

**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Basic Financial Statements and  
Management's Discussion and Analysis

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

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## *Independent Auditors' Report*

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The Board of Directors  
The College of New Jersey Foundation, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The College of New Jersey Foundation, Inc. (the Foundation), a component unit of The College of New Jersey, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Foundation as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## *Independent Auditors' Report*

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### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

[ (signed) KPMG LLP ]

Short Hills, New Jersey

Date

# *Management's Discussion and Analysis (Unaudited)*

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JUNE 30, 2020 AND 2019

## **Overview of Financial Statements and Financial Analysis**

The following management's discussion and analysis (MD&A) provides an overview of The College of New Jersey Foundation, Inc.'s (the Foundation) financial performance during the fiscal years ended June 30, 2020 and 2019, based on currently known facts and conditions; and is designed to assist readers in understanding the accompanying financial statements. The MD&A, financial statements and notes are the responsibility of the Foundation's management. Since the MD&A is designed to focus on current activities, resulting changes in financial position, and currently known facts, it should be read in conjunction with the Foundation's financial statements and the related note disclosures.

## **Using the Financial Statements**

The Foundation's financial report includes three financial statements: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. These financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The financial statements presented focus on the financial position of the Foundation, the changes in financial position, and cash flows of the Foundation as a whole.

## **Investment Performance**

The Foundation's investment committee provides governance oversight to both the endowment and non-endowment pools. The non-endowment pool includes assets given by donors in the form of trusts and gift annuities. These assets are invested and managed separately from the endowment pool in accordance with the donors' instructions.

The Foundation's investment portfolios produced positive results for the fiscal years ended June 30, 2020 and 2019. The endowment pool rate of return was 1.42% net of investment manager fees compared to the previous year's positive performance of 6.24%. The gift annuity pool also generated a positive rate of return of 7.61% versus the previous year return of 7.90%. The fiscal year 2020 endowment pool return was below the advisor-defined style index of 2.91% while the fiscal year 2019 endowment pool return was above the advisor-defined style index of 5.22%. The gift annuity pool return in both fiscal year 2020 and 2019 were above advisor-defined style benchmarks of 6.30% and 8.02%, respectively.

As of June 30, 2020, total investments held by the Foundation were nearly \$49.5 million, up \$3.3 million from \$46.2 million at the previous year end. This increase is attributable to cash and stock gifts added to the investment portfolio coupled with the positive investment performance. Approximately \$6.8 million in funds held in trust by others that the Foundation was the named beneficiary are not included in the investments above (see note 6).

## **The Campaign for TCNJ Highlights**

The Foundation's recent first-ever comprehensive campaign, The Campaign for The College of New Jersey: Innovate \* Inspire \* Engage, ran from fiscal year 2013 through fiscal year 2017. The five-year campaign was extended through fiscal year 2018 to pay tribute to The College of New Jersey's (the College or TCNJ) president who announced she would retire at the end of fiscal year 2018 (18.19.20 Campaign).

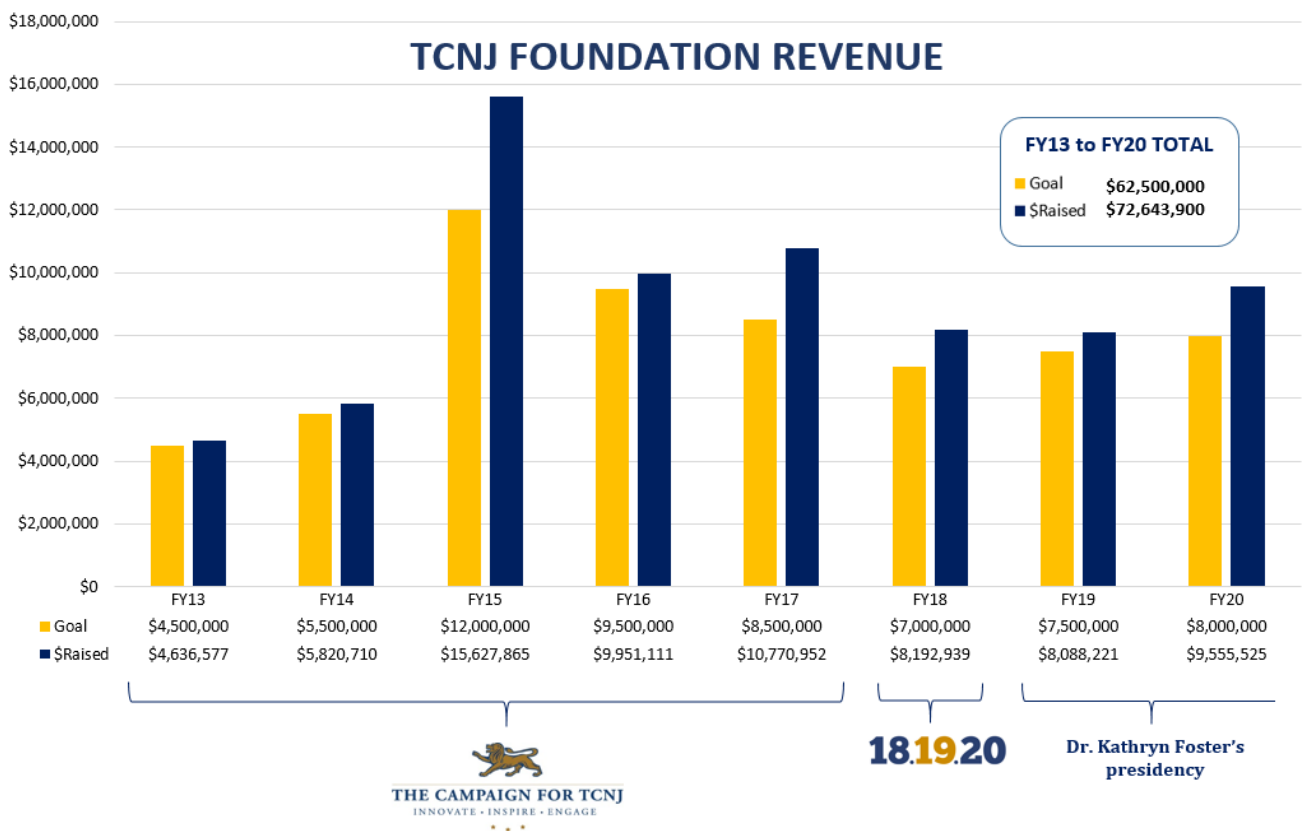
With the arrival of the College's 16<sup>th</sup> president, Dr. Foster, the Foundation continued the momentum of growth in its endowment and annual reserves. During fiscal year 2020, the Foundation received an increase in new revenue not seen since the comprehensive campaign. Total new gifts, pledges, bequests and in-kind donations reached

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\$9.6 million in fiscal year 2020. This reflects a boost of 18.1% over the fiscal year 2019 performance of \$8.1 million and 19.4% more than the fiscal year 2020 fundraising goal of \$8.0 million.

In the graph below, the actual fundraising performance, which includes gifts, private grants, pledges and bequests, exceeded the fundraising goal in each of the past seven years. Pledges and bequests have not met the eligibility requirements for recognition criteria of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), and are not recorded in the Foundation's financial statements but are included in the following chart.



**Fiscal Year 2020 Fundraising Highlights**

In fiscal year 2020, the Foundation's fundraising performance garnered a substantial increase in new revenue leading to the creation of seven endowments and three charitable gift annuity funds. The endowed funds represent a total of \$1.3 million in support of scholarships across five academic departments. The gift annuities, once realized, could potentially create an additional \$1.1 million in scholarships to students enrolled in the School of Business and School of Education.

Total gifts received by the Foundation and recognized as revenue in the statement of revenues, expenses and changes in net position in fiscal year 2020 was \$8.7 million, a decrease of \$627 thousand from fiscal year 2019 with gifts received totaled \$9.3 million. Although the Foundation had an overall decrease in total gifts received,

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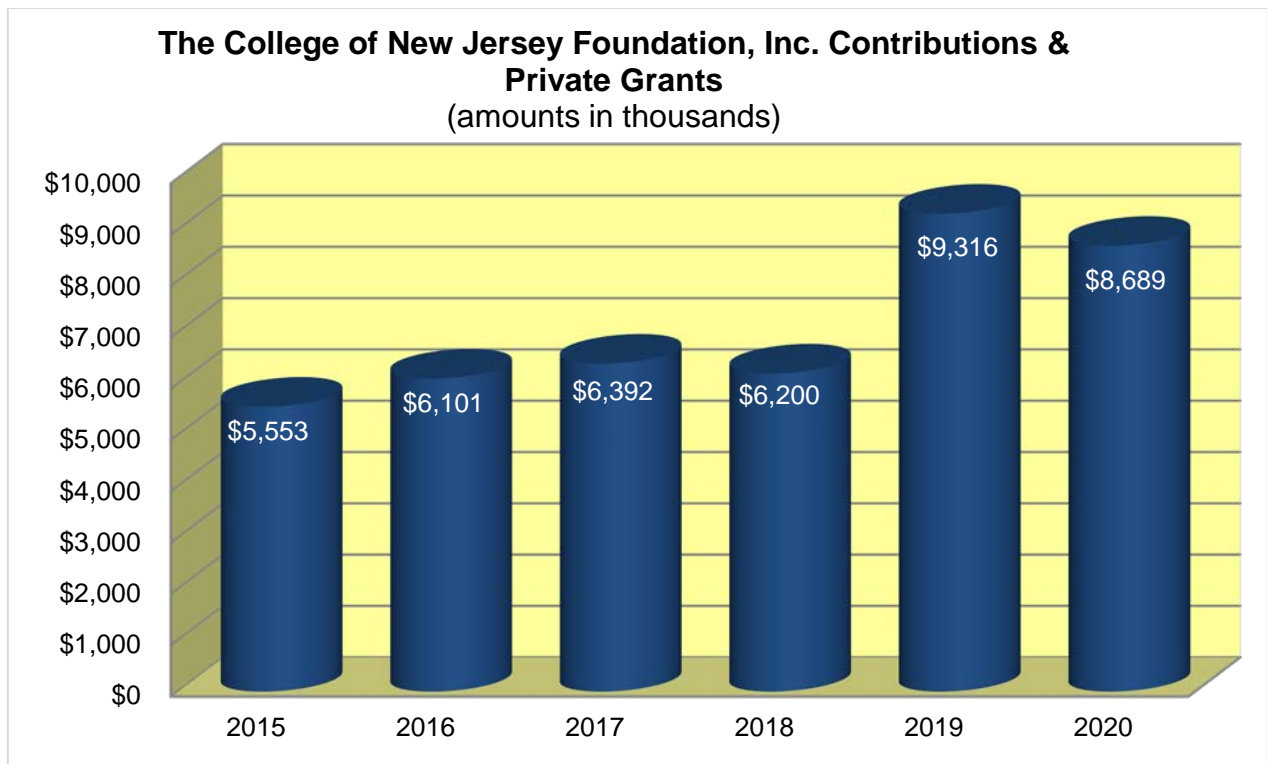
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year-over-year support to the Foundation's unrestricted funds increased by \$1.5 million or 254.9% from \$578 thousand in fiscal year 2019 to \$2.1 million in fiscal year 2020.

A few highlights from the contributions received this past year include:

- \$1.9 million in unrestricted gifts from a single donor that will be used to further support the College's strategic initiatives and various programs.
- \$170 thousand, representing the first year's installment of a \$498 thousand five-year Foundation grant commitment, was received to support Professorship in Physics.
- The Day of Giving campaign revenue increased from \$322 thousand in fiscal year 2019 to \$339 thousand in fiscal year 2020.
- \$1.0 million in private grants to fund sustainability projects at the College and throughout the State of New Jersey.
- \$557 thousand to support need-based scholarships to students enrolled in the School of Education.

Alumni and friends continue to show their support for TCNJ through generous gifts and advocacy. Their financial contributions provide student scholarships, learning opportunities, program enhancements, and more. The graph below illustrates fundraising results that are recognized under GASB 33 over the past six years:



## *Management's Discussion and Analysis (Unaudited)*

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### Statements of Net Position

The statements of net position present the financial position of the Foundation as of the end of the fiscal year. The purpose of the statements of net position is to present to the readers of the financial statements a fiscal snapshot of the Foundation. Assets that the Foundation owns are primarily measured at fair value. Assets are categorized as either current or noncurrent. Liabilities are what the Foundation owes to others and are also categorized as either current or noncurrent. Deferred inflows of resources are due to timing differences associated with the recognition of revenue for irrevocable split-interest agreements in which the Foundation has a remainder interest.

The Foundation's net position is divided into three major categories: restricted nonexpendable, restricted expendable and unrestricted. Restricted nonexpendable net position represents the endowed gifts which donors required to be invested in perpetuity. Restricted expendable are available to the Foundation but must be used for purposes as determined by donors and/or external entities. Finally, unrestricted net position includes amounts without external constraint as to use that are internally designated or committed to support specific academic and research programs and unrestricted funds functioning as endowments.

The following table shows the condensed statements of net position as of June 30, 2020, 2019 and 2018:

<b>Condensed Statements of Net Position</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Assets:</b>			
Current assets	\$ 2,040,402	3,899,189	3,656,307
Noncurrent assets	48,866,544	43,586,594	37,826,201
Total assets	50,906,946	47,485,783	41,482,508
<b>Liabilities:</b>			
Current liabilities	486,724	966,782	1,031,848
Noncurrent liabilities	1,385,226	2,404,117	2,539,820
Total liabilities	1,871,950	3,370,899	3,571,668
Deferred inflows of resources	874,997	1,681,990	1,607,913
<b>Net position:</b>			
Restricted – nonexpendable	24,084,414	19,951,912	15,602,766
Restricted – expendable	19,331,922	19,190,675	17,711,104
Unrestricted	4,743,663	3,290,307	2,989,057
Total net position	\$ 48,159,999	42,432,894	36,302,927



## *Management's Discussion and Analysis (Unaudited)*

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### Cash and Investment Pools

The Foundation utilizes a pooled investment concept whereby contributions are included in various investment pools, except for investments of certain gifts that are otherwise restricted by donors. As of June 30, 2020, cash and investments held by the Foundation was \$50.8 million, up \$3.3 million from \$47.5 million at the previous year end.

These assets are allocated among various investment pools as shown below:

<b>Cash and Investment Pools</b>				
<b>Pool</b>	<b>Type of Funds</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	Working capital to support operating activities	\$ 1,329,167	1,243,923	1,712,361
Endowment pool	Contributions to establish endowment funds	42,150,300	39,885,207	33,270,183
Gift annuities and trusts	Gifts managed independently of endowment pool	7,330,854	6,322,823	6,336,104
	<b>Total</b>	<b>\$ 50,810,321</b>	<b>47,451,953</b>	<b>41,318,648</b>

The Foundation's working capital is primarily held in the operating bank account with excess funds invested with the State of New Jersey Cash Management Fund to support operating activities. The balance fluctuates during the course of the year based on the Foundation's cash flow cycle of receipts and disbursements.

The endowment pool invests endowed gifts from donors and is managed with a philosophy of diversifying the investments across asset classes and investment managers to maximize long-term performance, reduce volatility, and control risks. The endowment assets are invested with the confidence that economic cycles will rise and fall but that a diversified portfolio will provide the long-term growth necessary to preserve the value of the endowments over the long term.

### Cash and Cash Equivalents

As of June 30, 2020, the Foundation's cash and cash equivalents had a net increase of \$85 thousand. During the fiscal year, \$1.6 million of cash gifts for endowments were transferred to the endowment investment pool, net of \$58 thousand that was withdrawn to fund scholarship expenses. Cash receipts from fundraising and private grants totaled \$7.3 million, a \$203 thousand decrease over the prior fiscal year. The total cash receipts were offset by cash disbursements for donor-directed scholarships, fundraising and program services expenses totaling \$2.3 million. In addition, net transfers of restricted funds and scholarship support to the College totaling \$3.4 million plus \$419 thousand in payments to annuitants were made.

## *Management's Discussion and Analysis (Unaudited)*

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JUNE 30, 2020 AND 2019

As of June 30, 2019, the Foundation's cash and cash equivalents had a net decrease of \$468 thousand. During the fiscal year, \$2.3 million of cash gifts for endowments were transferred to the endowment investment pool, net of \$68 thousand that was withdrawn to fund scholarship expenses. Cash receipts from fundraising and private grants totaled \$7.5 million, a \$1.6 million increase over the prior fiscal year. The total cash receipts were offset by cash disbursements for donor-directed scholarships, fundraising and program services expenses totaling \$2.4 million. In addition, net transfers of restricted funds and scholarship support to the College totaling \$3.4 million plus \$398 thousand in payments to annuitants were made

### **Investment Portfolio**

In managing the endowment portfolio, one of the most important strategies is to determine the appropriate allocation of investments among the various asset classes. The investment committee has taken numerous actions in the portfolio over the years in an attempt to diversify the investments across asset classes, to temper market volatility, and to control risks. The Foundation retained an independent investment advisor to assist the investment committee in developing its asset allocation strategy.

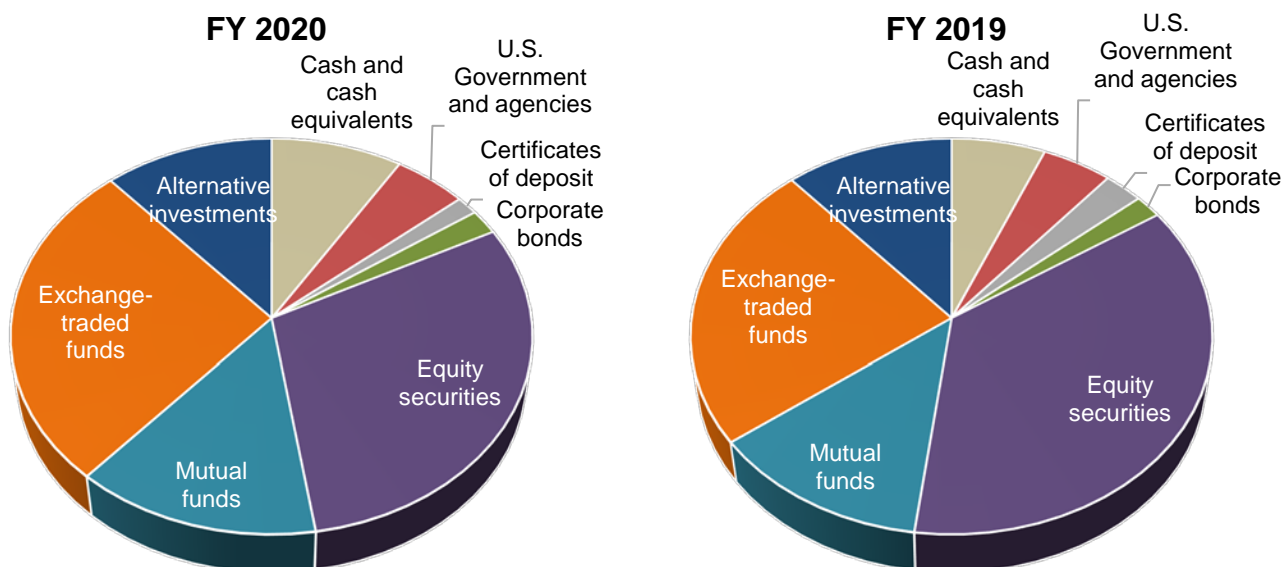
In fiscal year 2020, the investment portfolio increase of \$3.3 million was driven by transfers of \$2.6 million in cash and stock gifts coupled with \$1.4 million in investment income and gains. This was offset by \$418 thousand in disbursements for contractual payments to gift annuitants and \$248 thousand in investment manager fees.

In fiscal year 2019, the investment portfolio increase of approximately \$6.6 million was driven by transfers of \$4.2 million in cash and stock gifts coupled with \$3.1 million in investment income and gains. This was offset by \$7 thousand in liquidations, \$398 thousand in disbursements for contractual payments to gift annuitants and \$243 thousand in investment manager fees.

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As of June 30, 2020, investments held by the Foundation were nearly \$49.5 million, up \$3.3 million from \$46.2 million in the previous fiscal year. The portfolio was allocated among various asset classes as shown below:



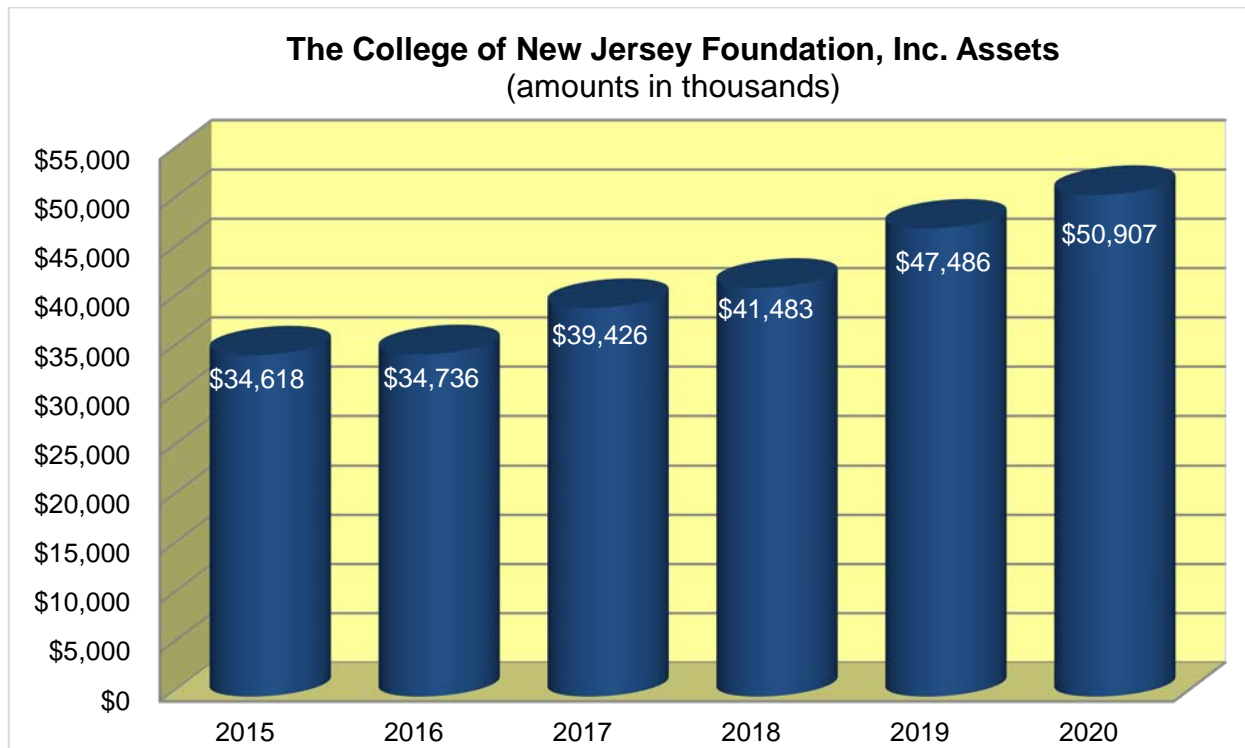
<b>Asset Allocation</b>	<b>2020</b>	<b>Percentage</b>	<b>2019</b>	<b>Percentage</b>
Cash and cash equivalents	\$ 4,404,190	8.9%	\$ 2,939,148	6.4%
U.S. Treasury bills and notes and Government agencies	2,467,181	5.0%	2,204,741	4.8%
Certificates of deposit	747,406	1.5%	1,236,253	2.7%
Corporate bonds	1,000,018	2.0%	862,344	1.9%
Equity securities	14,897,095	30.1%	16,825,505	36.3%
Mutual funds	6,914,339	14.0%	5,879,024	12.7%
Exchange-traded funds	13,353,450	27.0%	10,979,201	23.8%
Alternative investments	5,697,475	11.5%	5,281,814	11.4%
<b>Total Investments</b>	<b>\$ 49,481,154</b>	<b>100.0%</b>	<b>\$ 46,208,030</b>	<b>100.0%</b>

**Growth of the Foundation's Assets**

The chart below shows approximately 47.1% growth in the Foundation's assets over the past six years, which resulted from successful fundraising campaigns coupled with investment appreciation. As of June 30, 2020 and 2019, the Foundation's assets, which consist primarily of cash and cash equivalents and investments, totaled \$50.9 million and \$47.5 million, respectively.

*Management's Discussion and Analysis (Unaudited)*

JUNE 30, 2020 AND 2019

**Liabilities**

In fiscal year 2020, total liabilities decreased by \$1.5 million largely due to the decrease in annuities payable which resulted from the terminations of two charitable gift agreements. In fiscal year 2019, total liabilities decreased by \$201 thousand primarily due to the decrease accounts payable and annuities payable offset by an increase in support due to The College of New Jersey.

**Working Capital**

Working capital is a key metric used to measure the Foundation's liquidity for operation. The excess of current assets over current liabilities reflects the continuing ability of the Foundation to satisfy its short-term obligations as they come due. As of June 30, 2020 and 2019, the current liabilities were \$487 thousand and \$967 thousand, respectively. The Foundation's current assets of \$2.0 million and \$3.9 million as of June 30, 2020 and 2019, respectively, were indicators that the Foundation had adequate liquidity to satisfy its current obligations.

**Net Position**

The change in net position is one indicator of whether the overall financial condition of the Foundation has improved or worsened during the fiscal year. During fiscal years 2020 and 2019, net position increased by \$5.7 million or 13.5% and \$6.1 million or 16.9%, respectively. In both fiscal years, the change was directly related to successful fundraising campaigns and investment income and net gains due to the positive stock market performance.

## *Management's Discussion and Analysis (Unaudited)*

JUNE 30, 2020 AND 2019

### Restricted - Nonexpendable Net Position

During fiscal years 2020 and 2019, nonexpendable net position increased by \$4.1 million or 20.7% and \$4.3 million or 27.9%, respectively. These increases were due to endowed gifts received that were designated by donors to be invested in perpetuity.

### Restricted - Expendable Net Position

During fiscal years 2020 and 2019, expendable net position had increases of \$141 thousand or 0.7% and \$1.5 million or 8.4%, respectively, due to gift receipts that were designated as expendable offset by expenses and transfers to the College.

### Unrestricted Net Position

In fiscal year 2020, unrestricted net position had an increase of \$1.5 million or 44.2% primarily due to investment income and unrestricted gifts that exceeded the expenses for fundraising events, program services, and transfers to the College. In fiscal year 2019, unrestricted net position had an increase of \$301 thousand or 10.1% primarily due to investment income and unrestricted gifts that exceeded the expenses for fundraising events, program services, and transfers to the College.

### Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position presents the revenues earned and the expenses incurred by the Foundation during the fiscal year. Activities are reported as either operating or nonoperating. Generally speaking, operating revenues are received from expendable contributions and operating expenses are incurred in the normal operations of the Foundation.

The following table shows the condensed statements of revenues, expenses and changes in net position as of June 30, 2020, 2019 and 2018:

Condensed Statements of Revenues, Expenses and Changes in Net Position				
		2020	2019	2018
Operating revenues	\$	6,381,594	5,186,508	4,224,734
Operating expenses		5,479,017	5,713,789	5,542,665
Operating income (loss)		902,577	(527,281)	(1,317,931)
Nonoperating revenues		2,517,156	2,528,145	2,384,710
Additions to permanent endowments		2,307,372	4,129,103	1,974,908
Increase in net position		5,727,105	6,129,967	3,041,687
Net position, beginning of year		42,432,894	36,302,927	33,261,240
Net position, end of year	\$	48,159,999	42,432,894	36,302,927

## *Management's Discussion and Analysis (Unaudited)*

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### **Operating Revenues**

The Foundation's main sources of revenue are contributions and private grants. Unrestricted and expendable contributions and private grants are reported as operating revenues. In fiscal year 2020, \$4.9 million in gifts were designated by donors as expendable and \$1.5 million in private grants were received, totaling \$6.4 million. In fiscal year 2019, \$3.7 million in gifts were designated by donors as expendable and \$1.5 million in private grants were received, totaling \$5.2 million.

### **Operating Expenses**

Operating expenses include donor-directed scholarships and awards, fundraising events, program services expenses, and restricted funds contributed to the College. In fiscal year 2020, operating expenses decreased \$235 thousand or 4.1% primarily due to a decrease of \$195 thousand and \$84 thousand in restricted funds transferred to the College and program services, respectively, offset by an increase in fundraising events.

In fiscal year 2019, operating expenses increased \$171 thousand or 3.1% primarily due to an increase of \$533 thousand in scholarship and award expenses that were offset by decreases in program services, fundraising events and restricted funds transferred to the College. The increase in scholarship and awards expense was driven by increases in funding for various scholarships.

### **Nonoperating and Other Revenues**

In fiscal years 2020 and 2019, nonoperating revenues totaled \$2.5 million. In fiscal year 2020, \$1.8 million of the total nonoperating revenues consisted of gains on two charitable gift annuities that were terminated, while the remaining \$691 thousand consisted of investment returns, net of manager fees. In fiscal year 2019, this amount consisted primarily of investment returns, net of investment manager fees.

Other revenues in fiscal years 2020 and 2019 included additions to permanent endowments of \$2.3 million and \$4.1 million, respectively, which represent gifts to be held in perpetuity.

### **Economic Factors that Will Affect the Future**

The mission of the Foundation is to receive philanthropic support to expand access to and enhance the outstanding educational and community service opportunities provided to students at The College of New Jersey. The Foundation carries out its mission by establishing funds for student support, learning experiences, academic enrichment and capital improvement. By promoting a culture of philanthropy, and through prudent investment, stewardship and accountability to donors and the community, the Foundation advances the College's mission and reputation as a nationally recognized public institution. State appropriated funds to the College have remained relatively flat while the College continues to face pressure in keeping the cost of education at TCNJ affordable. Funds raised by the Foundation that are used for student scholarships, departmental support, and academic programs help to offset the College's revenue pressures. As these trends continue, the need for Foundation support to the College will grow.

The Foundation's successful fundraising campaigns in recent years will continue to generate contribution revenue in future years to support the College's needs. The future receipt of gifts from pledges and bequests is not guaranteed and general economic factors may affect donor giving. Prudent management of the Foundation's investments and the long-term strategy of the portfolio will help the Foundation weather potential volatility in financial markets so it can advance its mission.

The spread of coronavirus (COVID-19) around the world has caused significant volatility in the United States and international economies and markets. There is significant uncertainty around the breadth and duration of business

## *Management's Discussion and Analysis (Unaudited)*

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disruptions related to COVID-19, as well as its impact on the United States and international economies and, as such, the Foundation is unable to determine if it will have a material impact to its operations.

The Foundation expects annual giving to decrease by \$1.0 million in fiscal year 2021, which is demonstrated by a reduction to the annual budget from \$8.0 million in fiscal year 2020 to \$7.0 million in fiscal year 2021. Due to enforced restrictions and health-related concerns of the COVID-19 pandemic, all in-person meetings have been suspended. Fundraising staff are scheduling virtual meetings with prospective donors, which may result in fewer new or renewed gifts. The Foundation team has revised its strategy by assigning gift officers to assist with prospect research, grant writing, and facilitate and host virtual alumni engagement events. These activities will foster and strengthen relationships with prospective donors and create more opportunities with our foundation and corporate partners in the coming years.

### **Contacting the Foundation's Financial Management**

This financial report is designed to provide the donors, constituents and creditors with a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Foundation at 2000 Pennington Road, Green Hall Room 211, Ewing, NJ 08628.



## STATEMENTS OF NET POSITION

June 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,329,167	1,243,923
Investments (note 4)	614,610	2,621,478
Due from The College of New Jersey (note 5)	1,003	1,472
Contribution receivables	11,373	26,015
Miscellaneous receivables	82,616	134
Prepaid expenses	1,633	6,167
Total current assets	2,040,402	3,899,189
Noncurrent assets:		
Restricted investments (note 4)	48,866,544	43,586,552
Prepaid expenses	—	42
Total noncurrent assets	48,866,544	43,586,594
Total assets	50,906,946	47,485,783
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	12,206	43,315
Due to The College of New Jersey (note 5)	345,171	524,433
Annuities payable (note 7)	129,347	399,034
Total current liabilities	486,724	966,782
Noncurrent liabilities:		
Annuities payable (note 7)	1,385,226	2,404,117
Total noncurrent liabilities	1,385,226	2,404,117
Total liabilities	1,871,950	3,370,899
<b>Deferred Inflows of Resources</b>		
Deferred amounts from charitable gift annuities	874,997	1,681,990
<b>Net Position</b>		
Restricted:		
Nonexpendable:		
Scholarships	13,983,195	13,069,466
Other programs	10,101,219	6,882,446
Expendable:		
Scholarships	12,067,748	12,397,000
Other programs	7,264,174	6,793,675
Unrestricted	4,743,663	3,290,307
Total net position	\$ 48,159,999	42,432,894

See accompanying notes to financial statements.



## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Contributions	\$ 4,920,970	3,714,982
Private grants & other	1,460,624	1,471,526
Total operating revenues	<u>6,381,594</u>	<u>5,186,508</u>
Operating expenses:		
Scholarships and awards	1,398,543	1,409,425
Fundraising events	368,456	313,811
Program services	519,296	602,967
Restricted funds contributed to:		
The College of New Jersey (note 5)	3,192,722	3,387,586
Total operating expenses	<u>5,479,017</u>	<u>5,713,789</u>
Operating income (loss)	<u>902,577</u>	<u>(527,281)</u>
Nonoperating revenues:		
Investment return, net	690,875	2,528,145
Gain on charitable gift annuities	1,826,281	—
Nonoperating revenues	<u>2,517,156</u>	<u>2,528,145</u>
Income before additions to endowment	<u>3,419,733</u>	<u>2,000,864</u>
Additions to permanent endowments	<u>2,307,372</u>	<u>4,129,103</u>
Increase in net position	<u>5,727,105</u>	<u>6,129,967</u>
Net position, beginning of year	42,432,894	36,302,927
Net position, end of year	<u>\$ 48,159,999</u>	<u>42,432,894</u>

See accompanying notes to financial statements.

## STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Contributions and private grants	\$ 6,376,736	5,276,198
Scholarships and awards	(1,394,669)	(1,404,425)
Fundraising events	(397,600)	(341,931)
Program services	(519,408)	(610,984)
Restricted funds contributed to:		
The College of New Jersey	(3,372,961)	(3,415,942)
Net cash provided by (used by) operating activities	692,098	(497,084)
Cash flows from noncapital financing activities:		
Additions to permanent endowments	945,615	2,248,753
Payments to annuitants	(418,700)	(397,620)
Net cash provided by noncapital financing activities	526,915	1,851,133
Cash flows from investing activities:		
Interest income	8,881	13,470
Investment manager fees	(248,255)	(245,889)
Purchases of investments	(1,619,367)	(2,301,945)
Withdrawals from investment accounts	58,017	68,369
Proceeds from sales of investments	666,955	643,508
Net cash used by investing activities	(1,133,769)	(1,822,487)
Net increase (decrease) in cash and cash equivalents	85,244	(468,438)
Cash and cash equivalents, beginning of year	1,243,923	1,712,361
Cash and cash equivalents, end of year	\$ 1,329,167	1,243,923
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ 902,577	(527,281)
Stock gift contributions	(20,946)	(33,884)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Changes in assets, liabilities and deferred inflows of resources:		
Due from The College of New Jersey	469	4,044
Contribution and miscellaneous receivables	14,642	130,624
Prepaid expenses	4,576	(4,811)
Accounts payable	(31,109)	(96,901)
Due to The College of New Jersey	(179,262)	31,125
Deferred inflows of resources	1,151	—
Net cash provided by (used by) operating activities	\$ 692,098	(497,084)
Noncash transactions:		
Change in fair value of investments	\$ (1,797,859)	(587,964)
In kind and stock gift contributions to investments	20,946	33,884
Stock gift contributions to endowments	2,572	1,880,350
Contributions to establish charitable gift annuities	1,034,506	—
Change in present value of annuities payable	312,352	262,627
Termination of charitable gift annuities	3,185,466	—

See accompanying notes to financial statements.

## *Notes to the Financial Statements*

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### (1) Organization

The College of New Jersey Foundation, Inc. (the Foundation) is a not-for-profit organization exempt from income tax under Internal Revenue Service Code 501(c)(3). The Foundation's objective is to obtain private funding to enhance the educational goals of The College of New Jersey (the College). The Foundation's assets are used exclusively for the benefit, support and promotion of the College and its educational activities. The Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

### (2) Summary of Significant Accounting Policies

#### (a) *Basis of Presentation*

The accounting policies of the Foundation conform to U.S. generally accepted accounting principles with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Net position is classified into the following categories:

- ***Restricted:***

*Nonexpendable:* Net position subject to externally imposed stipulations that must be maintained permanently by the Foundation.

*Expendable:* Net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to the stipulations or that expire by the passage of time.

- ***Unrestricted:***

Net position that is not subject to externally imposed stipulations and may be designated for specific purposes by action of the board of directors.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

#### (b) *Measurement Focus and Basis of Accounting*

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting using the economic resources measurement focus.

#### (c) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less, except for those managed as a component of the Foundation's investment portfolio. The balance includes deposits with Wells Fargo Bank and the State of New Jersey Cash Management Fund. The State of New Jersey Cash Management Fund is a large-scale investment program with amounts contributed by other state entities. These investments consist primarily of U.S. Treasury issues, commercial paper, certificates of deposit, obligations of government agencies and corporate bonds. The State of New Jersey Cash Management Fund is classified as a cash equivalent as it is a highly liquid investment purchased with an original maturity of three months or less and it is used to support the operations of the Foundation, if needed.

## *Notes to the Financial Statements*

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### **(d) Investments**

Cash and cash equivalents within the investment portfolio are measured at amortized cost. Investments other than alternative investments are reflected at fair value which is based on either quoted or published market prices or other pricing models. Alternative investments are reported at net asset value or its equivalent (NAV) reported by the fund managers and assessed as reasonable by the Foundation, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein. The estimated fair value of these investments is based on the most recent valuations provided by external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

### **(e) Contributions**

Contributions, including pledges other than endowments, are recognized when all eligibility requirements for recognition are met, which generally is the period the amount is donated to the Foundation. Pledges do not meet the eligibility requirements for recognition criteria of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, until cash is received. Pledges for which cash has not been received were \$6,898,880 and \$8,739,865 as of June 30, 2020 and 2019, respectively, and have not been included in the accompanying statements of net position. Contribution receivables included in the accompanying statements of net position represent contributions from donors where all eligibility requirements have been met.

### **(f) Classification of Operations**

The Foundation's policy for defining operating activities as reported on the statements of revenues, expenses and changes in net position are those that serve the Foundation's principal purpose. Operating activities generally result from contributions received, payments made for scholarships and awards, expenses associated with fundraising events, and distributions to the College. Investment income is classified as nonoperating revenue since it is passive income. Contributions from the College are classified as nonoperating revenue since they are non-recurring in nature and are non-exchange transactions.

### **(g) Donor Restricted Endowments**

The Foundation manages, invests and administers the donor restricted endowment funds in accordance with the New Jersey Uniform Prudent Management of Institutional Funds Act (the Act). Endowment investments are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and the income be utilized in accordance with the terms of each specific gift. It is the Foundation's policy to account for endowment appreciation in accordance with donor specification. Appreciation on donor restricted endowments is included in restricted expendable net position in the accompanying financial statements. The Board of Directors of the Foundation authorizes an amount of appropriation and expenditure of the funds each fiscal years in accordance with donor specifications and the Act.

## *Notes to the Financial Statements*

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### **(h) Annuities Payable**

Annuities payable are created when assets are contributed to the Foundation on condition that the Foundation obligate itself to pay stipulated amounts periodically to designated annuitants. Annuities payable are recorded at the present value of the expected future cash payments to the annuitants (settlement amount). Changes in the life expectancy of the donor or annuitant, amortization of the discount and other changes in the estimates of future payments are reported as an adjustment to the annuities payable liability. The difference between the fair value of the assets for charitable gift annuities and the annuities payable liability is reported as deferred inflows of resources from charitable gift annuities in the statements of net position.

### **(i) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### **(j) Accounting Pronouncements Applicable to the Foundation, Issued but Not Yet Effective**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2018 (fiscal year 2020). GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date until reporting periods beginning after December 15, 2019 (fiscal year 2021). The Foundation is evaluating the impact of this new standard.

### **(3) Cash and Cash Equivalents**

The carrying amount of cash as of June 30, 2020 was \$934,549 while the amount on deposit with the bank was \$946,146. The carrying amount of cash as of June 30, 2019 was \$855,251 while the amount on deposit with the bank was \$870,997.

Custodial credit risk associated with the Foundation's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Foundation's name. The Foundation's bank deposits as of June 30, 2020 and 2019 were insured by Federal Depository Insurance up to \$250,000. Bank balances as of June 30, 2020 and 2019 of \$696,146 and \$620,997, respectively, were uninsured and uncollateralized.

The Foundation participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other state entities are combined into a large scale investment program. The carrying amount and fair value as of June 30, 2020 and 2019 was \$394,618 and \$388,672, respectively.

The operations of the State of New Jersey Cash Management Fund are governed by statutes of the State of New Jersey and the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. The fair value of the State of New Jersey Cash Management Fund is based on the number of shares held by the Foundation and the market price of those shares as of June 30, 2020 and 2019. The State of New Jersey Cash Management Fund is unrated with an average portfolio maturity of less than one year.

## *Notes to the Financial Statements*

### (4) Investments

The Foundation has an investment policy which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, bonds and bond funds, and alternative investments. Investments consist of the following as of June 30, 2020 and 2019:

<b>Investments</b>		
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 4,404,190	2,939,148
U.S. Treasury bills and notes	1,014,634	1,052,721
U.S. Government agencies	1,452,547	1,152,020
Certificates of deposit	747,406	1,236,253
Corporate bonds	1,000,018	862,344
Equity securities	14,897,095	16,825,505
Mutual funds	6,914,339	5,879,024
Exchange-traded funds	13,353,450	10,979,201
Alternative investments:		
Private equity	711,602	683,026
Hedge funds	3,248,142	2,888,716
Real estate income trust	986,878	1,020,558
Common trust funds	750,853	689,514
	<u>\$ 49,481,154</u>	<u>46,208,030</u>

The Foundation's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's).

Within the Foundation's investment policy guidelines, the policy gives investment money managers and investment funds full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups.

The following are guidelines to be followed by the investment advisors in the selection of investment money managers:

- Domestic equities may be selected from the New York, American and Regional Stock Exchanges, or the NASDAQ markets. The cost of an individual security in the portfolio at purchase may not exceed 5% of the total market value of that portfolio. Individual securities held in a portfolio must not exceed

## *Notes to the Financial Statements*

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5% of the portfolio on a cost basis. Mutual funds and investment money managers are not to be included in this limitation.

- Only international managers experienced in trade on foreign exchanges shall handle investments in international equities.
- Managers may use a mutual fund as a means of participating in international equities, with prior approval of the Investment Committee.
- Managers may invest in commercial paper, bankers' acceptances, repurchase agreements, U.S. Treasury bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the portfolio's principal value. All such assets must represent maturities of one year or less at the time of purchase.
- Commercial paper must be rated A-1 or P-1 by Standard & Poor's and Moody's, respectively.
- Bankers' acceptances and certificates of deposit should only be purchased from larger, well-capitalized domestic and foreign banks with a minimum of an A rating from one of the major rating agencies. Uninvested cash reserves should be kept to minimum levels. In any instance where the total funds on deposit with a financial institution exceeds the insurance coverage provided by the FDIC or FSLIC, collateral security or its equivalent shall be required.
- Fixed income investments will include U.S. Treasury and Federal agency debt obligations, corporate bonds, mortgages, asset backed securities and preferred stocks. By design, the managers should focus on fixed income securities of the highest quality, thereby reducing investment risk. With the exception of Federal Government issues, no single issue should exceed 4% and no industry group should exceed 10% of the aggregate fixed income portfolio without the Investment Committee's prior approval. The average credit quality of the fixed income or convertible portfolio should be rated investment grade or better. The average maturity of the fixed income portfolio may not exceed 12 years and the average duration of the fixed income portfolio should not exceed 10 years.



## Notes to the Financial Statements

As of June 30, 2020 and 2019, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, certificates of deposit, and corporate bonds, were rated as follows:

2020 Fixed Income Investments Ratings				
Rating	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	\$ 2,531,564	1,014,634	1,452,547	64,383
Aa1	61,428	—	—	61,428
Aa2	89,390	—	—	89,390
Aa3	17,190	—	—	17,190
A1	15,355	—	—	15,355
A2	175,583	—	—	175,583
A3	256,293	—	—	256,293
Baa1	130,293	—	—	130,293
Baa2	170,433	—	—	170,433
Ba2	19,670	—	—	19,670
Total	\$ 3,467,199	1,014,634	1,452,547	1,000,018

2019 Fixed Income Investments Ratings				
Rating	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	\$ 2,260,741	1,052,721	1,152,020	56,000
Aa1	59,862	—	—	59,862
Aa2	66,839	—	—	66,839
Aa3	15,421	—	—	15,421
A1	29,048	—	—	29,048
A2	125,684	—	—	125,684
A3	213,312	—	—	213,312
Baa1	192,330	—	—	192,330
Baa2	103,848	—	—	103,848
Total	\$ 3,067,085	1,052,721	1,152,020	862,344



## Notes to the Financial Statements

The certificates of deposit of \$747,406 and \$1,236,253 as of June 30, 2020 and 2019, respectively, were not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2020 and 2019, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, certificates of deposit, and corporate bonds, had maturity dates as follows:

2020 Fixed Income Investments Maturity					
Maturing in years	Total	U.S. Treasury bills and notes	U.S. Government agencies	Certificates of deposit	Corporate bonds
Less than 1	\$ 796,533	—	—	747,406	49,127
1 – 5	658,854	264,407	—	—	394,447
6 – 10	776,290	208,442	157,887	—	409,961
Greater than 10	1,982,928	541,785	1,294,660	—	146,483
Total	\$ 4,214,605	1,014,634	1,452,547	747,406	1,000,018

2019 Fixed Income Investments Maturity					
Maturing in years	Total	U.S. Treasury bills and notes	U.S. Government agencies	Certificates of deposit	Corporate bonds
Less than 1	\$ 1,303,021	66,768	—	1,236,253	—
1 – 5	711,498	286,375	—	—	425,123
6 – 10	686,949	267,125	110,068	—	309,756
Greater than 10	1,601,870	432,453	1,041,952	—	127,465
Total	\$ 4,303,338	1,052,721	1,152,020	1,236,253	862,344

### Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statements measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date;
- Level 2 – quoted or published prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for an asset or liability.

## *Notes to the Financial Statements*

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The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- U.S. Treasury bills and notes – The fair value of U.S. Treasury bills and notes are based on prices quoted in active markets for those securities.
- U.S. Government agencies – The fair value of government agencies are based on a multi-dimensional relational model. Standard inputs to the pricing model for the Level 2 debt securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.
- Certificates of deposit – The fair value of certificates of deposit are based on estimated secondary market prices that may be received if the certificate of deposit could be sold prior to maturity. The estimated secondary market price is evaluated using a curve-based approach which develops a constant maturity curve for specific programs which take into account factors such as instrument type, issuer, sector, credit rating and prevailing market conditions. Standard inputs to the pricing model for the Level 2 certificates of deposit include maturity date, issue date, and coupon rate.
- Corporate bonds – The fair value of corporate bonds are based on a multi-dimensional relational model. Standard inputs to the pricing methods for the Level 2 debt securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.
- Equity securities – The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. These investments are classified as Level 1. Equity securities classified in Level 2 of the fair value hierarchy are valued at quoted market prices in the over-the-counter (inactive) market. The price used as the fair value may be from a market transaction or a bid or ask price in the market that did not result in a transaction.
- Mutual funds – The fair value of mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.
- Exchange-traded funds – The fair value of exchange-traded funds are based on the quoted market price on an active market as of the measurement date.
- Alternative investments – Alternative investments are valued using current estimates of net asset value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuations provided by external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.
- Cash and cash equivalents – These investments are measured at amortized cost and have been excluded from fair value leveling.

## Notes to the Financial Statements

The Foundation's investments at June 30, 2020 and 2019 are summarized in the following table by their fair value hierarchy:

2020 Investments Measured at Fair Value				
Investment	Total	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Investments by fair value level</i>				
U.S. Treasury bills and notes	\$ 1,014,634	1,014,634	—	—
U.S. Government agencies	1,452,547	—	1,452,547	—
Certificates of deposit	747,406	—	747,406	—
Corporate bonds	1,000,018	—	1,000,018	—
Equity securities	14,897,095	14,897,095	—	—
Mutual funds	6,914,339	6,914,339	—	—
Exchange-traded funds	13,353,450	13,353,450	—	—
Total investments by fair value level	39,379,489	36,179,518	3,199,971	—
<i>Investments measured at net asset value (NAV)</i>				
Private equity	711,602			
Hedge funds	3,248,142			
Real estate income trust	986,878			
Common trust funds	750,853			
Total investments measured at NAV	5,697,475			
Total investments measured at fair value	\$ 45,076,964			

## Notes to the Financial Statements

2019 Investments Measured at Fair Value				
Investment	Total	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>Investments by fair value level</i>				
U.S. Treasury bills and notes	\$ 1,052,721	1,052,721	—	—
U.S. Government agencies	1,152,020	—	1,152,020	—
Certificates of deposit	1,236,253	—	1,236,253	—
Corporate bonds	862,344	—	862,344	—
Equity securities	16,825,505	16,825,505	—	—
Mutual funds	5,879,024	5,879,024	—	—
Exchange-traded funds	10,979,201	10,979,201	—	—
Total investments by fair value level	37,987,068	34,736,451	3,250,617	—
<i>Investments measured at net asset value (NAV)</i>				
Private equity	683,026			
Hedge funds	2,888,716			
Real estate income trust	1,020,558			
Common trust funds	689,514			
Total investments measured at NAV	5,281,814			
Total investments measured at fair value	\$ 43,268,882			

## Notes to the Financial Statements

The fair value as of June 30, 2020 and 2019 and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

2020 Investments Measured at NAV			
Investment	Fair value	Redemption frequency (if currently eligible)	Redemption notice period
Private equity	\$ 711,602	Quarterly	65 days
Hedge funds	3,248,142	Quarterly	30 - 96 days
Real estate income trust	986,878	Monthly	Second to last business day of the month
Common trust funds	750,853	N/A	N/A
Total investments measured at NAV	\$ 5,697,475		

2019 Investments Measured at NAV			
Investment	Fair value	Redemption frequency (if currently eligible)	Redemption notice period
Private equity	\$ 683,026	Quarterly	65 days
Hedge funds	2,888,716	Quarterly	30 - 96 days
Real estate income trust	1,020,558	Monthly	Second to last business day of the month
Common trust funds	689,514	N/A	N/A
Total investments measured at NAV	\$ 5,281,814		

As of June 30, 2020 and 2019, the Foundation had no unfunded commitments for investments measured at NAV.

The investment strategy, valuation method and redemption terms for the investments measured as NAV are discussed below.

*Private equity:* This type is an investment in one multi-strategy private equity fund that invests in direct, secondary and primary private equity investments across a range of geographic markets, investment types and vintage years. The objective of the fund is to generate returns by systematically overweighting the vehicles, segments and opportunities it believes offer the best relative value at a point in time. Redemptions may be requested quarterly by tender offer with 65 days' notice. The fund's board of managers has the sole discretion to repurchase units from a tender offer due to the illiquid nature of the fund. The fund limits the redemptions each quarter to no more than 5% of the fund's net asset value. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the investment.

## Notes to the Financial Statements

*Hedge funds:* This type consists of investments in three funds that employ a variety of alternative investment strategies including multi-strategy equity, relative value, and multi-strategy funds of funds. Redemption terms vary by fund. Redemptions may be requested quarterly with 30 – 96 calendar days' notice depending on the fund. None of the funds have active lockup periods. One fund's board of directors has the sole discretion to repurchase units with a tender offer. This fund limits the redemptions each quarter to 5-25% of the fund's NAV. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investment. Three of the five investments in hedge funds as of June 30, 2019 were sold and one new hedge fund was purchased during fiscal year 2020. Of the three funds sold during fiscal year 2020, two were allowed redemption requests monthly with 45 calendar days' notice and one was allowed redemption requests monthly with 65 days' notice.

*Real estate income trust:* This type is an investment in one fund that acquires stabilized, income-oriented commercial real estate in the United States, such as multi-family, industrial, hotel and retail properties, and real estate-related securities. Redemptions may be requested monthly by the second to last business day of each month. The fund's board of directors has the sole discretion to accept repurchase requests. Repurchases of shares outstanding for one year or less will be repurchased at 95% of the prior month's NAV. Aggregate repurchases are limited to no more than 2% of the fund's aggregate NAV per month and no more than 5% of the fund's aggregate NAV per calendar quarter. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the investment.

*Common trust funds:* This type consists of investments in eleven common trust funds that invest in a variety of debt and equity strategies including small- and mid-cap growth and value, small-, mid-, and large-cap core, emerging markets, international equities, dividend income, and aggregate bonds. These funds are held within an irrevocable trust of which the Foundation is a beneficiary. The investments in these common trust funds cannot be redeemed. The Foundation is currently receiving income earned on the investments. Distributions from the liquidation of the underlying assets are unknown at this time. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the investment.

### (5) Transactions with Affiliates

The Foundation approved disbursements to the College for support of restricted private grants, departmental support, and scholarship support of \$3,192,722 and \$3,387,586 during fiscal years 2020 and 2019. The following table shows the contributions to the College for fiscal years 2020 and 2019:

Transactions with Affiliates			
		2020	2019
Restricted funds – Private grants	\$	1,630,968	\$ 1,826,067
Institutional scholarship support		1,179,395	791,228
Restricted funds – Departmental transfers		382,333	761,631
Gifts in kind		26	8,660
Total	\$	3,192,722	\$ 3,387,586

Amounts due to The College of New Jersey for contributions to the College included in the statements of net position as of June 30, 2020 and 2019 was \$318,269 and \$524,433, respectively. The College also provides

## Notes to the Financial Statements

certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in fiscal years 2020 and 2019.

### (6) Funds Held in Trust

Funds held in trust by others and not in the possession of, nor under the control of, the Foundation are not included in the Foundation's cash and cash equivalents and investments. In fiscal year 2015, the Foundation was named the beneficiary of a trust whose investments fair value approximated \$6,798,000 and \$6,719,000 as of June 30, 2020 and 2019, respectively.

### (7) Noncurrent Liabilities

For the years ended June 30, 2020 and 2019, noncurrent liabilities activity was as follows:

2020 Noncurrent Liabilities Activity					
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:					
Annuities payable	\$ 2,803,151	873,680	2,162,258	1,514,573	129,347
Total noncurrent liabilities	\$ 2,803,151	873,680	2,162,258	1,514,573	129,347

2019 Noncurrent Liabilities Activity					
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:					
Annuities payable	\$ 2,938,144	262,627	397,620	2,803,151	399,034
Total noncurrent liabilities	\$ 2,938,144	262,627	397,620	2,803,151	399,034

In fiscal year 2020 there was a significant reduction in annuities payable, \$1.7 million of the total reductions was due to terminations of two charitable gift annuities.

### (8) Risk Management

The Foundation is exposed to various risks of loss. The Foundation maintains a policy with Directors and Officers Liability and Entity Liability Coverage and an Employment Practices Liability Coverage. The combined maximum aggregate limit of liability for all claims under this policy is \$3,000,000. The insurance policy is renewed on an annual basis.

### (9) Coronavirus (COVID-19)

The spread of coronavirus (COVID-19) around the world has caused significant volatility in the United States and international economies and markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the United States and international economies and, as such, the Foundation is unable to determine if it will have a material impact to its operations but does anticipate a decrease in fiscal year 2021 fundraising performance