed income and public REITS have been valued at the closing price reported in an active market in which the investments are traded.

Investments in actively managed equity funds consist of a blend of investments which have been classified as either Level 1 or Level 2. Level 1 investments have been valued at the closing price reported in an active market in which the investments are traded. Level 2 investments consist of unlisted equity securities which if market quotations are available, are valued at the last sale price on the valuation date, or if no sale occurs, at the last bid price for long positions or the last ask price for short positions. Securities traded on certain foreign securities exchanges are valued daily at fair value determined by an independent fair value service retained by the Fund, if available. The independent fair value service takes into account multiple factors including, but not limited to, movements in the securities markets, certain depositary receipts, futures contracts and foreign currency exchange rates that have occurred subsequent to the close of the foreign securities exchange.

- **Tactical Tilt Fund:** The Foundation has allocated a portion of its investment portfolio to an open ended mutual fund ("the Fund") with daily liquidity which is designed to manage opportunities and risks on a current basis. The Fund invests in a variety of vehicles including but not limited to cash, currency forwards, commodities and U.S./International Equities. The investment has been valued at the closing prices reported in an active market in which the respective investments within the Fund are traded.
- **Investments in Hedge Funds:** The Foundation invests in hedge funds as a component of its investment policy statement and related asset allocation strategy. For equity hedges, managers participating in the hedge fund have the ability to shift investments based on overarching strategy, including from small to large capitalization stocks and from a net long position to a net short position. The Foundation's investments in hedge positions have been estimated based on the capital account balance for each underlying fund manager and related investment, using the profit/loss for each investment, fund expenses (including incentive fees) and capital activity (including investor subscriptions and redemptions) during a reporting period to determine value. U.S. GAAP guidance provides for the use of NAV as a "*Practical Expedient*" for estimating fair value of alternative investments.

Montclair State University Foundation, Inc.
(A Component Unit of Montclair State University)

Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

- **Investment in Private Equity Real Estate:** The Foundation maintains an investment in one private equity real estate position. Valuation is based on NAV as a "Practical Expedient".
- **Investments in Private Equity:** The Foundation maintains investments in private equity positions which invest in the primary and secondary markets. Valuations are based on NAV as a "*Practical Expedient*" for estimating fair value of alternative investments.
- **Investment in Private Credit:** The Foundation maintains investments in two private credit positions. Valuations are based on NAV as a "*Practical Expedient*" for estimating fair value of alternative investments.
- **Beneficial Interest in Trust:** Valuation is based on the underlying assets held in the trust, which consists of cash equivalents, equity mutual funds, fixed income securities and alternative strategy positions values at closing prices reported in an active market in which the investments are traded or NAV; as applicable.
- **Split-interest Arrangements and Beneficial Interest in Life Insurance:** An unobservable input based on the present value of the expected income from the assets calculated based on life expectancy tables.

The value by input level of the Foundation's investments have been included in Note 7 to the financial statements.

Beneficial Interests in Trusts

The Foundation recognizes beneficial interests in trusts as contribution income upon receipt based on the fair value of the underlying trust assets. Subsequent to initial contribution recognition, changes in fair value of the underlying trust assets are recognized separately in the statements of activities of the Foundation.

Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts for which the Foundation is the beneficiary. Contribution revenue is recognized at the date a trust has been established with an initial valuation based on the expected present value of the Foundation's interest in a trust's assets. Present value computations consider, among other factors, appropriate interest rates and estimated donor mortality which are assessed annually for reasonableness. Subsequent to initial valuation, changes are recognized separately in the statements of activities of the Foundation.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

Beneficial Interest in Life Insurance

The Foundation recognizes contribution revenue from donations received in the form of life insurance policies in which the Foundation is the owner and beneficiary. These policies are recorded at their cash surrender value and subsequent changes in value are reported separately in the statements of activities of the Foundation.

Revenue Recognition

The revenue recognition policies of the Foundation are as follows:

- **Contributions:** Contributions are recorded as with or without donor restrictions, depending on the existence or nature of relevant stipulations by donors regarding use of funds received.
- **Event revenue:** Event revenue is recognized when the event occurs. Amounts received in a current reporting period for an event which will occur subsequent to year end are recognized as deferred revenues. Revenues are shown net of costs of direct benefits to donors.
- **Non-cash donations:** The Foundation receives non-cash donations in the form of artwork, property, and equipment from various donors. These donations are generally transferred to the University in accordance with the terms of a gift agreement. In instances where the Foundation retains an interest in the donated asset, the Foundation evaluates the carrying value for impairment based on facts and circumstances including fair market appraisals and future sale of the assets, or its components, at amounts equal to or greater than their recorded value.

Donated Services and Use of Facilities

The Foundation recognizes contribution and expense for services donated to the Foundation based on the fair value of the services provided. Services include development costs in connection with fundraising for the benefit of the Foundation, an allocated percentage of management salaries for the oversight of the Foundation's operations, and rent for operating facilities. The following summarizes these services:

- **Rent:** To conduct its operations, the Foundation occupies space leased by the University which it uses in the operation of its administrative functions under a lease arrangement with an independent entity. Rent expense has been recognized based on the square footage occupied and the rental rate plus common area costs paid by the University under its lease agreement.

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2. Significant Accounting Policies (continued)

Donated Services and Use of Facilities (continued)

The Foundation has recognized in-kind contribution revenue and a corresponding expense amounting to approximately \$2,252,000 and \$2,293,000 for the years ended June 30, 2023 and 2022, for compensation associated with Development personnel who are paid directly by the University and for which associated costs are not subject to reimbursement by the Foundation. The recording of Development personnel costs has been made based on the respective individuals' roles in fundraising for which the Foundation is the direct beneficiary.

The total in-kind contribution revenue and expense recognized in the statements of activities for the years ended June 30, 2023 and 2022 was \$2,273,958 and \$2,315,223.

Fundraising Expenses

The Foundation's fundraising activities include expenses for the operation of the Annual Fund, as well as for major giving, donor relations, and special events and totaled \$345,313 and \$371,901 for the years ended June 30, 2023 and 2022. Fundraising expenses associated with special events totaled \$40,243 and \$36,439 for the years ended June 30, 2023 and 2022. Expenses associated with other development initiatives totaled \$305,070 and \$335,462 for the years ended June 30, 2023 and 2022 and were included as institutional support.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of functional expenses. Functional expenses are presented based on the natural classification detail of expenses by function. The Foundation records expenses in its general ledger accounting system according to program and supporting services classifications based upon the function benefited.

Income Taxes

The Foundation is a not-for-profit organization incorporated under the applicable laws of the State of New Jersey and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for income taxes have been provided in the Foundation's financial statements.

The Foundation recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to income tax examinations by the applicable taxing jurisdictions for periods prior to the year 2020.

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Notes to Financial Statements
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2. Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 5, 2023.

Reclassifications

For the years ended June 30, 2023 and 2022, reclassifications were primarily made for funds which have been re-purposed as permanent endowments pursuant to changes made to previous gift agreements as designated by respective donors and as a result of the return to principal of unspent investment earnings pursuant to the terms of existing donor agreements.

3. Unconditional Promises to Give

Unconditional promises to give, net, consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Without Donor Restrictions	\$ 48,528	\$ 71,883
With Donor Restrictions:		
Program restricted	9,763,702	6,619,270
Endowment funds	<u>1,027,236</u>	<u>1,174,000</u>
	10,839,466	7,865,153
Unamortized discount	(526,035)	(173,763)
Allowance for doubtful accounts	<u>(394,999)</u>	<u>(110,000)</u>
Unconditional Promises to Give, Net	<u><u>\$ 9,918,432</u></u>	<u><u>\$ 7,581,390</u></u>

Net unconditional promises to give at June 30, consisted of the following:

	<u>2023</u>	<u>2022</u>
Without donor restrictions	\$ 33,063	\$ 58,473
With Donor Restrictions:		
Program restricted	8,896,878	6,397,547
Endowment funds	<u>988,491</u>	<u>1,125,370</u>
	<u><u>\$ 9,918,432</u></u>	<u><u>\$ 7,581,390</u></u>

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3. Unconditional Promises to Give (continued)

Promises to give will be received, depending on the timing of the donor's pledge commitment, from within one year to five years. Significant contributions due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from .73% to 4.31% and .73% to 3.13% for the years ended June 30, 2023 and 2022. The discount is amortized and included in support over the life of the pledge.

Promises to give are due to be collected in the following periods:

	2023	2022
Less than one year	\$ 3,744,627	\$ 2,284,178
One to five years	7,094,839	5,580,975
	10,839,466	7,865,153
Unamortized discount	(526,035)	(173,763)
Allowance for doubtful accounts	(394,999)	(110,000)
Unconditional Promises to Give, Net	<u>\$ 9,918,432</u>	<u>\$ 7,581,390</u>

4. Investments

Investments consisted of the following at June 30:

	2023		
	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	\$ 3,180,659	\$ 3,180,659	\$ -
Fixed income	29,488,370	26,944,434	(2,543,936)
Equities	33,727,219	48,547,093	14,819,874
Tactical Tilt fund	3,724,811	4,007,606	282,795
Public REITS	1,422,317	1,454,248	31,931
Hedge funds	4,074,239	5,421,464	1,347,225
Private equity	6,533,433	12,386,000	5,852,567
Private credit	3,544,629	4,037,523	492,894
Private equity real estate	481,163	481,163	-
Total Investments	<u>\$ 86,176,840</u>	<u>\$ 106,460,190</u>	<u>\$ 20,283,350</u>

Montclair State University Foundation, Inc.
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4. Investments (continued)

	2022		
	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	\$ 1,392,379	\$ 1,392,379	\$ -
Fixed income	28,752,307	26,312,298	(2,440,009)
Equities	34,912,191	44,525,671	9,613,480
Tactical Tilt fund	3,776,362	3,930,193	153,831
Public REITS	1,331,355	1,521,877	190,522
Hedge funds	4,074,239	5,097,428	1,023,189
Private equity	5,976,908	11,394,599	5,417,691
Private credit	2,339,071	2,665,867	326,796
Private equity real estate	552,931	552,931	-
Total Investments	<u>\$ 83,107,743</u>	<u>\$ 97,393,243</u>	<u>\$ 14,285,500</u>

The components of investment return (loss) are as follows for the years ended June 30:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest, net of investment fees of \$458,401	\$ 1,420,632	\$ 1,054,890	\$ 2,475,522
Gain on sale of securities	392,082	220,114	612,196
Unrealized gain on securities	<u>3,841,328</u>	<u>2,156,522</u>	<u>5,997,850</u>
Net Investment Return	<u>\$ 5,654,042</u>	<u>\$ 3,431,526</u>	<u>\$ 9,085,568</u>

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest, net of investment fees of \$465,002	\$ 1,448,797	\$ 1,250,166	\$ 2,698,963
Gain on sale of securities	243,917	159,336	403,253
Unrealized loss on securities	(5,277,818)	(3,447,670)	(8,725,488)
Funded by unrestricted sources	<u>(5,344,512)</u>	<u>5,344,512</u>	<u>-</u>
Net Investment Return	<u>\$ (8,929,616)</u>	<u>\$ 3,306,344</u>	<u>\$ (5,623,272)</u>

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4. Investments (continued)

At June 30, 2023, the Foundation's investments in fixed income and equity asset classes consisted of 82% in domestic positions and 18% in international positions. Of the total investments in international positions, 90% were in developed markets and 10% were in emerging markets. At June 30, 2022, the Foundation's investments in fixed income and equity asset classes consisted of 82% in domestic positions and 18% in international positions. Of the total investments in international positions, 89% were in developed markets and 11% were in emerging markets.

At June 30, 2023, the Foundation has committed to thirteen private equity investments, four private credit investments, and one private equity real estate investment. Of the thirteen private equity investments, four are in the secondary market and the other nine are in the primary market. At June 30, 2023, total commitments to the private equity investments have been summarized as follows:

	<u>Total Commitments</u>	<u>Unfunded Commitment</u>
Primary	\$ 12,600,000	\$ 6,427,919
Secondary	7,400,000	5,641,104
Real estate	2,000,000	980,014
Private credit	<u>8,300,000</u>	<u>4,842,381</u>
	<u>\$ 30,300,000</u>	<u>\$17,891,418</u>

The Foundation's investments include equity and fixed income positions invested through a Student Advised Investment Fund ("SAIF") which is managed by students of the University under defined policies and procedures. The SAIF was organized as a single member limited liability company in which the Foundation is the sole member. At June 30, 2023 and 2022, investments at fair value approximated \$483,000 and \$385,000.

5. Beneficial Interest in Trusts

As of June 30, 2023 and 2022, the Foundation has one beneficial interest in perpetual trust. Interest in the perpetual trust has been recorded as a permanent endowment based on the intent for the trust to operate in perpetuity.

The assets held in the trusts consist of investment portfolios which are in the custody of an independent trustee who has the authority to manage investment decisions. The Trustee does not have variance power to redirect the interests in the trusts to another entity.

As of June 30, 2023, total assets in the trusts consisted of approximately \$136,000 in equity positions (of which \$94,000 was invested in U.S. domestic equity mutual funds and \$42,000 was invested in international equity mutual funds), \$89,000 was invested in fixed income (of which \$28,000 was invested in U.S. fixed income positions and \$61,000 was invested in international fixed income positions), \$11,000 was invested in alternative strategies and \$8,000 was held in cash and cash equivalents.

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Notes to Financial Statements
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5. Beneficial Interest in Trusts (continued)

As of June 30, 2022, total assets in the trusts consisted of approximately \$137,000 in equity positions (of which \$96,000 was invested in U.S. domestic equity mutual funds and \$41,000 was invested in international equity mutual funds), \$79,000 was invested in fixed income (of which \$26,000 was invested in U.S. fixed income positions and \$53,000 was invested in international fixed income positions), \$12,000 was invested in alternative strategies and \$9,000 was held in cash and cash equivalents.

6. Split-Interest Agreements

The Foundation has been named the beneficiary of three charitable remainder trusts. Under the terms of the charitable remainder trusts, the third party trustees pay specified distributions to the donors during the agreement's term. At the time of the donors' death, the trusts will terminate, and the remaining trust assets will be distributed to the Foundation.

Net increases in the beneficial interests of split-interest agreements approximated \$79,000 for the year ended June 30, 2023. Net decreases in the beneficial interests of split-interest agreements approximated \$6,000 for the year ended June 30, 2022. The recorded beneficial interests are based on the present value of the future cash flows to the Foundation.

7. Fair Value Measurements

The fair value of investments at June 30, and their fair value level hierarchy are as follows for those investments subject to categorization within the hierarchy:

Description	2023				Total
	Quoted Prices	Significant	Significant	Other	
	in Active	Other	Unobservable	Investments	
	Markets for	Observable	Inputs	Measured	
	Identical Assets	Inputs	Level 3	at NAV	
	Level 1	Level 2			
Investments:					
Equity Securities: (a)					
Equity securities - U.S. large cap	\$ 29,167,153	\$ -	\$ -	\$ -	\$ 29,167,153
Equity securities - U.S. dynamic	1,350,797	-	-	-	1,350,797
Equity securities - U.S. small cap	4,502,207	-	-	-	4,502,207
Equity securities - emerging markets	1,387,225	-	-	-	1,387,225
Equity securities - developed markets	7,201,338	4,938,373	-	-	12,139,711
Total Equity Securities	43,608,720	4,938,373	-	-	48,547,093
Fixed Income Securities: (a)					
Fixed income - U.S. short-term	19,204,880	-	-	-	19,204,880
Fixed income - U.S. intermediate-term	64,464	-	-	-	64,464
Fixed income - U.S. high yield	7,675,090	-	-	-	7,675,090
Total Fixed Income Securities	26,944,434	-	-	-	26,944,434

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7. Fair Value Measurements (continued)

Description	2023				Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Other Investments Measured at NAV	
REITS: (a)					
U.S. public REITS	\$ 1,454,248	\$ -	\$ -	\$ -	\$ 1,454,248
Total REITS	<u>1,454,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,454,248</u>
Hedge Funds: (b)					
Equity long/short	-	-	-	1,536,358	1,536,358
Event driven measured at net asset value	-	-	-	1,100,787	1,100,787
Relative value measured at net asset value	-	-	-	1,432,863	1,432,863
Tactical trading at net asset value	-	-	-	894,861	894,861
Other at net asset value	-	-	-	456,595	456,595
Total Hedge Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,421,464</u>	<u>5,421,464</u>
Other Investments:					
Private equity real estate at net asset value (b)	-	-	-	481,163	481,163
Tactical Tilt fund (a)	4,007,606	-	-	-	4,007,606
Private equity at net asset value (b)	-	-	-	12,386,000	12,386,000
Private credit at net asset value (b)	-	-	-	4,037,523	4,037,523
Money market funds (a)	3,180,659	-	-	-	3,180,659
Total Other Investments	<u>7,188,265</u>	<u>-</u>	<u>-</u>	<u>16,904,686</u>	<u>24,092,951</u>
Total Investments	<u>\$ 79,195,667</u>	<u>\$ 4,938,373</u>	<u>\$ -</u>	<u>\$ 22,326,150</u>	<u>\$ 106,460,190</u>
Other:					
Beneficial interest in trusts	\$ -	\$ -	\$ 244,074	\$ -	\$ 244,074
Spillt-interest agreements	-	-	84,201	-	84,201
Beneficial interest in life insurance	-	-	103,740	-	103,740
Total Other	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,015</u>	<u>\$ -</u>	<u>\$ 432,015</u>
					<u>\$ 106,892,205</u>

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Notes to Financial Statements
June 30, 2023 and 2022

7. Fair Value Measurements (continued)

Description	2022					Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Other Investments Measured at NAV		
Investments:						
Equity Securities: (a)						
Equity securities - U.S. large cap	\$ 27,453,660	\$ -	\$ -	\$ -	\$ 27,453,660	
Equity securities - U.S. small cap	4,301,342	-	-	-	4,301,342	
Equity securities - emerging markets	1,341,434	-	-	-	1,341,434	
Equity securities - developed markets	6,956,626	4,472,609	-	-	11,429,235	
Total Equity Securities	40,053,062	4,472,609	-	-	44,525,671	
Fixed Income Securities: (a)						
Fixed income - U.S. short-term	18,972,795	-	-	-	18,972,795	
Fixed income - U.S. intermediate-term	103,695	-	-	-	103,695	
Fixed income - U.S. high yield	7,235,808	-	-	-	7,235,808	
Total Fixed Income Securities	26,312,298	-	-	-	26,312,298	
REITS: (a)						
U.S. public REITS	1,521,877	-	-	-	1,521,877	
Total REITS	1,521,877	-	-	-	1,521,877	
Hedge Funds: (b)						
Equity long/short	-	-	-	1,776,428	1,776,428	
Event driven measured at net asset value	-	-	-	1,064,541	1,064,541	
Relative value measured at net asset value	-	-	-	1,277,425	1,277,425	
Tactical trading at net asset value	-	-	-	865,193	865,193	
Other at net asset value	-	-	-	113,841	113,841	
Total Hedge Funds	-	-	-	5,097,428	5,097,428	
Other Investments:						
Private equity real estate at net asset value (b)	-	-	-	552,931	552,931	
Tactical Tilt fund (a)	3,930,193	-	-	-	3,930,193	
Private equity at net asset value (b)	-	-	-	11,394,599	11,394,599	
Private credit at net asset value (b)	-	-	-	2,665,867	2,665,867	
Money market funds (a)	1,392,379	-	-	-	1,392,379	
Total Other Investments	5,322,572	-	-	14,613,397	19,935,969	
Total Investments	\$ 73,209,809	\$ 4,472,609	\$ -	\$ 19,710,825	\$ 97,393,243	

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Notes to Financial Statements
June 30, 2023 and 2022

7. Fair Value Measurements (continued)

Description	2022				Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Other Investments Measured at NAV	
	Level 1	Level 2	Level 3		
Other:					
Beneficial interest in trusts	\$ -	\$ -	\$ 237,423	\$ -	\$ 237,423
Spilt-interest agreements	-	-	22,424	-	22,424
Beneficial interest in life insurance	-	-	101,346	-	101,346
Total Other	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,193</u>	<u>\$ -</u>	<u>\$ 361,193</u>
					<u>\$ 97,754,436</u>

(a) On the basis of its analysis of the nature, characteristics and risks of the investments, the Foundation has determined that presentation by sub-asset class is appropriate.

(b) In accordance with current accounting standards, certain investments that are measured at fair value using the net asset value per share (or its equivalent) "*Practical Expedient*" have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Certain amounts in the 2022 fair value leveling have been reclassified to conform to the 2023 presentation.

The following is a reconciliation of the beginning and ending balances for Level 3 investments during the years ended June 30:

	2023	2022
Beginning balance	\$ 361,193	\$ 449,929
Change in value of beneficial interest in trusts, spilt-interest agreements and beneficial interest in life insurance	8,025	(46,335)
Receipt of split-interest beneficial interest	71,646	-
Liquidation proceeds received from beneficial interest in trust	<u>(8,849)</u>	<u>(42,401)</u>
Ending Balance	<u>\$ 432,015</u>	<u>\$ 361,193</u>

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7. Fair Value Measurements (continued)

The following table below summarizes liquidity arrangements for investments valued at NAV using the “*Practical Expedient*” investments at June 30, 2023:

	See Note	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds				
Strategic Opportunity, Ltd.	A	\$ 5,390,729	Quarterly	91 days
Relative value	B	<u>30,735</u>	In liquidation	
Total Hedge Funds		5,421,464		
Private equity real estate	C	481,163	Not currently eligible, 10 year lock-up's expiring in 2025	N/A
Private equity	C	12,386,000	Not currently eligible, 10 year lock-up's expiring in 2029	N/A
Private credit	C	<u>4,037,523</u>	Not currently eligible, 10 year lock-up's expiring in 2028	N/A
Total Liquidity		<u>\$ 22,326,150</u>		

Note A: The investment consists of fund managers that employ a variety of investment strategies with varying net/gross exposure levels. The fair values of the investments in this category are those reported by the fund administrators at June 30, 2023. Liquidity terms are provided. At June 30, 2023, the hedge fund investment sector allocation included 29% in equity long/short, 17% in tactical trading, 20% in event driven, 26% in relative value and 8% in other.

Note B: Fund is in liquidation.

Note C: The Foundation invests in Primary Private Equity, Secondary Private Equity, Private Credit, and Private Equity Real Estate asset classes. Of the Primary Private Equity investments, the Foundation is committed to one fund that is exclusively Environmental, Social and Governance (“ESG”) focused. Each fund consists of various fund managers designed to minimize risk by spreading investments strategies across various industries and segments. While each investment has fund managers in various geographies, the primary concentrations are in the United States and, to a lesser extent, Europe. The overarching strategies of each of the aforementioned asset classes are as follows:

- **Primary Private Equity:** The Private Equity Manager funds are a series of annual private equity offerings, designed to allow clients to allocate to private equity in a consistent, flexible, and transparent manner that leverages compelling strategies and quality managers. Investments primarily include buyouts in the large and middle market space, and venture capital; across a wide array of industries such as information technology, healthcare, financial, energy, consumer discretionary, and industrials, among others.

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7. Fair Value Measurements (continued)

- **Secondary Private Equity:** The Vintage funds included in this asset class seek to provide liquidity, capital and partnering solutions to private equity investors and managers. The Vintage funds seek to source opportunities from around the world, acquiring and structuring portfolios of private equity partnerships and underlying portfolio companies across leveraged buyout, credit, distressed, growth capital, real asset and venture capital strategies.
- **ESG Primary Private Equity:** The Imprint Thematic Opportunities Fund focuses on making primary commitments across specialist impact venture, growth equity, and buyout funds investing in environmental and social sustainability themes. The Funds mandate is to take advantage of thematic growth opportunities associated with de-carbonization of the global economy and technology enabled innovations in healthcare, financial services, and education.
- **Private Credit:** Private Credit Managers are multi-manager vehicles designed to provide clients with exposure to private credit via commitments to underlying funds with credit mandates that range from yield to capital appreciation-oriented strategies. The underlying portfolio's primarily target direct lending, loan portfolios and structured credit, and opportunistic distressed credit.
- **Private Equity Real Estate:** The Foundation has a commitment in one private equity real estate fund designed to primarily invest in opportunistic investments in multi-family, office, active adult, self-storage, and student housing real estate.

8. Net Assets

Net assets consist of the following at June 30:

	2023	2022
Without Donor Restrictions		
Undesignated general operating	\$ 11,845,728	\$ 7,615,645
Board designated	1,912,608	1,942,499
Total Without Donor Restrictions	<u>13,758,336</u>	<u>9,558,144</u>
With Donor Restrictions		
Program restricted:		
Program funds	10,397,531	6,306,899
Scholarship funds	2,138,915	2,347,306
Capital funds	1,359,452	1,429,427
Quasi-endowment funds	26,192,090	25,240,132
Endowments, spendable	<u>6,487,753</u>	<u>6,070,956</u>
	<u>46,575,741</u>	<u>41,394,720</u>
Permanent endowment funds	<u>54,949,542</u>	<u>53,810,581</u>
Total With Donor Restrictions	<u>101,525,283</u>	<u>95,205,301</u>
Total Net Assets	<u><u>\$115,283,619</u></u>	<u><u>\$104,763,445</u></u>

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8. Net Assets (*continued*)

Reclassifications between net assets are made to comply with donor-imposed restrictions and for transferring funds based on the changes in classifications.

9. Endowments

The Foundation currently manages various donor restricted and board designated endowment funds which support Montclair State University. Donor restricted (held in perpetuity) funds are managed based on the explicit directions of the donor. Board designated endowments are used to report resources that the Board of Trustees, rather than the donor, has determined are to be retained and managed similar to an endowment.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in New Jersey does not establish a level below which an endowment fund may not fall. Instead, UPMIFA requires that endowment fund investment and spending policies be designed with the aim of preserving that amount of each endowment fund which is prudent for the uses, benefits, purposes and duration for which each endowment fund was established. For accounting purposes only and without any implication for the Foundation's legal obligations for administering its endowment funds, the Foundation has classified as donor with restrictions net assets the following: (a) the original value of gifts donated to its endowment funds, (b) the original value of subsequent gifts to such endowment funds, and (c) accumulations to such endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of a donor-restricted endowment fund is classified within with donor restricted net assets until those amounts are appropriated for expenditure by the Foundation through the Board of Trustees' approval of the annual budget, which is inclusive of the amount withdrawn from its endowment funds pursuant to the Foundation's spending policy. The Board has determined that, absent donor stipulations to the contrary, the provisions of State law do not impose either a restriction on the income or capital appreciation derived from the original gift and/or additional gifts.

Unless otherwise specified by the donor, the Board of Trustees utilized a spending rate of 4.25% for the years ended June 30, 2023 and 2022 to determine distributions from the endowment. In most cases, a required minimum balance for each endowment must be achieved before a distribution can be made.

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9. Endowments (continued)

The following is a reconciliation of the activity in the Endowment funds:

	Year Ended June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Endowment Net Assets at June 30, 2022	\$ 10,737,755	\$ 6,070,956	\$ 53,810,581	\$ 70,619,292
Dividends and interest	1,879,034	800,295	-	2,679,329
Gain on sale of securities	392,082	166,991	-	559,073
Unrealized gain on securities	3,841,328	1,636,050	-	5,477,378
Contributions and pledge collections	-	-	715,832	715,832
Appropriation of endowment assets for expenditures	2,087,898	(2,087,898)	-	-
Release restrictions	(2,087,898)	-	-	(2,087,898)
Transfers to other net assets	-	(98,641)	423,129	324,488
Endowment Net Assets at June 30, 2023	<u>\$ 16,850,199</u>	<u>\$ 6,487,753</u>	<u>\$ 54,949,542</u>	<u>\$ 78,287,494</u>
Year Ended June 30, 2023				
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Reconciliation to net assets:				
Donor restricted funds	\$ -	\$ 6,487,753	\$ 54,949,542	\$ 61,437,295
Board designated funds	1,912,608	26,192,090	-	28,104,698
Unrestricted funds	11,845,728	-	-	11,845,728
Other temporarily restricted gifts	-	13,895,898	-	13,895,898
	<u>\$ 13,758,336</u>	<u>\$ 46,575,741</u>	<u>\$ 54,949,542</u>	<u>\$ 115,283,619</u>

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9. Endowments (continued)

	Year Ended June 30, 2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Endowment Net Assets at June 30, 2021	\$ 19,202,368	\$ 5,143,459	\$ 51,930,210	\$ 76,276,037
Dividends and interest	1,913,800	921,476	-	2,835,276
Gain on sale of securities	243,917	117,444	-	361,361
Unrealized loss on securities	(5,277,818)	(2,541,219)	-	(7,819,037)
Contributions and pledge collections	-	-	1,864,207	1,864,207
Appropriation of endowment assets for expenditures	1,602,220	(1,602,220)	-	-
Release restrictions	(1,602,220)	-	-	(1,602,220)
Designations of other unrestricted funds	(5,344,512)	4,020,621	-	(1,323,891)
Transfers between program restricted and permanent endowment funds	-	(16,164)	16,164	-
Transfers to other net assets	-	27,559	-	27,559
Endowment Net Assets at June 30, 2022	<u>\$ 10,737,755</u>	<u>\$ 6,070,956</u>	<u>\$ 53,810,581</u>	<u>\$ 70,619,292</u>
	Year Ended June 30, 2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Reconciliation to net assets:				
Donor restricted funds	\$ -	\$ 6,070,956	\$ 53,810,581	\$ 59,881,537
Board designated funds	1,942,499	25,240,132	-	27,182,631
Unrestricted funds	7,615,645	-	-	7,615,645
Other temporarily restricted gifts	-	10,083,632	-	10,083,632
	<u>\$ 9,558,144</u>	<u>\$ 41,394,720</u>	<u>\$ 53,810,581</u>	<u>\$ 104,763,445</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or the New Jersey UPMIFA requires the Foundation to retain as a fund in perpetual duration. At June 30, 2022, a total of 133 funds managed representing approximately \$1,516,000 in aggregate deficiencies existed. These deficiencies were the result of market performance for the prior year end.

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9. Endowments (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs, while seeking to maintain the purchasing power of the endowment funds. The Foundation's primary investment objectives are to (i) invest its endowment principal to achieve growth of both principal value and income over time sufficient to preserve and/or increase the real (inflation adjusted) purchasing power of the assets and (ii) to provide a stable source of perpetual financial support.

Strategies Employed for Achieving Objectives

The Foundation's investment policy is approved by its investment committee which was established by the Foundation's Board of Trustees. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

10. Liquidity and Availability

The Foundation regularly monitors the availability of resources required to meet its operating needs and contractual commitments, while also striving to maximize its investment portfolio to meet short term spending needs while also preserving inter-generational equity. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities.

The Foundation has various sources of liquidity available, including cash and cash equivalents, investments and pledge receivables. At June 30, 2023, approximately 78% of the Foundation's investment portfolio consists of highly liquid investments, with an additional 5% available for liquidation with 90 days' notice. Of the total invested, approximately 58% is from permanently endowed funds, 24% from quasi-endowed funds, and the residual is from temporarily restricted or unrestricted funds.

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10. Liquidity and Availability (*continued*)

As of June 30, 2023 and 2022, the Foundation's financial assets were designated as follows:

	2023	2022
Cash	\$ 1,543,947	\$ 3,535,917
Operating investments	16,746,535	12,592,517
Unconditional promises to give	497,640	1,362,810
Payout on board designated endowments	906,079	859,744
Payout on donor-restricted endowments	<u>2,603,341</u>	<u>2,519,631</u>
	<u>\$ 22,297,542</u>	<u>\$ 20,870,619</u>

In addition to financial assets to meet general expenditures over the next 12 months, the Foundation anticipates that sufficient revenue will be generated and collected to cover general expenditures not covered by donor-restricted sources.

The Foundation's governing board has designated a portion of its resources to function as quasi-endowments. These funds are invested for long-term appreciation and for current spending purposes, but remain available and may be spent at the discretion of the board based on needs existing at that time. The total amount of quasi-endowed funds available for expenditure are either "with donor restrictions" for purpose based on the donor intent or "without donor restrictions". Quasi-endowed funds are held primarily for scholarship purposes. The following summarizes the quasi-endowment funds of the Foundation as of June 30, 2023 and 2022:

	2023	2022
Without donor restriction	\$ 1,912,608	\$ 1,942,499
With donor restriction	<u>26,192,090</u>	<u>25,240,132</u>
	<u>\$ 28,104,698</u>	<u>\$ 27,182,631</u>

11. Major Contributions

For the year ended June 30, 2023, a donation from one donor comprised approximately 43% of total contributions. Two pledge balances outstanding amounted to approximately 61% of total unconditional promises to give at June 30, 2023.

For the year ended June 30, 2022, a donation from one donor comprised approximately 10% of total contributions. Two pledge balances outstanding amounted to approximately 43% of total unconditional promises to give at June 30, 2022.

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12. Non-cash Contributions

Total non-cash contributions, excluding services, amounted to approximately \$49,000 and \$30,000 for the years ended June 30, 2023 and 2022. These contributions were in the form of artwork and equipment for the benefit of the University and as a result have been transferred to the University.

13. Related Party Transactions

The Foundation makes payments to the University for scholarships, grants and reimbursement of certain expenditures including staff salaries and fringe benefits. Payments by the Foundation to the University were approximately \$8,790,000 and \$7,796,000 for the years ended June 30, 2023 and 2022. Amounts due to the University included in accounts payable and accrued expenses at June 30, 2023 and 2022 and were approximately \$3,455,000 and \$4,571,000.

14. Risk Concentrations

The following summarizes the Foundation's material risk concentrations:

- **Cash:** The Foundation maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation's bank balances in excess of the \$250,000 Federal Deposit Insurance Corporation at June 30, 2023 and 2022 were approximately \$1,600,000 and \$3,615,000. The Foundation has not experienced any losses in such accounts and as a result believes it is not exposed to any significant related financial risk.
- **Investments:** The Foundation maintains an investment portfolio which consists of fixed income, equity, and alternative strategies asset classes which are managed through independent investment advisors which also serve as custodians. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Alternative investments consist of non-traditional, not readily marketable investments, including hedge funds, and private equity investments. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

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14. Risk Concentrations (continued)

At June 30, 2023 and 2022, the Foundation had the following investments which were in excess of 10% of total investments:

	<u>2023</u>	<u>2022</u>
U.S. Large Cap Equity Fund	<u>\$ 28,968,214</u>	<u>\$ 26,030,254</u>

- **Unconditional promises to give:** The Foundation periodically reviews its unconditional promises to give and establishes an allowance for uncollectible amounts to manage its credit risk. Management uses historical analysis combined with specific information on individual amounts outstanding to determine a reasonable allowance. Management believes that the credit risk beyond its established allowance is limited.

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