

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, 2023 and 2022

(With Independent Auditors' Report Thereon)

Table of Contents

	Page
Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Statements of Net Position as of June 30, 2023 and 2022	15
Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2023 and 2022	16
Statements of Cash Flows for the years ended June 30, 2023 and 2022	17
Notes to the Financial Statements	18

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

D +1 215 561 4200

F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the 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 year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other matter

The financial statements of the Foundation as of and for the year ended June 30, 2022 were audited by other auditors, who expressed an unmodified opinion on those financial statements in their report dated November 22, 2022.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, included on pages 4 through 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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 US GAAS. These limited procedures 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 audit 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 15, 2023

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

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, 2023 and 2022, 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 its 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 performance was consistent with the overall market for the fiscal years ended June 30, 2023 and 2022. The endowment pool rate of return was a positive 10.2% net of investment manager fees compared to the previous year's negative performance of 12.8%. The gift annuity pool also generated a positive rate of return of 8.3% versus the previous year negative return of 14.5%. The fiscal year 2023 endowment pool return was above the fiscal year 2023 portfolio benchmark of CPI + 5.0%. The fiscal year 2022 endowment pool return was below the fiscal year 2022 portfolio benchmark of CPI + 5.0%.

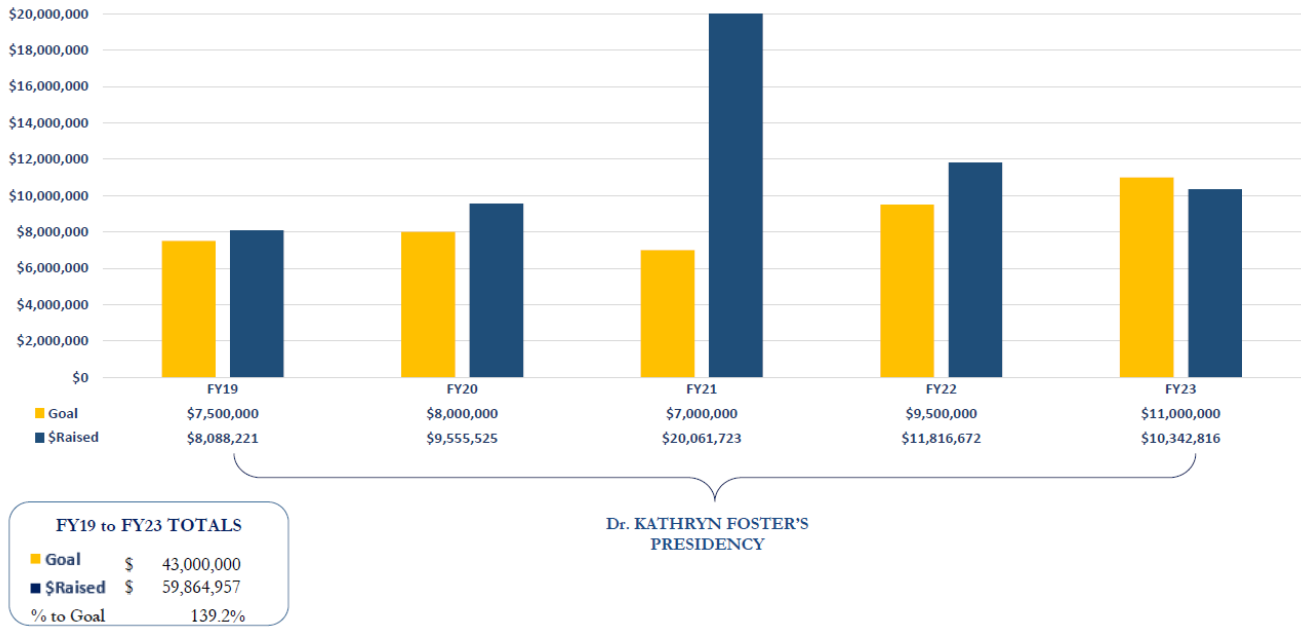
As of June 30, 2023, total investments held by the Foundation were \$61.1 million, up \$3.1 million from \$58.0 million at the previous year end. This increase is attributable to an increase in distributions subtracted from the investment portfolio offset by the positive investment performance. Approximately \$7.2 million in funds held in trust by others that the Foundation was the named beneficiary of are not included in the investments above (see note 6).

The Campaign for TCNJ Highlights

During the tenure of Dr. Kathryn Foster as president, the Foundation has experienced a successful run in fundraising. The Foundation has received a total of \$59.8 million in new gifts, pledges and planned gifts. This figure exceeds the aggregate goal for the four-year period by approximately 139.2%. In fiscal year 2023, the Foundation generated \$10.3 million in pledges, cash and bequests which represents a 6% decrease over the annual goal of \$11 million.

In the graph below, the actual fundraising performance, which includes gifts, private grants, pledges and bequests, exceeded the fundraising goal in fiscal years 2019 to 2022, but did not exceed the fundraising goal in fiscal year 2023. 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.

FIVE YEAR FOUNDATION REVENUE REPORT



Fiscal Year 2023 Fundraising Highlights

In fiscal year 2023, the Foundation’s fundraising performance garnered a substantial increase in new revenue leading to the creation of nineteen new endowed funds, seventeen new current use funds and five new charitable gift annuities. The endowed funds raised in fiscal year 2023 represent a total of \$1,258,999 in support of scholarships across five different schools as well as faculty development programs which will be managed within the Office of the Provost.

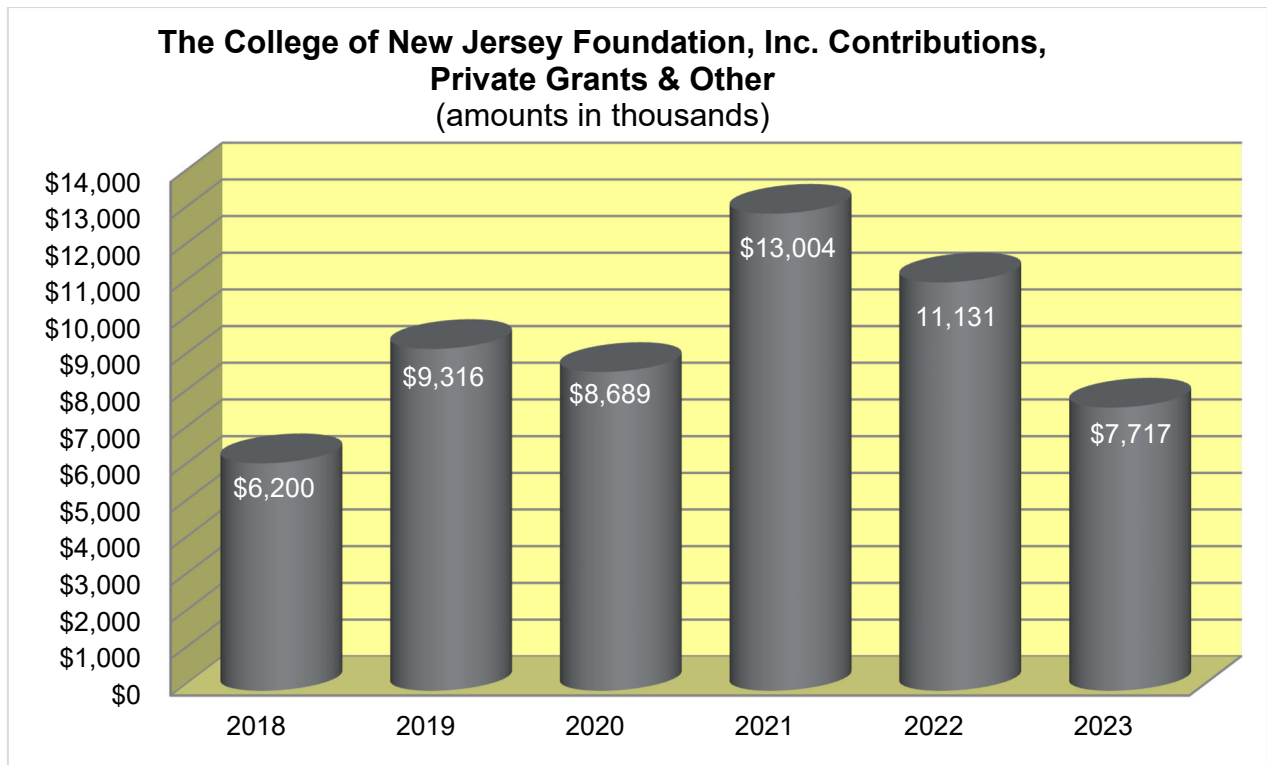
A few highlights from the revenue received this past year include:

- \$33,248 realized bequest that supports both scholarships and academic programs in the School of Education.
- \$3,719,354 in payments from multiple foundations in support of educational initiatives and programming. The Foundation developed a partnership with OceanFirst Foundation to support \$40,000 per year in scholarships.
- The Day of Giving campaign revenue totaled \$546,608 in fiscal year 2023.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

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.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

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, 2023, 2022 and 2021:

Condensed Statements of Net Position			
	2023	2022	2021
Assets:			
Current assets	\$ 3,308,703	3,613,342	12,508,142
Noncurrent assets	59,691,894	56,785,620	57,650,967
Total assets	63,000,597	60,398,962	70,159,109
Liabilities:			
Current liabilities	2,734,221	2,459,471	5,179,574
Noncurrent liabilities	1,458,849	1,283,771	1,327,598
Total liabilities	4,193,070	3,743,242	6,507,172
Deferred inflows of resources	1,181,875	935,489	1,445,837
Net position:			
Restricted – nonexpendable	29,855,933	29,158,793	24,840,495
Restricted – expendable	22,156,214	17,777,831	27,113,848
Unrestricted	5,613,505	8,783,607	10,251,757
Total net position	\$ 57,625,652	55,720,231	62,206,100

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

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, 2023, cash and investments held by the Foundation was approximately \$62.2 million, an increase of \$1.8 million primarily due to unrealized gains in the investment portfolio for fiscal year 2023.

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

Cash and Investment Pools				
Pool	Type of Funds	2023	2022	2021
Cash and cash equivalents	Working capital to support operating activities	\$ 1,132,723	2,352,088	4,565,608
Endowment pool	Contributions to establish endowment funds	56,146,596	53,704,351	60,122,099
Gift annuities and trusts	Gifts managed independently of endowment pool	4,906,506	4,313,537	5,288,953
	Total	\$ 62,185,825	60,369,976	69,976,660

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

The Foundation's cash and cash equivalents had a net decrease of \$1.2 million from \$2.3 million as of June 30, 2022 to \$1.1 million as of June 30, 2023. During the fiscal year, \$1.9 million of cash gifts for endowments were transferred to the investment pool, net of \$4.9 million that was liquidated to fund scholarship and other expenses. Cash receipts from fundraising and private grants totaled \$6.8 million, a \$3.8 million 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 \$2.0 million. In addition, net transfers of restricted funds and scholarship support to the College totaling \$9.1 million plus \$144 thousand in payments to annuitants were made.

The Foundation's cash and cash equivalents had a net decrease of \$2.2 million from \$4.6 million as of June 30, 2021 to \$2.4 million as of June 30, 2022. During the fiscal year, \$4.4 million of cash gifts for endowments were transferred to the investment pool, net of \$3.1 million that was liquidated to fund scholarship and other expenses. Cash receipts from fundraising and private grants totaled \$10.6 million, a \$2.2 million decrease over the prior fiscal

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

year. The total cash receipts were offset by cash disbursements for donor-directed scholarships, fundraising and program services expenses totaling \$3.1 million. In addition, net transfers of restricted funds and scholarship support to the College totaling \$8.3 million plus \$129 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.

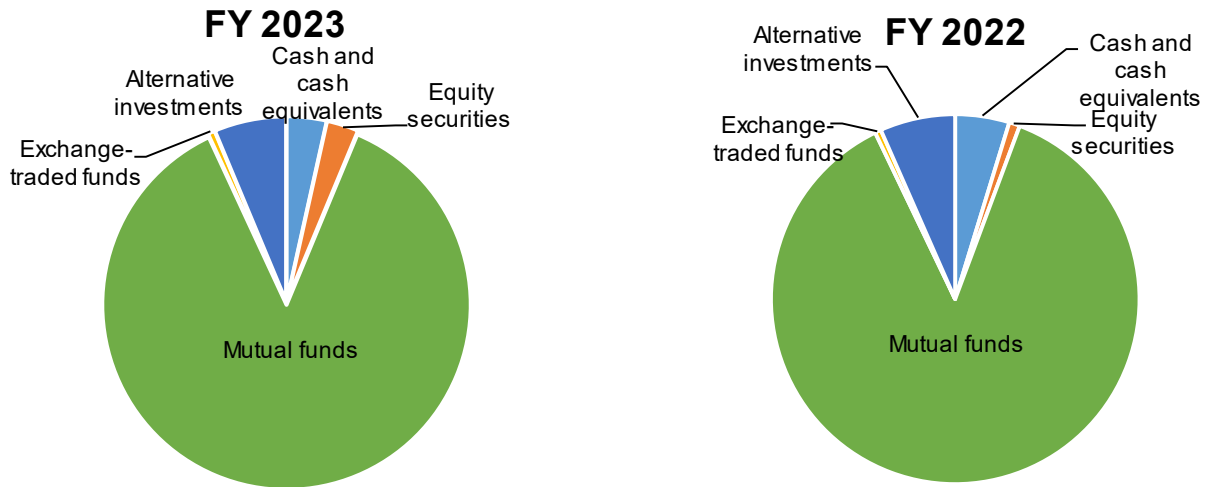
In fiscal year 2023, the investment portfolio net increase of \$3.1 million was driven by transfers of \$1.9 million in cash and stock gifts into the portfolio and \$6.0 million of investment income and realized and unrealized gains due to the change in the market value of the portfolio that were offset by \$4.9 million of withdrawals. Additionally, there were \$144 thousand in disbursements for contractual payments to gift annuitants and \$41 thousand in investment manager fees.

In fiscal year 2022, the investment portfolio net decrease of \$7.4 million was driven by transfers of \$4.6 million in cash and stock gifts into the portfolio that was offset by \$3.1 million of withdrawals and a net loss of \$8.7 million of investment income and realized and unrealized losses due to decline in the market value of the portfolio. Additionally, there were \$129 thousand in disbursements for contractual payments to gift annuitants and \$74 thousand in investment manager fees.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

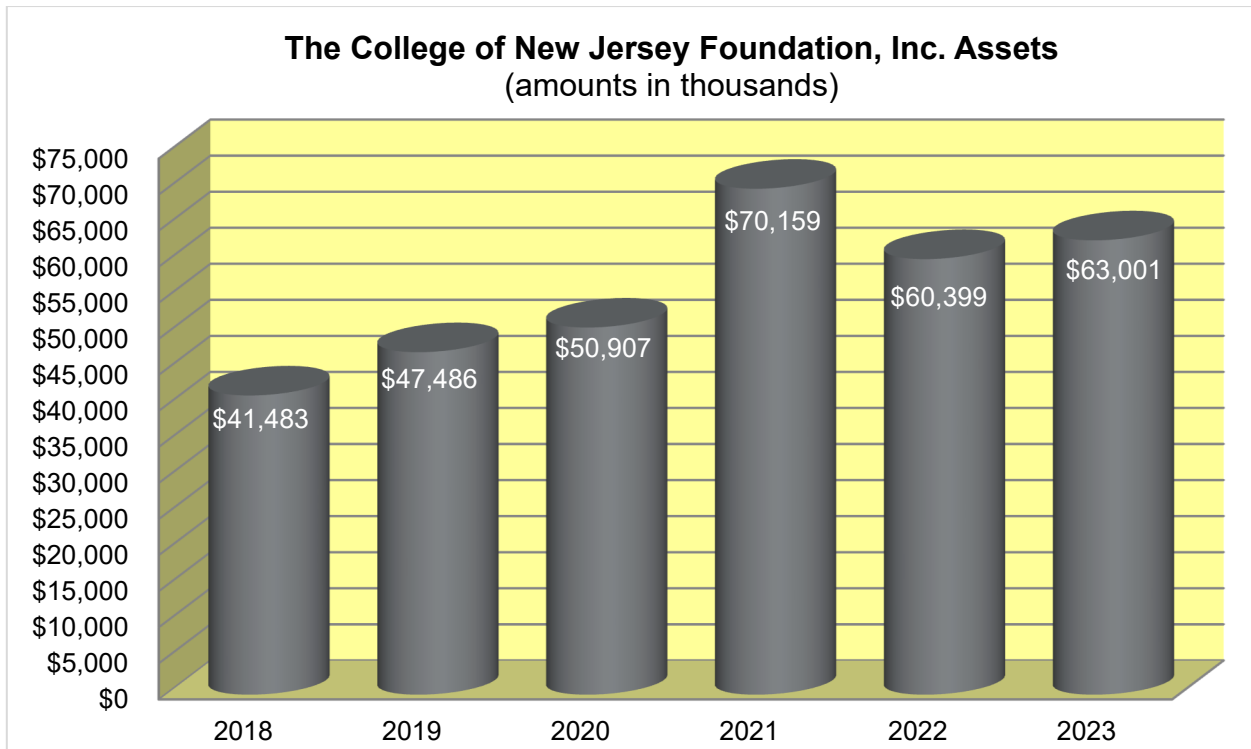
As of June 30, 2023, investments held by the Foundation were approximately \$61.1 million, up \$3.1 million from \$58.0 million in the previous fiscal year. The portfolio was allocated among various asset classes as shown below:



Asset Allocation	2023	Percentage	2022	Percentage
Cash and cash equivalents	\$ 1,544,929	2.5%	\$ 2,756,988	4.8%
Equity securities	2,297,758	3.8%	550,055	0.9%
Mutual funds	52,975,817	86.8%	50,556,576	87.2%
Exchange-traded funds	377,786	0.6%	316,712	0.5%
Alternative investments	3,856,812	6.3%	3,837,557	6.6%
Total Investments	\$ 61,053,102	100.0%	\$ 58,017,888	100.0%

Growth of the Foundation's Assets

The chart below shows approximately 51.9% 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, 2023 and 2022, the Foundation's assets, which consist primarily of cash and cash equivalents and investments, totaled \$63.0 million and \$60.4 million, respectively.



Liabilities

In fiscal year 2023, total liabilities increased by approximately \$450 thousand largely due to the increase in Foundation support due to TCNJ at June 30 as compared to the prior fiscal year. In fiscal year 2022, total liabilities decreased by \$2.7 million largely due to the decrease in Foundation support due to TCNJ at June 30 as compared to the prior fiscal year.

Working Capital

Working capital is a key metric used to measure the Foundation's liquidity for operations. 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, 2023 and 2022, the current liabilities were \$2.7 million and \$2.5 million, respectively. The Foundation's current assets of \$3.3 million and \$3.6 million as of June 30, 2023 and 2022, respectively, were indicators that the Foundation had adequate liquidity to satisfy its current obligations.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

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 year 2023, net position increased by \$1.9 million or 3.4%. In fiscal year 2022, net position decreased by \$6.5 million or 10.4%. In fiscal year 2023, the increase was driven by net investment return from the improved stock market performance. In fiscal year 2022, the decrease was driven by net unrealized losses from the negative stock market performance.

Restricted - Nonexpendable Net Position

During fiscal years 2023 and 2022, nonexpendable net position increased by \$697 thousand or 2.4% and \$4.3 million or 17.4%, 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 year 2023, expendable net position increased by \$4.4 million or 24.6% due to gift receipts that were offset by expenses and transfers to the College along with the unrealized gains in the investment portfolio. In fiscal year 2022, expendable net position decreased by \$9.3 million or 34.4% due to gift receipts that were offset by expenses and transfers to the College along with the unrealized losses in the investment portfolio.

Unrestricted Net Position

In fiscal year 2023, unrestricted net position had a decrease of \$3.2 million or 36.1% primarily due to expenses and transfers that exceeded unrestricted gifts receipts. In fiscal year 2022, unrestricted net position had a decrease of \$1.5 million or 14.3% primarily due to investment losses and expenses that exceeded unrestricted gifts receipts.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present 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, 2023 AND 2022

The following table shows the condensed statements of revenues, expenses and changes in net position as of June 30, 2023, 2022 and 2021:

Condensed Statements of Revenues, Expenses and Changes in Net Position			
	2023	2022	2021
Operating revenues	\$ 7,548,168	6,812,527	12,284,412
Operating expenses	11,983,950	9,282,892	8,640,234
Operating (loss) income	(4,435,782)	(2,470,365)	3,644,178
Nonoperating revenues (losses)	5,644,063	(8,333,801)	9,640,742
Additions to permanent endowments	697,140	4,318,297	761,181
Increase (decrease) in net position	1,905,421	(6,485,869)	14,046,101
Net position, beginning of year	55,720,231	62,206,100	48,159,999
Net position, end of year	\$ 57,625,652	55,720,231	62,206,100

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 2023, \$4.8 million in contributions were designated by donors as expendable and \$2.7 million in private grants were received. In addition, the Foundation received \$597 thousand in gift administration fees and other revenue. In fiscal year 2022, \$3.2 million in contributions were designated by donors as expendable and \$3.1 million in private grants were received. In addition, the Foundation received \$575 thousand in gift administration fees and other revenue.

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 2023, operating expenses increased \$2.7 million or 29.1% primarily due to increases in fundraising events, gift administration fee charges to restricted funds, and expenses for College programs.

In fiscal year 2022, operating expenses increased \$642 thousand or 7.4% primarily due to increases in fundraising events, gift administration fee charges to restricted funds, and expenses for College programs.

Nonoperating Revenues (Losses) and Other Additions

In fiscal year 2023, nonoperating revenues totaled \$5.6 million, consisting of unrealized investment gains, net of manager fees. In fiscal year 2022, nonoperating losses totaled \$8.3 million, consisting of unrealized investment losses, net of manager fees.

Other additions in fiscal years 2023 and 2022 included additions to permanent endowments of \$697 thousand and \$4.3 million, respectively, which represent gifts to be held in perpetuity.

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2023 AND 2022

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.

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, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,132,723	2,352,088
Investments (note 4)	1,361,208	1,232,268
Due from The College of New Jersey	17,500	17,625
Contribution receivables	793,844	10,601
Miscellaneous receivables	2,911	329
Prepaid expenses	517	431
Total current assets	3,308,703	3,613,342
Noncurrent assets:		
Restricted investments (note 4)	54,671,404	49,286,640
Noncurrent investments (note 4)	5,020,490	7,498,980
Total noncurrent assets	59,691,894	56,785,620
Total assets	63,000,597	60,398,962
Liabilities		
Current liabilities:		
Accounts payable	131,234	156,341
Due to The College of New Jersey (note 5)	2,459,078	2,172,373
Annuities payable (note 7)	143,909	130,757
Total current liabilities	2,734,221	2,459,471
Noncurrent liabilities:		
Annuities payable (note 7)	1,458,849	1,283,771
Total noncurrent liabilities	1,458,849	1,283,771
Total liabilities	4,193,070	3,743,242
Deferred Inflows of Resources		
Deferred amounts from charitable gift annuities	1,181,875	935,489
Net Position		
Restricted:		
Nonexpendable:		
Scholarships	18,646,094	18,157,768
Other programs	11,209,839	11,001,025
Expendable:		
Scholarships	12,119,923	9,908,673
Other programs	10,036,291	7,869,158
Unrestricted	5,613,505	8,783,607
Total net position	\$ 57,625,652	55,720,231

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Contributions	\$ 4,842,690	3,158,946
Private grants & other	2,705,478	3,653,581
Total operating revenues	<u>7,548,168</u>	<u>6,812,527</u>
Operating expenses:		
Scholarships and awards (note 5)	1,465,925	1,444,025
Fundraising events	1,212,029	1,119,755
Program services	823,154	540,766
Restricted funds contributed to:		
The College of New Jersey (note 5)	8,482,842	6,178,346
Total operating expenses	<u>11,983,950</u>	<u>9,282,892</u>
Operating loss	<u>(4,435,782)</u>	<u>(2,470,365)</u>
Nonoperating revenues (losses):		
Investment return, net	5,644,063	(8,333,801)
Nonoperating revenues (losses)	<u>5,644,063</u>	<u>(8,333,801)</u>
Income (loss) before additions to endowment	1,208,281	(10,804,166)
Additions to permanent endowments	697,140	4,318,297
Increase (decrease) in net position	<u>1,905,421</u>	<u>(6,485,869)</u>
Net position, beginning of year	55,720,231	62,206,100
Net position, end of year	<u>\$ 57,625,652</u>	<u>55,720,231</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Contributions and private grants	\$ 6,054,082	6,379,153
Scholarships and awards	(522,675)	(1,824,908)
Fundraising events	(691,735)	(847,522)
Program services	(826,025)	(456,136)
Restricted funds contributed to:		
The College of New Jersey	(9,083,410)	(8,333,348)
Net cash used by operating activities	(5,069,763)	(5,082,761)
Cash flows from noncapital financing activities:		
Additions to permanent endowments	697,140	4,219,783
Payments to annuitants	(143,738)	(129,114)
Transactions with affiliates	125	(17,291)
Net cash provided by noncapital financing activities	553,527	4,073,378
Cash flows from investing activities:		
Interest income	28,974	4,518
Investment manager fees	(144,584)	(73,502)
Purchases of investments	(1,764,858)	(4,422,376)
Withdrawals from investment accounts	4,992,621	3,083,277
Proceeds from sales of investments	184,718	203,946
Net cash provided by (used by) investing activities	3,296,871	(1,204,137)
Net decrease in cash and cash equivalents	(1,219,365)	(2,213,520)
Cash and cash equivalents, beginning of year	2,352,088	4,565,608
Cash and cash equivalents, end of year	\$ 1,132,723	2,352,088
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (4,435,782)	(2,470,365)
In-kind and stock gift contributions to investments	(112,250)	(19,900)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets, liabilities and deferred inflows of resources:		
Contribution and miscellaneous receivables	(783,243)	170,184
Prepaid expenses	(86)	320
Accounts payable	(25,107)	53,199
Due to The College of New Jersey	286,705	(2,775,022)
Deferred inflows of resources	—	(41,177)
Net cash used by operating activities	\$ (5,069,763)	(5,082,761)
Noncash transactions:		
Change in fair value of investments	\$ 6,041,438	(28,755,210)
In-kind and stock gift contributions to investments	112,250	19,900
Stock gift contributions to endowments	—	98,514
Change in present value of annuities payable	—	67,328

The accompanying notes are an integral part of these 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. Endowment 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. Endowment pledges for which cash has not been received were \$5,747,433 and \$5,526,080 as of June 30, 2023 and 2022, 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. There were no such contributions from the College in 2023 or 2022.

(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 year 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, 2023 was \$722,592 while the amount on deposit with the bank was \$743,752. The carrying amount of cash as of June 30, 2022 was \$1,956,413 while the amount on deposit with the bank was \$1,982,757.

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, 2023 and 2022 were insured by Federal Depository Insurance up to \$250,000. Bank balances as of June 30, 2023 and 2022 of \$493,752 and \$1,732,757, 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, 2023 and 2022 was \$410,131 and \$395,675, 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, 2023 and 2022. 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, 2023 and 2022:

Investments		
	2023	2022
Cash and cash equivalents	\$ 1,544,929	2,756,988
Equity securities	2,297,758	550,055
Mutual funds	52,975,817	50,556,576
Exchange-traded funds	377,786	316,712
Alternative investments:		
Hedge funds	3,034,790	2,970,141
Common trust funds	822,022	867,416
	<u>\$ 61,053,102</u>	<u>58,017,888</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, 2023 and 2022, the Foundation was not invested in fixed income securities.

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, 2023 and 2022, the Foundation was not invested in any fixed income securities.

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.

Notes to the Financial Statements

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

- 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.
- 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.

The Foundation's investments at June 30, 2023 and 2022 are summarized in the following table by their fair value hierarchy:

2023 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>				
Equity securities	\$ 2,297,758	2,297,758	—	—
Mutual funds	52,975,817	52,975,817	—	—
Exchange-traded funds	377,786	377,786	—	—
Total investments by fair value level	55,651,361	55,651,361	—	—
<i>Investments measured at net asset value (NAV)</i>				
Hedge funds	3,034,790			
Common trust funds	822,022			
Total investments measured at NAV	3,856,812			
Total investments measured at fair value	\$ 59,508,173			

Notes to the Financial Statements

2022 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>				
Equity securities	\$ 550,055	550,055	—	—
Mutual funds	50,556,576	50,556,576	—	—
Exchange-traded funds	316,712	316,712	—	—
Total investments by fair value level	51,423,343	51,423,343	—	—
<i>Investments measured at net asset value (NAV)</i>				
Hedge funds	2,970,141			
Common trust funds	867,416			
Total investments measured at NAV	3,837,557			
Total investments measured at fair value	\$ 55,260,900			

The fair value as of June 30, 2023 and 2022 and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

2023 Investments Measured at NAV			
Investment	Fair value	Redemption frequency (if currently eligible)	Redemption notice period
Hedge funds	\$ 3,034,790	Quarterly	95 days
Common trust funds	822,022	N/A	N/A
Total investments measured at NAV	\$ 3,856,812		

2022 Investments Measured at NAV			
Investment	Fair value	Redemption frequency (if currently eligible)	Redemption notice period
Hedge funds	\$ 2,970,141	Quarterly	95 days
Common trust funds	867,416	N/A	N/A
Total investments measured at NAV	\$ 3,837,557		

Notes to the Financial Statements

As of June 30, 2023 and 2022, 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.

Hedge funds: This type consisted of investments in one fund as of June 30, 2023 and 2022 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. 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 fund held as of June 30, 2023 and 2022 may be redeemed semi-annually based on the investment anniversary date with at least 95 days subject to a one-year soft lock up which expired in February 2023. The fair value of the investments 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 \$8,482,842 and \$6,178,346 during fiscal years 2023 and 2022, respectively. In addition, the Foundation contributed \$1,364,507 and \$1,304,853, respectively, of designated scholarship support to the College during fiscal years 2023 and 2022, respectively, 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 2023 and 2022:

Transactions with Affiliates		
	2023	2022
Capital expenditures and operating support	\$ 3,948,622	\$ -
Restricted funds – Private grants	2,811,672	3,147,509
Institutional scholarship support	948,343	1,167,121
Restricted funds – Departmental transfers	773,606	1,862,253
Gifts in kind	599	1,463
Total restricted funds contributed to TCNJ	\$ 8,482,842	\$ 6,178,346
Designated scholarship support	1,364,507	1,304,853
Total transferred to TCNJ	<u>9,847,349</u>	<u>7,483,199</u>

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, 2023 and 2022 was \$1,478,658 and \$2,131,986, respectively. Amounts due to the College for designated scholarships included in the statements of net position as of June 30, 2023 and 2022 was \$980,420 and \$40,387, respectively. The College also provides certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in fiscal years 2023 and 2022.

(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 was \$7,162,041 and \$6,994,320 as of June 30, 2023 and 2022, respectively.

(7) Noncurrent Liabilities

For the years ended June 30, 2023 and 2022, noncurrent liabilities activity was as follows:

2023 Noncurrent Liabilities Activity					
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:					
Annuities payable	\$ 1,414,528	331,968	143,738	1,602,758	143,909
Total noncurrent liabilities	\$ 1,414,528	331,968	143,738	1,602,758	143,909

2022 Noncurrent Liabilities Activity					
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:					
Annuities payable	\$ 1,456,635	87,007	129,114	1,414,528	130,757
Total noncurrent liabilities	\$ 1,456,635	87,007	129,114	1,414,528	130,757

(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) Subsequent Events

Management evaluated events through November 15, 2023, the date the financial statements were available to be issued, and no subsequent events were identified.