



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, 2021 and 2020

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

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, 2021 and 2020, 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, 2021 and 2020, 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.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

A COMPONENT UNIT OF THE COLLEGE OF NEW JERSEY

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



Independent Auditors' Report

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.

KPMG LLP

Short Hills, New Jersey
October 26, 2021

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020. The endowment pool rate of return was 7.02% net of investment manager fees compared to the previous year's positive performance of 1.42%. The gift annuity pool also generated a positive rate of return of 6.2% versus the previous year return of 7.61%. The fiscal year 2021 endowment pool return was above the portfolio benchmark of CPI + 4.5%. The fiscal year 2020 endowment pool return was below the advisor-defined style index of 2.91%.

As of June 30, 2021, total investments held by the Foundation were nearly \$65.4 million, up \$15.9 million from \$49.5 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 \$8.4 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

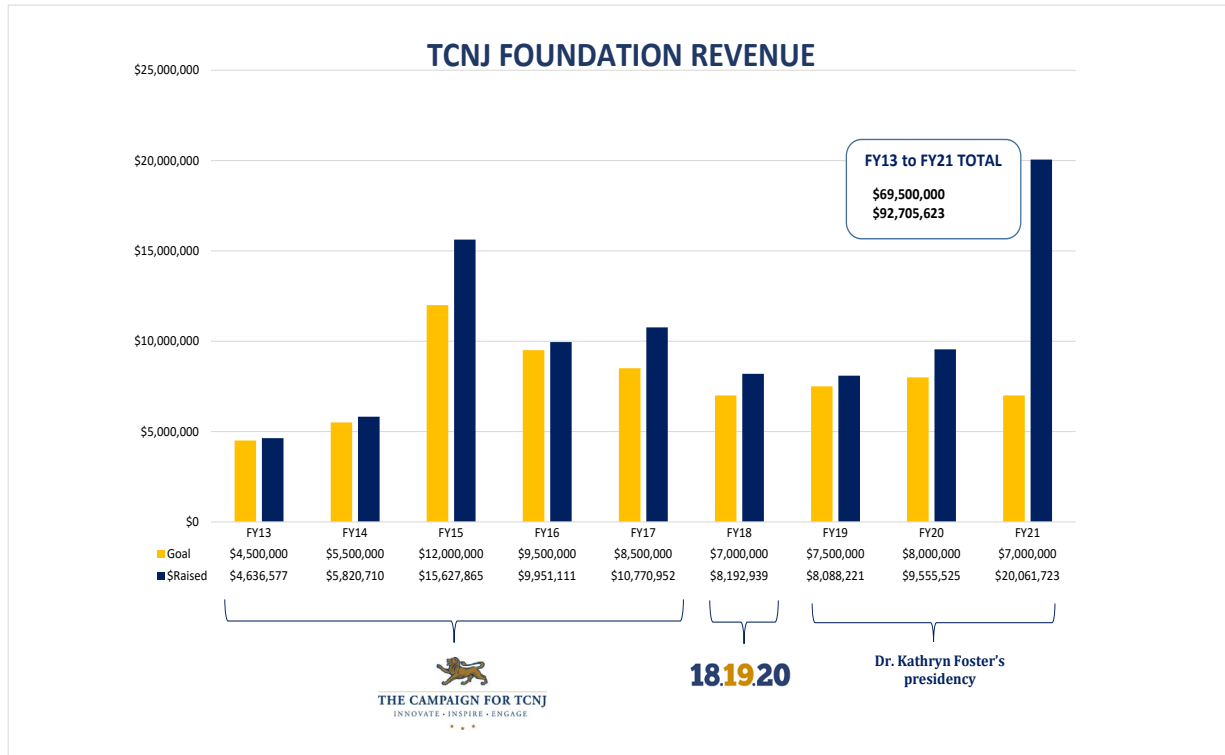
The Foundation's first-ever comprehensive campaign, The Campaign for The College of New Jersey: Innovate * Inspire * Engage, ran from fiscal year 2013 through fiscal year 2017. The five-year campaign was extended through fiscal year 2018 to pay tribute to The College of New Jersey's (the College or TCNJ)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

With the arrival of the College's 16th president, Dr. Kathryn Foster, the Foundation continued the momentum of growth in its endowment and annual reserves. During fiscal year 2021, the Foundation received an increase in new revenue not seen since the comprehensive campaign. Total new gifts, pledges, bequests and in-kind donations reached \$20.1 million in fiscal year 2021. This reflects a boost of 110% more than the total dollars raised in fiscal year 2020 and 187% more than the fiscal year 2021 fundraising goal of \$7 million.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

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 2021 Fundraising Highlights

In fiscal year 2021, the Foundation's fundraising performance garnered a substantial increase in new revenue leading to the creation of eight new endowed funds and one new charitable gift annuity. The endowed funds represent a total of \$356 thousand in support of scholarships across seven academic departments.

Total contributions, private grants and other revenues received by the Foundation and recognized as revenue in the statement of revenues, expenses and changes in net position in fiscal year 2021 was \$13.0 million, a \$4.4 million or 50.1% increase from fiscal year 2020 with gifts and grants received that totaled \$8.7 million.

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

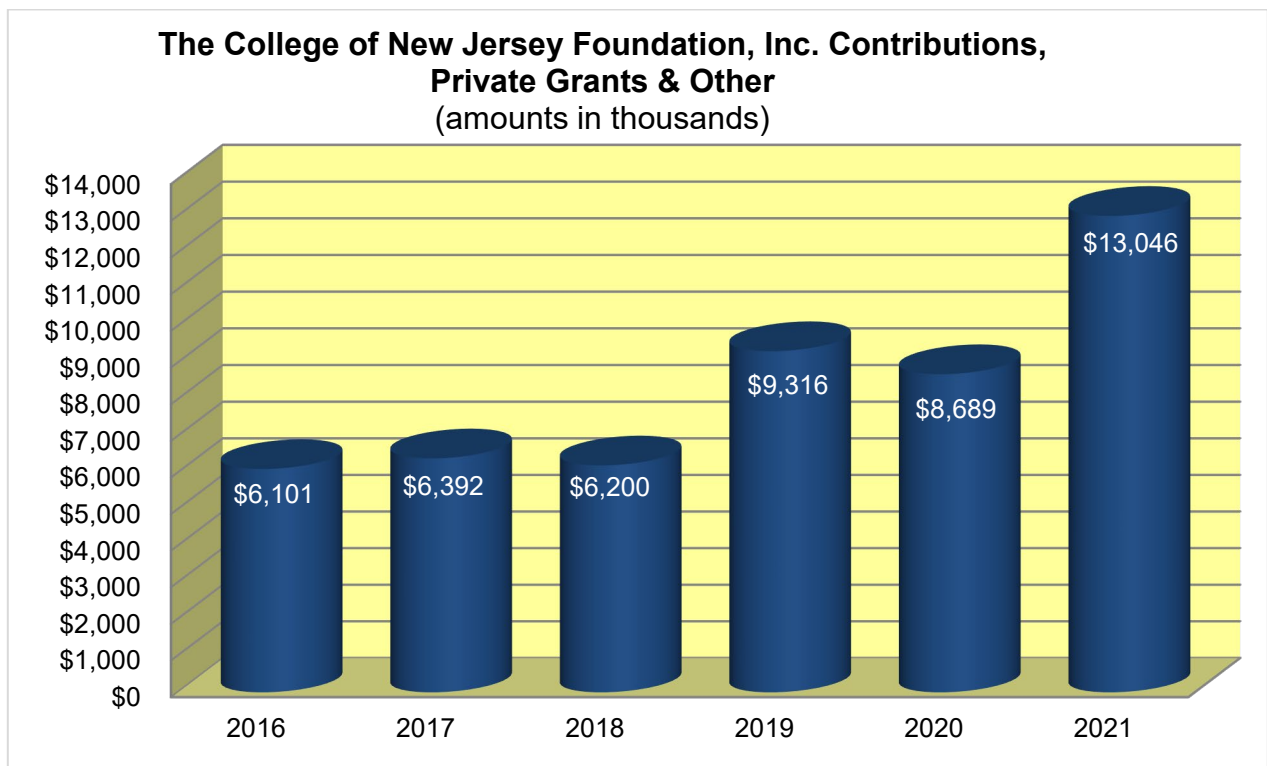
- \$5.0 million unrestricted gift from an individual donor that the Foundation used to create a quasi-endowment that will further support the College's strategic initiatives and various capital projects.
- \$2.0 million private grant from a community foundation that will provide tutoring for K-6 New Jersey students to address pandemic-related learning loss.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

- \$984 thousand in private grants to fund sustainability projects at the College and throughout the State of New Jersey.
- \$450 thousand in unrestricted support from an estate.
- The Day of Giving campaign revenue totaled \$369 thousand in fiscal year 2021.

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:



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

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

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, 2021, 2020 and 2019:

| Condensed Statements of Net Position | | | |
|---|----------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 |
| Assets: | | | |
| Current assets | \$ 12,508,142 | 2,040,402 | 3,899,189 |
| Noncurrent assets | 57,650,967 | 48,866,544 | 43,586,594 |
| Total assets | 70,159,109 | 50,906,946 | 47,485,783 |
| Liabilities: | | | |
| Current liabilities | 5,179,574 | 486,724 | 966,782 |
| Noncurrent liabilities | 1,327,598 | 1,385,226 | 2,404,117 |
| Total liabilities | 6,507,172 | 1,871,950 | 3,370,899 |
| Deferred inflows of resources | 1,445,837 | 874,997 | 1,681,990 |
| Net position: | | | |
| Restricted – nonexpendable | 24,840,495 | 24,084,414 | 19,951,912 |
| Restricted – expendable | 27,113,848 | 19,331,922 | 19,190,675 |
| Unrestricted | 10,251,757 | 4,743,663 | 3,290,307 |
| Total net position | \$ 62,206,100 | 48,159,999 | 42,432,894 |

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

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, 2021, cash and investments held by the Foundation was approximately \$70.0 million, up \$19.2 million, from \$50.8 million at the previous year end.

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

| Cash and Investment Pools | | | | |
|---------------------------|---|---------------|------------|------------|
| Pool | Type of Funds | 2021 | 2020 | 2019 |
| Cash and cash equivalents | Working capital to support operating activities | \$ 4,565,608 | 1,329,167 | 1,243,923 |
| Endowment pool | Contributions to establish endowment funds | 60,122,099 | 42,150,300 | 39,885,207 |
| Gift annuities and trusts | Gifts managed independently of endowment pool | 5,288,953 | 7,330,854 | 6,322,823 |
| | Total | \$ 69,976,660 | 50,810,321 | 47,451,953 |

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, 2021, the Foundation's cash and cash equivalents had a net increase of \$3.2 million. During the fiscal year, \$5.8 million of cash gifts for endowments were transferred to the endowment investment pool, net of \$81 thousand that was withdrawn to fund scholarship expenses. Cash receipts from fundraising and private grants totaled \$12.8 million, a \$5.5 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 \$1.3 million. In addition, net transfers of restricted funds and scholarship support to the College totaling \$2.6 million plus \$46 thousand in payments to annuitants were made.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

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.

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.

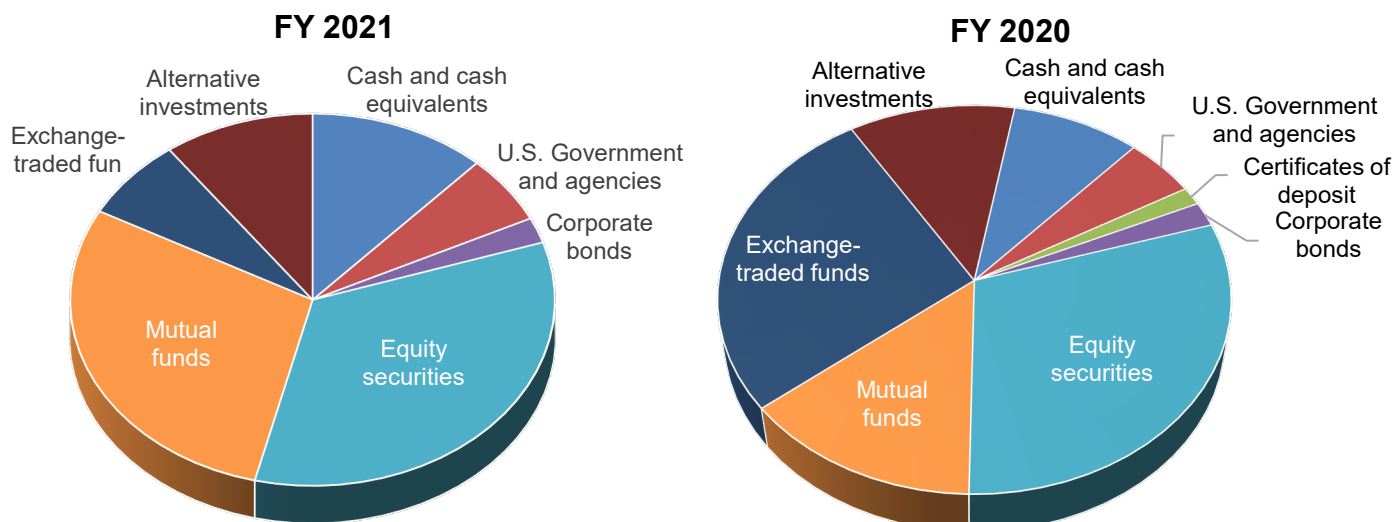
In fiscal year 2021, the investment portfolio increase of \$15.9 million was driven by transfers of \$5.7 million in cash and stock gifts coupled with \$10.5 million in investment income and appreciation. This was offset by \$46 thousand in disbursements for contractual payments to gift annuitants and \$275 thousand in investment manager fees.

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.

Management's Discussion and Analysis (Unaudited)

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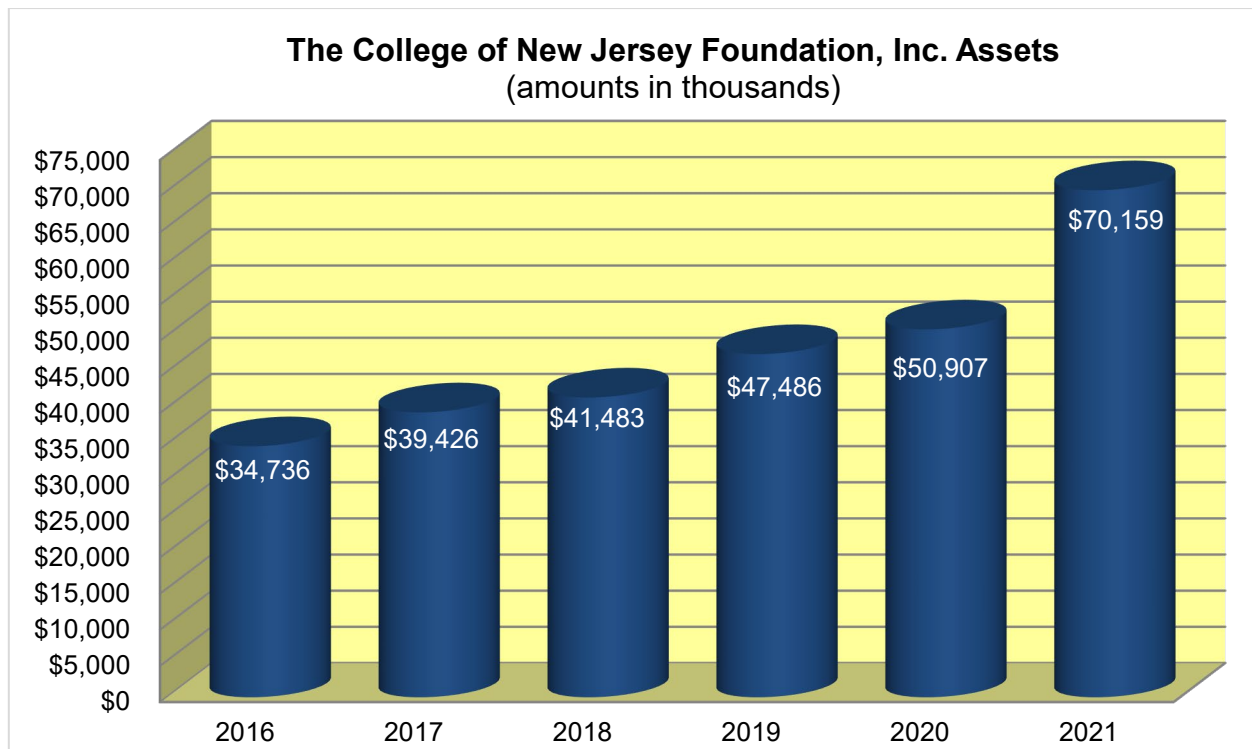
As of June 30, 2021, investments held by the Foundation were over \$65.4 million, up \$15.9 million from \$49.5 million in the previous fiscal year. The portfolio was allocated among various asset classes as shown below:



| Asset Allocation | 2021 | Percentage | 2020 | Percentage |
|--|----------------------|-------------------|----------------------|-------------------|
| Cash and cash equivalents | \$ 7,760,086 | 11.9% | \$ 4,404,190 | 8.9% |
| U.S. Treasury bills and notes and Government agencies | 3,884,416 | 5.9% | 2,467,181 | 5.0% |
| Certificates of deposit | — | 0.0% | 747,406 | 1.5% |
| Corporate bonds | 1,438,908 | 2.2% | 1,000,018 | 2.0% |
| Equity securities | 22,131,584 | 33.8% | 14,897,095 | 30.1% |
| Mutual funds | 19,005,534 | 29.1% | 6,914,339 | 14.0% |
| Exchange-traded funds | 4,603,517 | 7.0% | 13,353,450 | 27.0% |
| Alternative investments | 6,587,007 | 10.1% | 5,697,475 | 11.5% |
| Total Investments | \$ 65,411,052 | 100.0% | \$ 49,481,154 | 100.0% |

Growth of the Foundation's Assets

The chart below shows approximately 101.9% 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, 2021 and 2020, the Foundation's assets, which consist primarily of cash and cash equivalents and investments, totaled \$70.2 million and \$50.9 million, respectively.



Liabilities

In fiscal year 2021, total liabilities increased by \$4.6 million largely due to a \$2.0 million private grant received in June due to be transferred to TCNJ plus other scholarship and operating support due to the College. 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.

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, 2021 and 2020, the current liabilities were \$5.1 million and \$487 thousand, respectively. The Foundation's current assets of \$12.5 million and \$2.0 million as of June 30, 2021 and 2020, respectively, were indicators that the Foundation had adequate liquidity to satisfy its current obligations.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

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 2021 and 2020, net position increased by \$14.0 million or 29.2% and \$5.7 million or 13.5%, 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.

Restricted - Nonexpendable Net Position

During fiscal years 2021 and 2020, nonexpendable net position increased by \$756 thousand or 3.1% and \$4.1 million or 20.7%, 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 2021 and 2020, expendable net position had increases of \$7.8 million or 40.3% and \$141 thousand or 0.7%, respectively, due to gift receipts that were designated as expendable offset by expenses and transfers to the College.

Unrestricted Net Position

In fiscal year 2021, unrestricted net position had an increase of \$5.5 million or 116.1% 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 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.

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.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

The following table shows the condensed statements of revenues, expenses and changes in net position as of June 30, 2021, 2020 and 2019:

| Condensed Statements of Revenues, Expenses and Changes in Net Position | | | |
|--|---------------|------------|------------|
| | 2021 | 2020 | 2019 |
| Operating revenues | \$ 12,284,412 | 6,381,594 | 5,186,508 |
| Operating expenses | 8,640,234 | 5,479,017 | 5,713,789 |
| Operating income (loss) | 3,644,178 | 902,577 | (527,281) |
| Nonoperating revenues | 9,640,742 | 2,517,156 | 2,528,145 |
| Additions to permanent endowments | 761,181 | 2,307,372 | 4,129,103 |
| Increase in net position | 14,046,101 | 5,727,105 | 6,129,967 |
| Net position, beginning of year | 48,159,999 | 42,432,894 | 36,302,927 |
| Net position, end of year | \$ 62,206,100 | 48,159,999 | 42,432,894 |

Operating Revenues

The Foundation's main sources of revenue are contributions and private grants. Unrestricted and expendable contributions, private grants, and gift administration fees are reported as operating revenues. In fiscal year 2021, \$8.8 million in contributions were designated by donors as expendable and \$3.5 million in private grants were received, totaling \$12.3 million. In fiscal year 2020, \$4.9 million in contributions were designated by donors as expendable and \$1.5 million in private grants were received, totaling \$6.4 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 2021, operating expenses increased \$3.2 million or 57.7% primarily due to increases in the level of operating support to the College and private grants transferred to the College, plus an increase in fundraising events.

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.

Nonoperating and Other Revenues

In fiscal years 2021 and 2020, nonoperating revenues totaled \$9.6 million and \$2.5 million, respectively. In fiscal year 2021, total nonoperating revenues primarily consisted of investment returns, net of manager fees. 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.

Other revenues in fiscal years 2021 and 2020 included additions to permanent endowments of \$761 thousand and \$2.3 million, respectively, which represent gifts to be held in perpetuity.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2021 AND 2020

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. 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 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.

Due to continued restrictions and health-related concerns of the COVID-19 pandemic, fundraising staff is limited in its ability to meet in person with prospective donors. Virtual outreach will continue throughout fiscal year 2022. The extensive prospect research conducted over the past year, combined with customized cultivation plans, has the Foundation team poised to initiate the College's next major fundraising campaign.

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 214, Ewing, NJ 08628.

STATEMENTS OF NET POSITION

June 30, 2021 and 2020

| Assets | 2021 | 2020 |
|---|----------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 4,565,608 | 1,329,167 |
| Investments (note 4) | 7,760,085 | 614,610 |
| Due from The College of New Jersey (note 5) | 77 | 1,003 |
| Contribution receivables | 180,785 | 11,373 |
| Miscellaneous receivables | 836 | 82,616 |
| Prepaid expenses | 751 | 1,633 |
| Total current assets | <u>12,508,142</u> | <u>2,040,402</u> |
| Noncurrent assets: | | |
| Restricted investments (note 4) | 54,815,639 | 48,866,544 |
| Noncurrent investments (note 4) | 2,835,328 | — |
| Total noncurrent assets | <u>57,650,967</u> | <u>48,866,544</u> |
| Total assets | <u>70,159,109</u> | <u>50,906,946</u> |
| | | |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 103,142 | 12,206 |
| Due to The College of New Jersey (note 5) | 4,947,395 | 345,171 |
| Annuities payable (note 7) | 129,037 | 129,347 |
| Total current liabilities | <u>5,179,574</u> | <u>486,724</u> |
| Noncurrent liabilities: | | |
| Annuities payable (note 7) | 1,327,598 | 1,385,226 |
| Total noncurrent liabilities | <u>1,327,598</u> | <u>1,385,226</u> |
| Total liabilities | <u>6,507,172</u> | <u>1,871,950</u> |
| | | |
| Deferred Inflows of Resources | | |
| Deferred amounts from charitable gift annuities | 1,445,837 | 874,997 |
| | | |
| Net Position | | |
| Restricted: | | |
| Nonexpendable: | | |
| Scholarships | 14,554,546 | 13,983,195 |
| Other programs | 10,285,949 | 10,101,219 |
| Expendable: | | |
| Scholarships | 16,591,125 | 12,067,748 |
| Other programs | 10,522,723 | 7,264,174 |
| Unrestricted | 10,251,757 | 4,743,663 |
| Total net position | <u>\$ 62,206,100</u> | <u>48,159,999</u> |

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|----------------------|-------------------|
| Operating revenues: | | |
| Contributions | \$ 8,761,018 | 4,920,970 |
| Private grants & other | 3,523,394 | 1,460,624 |
| Total operating revenues | <u>12,284,412</u> | <u>6,381,594</u> |
| Operating expenses: | | |
| Scholarships and awards (note 5) | 1,439,577 | 1,398,543 |
| Fundraising events | 498,204 | 368,456 |
| Program services | 244,342 | 519,296 |
| Restricted funds contributed to: | | |
| The College of New Jersey (note 5) | 6,458,111 | 3,192,722 |
| Total operating expenses | <u>8,640,234</u> | <u>5,479,017</u> |
| Operating income | <u>3,644,178</u> | <u>902,577</u> |
| Nonoperating revenues: | | |
| Investment return, net | 9,636,375 | 690,875 |
| Gain on charitable gift annuities | 4,367 | 1,826,281 |
| Nonoperating revenues | <u>9,640,742</u> | <u>2,517,156</u> |
| Income before additions to endowment | <u>13,284,920</u> | <u>3,419,733</u> |
| Additions to permanent endowments | 761,181 | 2,307,372 |
| Increase in net position | <u>14,046,101</u> | <u>5,727,105</u> |
| Net position, beginning of year | 48,159,999 | 42,432,894 |
| Net position, end of year | <u>\$ 62,206,100</u> | <u>48,159,999</u> |

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---------------|-------------|
| Cash flows from operating activities: | | |
| Contributions and private grants | \$ 12,045,351 | 6,376,736 |
| Scholarships and awards | (1,016,123) | (1,394,669) |
| Fundraising events | (118,022) | (397,600) |
| Program services | (211,228) | (519,408) |
| Restricted funds contributed to: | | |
| The College of New Jersey | (2,556,067) | (3,372,961) |
| Net cash provided by operating activities | 8,143,911 | 692,098 |
| Cash flows from noncapital financing activities: | | |
| Additions to permanent endowments | 761,181 | 945,615 |
| Payments to annuitants | (45,798) | (418,700) |
| Termination of charitable gift annuities | 4,367 | — |
| Transactions with affiliates | (257) | — |
| Net cash provided by noncapital financing activities | 719,493 | 526,915 |
| Cash flows from investing activities: | | |
| Interest income | 2,698 | 8,881 |
| Investment manager fees | (274,604) | (248,255) |
| Purchases of investments | (5,756,134) | (1,619,367) |
| Withdrawals from investment accounts | 80,675 | 58,017 |
| Proceeds from sales of investments | 320,402 | 666,955 |
| Net cash used by investing activities | (5,626,963) | (1,133,769) |
| Net increase in cash and cash equivalents | 3,236,441 | 85,244 |
| Cash and cash equivalents, beginning of year | 1,329,167 | 1,243,923 |
| Cash and cash equivalents, end of year | \$ 4,565,608 | 1,329,167 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 3,644,178 | 902,577 |
| Stock gift contributions | (25,823) | (20,946) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Changes in assets, liabilities and deferred inflows of resources: | | |
| Due from The College of New Jersey | 926 | 469 |
| Contribution and miscellaneous receivables | (169,412) | 14,642 |
| Prepaid expenses | 882 | 4,576 |
| Accounts payable | 90,936 | (31,109) |
| Due to The College of New Jersey | 4,602,224 | (179,262) |
| Deferred inflows of resources | — | 1,151 |
| Net cash provided by operating activities | \$ 8,143,911 | 692,098 |
| Noncash transactions: | | |
| Change in fair value of investments | \$ 6,726,528 | (1,797,859) |
| In kind and stock gift contributions to investments | 25,823 | 20,946 |
| Stock gift contributions to endowments | — | 2,572 |
| Contributions to establish charitable gift annuities | — | 1,034,506 |
| Change in present value of annuities payable | 67,240 | 312,352 |
| Termination of charitable gift annuities | — | 3,185,466 |

See accompanying notes to financial statements.

Notes to the Financial Statements

(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

(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 \$6,570,898 and \$6,898,880 as of June 30, 2021 and 2020, 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

(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.

(3) Cash and Cash Equivalents

The carrying amount of cash as of June 30, 2021 was \$4,170,750 while the amount on deposit with the bank was \$4,177,746. The carrying amount of cash as of June 30, 2020 was \$934,549 while the amount on deposit with the bank was \$946,146.

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, 2021 and 2020 were insured by Federal Depository Insurance up to \$250,000. Bank balances as of June 30, 2021 and 2020 of \$3,927,746 and \$696,146, 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, 2021 and 2020 was \$394,858 and \$394,618, 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, 2021 and 2020. The State of New Jersey Cash Management Fund is unrated with an average portfolio maturity of less than one year.

(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, 2021 and 2020:

Notes to the Financial Statements

| Investments | | |
|-------------------------------|----------------------|-------------------|
| | 2021 | 2020 |
| Cash and cash equivalents | \$ 7,760,086 | 4,404,190 |
| U.S. Treasury bills and notes | 2,316,367 | 1,014,634 |
| U.S. Government agencies | 1,568,049 | 1,452,547 |
| Certificates of deposit | — | 747,406 |
| Corporate bonds | 1,438,908 | 1,000,018 |
| Equity securities | 22,131,584 | 14,897,095 |
| Mutual funds | 19,005,534 | 6,914,339 |
| Exchange-traded funds | 4,603,517 | 13,353,450 |
| Alternative investments: | | |
| Private equity | 924,999 | 711,602 |
| Hedge funds | 3,470,770 | 3,248,142 |
| Real estate income trust | 1,161,697 | 986,878 |
| Common trust funds | 1,029,541 | 750,853 |
| | <u>\$ 65,411,052</u> | <u>49,481,154</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 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.

Notes to the Financial Statements

- 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.

As of June 30, 2021 and 2020, 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:

| 2021 Fixed Income Investments Ratings | | | | |
|---------------------------------------|--------------|--|--------------------------------|--------------------|
| Rating | Total | U.S. Treasury bills and notes | U.S. Government agencies | Corporate bonds |
| Aaa | \$ 3,917,251 | 2,316,367 | 1,568,049 | 32,835 |
| Aa1 | 47,210 | — | — | 47,210 |
| Aa2 | 130,815 | — | — | 130,815 |
| Aa3 | 24,438 | — | — | 24,438 |
| A1 | 180,118 | — | — | 180,118 |
| A2 | 302,215 | — | — | 302,215 |
| A3 | 165,537 | — | — | 165,537 |
| Baa1 | 230,187 | — | — | 230,187 |
| Baa2 | 325,553 | — | — | 325,553 |
| Total | \$ 5,323,324 | 2,316,367 | 1,568,049 | 1,438,908 |

Notes to the Financial Statements

| 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 |

The certificates of deposit of \$747,406 as of June 30, 2020 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, 2021 and 2020, 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:

| 2021 Fixed Income Investments Maturity | | | | |
|--|--------------|--|--------------------------------|--------------------|
| Maturing in years | Total | U.S. Treasury bills and notes | U.S. Government agencies | Corporate bonds |
| 1 – 5 | \$ 1,462,927 | 842,813 | 46,372 | 573,742 |
| 6 – 10 | 1,339,046 | 556,774 | 72,587 | 709,685 |
| Greater than 10 | 2,521,351 | 916,780 | 1,449,090 | 155,481 |
| Total | \$ 5,323,324 | 2,316,367 | 1,568,049 | 1,438,908 |

Notes to the Financial Statements

| 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 |

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 or published 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.

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

Notes to the Financial Statements

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, 2021 and 2020 are summarized in the following table by their fair value hierarchy:

| 2021 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 | \$ 2,316,367 | 2,316,367 | — | — |
| U.S. Government agencies | 1,568,049 | — | 1,568,049 | — |
| Corporate bonds | 1,438,908 | — | 1,438,908 | — |
| Equity securities | 22,131,584 | 22,131,584 | — | — |
| Mutual funds | 19,005,534 | 19,005,534 | — | — |
| Exchange-traded funds | 4,603,517 | 4,603,517 | — | — |
| Total investments by fair value level | 51,063,959 | 48,057,002 | 3,006,957 | — |
| <i>Investments measured at net asset value (NAV)</i> | | | | |
| Private equity | 924,999 | | | |
| Hedge funds | 3,470,770 | | | |
| Real estate income trust | 1,161,697 | | | |
| Common trust funds | 1,029,541 | | | |
| Total investments measured at NAV | 6,587,007 | | | |
| Total investments measured at fair value | \$ 57,650,966 | | | |

Notes to the Financial Statements

| 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

The fair value as of June 30, 2021 and 2020 and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

| 2021 Investments Measured at NAV | | | |
|--------------------------------------|---------------------|---|---|
| Investment | Fair value | Redemption frequency (if currently eligible) | Redemption notice period |
| Private equity | \$ 924,999 | Quarterly | 65 days |
| Hedge funds | 3,470,770 | Quarterly | 30 - 96 days |
| Real estate income trust | 1,161,697 | Monthly | Second to last business day of the month |
| Common trust funds | 1,029,541 | N/A | N/A |
| Total investments measured at NAV | <u>\$ 6,587,007</u> | | |

| 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 | <u>\$ 5,697,475</u> | | |

As of June 30, 2021 and 2020, 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.

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 restricted private grants, institutional scholarship support, and departmental support of \$6,458,111 and \$3,192,722 during fiscal years 2021 and 2020. In addition, the Foundation contributed \$1,321,359 and \$1,287,908, respectively, of designated scholarship support to the College during fiscal years 2021 and 2020 which is part of students' financial aid. Designated scholarship support is reported as scholarships and awards expense. The following table shows the contributions to the College for fiscal years 2021 and 2020:

| Transactions with Affiliates | | | |
|--|----|-----------|--------------|
| | | 2021 | 2020 |
| Restricted funds – Private grants | \$ | 3,819,569 | \$ 1,630,968 |
| Institutional scholarship support | | 1,163,695 | 1,179,395 |
| Restricted funds – Departmental transfers | | 1,464,847 | 382,333 |
| Gifts in kind | | 10,000 | 26 |
| Total restricted funds contributed to TCNJ | \$ | 6,458,111 | \$ 3,192,722 |
| Designated scholarship support | | 1,321,359 | 1,287,908 |
| Total transferred to TCNJ | | 7,779,470 | 4,480,630 |

Notes to the Financial Statements

Amounts due to The College of New Jersey for restricted funds contributed to the College included in the statements of net position as of June 30, 2021 and 2020 was \$4,236,289 and \$318,269, respectively. Amounts due to the College for designated scholarships included in the statements of net position as of June 30, 2021 and 2020 was \$377,486 and zero, respectively. The College also provides certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in fiscal years 2021 and 2020.

(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 \$8,412,000 and \$6,798,000 as of June 30, 2021 and 2020, respectively.

(7) Noncurrent Liabilities

For the years ended June 30, 2021 and 2020, noncurrent liabilities activity was as follows:

| 2021 Noncurrent Liabilities Activity | | | | | |
|--------------------------------------|-------------------|-----------|------------|----------------|-----------------|
| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
| Noncurrent liabilities: | | | | | |
| Annuities payable | \$ 1,514,573 | 74,727 | 132,665 | 1,456,635 | 129,037 |
| Total noncurrent liabilities | \$ 1,514,573 | 74,727 | 132,665 | 1,456,635 | 129,037 |

| 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 |

(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.