

**Montclair State University
Foundation, Inc.**

Financial Statements

June 30, 2017 and 2016



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), which comprise the statements of financial position as of June 30, 2017 and 2016, 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
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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, 2017 and 2016, 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 3, 2017

Montclair State University Foundation, Inc.

Statements of Financial Position

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,469,621	\$ 7,513,133
Unconditional promises to give	1,065,014	1,360,394
Donated artwork, property and equipment	-	131,325
Prepaid expenses and other current assets	<u>155,379</u>	<u>126,254</u>
Total Current Assets	<u>3,690,014</u>	<u>9,131,106</u>
Other Assets		
Unconditional promises to give, net current	5,614,359	4,950,996
Investments, at fair value	70,582,012	59,480,458
Internal use software	116,612	110,312
Donated artwork	1,197,403	1,445,150
Beneficial interests in trusts	392,405	367,554
Beneficial interest in split-interest agreements	118,273	116,105
Cash surrender value of life insurance	<u>82,704</u>	<u>79,561</u>
Total Other Assets	<u>78,103,768</u>	<u>66,550,136</u>
	<u>\$ 81,793,782</u>	<u>\$ 75,681,242</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 2,066,786</u>	<u>\$ 2,590,529</u>
Net Assets (Deficit)		
Unrestricted	2,703,192	(770,430)
Temporarily restricted	34,133,709	34,479,880
Permanently restricted	<u>42,890,095</u>	<u>39,381,263</u>
Total Net Assets	<u>79,726,996</u>	<u>73,090,713</u>
	<u>\$ 81,793,782</u>	<u>\$ 75,681,242</u>

See notes to financial statements

Montclair State University Foundation, Inc.

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 split-interest agreements, cash surrender value of life insurance and beneficial interest in trusts	-	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	3,473,661	-	-	3,473,661
Other program funds	130,650	-	-	130,650
Scholarship funds	739,736	-	-	739,736
Capital funds	211,650	-	-	211,650
Quasi-endowment funds	769,158	-	-	769,158
Endowment funds, spendable	1,486,841	-	-	1,486,841
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 expensess	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	<u>(770,430)</u>	<u>34,479,880</u>	<u>39,381,263</u>	<u>73,090,713</u>
Ending	<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.

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net	\$ 96,342	\$ 4,632,759	\$ 875,145	\$ 5,604,246
Other support	1,782	675,089	-	676,871
Annual fund and phonathon	245,028	173,551	5,240	423,819
In-kind contributions	1,533,452	-	-	1,533,452
Non-cash contributions	-	451,395	-	451,395
Change in value of split-interest agreements, cash surrender value of life insurance and beneficial interest in trusts	-	(44,044)	(26,697)	(70,741)
Net investment return	(3,300,649)	1,974,550	-	(1,326,099)
Net assets released from restrictions	5,974,982	(5,974,982)	-	-
Total Revenues, Gains and Other Support	<u>4,550,937</u>	<u>1,888,318</u>	<u>853,688</u>	<u>7,292,943</u>
EXPENSES				
Program Services				
Program funds	3,288,027	-	-	3,288,027
Other program funds	134,353	-	-	134,353
Scholarship funds	515,250	-	-	515,250
Capital funds	36,811	-	-	36,811
Quasi-endowment funds	853,704	-	-	853,704
Endowment funds, spendable	1,281,190	-	-	1,281,190
Institutional support	478,111	-	-	478,111
Management and General				
Salaries	413,671	-	-	413,671
Salaries, in-kind contribution	1,490,972	-	-	1,490,972
Rent, in-kind contribution	42,480	-	-	42,480
Accounting services	45,000	-	-	45,000
Bad debt expense	20,590	-	-	20,590
Office expenses	108,209	-	-	108,209
Professional fees	48,663	-	-	48,663
Bonding and insurance fees	23,148	-	-	23,148
Bank fees and service charges	21,914	-	-	21,914
Depreciation and amortization	20,000	-	-	20,000
Miscellaneous	11,396	-	-	11,396
Total Expenses	<u>8,833,489</u>	<u>-</u>	<u>-</u>	<u>8,833,489</u>
Change in Net Assets	(4,282,552)	1,888,318	853,688	(1,540,546)
Reclassifications	15,610	(113,795)	98,185	-
NET ASSETS (DEFICIT)				
Beginning	<u>3,496,512</u>	<u>32,705,357</u>	<u>38,429,390</u>	<u>74,631,259</u>
Ending	<u>\$ (770,430)</u>	<u>\$ 34,479,880</u>	<u>\$ 39,381,263</u>	<u>\$ 73,090,713</u>

Montclair State University Foundation, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,636,283	\$ (1,540,546)
Adjustments to reconcile change in net assets to net cash from operating activities		
Noncash items		
Permanently restricted contributions held as endowments	(3,495,954)	(880,385)
Discount on promises to give	(173,557)	37,137
Depreciation and amortization	20,344	20,000
Allowance for doubtful accounts	39,948	20,590
Loss on sale of artwork	1,950	-
Net realized (gain) loss on investments	(1,537,139)	162,437
Net unrealized (gain) loss on investments	(3,416,533)	3,042,462
Reduction in value of artwork held for resale	230,797	-
Beneficial interests in trusts and spilt interest agreements	(27,019)	74,447
Cash surrender value of life insurance	(3,143)	(3,706)
Donated artwork, property and equipment	(63,825)	(451,395)
Donated stock	(1,075,445)	(516,036)
Transfers of property and equipment to University	63,825	451,395
Change in operating assets and liabilities		
Unconditional promises to give	(234,374)	353,802
Donated artwork, property and equipment	15,000	(17,950)
Prepaid expenses and other current assets	(29,125)	46,668
Accounts payable and accrued expenses	(392,418)	(66,224)
Net Cash from Operating Activities	<u>(3,440,385)</u>	<u>732,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(89,204,595)	(4,228,649)
Proceeds from sale of long-term investments	84,132,158	3,053,600
Purchase of internal use software	(26,644)	(66,660)
Net Cash from Investing Activities	<u>(5,099,081)</u>	<u>(1,241,709)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions held as endowments	3,495,954	880,385
Net Change in Cash and Cash Equivalents	(5,043,512)	371,372
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>7,513,133</u>	<u>7,141,761</u>
End of year	<u>\$ 2,469,621</u>	<u>\$ 7,513,133</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing activities		
Gifts of artwork	\$ 40,500	\$ 397,000
Gifts of property, equipment and other non-cash items	23,325	54,395
Gifts of stock	1,075,445	516,036
Transfers of property, equipment and artwork to MSU	(63,825)	(451,395)

See notes to financial statements

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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.

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.

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.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

2. Significant Accounting Policies *(continued)*

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.

Notes to Financial Statements
June 30, 2017 and 2016

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 primarily in interest bearing accounts including a money market and a checking account 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 fund.
- **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.

Notes to Financial Statements
June 30, 2017 and 2016

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.
- **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. At June 30, 2017, 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”*.
- **Tactical Tilt Fund:** The Foundation has allocated a portion of its investment portfolio to an open ended mutual fund with daily liquidity which is designed to manage opportunities and risks on a current basis. The mutual 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 price reported in an active market in which the investment is traded.
- **Investment in Private Equity:** The Foundation maintains an investment in three private equity positions, two 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.

Notes to Financial Statements
June 30, 2017 and 2016

2. Significant Accounting Policies *(continued)*

Fair Value of Financial Instruments (continued)

- **Beneficial Interest in Trusts:** Valuation is based on the underlying assets held in the trusts, 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.

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 \$20,000 for each of the years ended June 30, 2017 and 2016. Accumulated amortization approximated to \$80,000 and \$60,000 at June 30, 2017 and 2016, respectively.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

2. Significant Accounting Policies *(continued)*

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.

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, 2017 and 2016, 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 \$32,128 and \$31,360 for the years ended June 30, 2017 and 2016.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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 \$1,455,000 and \$1,460,000 for the years ended June 30, 2017 and 2016, 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 direct mail campaigns and special events. Fundraising expenses totaled \$263,544 and \$198,610 for the years ended June 30, 2017 and 2016 and are included as part of program services.

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.

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 2014.

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.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

2. Significant Accounting Policies *(continued)*

Risk Concentrations (continued)

- **Investments:** The Foundation maintains an investment portfolio which consists of fixed income securities, equity mutual funds and alternative strategies asset classes which are managed through an independent investment advisor which also serves as custodian. 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, three 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.

At June 30, 2017, the Foundation had two individual investments which were in excess of 10% of total investments, consisting of a U.S. Large Cap Equity Fund and an Intermediate Bond Fund with fair values approximating \$13,237,000 and \$7,844,000, respectively. At June 30, 2016 the Foundation had no individual investments which were in excess of 10% of total investments.

- **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 October 3, 2017.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

2. Significant Accounting Policies (continued)

Reclassifications

For the years ended June 30, 2017 and 2016, 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.

3. Unconditional Promises to Give

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

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 96,622	\$ 29,203
Restricted for scholarships and endowments	6,694,314	1,021,865
Restricted for programs	<u>458,781</u>	<u>6,024,223</u>
	7,249,717	7,075,291
Less unamortized discount	(480,344)	(653,901)
Less allowance for doubtful accounts	<u>(90,000)</u>	<u>(110,000)</u>
Unconditional Promises to Give, Net	<u>\$ 6,679,373</u>	<u>\$ 6,311,390</u>

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

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 87,449	\$ 16,925
Temporarily restricted	5,465,694	6,095,702
Permanently restricted	<u>1,126,230</u>	<u>198,763</u>
	<u>\$ 6,679,373</u>	<u>\$ 6,311,390</u>

Promises to give will be received, depending on the timing of the donor's pledge commitment, from within one year to seven 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 1.20% to 1.93% and 1.17% to 1.76% for the years ended June 30, 2017 and 2016. The discount is amortized and included in support over the life of the pledge.

Montclair State University Foundation, Inc.

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3. Unconditional Promises to Give (continued)

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

	2017	2016
Less than one year	\$ 1,065,014	\$ 1,360,394
One to five years	<u>6,184,703</u>	<u>5,714,897</u>
	7,249,717	7,075,291
Less unamortized discount	(480,344)	(653,901)
Less allowance for doubtful accounts	<u>(90,000)</u>	<u>(110,000)</u>
Unconditional Promises to Give, Net	<u>\$ 6,679,373</u>	<u>\$ 6,311,390</u>

4. Investments

Investments consist of the following at June 30:

	2017		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	\$ 29,824,996	\$ 33,885,626	\$ 4,060,630
Fixed income securities	18,376,649	18,224,739	(151,910)
Public REITS	3,753,541	3,510,533	(243,008)
Hedge funds	6,805,973	6,921,224	115,251
Private equity real estate	1,215,068	1,313,671	98,603
Tactical tilt fund	6,287,135	6,375,619	88,484
Private equity	<u>343,186</u>	<u>350,600</u>	<u>7,414</u>
Total Investments	<u>\$ 66,606,548</u>	<u>\$ 70,582,012</u>	<u>\$ 3,975,464</u>

	2016		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	\$ 26,885,548	\$ 28,052,899	\$ 1,167,351
Fixed income securities	19,458,450	19,001,960	(456,490)
Commodities	1,130,372	844,694	(285,678)
Public REITS	3,142,736	3,414,997	272,261
Hedge funds	7,592,354	7,414,009	(178,345)
Private equity real estate	<u>713,067</u>	<u>751,899</u>	<u>38,832</u>
Total Investments	<u>\$ 58,922,527</u>	<u>\$ 59,480,458</u>	<u>\$ 557,931</u>

Montclair State University Foundation, Inc.

Notes to Financial Statements
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4. Investments (continued)

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

	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	<u>2,324,403</u>	<u>1,092,130</u>	<u>3,416,533</u>
Net Investment Return	<u>\$ 4,294,305</u>	<u>\$ 2,147,085</u>	<u>\$ 6,441,390</u>
	2016		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest, net of investment fees of \$181,413	\$ (203,098)	\$ 2,081,898	\$ 1,878,800
Gain (loss) on sale of securities	1,710	(164,147)	(162,437)
Unrealized gain (loss) on securities	32,023	(3,074,485)	(3,042,462)
Underwater losses absorbed by unrestricted funds	<u>(3,131,283)</u>	<u>3,131,283</u>	<u>-</u>
Net Investment Return	<u>\$ (3,300,648)</u>	<u>\$ 1,974,549</u>	<u>\$ (1,326,099)</u>

At June 30, 2017, the Foundation's investments in fixed income securities and equity funds 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, 2016, the Foundation's investments in fixed income securities and equity funds consisted of 75% in domestic positions and 25% in international positions. Of the total investments in international positions, 58% were in developed markets and 42% were in emerging markets.

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, 2017, the Foundation has committed to three private equity investments and one private equity real estate investment. Of the three private equity investments, one is in the secondary market and the other two are in the primary market. At June 30, 2017, the total commitments to the private equity investments was \$5,300,000 with a remaining funding obligation of approximately \$5,000,000, while the total funding commitment to the private equity real estate investment was \$2,000,000, with approximately \$800,000 in obligation remaining to be funded.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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 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, 2017 or June 30, 2016. Net increases (decreases) in the beneficial interests of split-interest agreements approximated \$2,000 and (\$22,000) for the years ended June 30, 2017 and 2016. The recorded beneficial interests are based on the present value of the future cash flows to the Foundation.

6. Beneficial Interests in Trusts

As of June 30, 2017 and 2016, the Foundation has recorded its beneficial interests in two trusts, one of 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 second trust manages assets in which the Foundation is named as one of eight beneficiaries who receive an annual distribution of \$5,000 during its term with the remaining assets distributed equally upon the trusts liquidation on June 15, 2017. In July 2017, the Foundation was notified that this trust will be liquidated in accordance with the terms of the trust agreement.

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

As of June 30, 2017, total assets in the 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.

As of June 30, 2016, total assets in the trusts consisted of approximately \$225,000 in equity positions (of which \$125,000 was invested in U.S. domestic equity mutual funds and \$100,000 was invested in international equity mutual funds), \$82,000 was invested in U.S. fixed income positions, \$39,000 was invested in alternative strategies and \$21,000 was held in cash and cash equivalents.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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	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)				
Public REITS	1,721,000	-	-	1,721,000
Non-public REITS	1,789,533	-	-	1,789,533
Total REITS	<u>3,510,533</u>	<u>-</u>	<u>-</u>	<u>3,510,533</u>
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>

Montclair State University Foundation, Inc.

Notes to Financial Statements
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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	
Other:				
Beneficial interests 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>
	2016			
Description	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Investments:				
Equity Securities: (a)				
Equity securities - U.S. large cap growth	\$ 12,146,297	\$ -	\$ -	\$ 12,146,297
Equity securities - U.S. large cap value	1,159,310	-	-	1,159,310
Equity securities - U.S. mid cap	4,702,193	-	-	4,702,193
Equity securities - U.S. small cap	1,799,012	-	-	1,799,012
Equity securities - emerging markets	3,175,502	-	-	3,175,502
Equity securities - developed markets	5,070,585	-	-	5,070,585
Total Equity Securities	<u>28,052,899</u>	<u>-</u>	<u>-</u>	<u>28,052,899</u>
Fixed Income Securities:				
Fixed income - U.S short-term (a)	6,971,976	-	-	6,971,976
Fixed income - U.S intermediate-term (a)	3,877,513	-	-	3,877,513
Fixed income - U.S. high yield (a)	2,784,521	-	-	2,784,521
Fixed income - emerging markets (a)	1,686,423	-	-	1,686,423
Fixed income - developed (a)	1,752,507	-	-	1,752,507
Fixed income measured at net asset value (b)	-	-	-	1,929,020
Total Fixed Income Securities	<u>17,072,940</u>	<u>-</u>	<u>-</u>	<u>19,001,960</u>
Commodities:				
Commodities measured at fair value (a)	<u>844,694</u>	<u>-</u>	<u>-</u>	<u>844,694</u>
Public REITS (a)	<u>3,414,997</u>	<u>-</u>	<u>-</u>	<u>3,414,997</u>

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

7. Fair Value Measurements (continued)

Description	2016			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Hedge Funds:				
Event driven (a)	780,822	-	-	780,822
Equity long/short (a)	1,824,301	-	-	1,824,301
Event driven measured at net asset value (b)	-	-	-	1,369,407
Relative value measured at net asset value (b)	-	-	-	2,840,132
Macro measured at net asset value (b)	-	-	-	599,347
Total Hedge Funds	<u>2,605,123</u>	<u>-</u>	<u>-</u>	<u>7,414,009</u>
Other Investments:				
Private equity real estate (b)	-	-	-	751,899
Total Investments	<u>\$ 51,990,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,480,458</u>
Other:				
Beneficial interests in trusts	\$ -	\$ -	\$ 367,554	\$ 367,554
Spilt-interest agreements	-	-	116,105	116,105
Cash surrender value of life insurance	-	79,561	-	79,561
Total Other	<u>\$ -</u>	<u>\$ 79,561</u>	<u>\$ 483,659</u>	<u>\$ 563,220</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:

	2017	2016
Beginning balance	\$ 483,659	\$ 558,106
Change in value of split-interest agreements and beneficial interest in trusts	<u>27,019</u>	<u>(74,447)</u>
Ending Balance	<u>\$ 510,678</u>	<u>\$ 483,659</u>

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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, 2017:

	See Note	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds				
Strategic Opportunity, Ltd.	A	\$ 6,831,937	Quarterly	91 days
Relative value	B	<u>89,287</u>		
Total Hedge Funds		<u>6,921,224</u>		
Private Equity Real Estate		<u>1,313,671</u>	Not currently eligible, 10 year lock-up's expiring in 2025	N/A
Private equity		<u>350,600</u>	Not currently eligible, 10 year lock-up's expiring in 2026	N/A
Beneficial interests in trusts		<u>392,405</u>	No liquidity	N/A
Spilt-interest agreements		<u>118,273</u>	No liquidity	N/A
Cash surrender value of life insurance		<u>82,704</u>	No liquidity	N/A
Total Liquidity		<u>\$ 9,178,877</u>		

Note A: The investment consists of approximately 25 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, 2017. Liquidity terms are provided. The fund may also allow investors to redeem prior to the end of their normal term upon payment of a redemption penalty. At June 30, 2017, the hedge fund investment sector allocation included 32% in equity long/short, 32% in tactical trading, 26% in event driven, 7% in relative value and 3% in other.

Note B: Fund is in liquidation.

Montclair State University Foundation, Inc.

Notes to Financial Statements
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8. Donated Artwork, Property and Equipment

Donated artwork, property and equipment 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.

In July 2017, the Foundation sold seven pieces of art under a consignment arrangement with a gallery for total proceeds of approximately \$62,000, resulting in net proceeds to the Foundation of approximately \$31,000. The pieces had a recorded value of approximately \$9,000. At June 30, 2017, the Foundation recognized a valuation reserve of \$231,000 to reflect the value of the collections expected future sales relative to total pieces of art held.

9. Net Assets

Net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted		
Undesignated general operating (deficit)	\$ 528,620	\$ (2,989,245)
Board designated	<u>2,174,572</u>	<u>2,218,815</u>
	<u>2,703,192</u>	<u>(770,430)</u>
Temporarily Restricted		
Program funds	3,621,030	9,648,174
Scholarship funds	1,946,664	1,819,846
Capital funds	1,577,608	1,770,407
Quasi-endowment funds	23,388,744	17,712,627
Endowments, spendable	<u>3,599,663</u>	<u>3,528,826</u>
	<u>34,133,709</u>	<u>34,479,880</u>
Permanently Restricted		
Endowment funds	<u>42,890,095</u>	<u>39,381,263</u>
Total Net Assets	<u>\$ 79,726,996</u>	<u>\$ 73,090,713</u>

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

Montclair State University Foundation, Inc.

Notes to Financial Statements
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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, 2017 and 2016 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.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

10. Endowments (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>
	<u>June 30, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

Montclair State University Foundation, Inc.

Notes to Financial Statements
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10. Endowments (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets (Deficit) at June 30, 2015	\$ (3,453,754)	\$ 3,520,909	\$ 38,429,390	\$ 38,496,545
Dividends and interest	(21,683)	1,474,085	-	1,452,402
Gain on sale of securities	1,710	(116,224)	-	(114,514)
Unrealized loss on securities	32,021	(2,176,886)	-	(2,144,865)
Funded by other unrestricted sources	-	2,217,102	-	2,217,102
Contributions and pledge collections	-	(15,476)	853,688	838,212
Appropriation of endowment assets for expenditures	1,281,190	(1,281,190)	-	-
Release restrictions	(1,281,190)	-	-	(1,281,190)
Underwater losses absorbed by unrestricted funds	(3,131,283)	-	-	(3,131,283)
Transfers between temporarily and permanently restricted net assets	-	(93,680)	93,680	-
Transfers to other net assets	-	186	4,505	4,691
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Endowment Net Assets (Deficit) at June 30, 2016	<u>\$ (6,572,989)</u>	<u>\$ 3,528,826</u>	<u>\$ 39,381,263</u>	<u>\$ 36,337,100</u>
	<u>June 30, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Reconciliation to net assets (deficit):				
Donor restricted funds	\$ (6,572,989)	\$ 3,528,826	\$ 39,381,263	\$ 36,337,100
Board designated funds	-	17,712,627	-	17,712,627
Other temporarily restricted gifts	-	13,238,427	-	13,238,427
	<u>\$ (6,572,989)</u>	<u>\$ 34,479,880</u>	<u>\$ 39,381,263</u>	<u>\$ 67,288,154</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, 2017 and 2016, the unrestricted fund includes deficiencies of approximately \$2,121,000 and \$5,292,000.

Montclair State University Foundation, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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, 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.

For the year ended June 30, 2016, donations from one donor comprised approximately 15% of total contributions. One pledge balance outstanding from another donor amounted to approximately 69% of total unconditional promises to give at June 30, 2016.

12. Non-cash Contributions

Total non-cash contributions, excluding services, amounted to approximately \$64,000 and \$451,000 for the years ended June 30, 2017 and 2016. 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.

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