

**Montclair State University
Foundation, Inc.**

(A Component Unit of
Montclair State University)

Financial Statements

June 30, 2018 and 2017



Independent Auditors' Report

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

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, 2018 and 2017, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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, 2018 and 2017, 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.

PKF O'Connor Davies, LLP

September 7, 2018

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

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,292,403	\$ 2,469,621
Unconditional promises to give, net	7,144,962	6,679,373
Investments, at fair value	75,099,380	70,582,012
Donated artwork	1,187,003	1,197,403
Prepaid expenses and other assets, net	241,136	271,991
Beneficial interest in trusts, split-interest agreements and cash surrender value of life insurance	413,877	593,382
	\$ 86,378,761	\$ 81,793,782
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 3,013,443	\$ 2,066,786
 Net Assets		
Unrestricted	3,619,828	2,703,192
Temporarily restricted	35,832,237	34,133,709
Permanently restricted	43,913,253	42,890,095
Total Net Assets	83,365,318	79,726,996
	\$ 86,378,761	\$ 81,793,782

See notes to financial statements

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

Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net	\$ 132,147	\$ 5,469,089	\$ 862,941	\$ 6,464,177
Other support	72,797	352,988	11,726	437,511
Annual fund and phonathon	238,849	253,865	10,625	503,339
In-kind contributions	1,363,881	-	-	1,363,881
Non-cash contributions	-	104,425	-	104,425
Change in value of beneficial interest in trust, split-interest agreements and cash surrender value of life insurance	-	(33,704)	2,188	(31,516)
Net investment return	2,058,578	2,404,329	-	4,462,907
Net assets released from restrictions	6,552,974	(6,552,974)	-	-
Total Revenues, Gains and Other Support	10,419,226	1,998,018	887,480	13,304,724
EXPENSES				
Program Services				
Program funds	4,199,502	-	-	4,199,502
Other program funds	117,418	-	-	117,418
Scholarship funds	2,174,291	-	-	2,174,291
Capital funds	179,181	-	-	179,181
Institutional support	755,292	-	-	755,292
Management and General				
Salaries	512,725	-	-	512,725
Salaries, in-kind contribution	1,341,481	-	-	1,341,481
Rent, in-kind contribution	22,400	-	-	22,400
Accounting services	45,250	-	-	45,250
Bad debt expense	67,000	-	-	67,000
Computer expense	77,891	-	-	77,891
Office expenses	47,604	-	-	47,604
Professional fees	50,945	-	-	50,945
Bonding and insurance fees	27,193	-	-	27,193
Bank fees and service charges	19,563	-	-	19,563
Depreciation and amortization	24,750	-	-	24,750
Donor cultivation	2,926	-	-	2,926
Miscellaneous	990	-	-	990
Total Expenses	9,666,402	-	-	9,666,402
Change in Net Assets	752,824	1,998,018	887,480	3,638,322
Reclassifications	163,812	(299,490)	135,678	-
NET ASSETS				
Beginning of year	2,703,192	34,133,709	42,890,095	79,726,996
Ending of year	\$ 3,619,828	\$ 35,832,237	\$ 43,913,253	\$ 83,365,318

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

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net	\$ 382,679	\$ 3,597,041	\$ 3,468,714	\$ 7,448,434
Other support	5,564	602,854	11,259	619,677
Annual fund and phonathon	182,997	193,734	5,225	381,956
In-kind contributions	1,519,725	-	-	1,519,725
Non-cash contributions	-	63,825	-	63,825
Reduction in valuation of artwork held for resale	(230,797)	-	-	(230,797)
Change in value of beneficial interest in trusts, split-interest agreements and cash surrender value of life insurance	-	19,406	10,756	30,162
Net investment return	4,294,305	2,147,085	-	6,441,390
Net assets released from restrictions	6,681,046	(6,681,046)	-	-
Total Revenues, Gains and Other Support	<u>12,835,519</u>	<u>(57,101)</u>	<u>3,495,954</u>	<u>16,274,372</u>
EXPENSES				
Program Services				
Program funds	4,396,367	-	-	4,396,367
Other program funds	130,650	-	-	130,650
Scholarship funds	1,973,892	-	-	1,973,892
Capital funds	310,787	-	-	310,787
Institutional support	469,006	-	-	469,006
Management and General				
Salaries	465,200	-	-	465,200
Salaries, in-kind contribution	1,487,285	-	-	1,487,285
Rent, in-kind contribution	32,440	-	-	32,440
Accounting services	45,350	-	-	45,350
Bad debt expense	39,948	-	-	39,948
Computer expense	101,075	-	-	101,075
Office expenses	55,473	-	-	55,473
Professional fees	46,767	-	-	46,767
Bonding and insurance fees	20,013	-	-	20,013
Bank fees and service charges	23,830	-	-	23,830
Depreciation and amortization	20,344	-	-	20,344
Donor cultivation	12,182	-	-	12,182
Miscellaneous	7,480	-	-	7,480
Total Expenses	<u>9,638,089</u>	<u>-</u>	<u>-</u>	<u>9,638,089</u>
Change in Net Assets	3,197,430	(57,101)	3,495,954	6,636,283
Reclassifications	276,192	(289,070)	12,878	-
NET ASSETS (DEFICIT)				
Beginning of year	<u>(770,430)</u>	<u>34,479,880</u>	<u>39,381,263</u>	<u>73,090,713</u>
Ending of year	<u>\$ 2,703,192</u>	<u>\$ 34,133,709</u>	<u>\$ 42,890,095</u>	<u>\$ 79,726,996</u>

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

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,638,322	\$ 6,636,283
Adjustments to reconcile change in net assets to net cash from operating activities		
Permanently restricted contributions held as endowments	(887,480)	(3,495,954)
Discount on promises to give	(72,982)	(173,557)
Depreciation and amortization	24,750	20,344
Allowance for doubtful accounts	67,000	39,948
(Gain) loss on sale of artwork	(26,725)	1,950
Net realized gain on investments	(1,137,977)	(1,537,139)
Net unrealized gain on investments	(1,679,170)	(3,416,533)
Reduction in value of artwork held for resale	-	230,797
Beneficial interest in trust, split-interest agreements and cash surrender value of life insurance	31,516	(30,162)
Donated artwork	(103,446)	(63,825)
Donated stock	(376,362)	(1,075,445)
Transfers of property and equipment to University	103,446	63,825
Change in operating assets and liabilities		
Unconditional promises to give	(459,607)	(234,374)
Donated artwork	-	15,000
Prepaid expenses and other assets	6,105	(29,125)
Accounts payable and accrued expenses	946,657	(392,418)
Net Cash from Operating Activities	74,047	(3,440,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(14,846,239)	(89,204,595)
Proceeds from sale of long-term investments	13,522,380	84,132,158
Proceeds from beneficial interest in trust redemption	147,989	-
Purchase of internal use software	-	(26,644)
Proceeds from artwork	37,125	-
Net Cash from Investing Activities	(1,138,745)	(5,099,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions held as endowments	887,480	3,495,954
Net Change in Cash and Cash Equivalents	(177,218)	(5,043,512)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,469,621	7,513,133
End of year	\$ 2,292,403	\$ 2,469,621
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing activities		
Gifts of artwork	\$ 40,846	\$ 40,500
Gifts of property, equipment and other non-cash items	62,600	23,325
Gifts of stock	376,362	1,075,445
Transfers of property, equipment and artwork to MSU	103,446	(63,825)

See notes to financial statements

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

Notes to Financial Statements
June 30, 2018 and 2017

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.

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, 2018 and 2017

2. Significant Accounting Policies (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

The Foundation's financial statements conform to U.S. GAAP presentation requirements for Not-For-Profit Organizations. Such guidance requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, information is required to segregate program service expenses from management and general expenses. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted net assets:** Net assets that are not subject to donor-imposed restrictions.
- **Temporarily restricted net assets:** Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or through the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- **Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Foundation thereby creating an endowment. Generally, these donors permit the Foundation to use part of the income earned on any related investments for general or specific purposes. In addition, in certain instances the donor requires that any unused earnings be rolled into the principal balance of the endowment.

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 unrestricted 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 temporarily restricted 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 met. 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.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Foundation considers all money market funds and highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

The Foundation maintains its cash in interest bearing accounts including a money market and a checking account primarily with one financial institution. The Foundation also maintains cash equivalents through its investment portfolio with two institutions.

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 unrestricted 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 in 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.

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Significant Accounting Policies (continued)

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.

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

- **Investments in Equity Mutual Funds, Fixed Income Securities, and Public REITS:** All investments have been valued at the closing price reported in an active market in which the investments are traded.
- **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.
- **Investment 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 was invested in one hedge position in which fair value has 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.
- **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*”.
- **Investment in Private Equity:** The Foundation maintains an investment in four private equity positions, three of which invest in the primary market and one which invests in the secondary market. Valuations are based on NAV as a “*Practical Expedient*” for estimating fair value of alternative investments.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

- **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 Cash Surrender Value of 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.

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.

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.

Cash Surrender Value of 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.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Significant Accounting Policies (continued)

Internal Use Software

The Foundation has capitalized software purchased from third party vendors for its use in Foundation fundraising and fund management initiatives. Capitalized software is amortized over an estimated useful life of three to five years from the date of purchase and/or implementation. Amortization expense approximated \$25,000 and \$20,000 for the years ended June 30, 2018 and 2017. Accumulated amortization approximated to \$105,000 and \$80,000 at June 30, 2018 and 2017, respectively.

Amortization expense for the next four years ending June 30 are as follows:

2019	\$ 26,591
2020	26,591
2021	26,591
2022	<u>12,089</u>
	<u>\$ 91,862</u>

Revenue Recognition

The revenue recognition policies of the Foundation are as follows:

- **Contributions:** Contributions are recorded as permanently restricted, temporarily restricted, or unrestricted revenue, depending on the existence or nature of any donor restrictions.
- **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.
- **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.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

2. Significant Accounting Policies (continued)

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.
- **Salaries:** For the years ended June 30, 2018 and 2017, a portion of the cost for salary and related fringe benefits for one University employee, who devoted time towards the management of the Foundation was recognized as an "in-kind contribution" since the University had not sought reimbursement for such costs. The expense for management salary and related fringe benefits amounted to \$32,375 and \$32,128 for the years ended June 30, 2018 and 2017.

The Foundation has recognized in-kind contribution revenue and a corresponding expense amounting to approximately \$1,309,000 and \$1,455,000 for the years ended June 30, 2018 and 2017, 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.

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 \$724,925 and \$602,173 for the years ended June 30, 2018 and 2017. Fundraising expenses associated with special events totaled \$201,620 and \$263,544 for the years ended June 30, 2018 and 2017 and were included as program services expense. Expenses associated with other development initiatives totaled \$523,305 and \$338,629 for the years ended June 30, 2018 and 2017 and were included as institutional support.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Due to its not-for-profit status, certain costs have been allocated among programs and supporting services benefited.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

2. Significant Accounting Policies (continued)

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 2015.

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 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 a hedge fund, four private equity investments and one investment in a private equity real estate fund. 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.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

2. Significant Accounting Policies (continued)

Risk Concentrations (continued)

At June 30, 2018 and 2017, the Foundation had two investments which were in excess of 10% of total investments with approximate fair values as follows:

	<u>2018</u>	<u>2017</u>
U.S. Large Cap Equity Fund	\$12,107,000	\$13,237,000
Intermediate Bond Fund	<u>11,154,000</u>	<u>7,844,000</u>
	<u>\$23,261,000</u>	<u>\$21,081,000</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.

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 September 7, 2018.

Reclassifications

For the years ended June 30, 2018 and 2017, 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. In addition, for Fiscal 2017, the Foundation designated approximately \$5,240,000 in previously classified program funds to a quasi-endowment based on existing funding and expected pledge funding, relative to spending needs.

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

Notes to Financial Statements
June 30, 2018 and 2017

3. Unconditional Promises to Give

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

	2018	2017
Unrestricted	\$ 35,744	\$ 96,622
Restricted for scholarships and endowments	5,726,625	6,694,314
Restricted for programs	1,889,956	458,781
	7,652,325	7,249,717
Unamortized discount	(407,363)	(480,344)
Allowance for doubtful accounts	(100,000)	(90,000)
Unconditional Promises to Give, Net	\$ 7,144,962	\$ 6,679,373

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

	2018	2017
Unrestricted	\$ 24,611	\$ 87,449
Temporarily restricted	6,501,157	5,465,694
Permanently restricted	619,194	1,126,230
	\$ 7,144,962	\$ 6,679,373

Promises to give will be received, depending on the timing of the donor's pledge commitment, from within one year to six 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 1.81% to 2.45% and 1.20% to 1.93% for the years ended June 30, 2018 and 2017. 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:

	2018	2017
Less than one year	\$ 2,033,740	\$ 1,065,014
One to five years	5,618,585	6,184,703
	7,652,325	7,249,717
Unamortized discount	(407,363)	(480,344)
Allowance for doubtful accounts	(100,000)	(90,000)
Unconditional Promises to Give, Net	\$ 7,144,962	\$ 6,679,373

Montclair State University Foundation, Inc.
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4. Investments

Investments consist of the following at June 30:

	2018		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed income	\$ 22,163,974	\$ 21,631,206	\$ (532,768)
Equities	30,374,731	36,370,809	5,996,078
Tactical Tilt fund	5,929,408	5,985,124	55,716
Public REITS	3,650,362	3,490,240	(160,122)
Hedge funds	4,102,554	4,448,056	345,502
Private equity	1,589,625	1,705,221	115,596
Private equity real estate	1,574,868	1,468,724	(106,144)
Total Investments	<u>\$ 69,385,522</u>	<u>\$ 75,099,380</u>	<u>\$ 5,713,858</u>
	2017		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed income	\$ 18,376,649	\$ 18,224,739	\$ (151,910)
Equities	29,824,996	33,885,626	4,060,630
Tactical Tilt fund	6,287,135	6,375,619	88,484
Public REITS	3,753,541	3,510,533	(243,008)
Hedge funds	6,805,973	6,921,224	115,251
Private equity	343,186	350,600	7,414
Private equity real estate	1,215,068	1,313,671	98,603
Total Investments	<u>\$ 66,606,548</u>	<u>\$ 70,582,012</u>	<u>\$ 3,975,464</u>

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

	2018		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest, net of investment fees of \$316,294	\$ 658,686	\$ 987,074	\$ 1,645,760
Gain on sale of securities	565,482	572,495	1,137,977
Unrealized gain on securities	834,410	844,760	1,679,170
Net Investment Return	<u>\$ 2,058,578</u>	<u>\$ 2,404,329</u>	<u>\$ 4,462,907</u>

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4. Investments (continued)

	2017		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest, net of investment fees of \$275,381	\$ 924,125	\$ 563,593	\$ 1,487,718
Gain on sale of securities	1,045,777	491,362	1,537,139
Unrealized gain on securities	2,324,403	1,092,130	3,416,533
Net Investment Return	\$ 4,294,305	\$ 2,147,085	\$ 6,441,390

At June 30, 2018, the Foundation's investments in fixed income and equity asset classes consisted of 78% in domestic positions and 22% in international positions. Of the total investments in international positions, 84% were in developed markets and 16% were in emerging markets. At June 30, 2017, the Foundation's investments in fixed income and equity asset classes consisted of 75% in domestic positions and 25% in international positions. Of the total investments in international positions, 83% were in developed markets and 17% were in emerging markets.

At June 30, 2018, the Foundation investment in the Tactical Tilt Fund was comprised of approximately 23% in cash, 14% in currency forwards, 18% in equities, and 45% in fixed income. At June 30, 2017, the Foundation investment in the Tactical Tilt Fund was comprised of approximately 36% in cash, 38% in currency forwards, 14% in equities, 9% in fixed income and 3% in commodities.

At June 30, 2018, the Foundation has committed to four private equity investments and one private equity real estate investment. Of the four private equity investments, one is in the secondary market and the other three are in the primary market. At June 30, 2018, the total commitments to the private equity investments was \$6,500,000 with a remaining funding obligation of approximately \$4,700,000, while the total funding commitment to the private equity real estate investment was \$2,000,000, with approximately \$760,000 in obligation remaining to be funded. In July 2018, the Foundation committed \$2,200,000 towards a private credit fund.

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5. Split-Interest Agreements

The Foundation has been named the beneficiary of four 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 trust will terminate, and the remaining trust assets are to be distributed to the Foundation for unrestricted purposes.

Pursuant to the terms of the donation governing one trust, the assets are to be restricted for use in a scholarship fund.

The Foundation did not receive interests in any new trusts for the years ended June 30, 2018 or June 30, 2017. Net increases (decreases) in the beneficial interests of split-interest agreements approximated (\$38,000) and \$2,000 for the years ended June 30, 2018 and 2017. The recorded beneficial interests are based on the present value of the future cash flows to the Foundation.

6. Beneficial Interest in Trusts

As of June 30, 2018 and 2017, the Foundation has recorded its beneficial interest in a trust, which operates as a 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 trust 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, 2018, total assets in the trust consisted of approximately \$144,000 in equity positions (of which \$81,000 was invested in U.S. domestic equity mutual funds and \$63,000 was invested in international equity mutual funds), \$74,000 was invested in fixed income (of which \$57,000 was invested in U.S. fixed income positions and \$17,000 was invested in international fixed income positions), \$25,000 was invested in alternative strategies and \$8,000 was held in cash and cash equivalents.

As of June 30, 2017, total assets in the two trusts consisted of approximately \$252,000 in equity positions (of which \$133,000 was invested in U.S. domestic equity mutual funds and \$119,000 was invested in international equity mutual funds), \$87,000 was invested in fixed income positions (of which \$54,000 was U.S. and \$33,000 was international), \$32,000 was invested in alternative strategies and \$21,000 was held in cash and cash equivalents.

During the year ended June 30, 2018, the Foundation received its beneficial interest on a second trust that was liquidated in accordance with the terms of the trust agreement.

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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	2018			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Investments:				
Equity Securities: (a)				
Equity securities - U.S. large cap	\$ 12,111,067	\$ -	\$ -	\$ 12,111,067
Equity securities - U.S. dynamic	8,033,558	-	-	8,033,558
Equity securities - U.S. small cap	3,555,565	-	-	3,555,565
Equity securities - emerging markets	2,009,647	-	-	2,009,647
Equity securities - developed markets	10,660,972	-	-	10,660,972
Total Equity Securities	<u>36,370,809</u>	<u>-</u>	<u>-</u>	<u>36,370,809</u>
Fixed Income Securities: (a)				
Fixed income - U.S. short-term	4,021,821	-	-	4,021,821
Fixed income - U.S. intermediate-term	11,154,496	-	-	11,154,496
Fixed income - U.S. high yield	6,454,889	-	-	6,454,889
Total Fixed Income Securities	<u>21,631,206</u>	<u>-</u>	<u>-</u>	<u>21,631,206</u>
REITS: (a)				
U.S. public REITS	1,794,104	-	-	1,794,104
Non-U.S. public REITS	1,696,136	-	-	1,696,136
Total REITS	<u>3,490,240</u>	<u>-</u>	<u>-</u>	<u>3,490,240</u>
Hedge Funds: (b)				
Equity long/short	-	-	-	1,401,005
Event driven measured at net asset value	-	-	-	1,134,836
Relative value measured at net asset value	-	-	-	355,543
Tactical trading at net asset value	-	-	-	1,419,422
Other at net asset value	-	-	-	137,250
Total Hedge Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,448,056</u>
Other Investments:				
Private equity real estate at net asset value (b)	-	-	-	1,468,724
Tactical Tilt fund (a)	5,985,124	-	-	5,985,124
Private equity at net asset value (b)	-	-	-	1,705,221
Total Other Investments	<u>5,985,124</u>	<u>-</u>	<u>-</u>	<u>9,159,069</u>
Total Investments	<u>\$ 67,477,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,099,380</u>

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7. Fair Value Measurements (continued)

Description	2018			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Other:				
Beneficial interest in trust	\$ -	\$ -	\$ 250,991	\$ 250,991
Spilt-interest agreements	-	-	80,182	80,182
Cash surrender value of life insurance	-	82,704	-	82,704
Total Other	<u>\$ -</u>	<u>\$ 82,704</u>	<u>\$ 331,173</u>	<u>\$ 413,877</u>
Description	2017			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Investments:				
Equity Securities: (a)				
Equity securities - U.S. large cap	\$ 13,236,958	\$ -	\$ -	\$ 13,236,958
Equity securities - U.S. dynamic	4,428,476	-	-	4,428,476
Equity securities - U.S. small cap	3,059,352	-	-	3,059,352
Equity securities - emerging markets	2,213,047	-	-	2,213,047
Equity securities - developed markets	10,947,793	-	-	10,947,793
Total Equity Securities	<u>33,885,626</u>	<u>-</u>	<u>-</u>	<u>33,885,626</u>
Fixed Income Securities: (a)				
Fixed income - U.S. short-term	4,837,016	-	-	4,837,016
Fixed income - U.S. intermediate-term	7,843,902	-	-	7,843,902
Fixed income - U.S. high yield	5,543,821	-	-	5,543,821
Total Fixed Income Securities	<u>18,224,739</u>	<u>-</u>	<u>-</u>	<u>18,224,739</u>
REITS: (a)				
U.S. public REITS	1,721,000	-	-	1,721,000
Non-U.S. public REITS	1,789,533	-	-	1,789,533
Total REITS	<u>3,510,533</u>	<u>-</u>	<u>-</u>	<u>3,510,533</u>

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7. Fair Value Measurements (continued)

Description	2017			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Hedge Funds: (b)				
Equity long/short	-	-	-	2,182,804
Event driven measured at net asset value	-	-	-	1,768,105
Relative value measured at net asset value	-	-	-	544,977
Tactical trading at net asset value	-	-	-	2,211,498
Other at net asset value	-	-	-	213,840
Total Hedge Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,921,224</u>
Other Investments:				
Private equity real estate at net asset value (b)	-	-	-	1,313,671
Tactical Tilt fund (a)	6,375,619	-	-	6,375,619
Private equity at net asset value (b)	-	-	-	350,600
Total Other Investments	<u>6,375,619</u>	<u>-</u>	<u>-</u>	<u>8,039,890</u>
Total Investments	<u>\$ 61,996,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,582,012</u>
Other:				
Beneficial interest in trusts	\$ -	\$ -	\$ 392,405	\$ 392,405
Spilt-interest agreements	-	-	118,273	118,273
Cash surrender value of life insurance	-	82,704	-	82,704
Total Other	<u>\$ -</u>	<u>\$ 82,704</u>	<u>\$ 510,678</u>	<u>\$ 593,382</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 statement of financial position.

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7. Fair Value Measurements (continued)

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

	2018	2017
Beginning balance	\$ 510,678	\$ 483,659
Change in value of beneficial interest in trusts and split-interest agreements	(31,516)	27,019
Liquidation proceeds received from beneficial interest in trust	(147,989)	-
Ending Balance	\$ 331,173	\$ 510,678

The following table below summarizes liquidity arrangements for investments valued at NAV using the “*Practical Expedient*” and beneficial interests in trusts, split-interest agreements and cash surrender value of life insurance investments at June 30, 2018:

	See Note	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds				
Strategic Opportunity, Ltd.	A	\$ 4,384,993	Quarterly	91 days
Relative value	B	63,063		
Total Hedge Funds		4,448,056		
Private Equity Real Estate		1,468,724	Not currently eligible, 10 year lock-up's expiring in 2025	N/A
Private equity		1,705,221	Not currently eligible, 10 year lock-up's expiring in 2026	N/A
Beneficial interest in trust		250,991	No liquidity	N/A
Spilt-interest agreements		80,182	No liquidity	N/A
Cash surrender value of life insurance		82,704	No liquidity	N/A
Total Liquidity		\$ 8,035,878		

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, 2018. Liquidity terms are provided. During the year ended June 30, 2018, the Foundation redeemed approximately 4% of its investment in the Strategic Opportunity, Ltd. Fund resulting in redemption proceeds of \$2,850,000. At June 30, 2018, the hedge fund investment sector allocation included 31% in equity long/short, 32% in tactical trading, 26% in event driven, 8% in relative value and 3% in other.

Note B: Fund is in liquidation.

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8. Donated Artwork

Donated artwork consists of artwork donated as a gift from one donor. At inception the artwork received by the Foundation had an appraised value of approximately \$2,012,000 of which approximately \$584,000 was transferred to the University and \$1,428,000 was held by the Foundation as available for sale pursuant to the terms of a gift agreement. The Foundation has developed plans to strategically sell the artwork with the resulting proceeds to be used to maintain the entire collection.

At June 30, 2017, the Foundation recognized a valuation adjustment of \$231,000 to reflect the value of the collections expected future sales relative to total pieces of art held.

For the year ended June 30, 2018, the Foundation sold eight pieces of art under a consignment arrangement with a gallery for total proceeds of approximately \$74,000, resulting in net proceeds to the Foundation of approximately \$37,000 under the terms of the consignment arrangement. The pieces had a recorded value of approximately \$10,000, resulting in a realized gain of approximately \$27,000.

9. Net Assets

Net assets consist of the following at June 30:

	2018	2017
Unrestricted		
Undesignated general operating	\$ 1,254,780	\$ 528,620
Board designated	2,365,048	2,174,572
	3,619,828	2,703,192
Temporarily Restricted		
Program funds	4,756,377	3,621,030
Scholarship funds	1,697,300	1,946,664
Capital funds	1,598,218	1,577,608
Quasi-endowment funds	23,978,995	23,388,744
Endowments, spendable	3,801,347	3,599,663
	35,832,237	34,133,709
Permanently Restricted		
Endowment funds	43,913,253	42,890,095
Total Net Assets	\$ 83,365,318	\$ 79,726,996

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

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10. Endowments

The Foundation currently manages various donor restricted and board designated endowment funds which support Montclair State University. Donor restricted (permanently restricted) 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 permanently restricted 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation through the Board of Trustees, 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 permanent or temporary 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, 2018 and 2017 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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10. Endowments (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets (Deficit) at June 30, 2017	\$ (2,003,403)	\$ 3,599,663	\$ 42,890,095	\$ 44,486,355
Dividends and interest	974,980	698,841	-	1,673,821
Gain on sale of securities	565,482	405,323	-	970,805
Unrealized gain on securities	834,410	598,084	-	1,432,494
Contributions and pledge collections	-	16,303	887,480	903,783
Appropriation of endowment assets for expenditures	1,449,223	(1,449,223)	-	-
Release restrictions	(1,449,223)	-	-	(1,449,223)
Transfers between temporarily and permanently restricted net assets	-	(43,178)	43,178	-
Transfers to other net assets	-	(24,466)	92,500	68,034
Endowment Net Assets at June 30, 2018	<u>\$ 371,469</u>	<u>\$ 3,801,347</u>	<u>\$ 43,913,253</u>	<u>\$ 48,086,069</u>
	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Reconciliation to net assets:				
Donor restricted funds	\$ 371,469	\$ 3,801,347	\$ 43,913,253	\$ 48,086,069
Board designated funds	-	23,978,995	-	23,978,995
Other temporarily restricted gifts	-	8,051,895	-	8,051,895
	<u>\$ 371,469</u>	<u>\$ 35,832,237</u>	<u>\$ 43,913,253</u>	<u>\$ 80,116,959</u>

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10. Endowments (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets (Deficit) at June 30, 2016	\$ (6,572,989)	\$ 3,528,826	\$ 39,381,263	\$36,337,100
Dividends and interest	1,199,224	402,204	-	1,601,428
Gain on sale of securities	1,045,739	350,657	-	1,396,396
Unrealized gain on securities	2,324,623	779,390	-	3,104,013
Contributions and pledge collections	-	38,752	3,495,954	3,534,706
Appropriation of endowment assets for expenditures	1,486,841	(1,486,841)	-	-
Release restrictions	(1,486,841)	-	-	(1,486,841)
Transfers between temporarily and permanently restricted net assets	-	(14,931)	14,931	-
Transfers to other net assets	-	1,606	(2,053)	(447)
Endowment Net Assets (Deficit) at June 30, 2017	<u>\$ (2,003,403)</u>	<u>\$ 3,599,663</u>	<u>\$ 42,890,095</u>	<u>\$44,486,355</u>
	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Reconciliation to net assets (deficit):				
Donor restricted funds	\$ (2,003,403)	\$ 3,599,663	\$ 42,890,095	\$44,486,355
Board designated funds	-	23,388,744	-	23,388,744
Other temporarily restricted gifts	-	7,145,302	-	7,145,302
	<u>\$ (2,003,403)</u>	<u>\$ 34,133,709</u>	<u>\$ 42,890,095</u>	<u>\$75,020,401</u>

Certain of the Foundation's donor restricted endowments may experience losses due to market fluctuations. U.S. GAAP requires excess losses be absorbed by the temporarily restricted or unrestricted net assets of the Foundation and that future gains be allocated to unrestricted net asset categories until such losses have been restored. At June 30, 2018 and 2017, the unrestricted fund includes deficiencies of approximately \$1,701,000 and \$2,121,000.

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10. 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.

11. Major Contributions

For the year ended June 30, 2018 donations from one donor comprised approximately 19% of total contributions. Pledge balances outstanding from two donors amounted to approximately 70% of total unconditional promises to give at June 30, 2018.

For the year ended June 30, 2017, donations from two donors comprised approximately 26% of total contributions. One pledge balance outstanding from another donor amounted to approximately 65% of total unconditional promises to give at June 30, 2017.

12. Non-cash Contributions

Total non-cash contributions, excluding services, amounted to approximately \$103,000 and \$64,000 for the years ended June 30, 2018 and 2017. 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 salaries and fringe benefits. These payments by the Foundation to the University were approximately \$4,752,000 and \$6,561,000 for the years ended June 30, 2018 and 2017. Amounts due to the University and included in accounts payable and accrued expenses at June 30, 2018 and 2017 were approximately \$2,600,000 and \$1,837,000.

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