

**Montclair State University
Foundation, Inc.**

(A Component Unit of
Montclair State University)

Financial Statements

June 30, 2021 and 2020



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, 2021 and 2020, and the related statements of activities, functional expenses 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, 2021 and 2020, 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

October 4, 2021

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

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Cash	\$ 1,836,365	\$ 1,621,565
Unconditional promises to give, net	6,610,728	6,092,682
Investments, at fair value	102,460,812	84,026,571
Donated artwork, net	-	1,187,003
Prepaid expenses and other assets, net	102,608	130,997
Beneficial interest in trusts, split-interest agreements and cash surrender value of life insurance	449,929	416,766
	\$ 111,460,442	\$ 93,475,584
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 2,609,733	\$ 3,239,661
Net Assets		
Without donor restrictions	19,096,663	3,844,866
With donor restrictions	89,754,046	86,391,057
Total Net Assets	108,850,709	90,235,923
	\$ 111,460,442	\$ 93,475,584

See notes to financial statements

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

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions			Total
		Program Restricted	Endowment Funds	Total	
REVENUES, GAINS AND OTHER SUPPORT					
Contributions, net	\$ 1,364,419	\$ 5,780,502	\$ 2,114,546	\$ 7,895,048	\$ 9,259,467
Special events, net of expenses	160	237,261	1,000	238,261	238,421
In-kind contributions	2,155,692	-	-	-	2,155,692
Non-cash contributions	19,018	79,819	-	79,819	98,837
Other support	2,931	206,715	10,651	217,366	220,297
Investment income	15,625,225	2,886,788	-	2,886,788	18,512,013
Change in value of beneficial interest in trust, split-interest agreements and cash surrender value of life insurance	-	5,413	27,750	33,163	33,163
Net assets released from restrictions	7,238,281	(7,238,281)	-	(7,238,281)	-
Total Revenues, Gains and Other Support	26,405,726	1,958,217	2,153,947	4,112,164	30,517,890
EXPENSES					
Program services	7,303,600	-	-	-	7,303,600
Institutional support	351,898	-	-	-	351,898
Management and general	3,064,603	-	-	-	3,064,603
Total Expenses	10,720,101	-	-	-	10,720,101
OTHER ACTIVITIES AND RECLASSIFICATIONS					
Fair value adjustment on donated artwork	-	(1,183,003)	-	(1,183,003)	(1,183,003)
Reclassifications	(433,828)	526,197	(92,369)	433,828	-
Total Other Activities and Reclassifications	(433,828)	(656,806)	(92,369)	(749,175)	(1,183,003)
Change in Net Assets	15,251,797	1,301,411	2,061,578	3,362,989	18,614,786
NET ASSETS					
Beginning of year	3,844,866	36,522,425	49,868,632	86,391,057	90,235,923
Ending 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>

See notes to financial statements

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

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions			Total
		Program Restricted	Endowment Funds	Total	
REVENUES, GAINS AND OTHER SUPPORT					
Contributions, net	\$ 630,244	\$ 3,510,592	\$ 1,947,504	\$ 5,458,096	\$ 6,088,340
Special events, net of expense	2,351	424,418	1,000	425,418	427,769
In-kind contributions	2,095,009	-	-	-	2,095,009
Non-cash contributions	-	101,100	-	101,100	101,100
Other support	65	353,786	21,336	375,122	375,187
Investment income	(229,959)	2,718,834	-	2,718,834	2,488,875
Change in value of beneficial interest in trusts, split-interest agreements and cash surrender value of life insurance	-	72,083	(7,605)	64,478	64,478
Net assets released from restrictions	6,805,351	(6,805,351)	-	(6,805,351)	-
Total Revenues, Gains and Other Support	<u>9,303,061</u>	<u>375,462</u>	<u>1,962,235</u>	<u>2,337,697</u>	<u>11,640,758</u>
EXPENSES					
Program services	7,007,686	-	-	-	7,007,686
Institutional support	375,470	-	-	-	375,470
Management and general	3,110,074	-	-	-	3,110,074
Total Expenses	<u>10,493,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,493,230</u>
Reclassifications	<u>404,030</u>	<u>(613,475)</u>	<u>209,445</u>	<u>(404,030)</u>	<u>-</u>
Change in Net Assets	(786,139)	(238,013)	2,171,680	1,933,667	1,147,528
NET ASSETS					
Beginning of year	<u>4,631,005</u>	<u>36,760,438</u>	<u>47,696,952</u>	<u>84,457,390</u>	<u>89,088,395</u>
Ending of year	<u>\$ 3,844,866</u>	<u>\$ 36,522,425</u>	<u>\$ 49,868,632</u>	<u>\$ 86,391,057</u>	<u>\$ 90,235,923</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, 2021

	Program Services			Cost of Direct Benefit to Donors	Institutional Support			Management and General			Total	
	Program General	Capital	Scholarship		Program	Fundraising	Total	Administrative	In-Kind Expenses - Fundraising	Total		
Grants and other assistance	\$ 3,794,573	\$ -	\$ -	\$ 3,794,573	\$ -	\$ 125,000	\$ -	\$ 125,000	\$ -	\$ -	\$ -	\$ 3,919,573
Salaries and fringe benefits	-	-	-	-	-	-	-	-	524,411	-	524,411	524,411
In-kind - development costs	-	-	-	-	-	-	-	-	-	2,133,292	2,133,292	2,133,292
Events and outside services	139,594	-	-	139,594	135,549	-	-	-	-	-	-	275,143
Scholarships, Stipends, Honorariums & Awards	16,600	-	3,041,164	3,057,764	-	-	-	-	-	-	-	3,057,764
Equipment and other capital funding	-	311,350	-	311,350	-	-	-	-	-	-	-	311,350
Insurance	-	-	-	-	-	-	-	-	24,437	-	24,437	24,437
Professional fees	-	-	-	-	-	-	-	-	106,047	-	106,047	106,047
Development support	-	-	-	-	-	-	226,898	226,898	-	-	-	226,898
Occupancy	-	-	-	-	-	-	-	-	22,400	-	22,400	22,400
Bad debt expense	-	-	-	-	-	-	-	-	80,000	-	80,000	80,000
Computer expense	-	-	-	-	-	-	-	-	99,238	-	99,238	99,238
Office expense	-	-	-	-	-	-	-	-	2,679	-	2,679	2,679
Depreciation and amortization	-	-	-	-	-	-	-	-	26,591	-	26,591	26,591
Other	319	-	-	319	-	-	-	-	45,508	-	45,508	45,827
Total Expenses	3,951,086	311,350	3,041,164	7,303,600	135,549	125,000	226,898	351,898	931,311	2,133,292	3,064,603	10,855,650
Costs of direct benefit to donors	-	-	-	-	(135,549)	-	-	-	-	-	-	(135,549)
Total Expenses by Function	\$ 3,951,086	\$ 311,350	\$ 3,041,164	\$ 7,303,600	\$ -	\$ 125,000	\$ 226,898	\$ 351,898	\$ 931,311	\$ 2,133,292	\$ 3,064,603	\$ 10,720,101

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

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Cost of Direct Benefit to Donors	Institutional Support			Management and General			Total	
	Program General	Capital	Scholarship		Program	Fundraising	Total	Administrative	In-Kind Expenses - Fundraising	Total		
Grants and other assistance	\$ 3,022,692	\$ -	\$ -	\$ 3,022,692	\$ -	\$ 125,000	\$ -	\$ 125,000	\$ -	\$ -	\$ -	\$ 3,147,692
Salaries and fringe benefits	113,909	-	-	113,909	-	-	-	-	534,242	-	534,242	648,151
In-kind - development costs	-	-	-	-	-	-	-	-	-	2,072,609	2,072,609	2,072,609
In-kind - management salary and fringe benefits	-	-	-	-	-	-	-	-	-	-	-	-
Events and outside services	380,448	-	-	380,448	93,683	-	-	-	-	-	-	474,131
Scholarships, stipends, honorariums and awards	354,652	-	2,891,249	3,245,901	-	-	-	-	-	-	-	3,245,901
Equipment and other capital funding	91,733	103,176	-	194,909	-	-	-	-	-	-	-	194,909
Insurance	-	-	-	-	-	-	-	-	24,991	-	24,991	24,991
Professional fees	-	-	-	-	-	-	-	-	99,404	-	99,404	99,404
Development support	-	-	-	-	-	241,370	241,370	-	-	-	-	241,370
Occupancy	-	-	-	-	-	-	-	-	22,400	-	22,400	22,400
Bad debt expense	-	-	-	-	-	-	-	-	172,722	-	172,722	172,722
Computer expense	-	-	-	-	-	-	-	-	100,619	-	100,619	100,619
Office expense	-	-	-	-	-	9,100	9,100	-	31,973	-	31,973	41,073
Amortization	-	-	-	-	-	-	-	-	26,591	-	26,591	26,591
Other	48,010	-	1,817	49,827	-	-	-	-	24,523	-	24,523	74,350
Total Expenses	4,011,444	103,176	2,893,066	7,007,686	93,683	134,100	241,370	375,470	1,037,465	2,072,609	3,110,074	10,586,913
Costs of direct benefit to donors	-	-	-	-	(93,683)	-	-	-	-	-	-	(93,683)
Total Expenses by Function	\$ 4,011,444	\$ 103,176	\$ 2,893,066	\$ 7,007,686	\$ -	\$ 134,100	\$ 241,370	\$ 375,470	\$ 1,037,465	\$ 2,072,609	\$ 3,110,074	\$ 10,493,230

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

Statements of Cash Flows

	Year Ended	
	June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,614,786	\$ 1,147,528
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions with donor restrictions held as endowments	(2,115,546)	(1,948,504)
Discounts on promises to give	(54,416)	(78,960)
Amortization	26,591	26,591
Allowance for doubtful accounts	80,000	80,000
Gain on sale of artwork	(3,200)	-
Fair value adjustment on donated artwork	1,183,003	-
Net realized gain on investments	(1,616,113)	(659,086)
Net unrealized (gain) loss on investments	(14,885,384)	561,036
Beneficial interest in trust, split-interest agreements and cash surrender value of life insurance	(33,163)	(64,478)
Donated artwork, property, equipment and other non-cash items	(79,819)	(100,100)
Donated stock	(320,977)	(723,264)
Transfers of property and equipment to University	79,819	100,100
Change in operating assets and liabilities		
Unconditional promises to give	(543,630)	(612,592)
Prepaid expenses and other assets	1,798	27,828
Accounts payable and accrued expenses	(629,928)	525,626
Net Cash from Operating Activities	(296,179)	(1,718,275)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(36,729,254)	(22,602,413)
Proceeds from sale of long-term investments	35,117,487	22,398,036
Receipt from beneficial interest in split-interest agreement and trust	-	(54,036)
Proceeds from beneficial interest in split-interest agreements	-	159,834
Proceeds from artwork	7,200	-
Net Cash from Investing Activities	(1,604,567)	(98,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with donor restrictions held as endowments	2,115,546	1,948,504
Net Change in Cash and Cash Equivalents	214,800	131,650
CASH		
Beginning of year	1,621,565	1,489,915
End of year	\$ 1,836,365	\$ 1,621,565
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing activities		
Gifts of artwork	\$ -	\$ 100,000
Gifts of property, equipment and other non-cash items	79,819	100
Gifts of stock	320,977	723,264
Transfers of property, equipment and artwork to MSU	79,819	100,100

See notes to financial statements

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

Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020

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, expenses, 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.
(A Component Unit of Montclair State University)

Notes to Financial Statements
June 30, 2021 and 2020

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.

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.

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

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.
- **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.

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

Notes to Financial Statements
June 30, 2021 and 2020

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

- **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 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.
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Notes to Financial Statements
June 30, 2021 and 2020

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 \$27,000 for each of the years ended June 30, 2021 and 2020. Accumulated amortization approximated to \$185,000 and \$158,000 at June 30, 2021 and 2020, respectively.

The remaining amortization expense for the year ending June 30, 2022 will be \$12,089.

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.

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2021 and 2020

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 \$2,133,000 and \$2,073,000 for the years ended June 30, 2021 and 2020, 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 statement of activities for the years ending June 30, 2021 and 2020 was \$2,155,692 and \$2,095,009.

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 \$362,447 and \$335,053 for the years ended June 30, 2021 and 2020. Fundraising expenses associated with special events totaled \$135,549 and \$93,683 for the years ended June 30, 2021 and 2020. Expenses associated with other development initiatives totaled \$226,898 and \$241,370 for the years ended June 30, 2021 and 2020 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.

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Notes to Financial Statements
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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 2018.

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 4, 2021.

Reclassifications

For the years ended June 30, 2021 and 2020, 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.

COVID-19 Pandemic

The Foundation's operations and financial performance have been affected by the recent coronavirus outbreak which has spread globally and adversely affected economic conditions throughout the world. The Foundation has experienced a decline in certain aspects of the operations which has been largely offset by increases in other aspects of its operations. However, if the outbreak continues, it is not known how the outbreak may affect the Foundation's operations, financial conditions and results of operations.

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3. Unconditional Promises to Give

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

	2021	2020
Without Donor Restrictions	\$ 1,135,896	\$ 113,686
With Donor Restrictions:		
Program restricted	5,531,098	4,955,497
Endowment funds	231,204	1,285,384
	6,898,198	6,354,567
Unamortized discount	(127,470)	(181,885)
Allowance for doubtful accounts	(160,000)	(80,000)
Unconditional Promises to Give, Net	\$ 6,610,728	\$ 6,092,682

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

	2021	2020
Without donor restrictions	\$ 1,078,844	\$ 108,968
With Donor Restrictions:		
Program restricted	5,302,891	5,008,807
Endowment funds	228,993	974,907
	\$ 6,610,728	\$ 6,092,682

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 .23% to .87% and .53% to 1.61% for the years ended June 30, 2021 and 2020. 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:

	2021	2020
Less than one year	\$ 2,790,856	\$ 2,368,642
One to five years	4,107,342	3,985,925
	6,898,198	6,354,567
Unamortized discount	(127,470)	(181,885)
Allowance for doubtful accounts	(160,000)	(80,000)
Unconditional Promises to Give, Net	\$ 6,610,728	\$ 6,092,682

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Notes to Financial Statements
June 30, 2021 and 2020

4. Investments

Investments consisted of the following at June 30:

	2021		
	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	\$ 1,114,156	\$ 1,114,156	\$ -
Fixed income	29,709,884	30,273,627	563,743
Equities	31,127,185	49,445,087	18,317,902
Tactical Tilt fund	4,096,641	4,383,790	287,149
Public REITS	1,341,504	1,676,889	335,385
Hedge funds	4,074,239	5,064,451	990,212
Private equity	5,395,118	7,777,739	2,382,621
Private credit	1,937,561	2,023,754	86,193
Private equity real estate	701,319	701,319	-
Total Investments	<u>\$ 79,497,607</u>	<u>\$ 102,460,812</u>	<u>\$ 22,963,205</u>
	2020		
	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	\$ 489,301	\$ 489,301	\$ -
Fixed income	25,356,219	25,993,580	637,361
Equities	33,749,555	39,980,964	6,231,409
Tactical Tilt fund	3,619,648	3,722,957	103,309
Public REITS	2,941,881	2,449,336	(492,545)
Hedge funds	4,074,239	4,519,548	445,309
Private equity	4,129,724	5,121,341	991,617
Private credit	935,104	933,853	(1,251)
Private equity real estate	815,691	815,691	-
Total Investments	<u>\$ 76,111,362</u>	<u>\$ 84,026,571</u>	<u>\$ 7,915,209</u>

Montclair State University Foundation, Inc.
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Notes to Financial Statements
June 30, 2021 and 2020

4. Investments (continued)

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

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest, net of investment fees of \$401,998	\$ 1,642,301	\$ 368,215	\$ 2,010,516
Gain on sale of securities	1,369,451	246,662	1,616,113
Unrealized gain on securities	<u>12,613,473</u>	<u>2,271,911</u>	<u>14,885,384</u>
Net Investment Return	<u>\$ 15,625,225</u>	<u>\$ 2,886,788</u>	<u>\$ 18,512,013</u>
	2020		
	Without Donor Restriction	With Donor Restriction	Total
Dividends and interest, net of investment fees of \$310,791	\$ (234,280)	\$ 2,625,105	\$ 2,390,825
Gain on sale of securities	29,047	630,039	659,086
Unrealized loss on securities	<u>(24,726)</u>	<u>(536,310)</u>	<u>(561,036)</u>
Net Investment Return	<u>\$ (229,959)</u>	<u>\$ 2,718,834</u>	<u>\$ 2,488,875</u>

At June 30, 2021, the Foundation's investments in fixed income and equity asset classes consisted of 79% in domestic positions and 21% in international positions. Of the total investments in international positions, 84% were in developed markets and 16% were in emerging markets. At June 30, 2020, 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, 85% were in developed markets and 15% were in emerging markets.

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Notes to Financial Statements
June 30, 2021 and 2020

4. Investments (continued)

At June 30, 2021, the Foundation has committed to eight private equity investments, two private credit investments, and one private equity real estate investment. Of the eight private equity investments, two are in the secondary market and the other six are in the primary market. At June 30, 2021, total commitments to the private equity investments have been summarized as follows:

	Total Commitments	Unfunded Commitment
Primary	\$ 9,100,000	\$ 5,335,626
Secondary	3,900,000	2,180,226
Real estate	2,000,000	1,424,188
Private credit	4,600,000	2,681,700
	\$ 19,600,000	\$ 11,621,740

At June 30, 2021, the Foundation's investments included 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. Total funding committed and invested during the year ended June 30, 2021 amounted to \$257,000. At June 30, 2021, investments at fair value approximated \$312,000.

5. 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.

During the year ended June 30, 2020, the Foundation was notified and received proceeds from two trusts that were liquidated following the passing of donors. Proceeds received approximated \$160,000.

Net increases in the beneficial interests of split-interest agreements approximated \$2,000 and \$6,000 for the years ended June 30, 2021 and 2020. The recorded beneficial interests are based on the present value of the future cash flows to the Foundation.

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Notes to Financial Statements
June 30, 2021 and 2020

6. Beneficial Interest in Trusts

As of June 30, 2021 and 2020, the Foundation has recorded its beneficial interest in two perpetual trusts. 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, 2021, total assets in the trusts consisted of approximately \$173,000 in equity positions (of which \$111,000 was invested in U.S. domestic equity mutual funds and \$62,000 was invested in international equity mutual funds), \$90,000 was invested in fixed income (of which \$32,000 was invested in U.S. fixed income positions and \$58,000 was invested in international fixed income positions), \$13,000 was invested in alternative strategies and \$48,000 was held in cash and cash equivalents.

As of June 30, 2020, total assets in the trust consisted of approximately \$126,000 in equity positions (of which \$90,000 was invested in U.S. domestic equity mutual funds and \$36,000 was invested in international equity mutual funds), \$100,000 was invested in fixed income (of which \$68,000 was invested in U.S. fixed income positions and \$32,000 was invested in international fixed income positions), \$12,000 was invested in alternative strategies and \$58,000 was held in cash and cash equivalents.

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Notes to Financial Statements
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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	2021				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	\$ 27,927,522	\$ -	\$ -	\$ -	\$ 27,927,522
Equity securities - U.S. small cap	4,778,445	-	-	-	4,778,445
Equity securities - emerging markets	2,609,012	-	-	-	2,609,012
Equity securities - developed markets	8,349,179	5,780,929	-	-	14,130,108
Total Equity Securities	<u>43,664,158</u>	<u>5,780,929</u>	<u>-</u>	<u>-</u>	<u>49,445,087</u>
Fixed Income Securities: (a)					
Fixed income - U.S. short-term	21,950,360	-	-	-	21,950,360
Fixed income - U.S. intermediate-term	31,886	-	-	-	31,886
Fixed income - U.S. high yield	8,291,381	-	-	-	8,291,381
Total Fixed Income Securities	<u>30,273,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,273,627</u>
REITS: (a)					
U.S. public REITS	1,676,889	-	-	-	1,676,889
Total REITS	<u>1,676,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,676,889</u>
Hedge Funds: (b)					
Equity long/short	-	-	-	1,396,195	1,396,195
Event driven measured at net asset value	-	-	-	1,410,257	1,410,257
Relative value measured at net asset value	-	-	-	1,401,197	1,401,197
Tactical trading at net asset value	-	-	-	740,787	740,787
Other at net asset value	-	-	-	116,015	116,015
Total Hedge Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,064,451</u>	<u>5,064,451</u>
Other Investments:					
Private equity real estate at net asset value (b)	-	-	-	701,319	701,319
Tactical Tilt fund (a)	4,383,790	-	-	-	4,383,790
Private equity at net asset value (b)	-	-	-	7,777,739	7,777,739
Private credit at net asset value (b)	-	-	-	2,023,754	2,023,754
Money market funds (a)	1,114,156	-	-	-	1,114,156
Total Other Investments	<u>5,497,946</u>	<u>-</u>	<u>-</u>	<u>10,502,812</u>	<u>16,000,758</u>
Total Investments	<u>\$ 81,112,620</u>	<u>\$ 5,780,929</u>	<u>\$ -</u>	<u>\$ 15,567,263</u>	<u>\$ 102,460,812</u>

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7. Fair Value Measurements (continued)

Description	2021				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	
	Other:				
Beneficial interest in trust	\$ -	\$ -	\$ 323,703	\$ -	\$ 323,703
Spilt-interest agreements	-	-	28,745	-	28,745
Cash surrender value of life insurance	-	97,481	-	-	97,481
Total Other	\$ -	\$ 97,481	\$ 352,448	\$ -	\$ 449,929
	2020				
Description	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	Total
Investments:					
Equity Securities: (a)					
Equity securities - U.S. large cap	\$ 18,053,353	\$ -	\$ -	\$ -	\$ 18,053,353
Equity securities - U.S. dynamic	3,615,120	92,591	-	-	3,707,711
Equity securities - U.S. small cap	3,699,519	-	-	-	3,699,519
Equity securities - emerging markets	2,206,593	-	-	-	2,206,593
Equity securities - developed markets	7,433,675	4,880,113	-	-	12,313,788
Total Equity Securities	35,008,260	4,972,704	-	-	39,980,964
Fixed Income Securities: (a)					
Fixed income - U.S. intermediate-term	19,020,617	-	-	-	19,020,617
Fixed income - U.S. high yield	6,972,963	-	-	-	6,972,963
Total Fixed Income Securities	25,993,580	-	-	-	25,993,580
REITS: (a)					
U.S. public REITS	1,290,322	-	-	-	1,290,322
Non-U.S. public REITS	1,159,014	-	-	-	1,159,014
Total REITS	2,449,336	-	-	-	2,449,336
Hedge Funds: (b)					
Equity long/short	-	-	-	808,235	808,235
Event driven measured at net asset value	-	-	-	1,015,670	1,015,670
Relative value measured at net asset value	-	-	-	1,424,600	1,424,600
Tactical trading at net asset value	-	-	-	1,199,359	1,199,359
Other at net asset value	-	-	-	71,684	71,684
Total Hedge Funds	-	-	-	4,579,148	4,579,148

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Notes to Financial Statements
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7. Fair Value Measurements (continued)

Description	2020				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	
	Other Investments:				
Private equity real estate at net asset value (b)	-	-	-	815,691	815,691
Tactical Tilt fund (a)	3,722,957	-	-	-	3,722,957
Private equity at net asset value (b)	-	-	-	5,121,341	5,121,341
Private credit at net asset value (b)	-	-	-	933,853	933,853
Money market funds (a)	489,301	-	-	-	489,301
Total Other Investments	<u>4,212,258</u>	<u>-</u>	<u>-</u>	<u>6,870,885</u>	<u>11,083,143</u>
Total Investments	<u>\$ 67,663,434</u>	<u>\$ 4,972,704</u>	<u>\$ -</u>	<u>\$ 11,450,033</u>	<u>\$ 84,026,571</u>
Other:					
Beneficial interest in trusts	\$ -	\$ -	\$ 295,953	\$ -	\$ 295,953
Spillt-interest agreements	-	-	26,855	-	26,855
Cash surrender value of life insurance	-	93,958	-	-	93,958
Total Other	<u>\$ -</u>	<u>\$ 93,958</u>	<u>\$ 322,808</u>	<u>\$ -</u>	<u>\$ 416,766</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.

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

	2021	2020
Beginning balance	\$ 322,808	\$ 367,710
Change in value of beneficial interest in trusts and split-interest agreements	29,640	60,898
Receipt of split interest beneficial interest	-	54,036
Liquidation proceeds received from beneficial interest in trust	-	(159,836)
Ending Balance	<u>\$ 352,448</u>	<u>\$ 322,808</u>

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Notes to Financial Statements
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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*” and beneficial interests in trusts, spilt-interest agreements and cash surrender value of life insurance investments at June 30, 2021:

	See Note	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds				
Strategic Opportunity, Ltd.	A	\$ 5,022,284	Quarterly	91 days
Relative value	B	<u>42,167</u>		
Total Hedge Funds		5,064,451		
Private equity real estate		701,319	Not currently eligible, 10 year lock-up's expiring in 2025	N/A
Private equity		7,777,739	Not currently eligible, 10 year lock-up's expiring in 2029	N/A
Private credit		2,023,754	Not currently eligible, 10 year lock-up's expiring in 2028	N/A
Beneficial interest in trust		323,703	No liquidity	N/A
Spilt-interest agreements		28,745	No liquidity	N/A
Cash surrender value of life insurance		<u>97,481</u>	No liquidity	N/A
Total Liquidity		<u>\$ 16,017,192</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, 2021. Liquidity terms are provided. At June 30, 2021, the hedge fund investment sector allocation included 28% in equity long/short, 15% in tactical trading, 28% in event driven, 27% in relative value and 2% in other.

Note B: Fund is in liquidation.

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 collection held by the University.

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8. Donated Artwork (continued)

Fair value had been estimated based on an appraisal obtained during 2012 using the market approach which determined the value of the collection based on sales of comparable items sold at retail. Based on the volume of art held by the Foundation, it has found challenges in its ability to realize sales at appropriate levels to justify the carrying value of the art recorded on its statement of financial position. As a result, an adjustment to fair value has been recorded for the remaining value of the collection which totaled \$1,183,003.

During the year ended June 30, 2021, the Foundation sold a piece for a total sales price of \$14,400, resulting in net proceeds to the Foundation of \$7,200, with a gain of \$3,200 realized. The Foundation did not sell any pieces of artwork during the years ended June 30, 2020.

9. Net Assets

Net assets consist of the following at June 30:

	2021	2020
Without Donor Restrictions		
Undesignated general operating	\$ 17,093,295	\$ 1,423,961
Board designated	2,003,368	2,420,905
Total Without Donor Restrictions	19,096,663	3,844,866
With Donor Restrictions		
Program restricted:		
Program funds	5,785,025	4,446,275
Scholarship funds	2,097,163	1,820,376
Capital funds	1,430,015	1,422,365
Quasi-endowment funds	23,368,174	24,593,657
Endowments, spendable	5,143,459	4,239,752
	37,823,836	36,522,425
Permanent endowment funds	51,930,210	49,868,632
Total With Donor Restrictions	89,754,046	86,391,057
Total Net Assets	\$ 108,850,709	\$ 90,235,923

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 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 restrictions net assets until those amounts are appropriated for expenditure by the Foundation through the Board of Trustee’s 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, 2021 and 2020 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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Notes to Financial Statements
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10. Endowments (continued)

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

	Year Ended June 30, 2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Endowment Net Assets at June 30, 2020	\$ 3,175,145	\$ 4,239,752	\$ 49,868,632	\$ 57,283,529
Dividends and interest	2,044,299	282,916	-	2,327,215
Gain on sale of securities	1,369,451	189,522	-	1,558,973
Unrealized gain on securities	12,613,473	1,745,611	-	14,359,084
Contributions and pledge collections	-	-	2,153,947	2,153,947
Appropriation of endowment assets for expenditures	1,268,271	(1,268,271)	-	-
Release restrictions	(1,268,271)	-	-	(1,268,271)
Transfers between program restricted and permanent endowment funds	-	(27,483)	27,483	-
Transfers to other net assets	-	(18,588)	(119,852)	(138,440)
Endowment Net Assets at June 30, 2021	<u>\$ 19,202,368</u>	<u>\$ 5,143,459</u>	<u>\$ 51,930,210</u>	<u>\$ 76,276,037</u>
	Year Ended June 30, 2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Reconciliation to net assets:				
Donor restricted funds	\$ -	\$ 5,143,459	\$ 51,930,210	\$ 57,073,669
Board designated funds	2,003,368	23,368,174	-	25,371,542
Unrestricted funds	17,093,295	-	-	17,093,295
Other temporarily restricted gifts	-	9,312,203	-	9,312,203
	<u>\$ 19,096,663</u>	<u>\$ 37,823,836</u>	<u>\$ 51,930,210</u>	<u>\$ 108,850,709</u>

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10. Endowments (continued)

	Year Ended June 30, 2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Endowment Net Assets at June 30, 2019	\$ 3,049,799	\$ 3,979,965	\$ 47,696,952	\$ 54,726,716
Dividends and interest	121,025	1,884,635	-	2,005,660
Gain on sale of securities	29,047	452,323	-	481,370
Unrealized loss on securities	(24,726)	(385,032)	-	(409,758)
Contributions and pledge collections	-	3,943	1,962,235	1,966,178
Appropriation of endowment assets for expenditures	1,657,480	(1,657,480)	-	-
Release restrictions	(1,657,480)	-	-	(1,657,480)
Transfers between program restricted and permanent endowment funds	-	(209,445)	209,445	-
Transfers to other net assets	-	170,843	-	170,843
Endowment Net Assets at June 30, 2020	<u>\$ 3,175,145</u>	<u>\$ 4,239,752</u>	<u>\$ 49,868,632</u>	<u>\$ 57,283,529</u>
	Year Ended June 30, 2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Program Restricted	Permanent Endowment Funds	
Reconciliation to net assets:				
Donor restricted funds	\$ -	\$ 4,239,752	\$ 49,868,632	\$ 54,108,384
Board designated funds	2,420,905	24,593,657	-	27,014,562
Unrestricted funds	1,423,961	-	-	1,423,961
Other temporarily restricted gifts	-	7,689,016	-	7,689,016
	<u>\$ 3,844,866</u>	<u>\$ 36,522,425</u>	<u>\$ 49,868,632</u>	<u>\$ 90,235,923</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.

Deficiencies of this nature did not exist in any of the donor-restricted funds as of June 30, 2021.

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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. 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, 2021, approximately 85% 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 56% is from permanently endowed funds, 21% from quasi-endowed funds, and the residual is from temporarily restricted or unrestricted funds.

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11. Liquidity and Availability (continued)

As of June 30, 2021 and 2020, the Foundation's financial assets were designated as follows:

	2021	2020
Cash	\$ 1,112,179	\$ 1,256,242
Operating investments	20,724,505	6,404,414
Unconditional promises to give	1,938,176	725,102
Payout on board designated endowments	756,529	857,640
Payout on donor-restricted endowments	2,218,049	1,951,924
	<u>\$ 26,749,438</u>	<u>\$ 11,195,322</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, 2021 and 2020:

	2021	2020
Without donor restriction	\$ 2,003,368	\$ 2,420,905
With donor restriction	23,368,174	24,593,657
	<u>\$ 25,371,542</u>	<u>\$ 27,014,562</u>

12. Major Contributions

For the year ended June 30, 2021 a donation from two donors comprised approximately 25% of total contributions. Two pledge balances outstanding amounted to approximately 72% of total unconditional promises to give at June 30, 2021.

For the year ended June 30, 2020, a donation from one donor comprised approximately 15% of total contributions. One pledge balance outstanding from another donor amounted to approximately 72% of total unconditional promises to give at June 30, 2020.

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13. Non-cash Contributions

Total non-cash contributions, excluding services, amounted to approximately \$80,000 and \$101,000 for the years ended June 30, 2021 and 2020. 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.

14. 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 \$6,963,000 and \$6,945,000 for the years ended June 30, 2021 and 2020. Amounts due to the University included in accounts payable and accrued expenses at June 30, 2021 and 2020 and were approximately \$1,877,000 and \$2,970,000.

15. 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 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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15. Risk Concentrations (continued)

At June 30, 2021 and 2020, the Foundation had the following investments which were in excess of 10% of total investments:

	<u>2021</u>	<u>2020</u>
U.S. Large Cap Equity Fund	\$ 27,768,000	\$ 17,983,000
Intermediate Bond Fund	<u>-</u>	<u>18,940,000</u>
	<u>\$ 27,768,000</u>	<u>\$ 36,923,000</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.

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