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, 2017 and 2016

(With Independent Auditors' Report Thereon)

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KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

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, 2017 and 2016, 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 financial position of the Foundation as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11 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 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.

KPMG LLP

Short Hills, New Jersey
October 18, 2017

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, 2017 and 2016, 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 footnote disclosures.

Using the Financial Statements

The Foundation's financial report includes three financial statements: the statement of net position, the statement of revenues, expenses and changes in net position, and the statement 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.

Fiscal Years 2017 and 2016 Investments Highlights

The Foundation's investment portfolios produced positive results for the fiscal year ended June 30, 2017. The endowment pool posted a positive rate of return of 9.55% net of investment manager fees, an improvement in performance compared to the previous year's negative performance of 0.07%. The gift annuity pool also improved, producing a return of 10.28% versus the previous year return of 1.87%. The fiscal year 2017 endowment pool return was below the advisor-defined style index of 11.22%, while the gift annuity pool return was in line with its advisor-defined style benchmark of 10.29%.

As of June 30, 2017, total investments held by the Foundation were over $37.4 million, up from $33.4 million at the previous year end. This increase is attributable to cash from gifts received being transferred to the investment portfolio coupled with the positive investment performance. In addition, funds held in trust by others that the Foundation was the named beneficiary but were not included in the investments, had a fair market value of approximately $6.3 million as of June 30, 2017.

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.

Fundraising Highlights for Fiscal Year 2017

During fiscal year 2017, the Foundation completed its first-ever comprehensive fundraising campaign. The Campaign for The College of New Jersey (TCNJ or the College): Innovate ●Inspire ●Engage (the Campaign) was launched with a goal of raising $40 million by June 30, 2017. In January 2017, the goal was met and the College's Board of Trustees challenged the Foundation to increase the goal to $45 million. The objective of the Campaign was to build the endowment and secure other budget relieving gifts in support of student financial aid, faculty support, programmatic initiatives, and capital improvement. As of June 30, 2017, the Campaign received $47.6

million in gifts and pledges toward the increased overall goal of $45 million. Those gifts and pledges were received in support of the specific priorities of TCNJ as follows:

Campaign for The College of New Jersey (in millions)					
		Goal		Total Gifts and Pledges	Percent of Goal
Student support	$	20.0	$	25.4	127%
TCNJ experience		14.0		17.0	121%
Faculty support		4.0		4.1	103%
Capital/facilities		2.0		1.1	55%
Total	**$**	**40.0**	**$**	**47.6**	**119%**

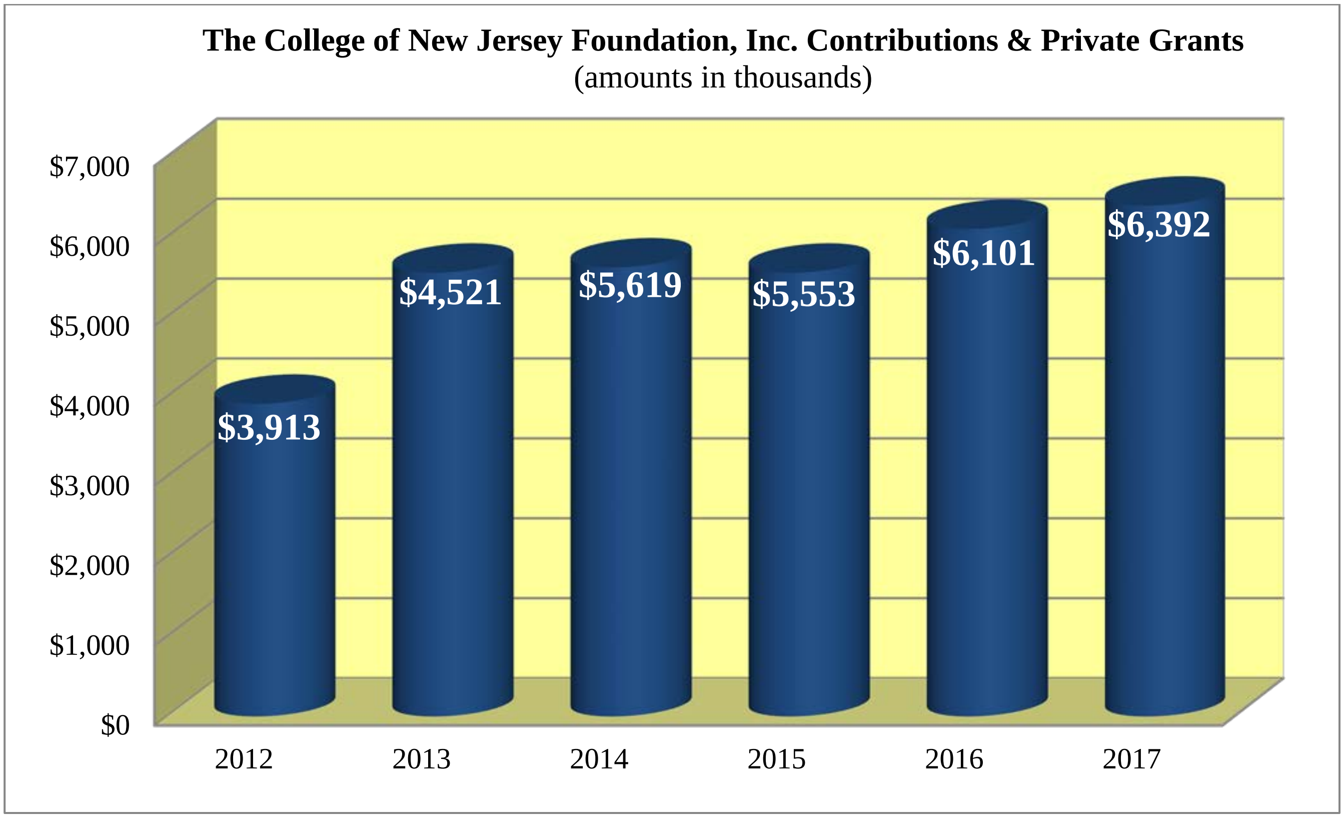
The campaign resulted in 70 new endowed funds valued at more than $18.5 million once all pledge payments are received.

Against a fiscal year 2017 goal of $8.5 million, the Foundation raised $10.8 million (127% of goal) in gifts and pledges. Certain gifts and pledges have not met the eligibility requirements for recognition criteria of GASB Statement No. 33 (GASB 33) and have not been recorded in the Foundation's financial statements.

Total gifts received by the Foundation and recognized as revenue in the statement of revenues, expenses and changes in net position in fiscal year 2017 was $6.4 million compared to fiscal year 2016 gifts received of $6.1 million. Of the total raised in fiscal year 2017, approximately $1.8 million was added to the permanent endowment. A few highlights from the contributions received this past year include:

- Endowed gifts and pledges:
  - $2.0 million pledge to fund an endowed chair in the School of Education with $684 thousand received against this pledge in fiscal year 2017.
  - $150 thousand pledge to support programming in the School of Business.
  - $100 thousand pledge to support need-based scholarships with $20 thousand received against this pledge in fiscal year 2017.
- $175 thousand endowed and current use pledge and gift to support faculty engaged in urban innovation. Of the $175 thousand, $21 thousand was received as a current use gift and $29 thousand was received against the $154 thousand pledge.
- $200 thousand in pledges to support the Women in Learning and Leadership program.
- Online donations increased 14% over fiscal year 2016.
- The TCNJ Day of Giving raised $136 thousand compared to $69 thousand in fiscal year 2016.

Alumni and friends continue to show their support for TCNJ through generous gifts and advocacy. Their financial contribution provides 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:



Statement of Net Position

The statement of net position presents the financial position of the Foundation as of the end of the fiscal year. The purpose of the statement 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.

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 a condensed statement of net position as of June 30, 2017, 2016, and 2015:

Condensed Statement of Net Position		2017	2016	2015
Assets:				
Current assets	$	3,959,593	3,771,234	4,005,469
Noncurrent assets		35,466,452	30,964,713	30,612,816
Total assets		39,426,045	34,735,947	34,618,285
Liabilities:				
Current liabilities		1,956,115	1,136,109	1,719,896
Noncurrent liabilities		2,681,336	2,756,530	2,569,733
Total liabilities		4,637,451	3,892,639	4,289,629
Net position:				
Restricted – nonexpendable		13,642,020	12,040,365	10,945,542
Restricted – expendable		17,780,513	15,763,868	16,004,602
Unrestricted		3,366,061	3,039,075	3,378,512
Total net position	$	34,788,594	30,843,308	30,328,656

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, 2017, cash and investments held by the Foundation was $38.9 million, up from $34.7 million at the previous year end.

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

Pool	Type of Funds		2017	2016	2015
Cash and cash equivalents	Working capital to support operating activities	$	1,413,474	1,272,622	1,326,763
Endowment pool	Contributions to establish endowment funds		31,140,393	27,254,591	26,184,060
Gift annuities and trusts	Gifts managed independently of endowment pool		6,296,998	6,176,795	6,054,428
	Total	$	38,850,865	34,704,008	33,565,251

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

During fiscal year 2017, the Foundation's cash and cash equivalents increased by $141 thousand primarily due to $124 thousand in net cash receipts from investment activity. Cash receipts from fundraising and private grants totaling $5.3 million were offset by funding for donor-directed scholarships, fundraising and program services expenses of $1.6 million, transfers of restricted funds and scholarship support to the College of $3.3 million, and $401 thousand in payments to annuitants.

During fiscal year 2016, the Foundation's cash and cash equivalents decreased by $54 thousand primarily due to cash receipts from fundraising and private grants totaling $7.1 million, offset by funding for donor-directed scholarships, fundraising and program services expenses of $1.4 million, transfers of restricted funds and scholarship support to the College of $4.2 million, and $371 thousand in payments to annuitants.

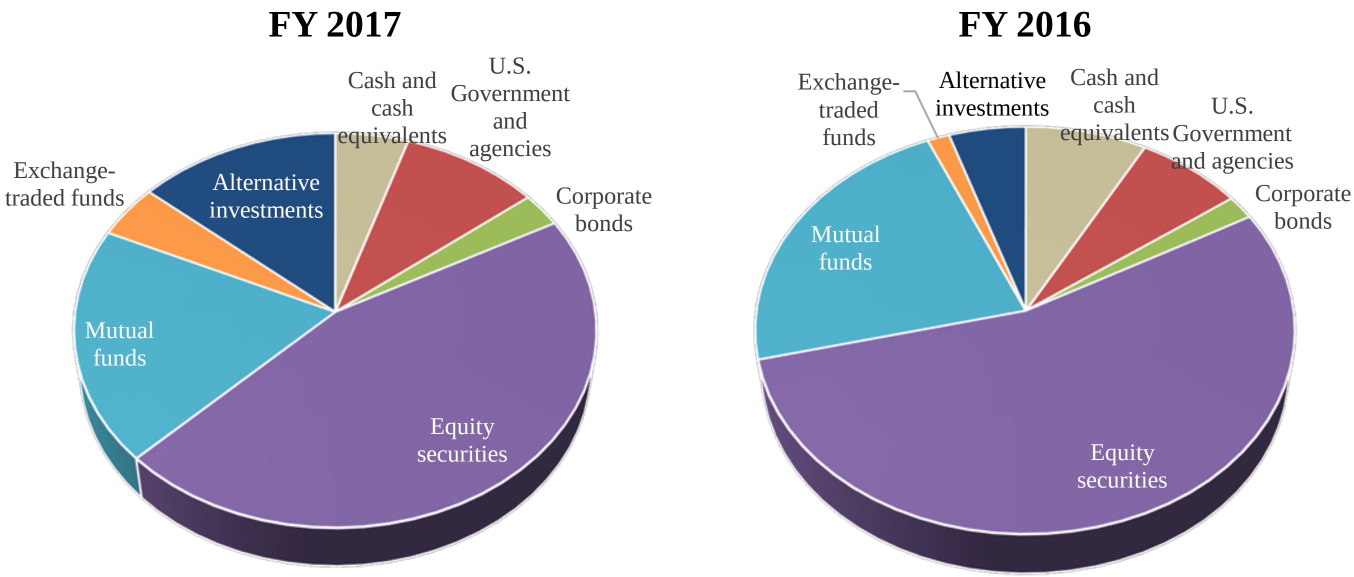
Investment Portfolio

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 2017, investments increased by approximately $4.0 million. The increase was attributed to net transfers of $1.2 million from cash and stock gifts to the investment portfolio plus $3.4 million in dividend income and investment gains which was offset by $215 thousand in investment manager fees. In addition, there was $401 thousand in disbursements of contractual payments to gift annuitants. For fiscal year 2017, the endowment pool had a positive rate of return of 9.55% while the gift annuity pool earned 10.28% compared to the investment advisor defined benchmark style index returns of 11.22% and 10.29%, respectively.

In fiscal year 2016, investments increased by approximately $1.2 million. The increase was attributed to net transfers of $1.6 million from cash to the investment portfolio offset by $977 thousand in unrealized investment losses and $210 thousand in investment manager fees. In addition, there was $371 thousand in disbursements of contractual payments to gift annuitants. For fiscal year 2016, the endowment pool had a negative rate of return of 0.07% while the gift annuity pool earned 1.87% compared to the investment advisor defined benchmark style index returns of negative 0.41% and positive 2.60%, respectively.

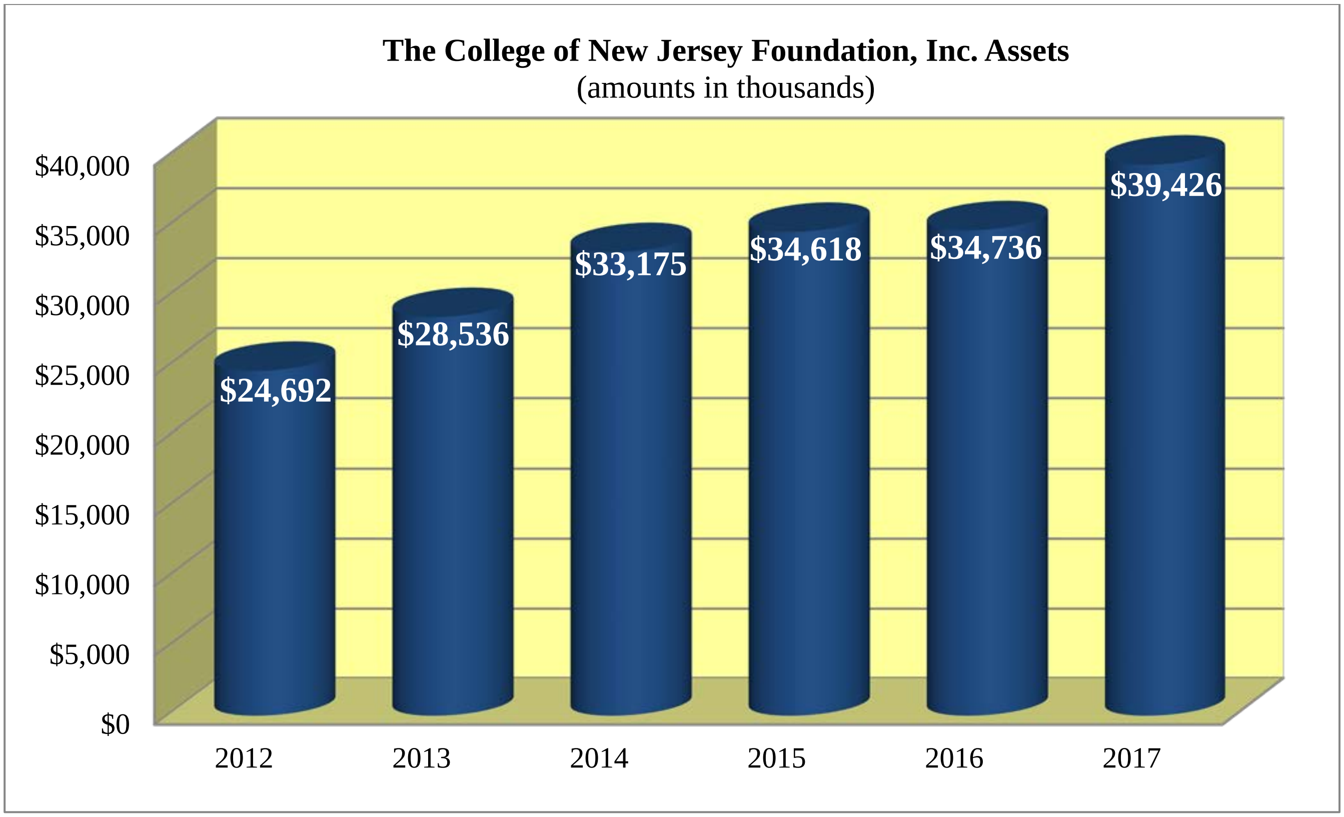
As of June 30, 2017, investments held by the Foundation exceeded $37.4 million, up from $33.4 million from the previous fiscal year. The portfolio was allocated among various asset classes as shown below:



Asset Allocation		2017	Percentage		2016	Percentage
Cash and cash equivalents	$	1,851,264	4.9%	$	2,659,621	8.0%
U.S. Treasury bills and notes and Government agencies		3,521,570	9.4%		2,353,729	7.0%
Corporate bonds		1,041,963	2.8%		634,598	1.9%
Equity securities		17,042,700	45.5%		18,150,092	54.3%
Mutual funds		7,206,911	19.3%		7,465,037	22.3%
Exchange-traded funds		1,639,145	4.4%		484,837	1.5%
Alternative investments		5,133,838	13.7%		1,683,472	5.0%
Total Investments	$	37,437,391	100.0%	$	33,431,386	100.0%

Growth of the Foundation's Assets

The chart below illustrates the growth of the Foundation's assets over the past six years, which resulted from annual fundraising campaigns coupled with investment appreciation. As of June 30, 2017 and 2016, the Foundation's assets, which consist primarily of cash and cash equivalents and investments, totaled $39.4 million and $34.7 million, respectively.



Liabilities

In fiscal year 2017, total liabilities increased by $745 thousand primarily due to the increase in scholarship support due to The College of New Jersey offset by a decrease in expense accruals and annuities payable at year end. In fiscal year 2016, total liabilities decreased by $397 thousand primarily due to the decrease in scholarship support due to The College of New Jersey offset by an increase in accruals and annuities payable at year end.

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, 2017 and 2016, the current liabilities were $2.0 million and $1.1 respectively. The Foundation's current assets of $4.0 million and $3.8 million as of June 30, 2017 and 2016, respectively, were indicators that the Foundation had adequate liquidity to satisfy its current obligations.

Net Position

The change in net position is one indicator of whether the overall financial condition of the Foundation has improved or worsened during the fiscal year. During fiscal years 2017 and 2016, net position increased by $3.9 million or 12.8% and $515 thousand or 1.7%, respectively. In both fiscal years 2017 and 2016, the change was directly related to the performance of successful fundraising campaigns. The positive investment returns also contributed to the significant increase in net position for fiscal year 2017.

Nonexpendable Net Position

During fiscal years 2017 and 2016, nonexpendable net position increased by $1.6 million or 13.3% and $1.1 million or 10.0%, respectively. These increases were due to endowed gifts received during those years that were designated by donors to be invested in perpetuity.

Expendable Net Position

During fiscal year 2017, this net position category had an increase of $2.0 million or 12.8% due to gift receipts that were designated as expendable and investment earnings which were partially offset by transfers to the College. In fiscal year 2016, expendable net position decreased by $240 thousand or 1.5% primarily due to an increase in annuities payable and scholarship support transfers to the College, partially offset by the receipt of gifts that were designated as expendable.

Unrestricted Net Position

In fiscal year 2017, unrestricted net position had an increase of $327 thousand or 10.8% primarily due to investment income and unrestricted gifts, offset by expenses for scholarships, fundraising events, program services as well as transfers to the College. In fiscal year 2016, unrestricted net position had a decrease of $339 thousand or 10.0% due to increases in unrestricted expenses to support the fundraising campaign and program services as well as transfers of private grants to the College.

Statement of Revenues, Expenses and Changes in Net Position

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

The following table shows a condensed statement of revenues, expenses and changes in net position for the years ended June 30, 2017, 2016, and 2015:

Condensed Statement of Revenues, Expenses and Changes in Net Position

		2017	2016	2015
Operating revenues	$	4,631,142	5,252,254	4,720,728
Operating expenses		5,729,384	4,966,949	4,621,724
Operating (loss) income		(1,098,242)	285,305	99,004
Nonoperating revenues (expenses), net		3,282,321	(619,048)	13,048
Additions to permanent endowments		1,761,207	848,395	832,094
Increase in net position		3,945,286	514,652	944,146
Net position, beginning of year		30,843,308	30,328,656	29,384,510
Net position, end of year	$	34,788,594	30,843,308	30,328,656

Operating Revenues

The Foundation's main source of revenue is contributions and private grants. Unrestricted and expendable contributions and private grants are reported as operating revenues. In fiscal year 2017, $3.2 million in gifts were designated by donors as expendable and $1.4 million in private grants were received, totaling $4.6 million. In fiscal year 2016, $3.1 million in gifts were designated by donors as expendable and $2.2 million in private grants were received, totaling $5.3 million.

Operating Expenses

Operating expenses include donor-directed scholarships and awards, fundraising events and program services expenses, and restricted private grants distributed to the College. In fiscal year 2017, operating expenses increased $762 thousand or 15.4% primarily due to an increase of $738 thousand in restricted funds transferred to the College coupled with an increase in program services expenses. In fiscal year 2016, operating expenses increased $345 thousand or 7.5% primarily due to an increase in scholarship and awards of $177 thousand coupled with an increase in program services, fundraising events, and private grant transfers to the College.

Nonoperating and Other Revenues, Net

In fiscal year 2017, nonoperating revenues, net totaled $3.3 million. This amount was comprised of net realized and unrealized investment gains, net of investment manager fees, totaling $3.1 million which was offset by the actuarial adjustment to the annuities payable liability of $323 thousand. Additionally, the College contributed $500 thousand in unrestricted support to the Foundation. Other revenues included additions to permanent endowments of $1.8 million that represent gifts to be held in perpetuity.

In fiscal year 2016, nonoperating expenses, net totaled $619 thousand. This amount was comprised of net realized and unrealized investment losses, net of investment manager fees, totaling $31 thousand which was coupled with the actuarial adjustment to the annuities payable liability of $588 thousand. Other revenues included additions to permanent endowments of $848 thousand that represent gifts to be held in perpetuity.

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

Assets		2017	2016
Current assets:			
Cash and cash equivalents (note 3)	$	1,413,474	1,272,622
Investments (note 4)		1,971,189	2,469,568
Due from The College of New Jersey (note 5)		510,000	—
Contribution receivables		42,704	19,228
Prepaid expenses		22,190	9,792
Miscellaneous receivables		36	24
Total current assets		3,959,593	3,771,234
Noncurrent assets:			
Restricted investments (note 4)		34,502,924	30,961,818
Investments (note 4)		963,278	—
Other assets		250	2,895
Total noncurrent assets		35,466,452	30,964,713
Total assets		39,426,045	34,735,947
Liabilities			
Current liabilities:			
Accounts payable		58,568	138,170
Due to The College of New Jersey (note 5)		1,498,492	596,883
Annuities payable (note 7)		399,055	401,056
Total current liabilities		1,956,115	1,136,109
Noncurrent liabilities:			
Annuities payable (note 7)		2,681,336	2,756,530
Total noncurrent liabilities		2,681,336	2,756,530
Total liabilities		4,637,451	3,892,639
Net Position			
Restricted:			
Nonexpendable:			
Scholarships		10,028,842	9,156,157
Other programs		3,613,178	2,884,208
Expendable:			
Scholarships		12,384,310	10,963,472
Research		261,121	80,649
Other		5,135,082	4,719,747
Unrestricted		3,366,061	3,039,075
Total net position	$	34,788,594	30,843,308

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2017 and 2016

		2017	2016
Operating revenues:			
Contributions	$	3,234,486	3,053,510
Private grants & other		1,396,656	2,198,744
Total operating revenues		4,631,142	5,252,254
Operating expenses:			
Scholarships and awards		711,296	723,467
Fundraising events		345,762	338,120
Program services		444,908	415,772
Restricted funds contributed to:			
The College of New Jersey (note 5)		4,227,418	3,489,590
Total operating expenses		5,729,384	4,966,949
Operating (loss) income		(1,098,242)	285,305
Nonoperating revenues (expenses):			
Investment income (loss)		3,105,774	(31,053)
Contribution from The College of New Jersey (note 5)		500,000	—
Adjustment to actuarial liability for annuities payable		(323,453)	(587,995)
Nonoperating revenues (expenses), net		3,282,321	(619,048)
Income (loss) before other revenues		2,184,079	(333,743)
Additions to permanent endowments		1,761,207	848,395
Increase in net position		3,945,286	514,652
Net position as of beginning of year		30,843,308	30,328,656
Net position as of end of year	$	34,788,594	30,843,308

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Contributions and private grants	$	4,564,870	6,277,301
Scholarships and awards		(673,529)	(722,630)
Fundraising events		(348,784)	(322,420)
Program services		(577,995)	(326,582)
Restricted funds contributed to:			
The College of New Jersey		(3,325,071)	(4,201,200)
Net cash (used by) provided by operating activities		(360,509)	704,469
Cash flows from noncapital financing activities:			
Additions to permanent endowments		777,547	848,395
Payments to annuitants		(400,648)	(371,199)
Net cash provided by noncapital financing activities		376,899	477,196
Cash flows from investing activities:			
Interest income		2,379	1,480
Investment manager fees		(212,521)	(209,678)
Purchases of investments		(831,529)	(3,237,602)
Withdrawals from investment accounts		550,388	1,629,117
Proceeds from sales of securities		615,745	580,877
Net cash provided by (used by) investing activities		124,462	(1,235,806)
Net increase (decrease) in cash and cash equivalents		140,852	(54,141)
Cash and cash equivalents as of beginning of year		1,272,622	1,326,763
Cash and cash equivalents as of end of year	$	1,413,474	1,272,622
Reconciliation of operating (loss) income to net cash (used by) provided by operating activities:			
Operating (loss) income	$	(1,098,242)	285,305
Payment of expenses directly from investment distributions		805	1,754
Stock gift contributions		(41,850)	10,108
Adjustments to reconcile operating (loss) income to net cash (used by) provided by operating activities:			
Changes in assets and liabilities:			
Due from The College of New Jersey		(10,000)	—
Contribution and miscellaneous receivables		(23,476)	1,029,691
Prepaid expenses and other assets		(9,753)	(8,603)
Accounts payable		(79,602)	112,576
Due to The College of New Jersey		901,609	(726,362)
Net cash (used by) provided by operating activities	$	(360,509)	704,469
Noncash transactions:			
Change in fair value of investments	$	2,680,277	(670,114)
In kind and stock gift contributions		42,796	10,108
Stock gift contributions to endowments		983,660	—

See accompanying notes to 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.

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 subjected 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.

(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 market prices or other pricing models. Alternative investments are valued using current estimates of fair 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. 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 related to permanent endowments and term endowments do not meet the eligibility requirements for recognition criteria of GASB Statement No. 33 until cash is received. Pledges related to permanent endowments and term endowments for which cash has not been received were $12,287,264 and $10,248,583 as of June 30, 2017 and 2016, 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 of New Jersey are classified as nonoperating revenue since they are non-recurring in nature and are non-exchange transactions. Nonoperating expenses include the actuarial adjustment to annuities payable.

(g) Donor Restricted Endowments

The Foundation manages, invests and administers the donor restricted endowment funds in accordance with the Uniform Prudent Management of Institutional Funds 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.

(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. 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 actuarial liability for annuities payable in the accompanying statements of revenues, expenses and changes in net position.

(i) Use of Estimates

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

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 (fiscal year 2018), and should be applied retroactively. The Foundation is evaluating the impact of this new standard.

(3) Cash and Cash Equivalents

The carrying amount of cash as of June 30, 2017 and 2016 was $1,038,293 and $899,507, respectively, while the amount on deposit with the bank was $1,067,300 and $912,375, respectively.

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, 2017 and 2016 were insured by Federal Depository Insurance up to $250,000. Bank balances as of June 30, 2017 and 2016 of $817,300 and $662,375, 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, 2017 and 2016 was $375,181 and $373,115, 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, 2017 and June 30, 2016. 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, 2017 and 2016:

Investments

		2017	2016
Cash and cash equivalents	$	1,851,264	2,659,621
U.S. Treasury bills and notes and Government agencies		3,521,570	2,353,729
Corporate bonds		1,041,963	634,598
Equity securities		17,042,700	18,150,092
Mutual funds		7,206,911	7,465,037
Exchange-traded funds		1,639,145	484,837
Alternative investments:			
Private equity		604,612	547,471
Hedge funds		3,311,876	308,064
Managed futures		659,907	215,628
Common trust funds		557,443	612,309
	$	37,437,391	33,431,386

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.
- 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, 2017, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

Fixed Income Investments Ratings 2017

Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	3,674,512	1,952,783	1,568,787	152,942
Aa1		23,619	—	—	23,619
Aa2		24,377	—	—	24,377
Aa3		12,033	—	—	12,033
A1		101,578	—	—	101,578
A2		119,935	—	—	119,935
A3		266,747	—	—	266,747
Baa1		248,992	—	—	248,992
Baa2		61,518	—	—	61,518
Baa3		30,222	—	—	30,222
Total	$	4,563,533	1,952,783	1,568,787	1,041,963

As of June 30, 2016, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

Fixed Income Investments Ratings 2016

Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	2,441,502	1,410,585	943,144	87,773
Aa2		16,205	—	—	16,205
Aa3		8,033	—	—	8,033
A1		47,525	—	—	47,525
A2		75,288	—	—	75,288
A3		148,677	—	—	148,677
Baa1		168,764	—	—	168,764
Baa2		64,172	—	—	64,172
Baa3		18,161	—	—	18,161
Total	$	2,988,327	1,410,585	943,144	634,598

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, 2017, the Foundation's fixed income investments, which consist of

U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

Fixed Income Investments Maturity 2017					
Maturing in years		**Total**	**U.S. Treasury bills and notes**	**U.S. Government agencies**	**Corporate bonds**
Less than 1	$	119,926	—	24,004	95,922
1 – 5		1,940,014	1,389,791	103,844	446,379
6 – 10		835,989	321,525	139,463	375,001
Greater than 10		1,667,604	241,467	1,301,476	124,661
Total	$	4,563,533	1,952,783	1,568,787	1,041,963

As of June 30, 2016, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

Fixed Income Investments Maturity 2016					
Maturing in years		**Total**	**U.S. Treasury bills and notes**	**U.S. Government agencies**	**Corporate bonds**
Less than 1	$	99,558	50,105	—	49,453
1 – 5		1,085,696	715,171	88,520	282,005
6 – 10		601,739	417,594	11,264	172,881
Greater than 10		1,201,334	227,715	843,360	130,259
Total	$	2,988,327	1,410,585	943,144	634,598

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 statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date;
- Level 2 – quoted 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.
- 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 fair 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, 2017 are summarized in the following table by their fair value hierarchy:

Investments Measured at Fair Value 2017

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)
Investments by fair value level				
U.S. Treasury bills and notes	$ 1,952,783	1,952,783	—	—
U.S. Government agencies	1,568,787	—	1,568,787	—
Corporate bonds	1,041,963	—	1,041,963	—
Equity securities	17,042,700	17,042,700	—	—
Mutual funds	7,206,911	7,206,911	—	—
Exchange-traded funds	1,639,145	1,639,145	—	—
Total investments by fair value level	30,452,289	27,841,539	2,610,750	—
Investments measured at net asset value (NAV)				
Private equity	604,612			
Hedge funds	3,311,876			
Managed futures	659,907			
Common trust funds	557,443			
Total investments measured at NAV	5,133,838			
Total investments measured at fair value	$ 35,586,127			

The Foundation's investments at June 30, 2016 are summarized in the following table by their fair value hierarchy:

Investments Measured at Fair Value 2016				
		Fair value measurements using		
Investment	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
U.S. Treasury bills and notes	$ 1,410,585	1,410,585	—	—
U.S. Government agencies	943,144	—	943,144	—
Corporate bonds	634,598	—	634,598	—
Equity securities	18,150,092	18,141,064	9,028	—
Mutual funds	7,465,037	7,465,037	—	—
Exchange-traded funds	484,837	484,837	—	—
Total investments by fair value level	29,088,293	27,501,523	1,586,770	—
Investments measured at net asset value (NAV)				
Private equity	547,471			
Hedge fund	308,064			
Managed futures	215,628			
Common trust funds	612,309			
Total investments measured at NAV	1,683,472			
Total investments measured at fair value	$ 30,771,765			

The fair value as of June 30, 2017 and 2016 and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments Measured at NAV				
	Fair value		Redemption frequency (if currently eligible)	Redemption notice period
Investment	2017	2016		
Private equity	$ 604,612	547,471	Quarterly	65 days
Hedge funds	3,311,876	308,064	Monthly / Quarterly	45 - 67 days
Managed futures	659,907	215,628	Semi-monthly	8 days
Common trust funds	557,443	612,309	N/A	N/A
Total investments measured at NAV	$ 5,133,838	1,683,472		

As of June 30, 2017 and 2016, 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.

Hedge funds: This type consists of investments in seven funds that employ a variety of alternative investment strategies including global macro, multi-strategy equity, event driven, relative value, and multi-strategy funds of funds. Redemption terms vary by fund. Redemption from one fund may be requested monthly by tender offer with 60 calendar days' notice while redemptions from the other six funds may be requested quarterly with 45 – 67 calendar days' notice depending on the fund. Two of the funds have one year lockup periods after initial subscription during which the investment cannot be redeemed, which for the Foundation will expire in September and October 2017. 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 net asset value. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investment.

Managed futures: This type is an investment in one fund that engages in systematic speculative trading of futures and forward contracts on a wide range of commodities including agriculture, currencies, energy, interest rates, metals and stock indices. The fund employs both short-term trading and long-term trend-following strategies using multiple time frames. Redemptions may be requested semi-monthly with 8 business days' notice. There are no restrictions or limits on redemptions. 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 ten common trust funds that invest in a variety of debt and equity strategies including small- and mid-cap growth and value, emerging markets, international equities, dividend income, high quality equities and aggregate bonds. These funds are held within an irrevocable trust of which the Foundation is a beneficiary. The investments in these common trust funds cannot be redeemed. The Foundation is currently receiving income earned on the investments. Distributions from the liquidation of the underlying assets are unknown at this time. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the investment.

(5) Transactions with Affiliates

The Foundation approved disbursements to the College for support of restricted private grants, departments, and donated capital assets of $4,227,418 and $3,489,590 during fiscal years 2017 and 2016, respectively. The following table shows the contributions to the College for fiscal years 2017 and 2016:

Transactions with Affiliates

		2017	2016
Restricted funds – Private grants	$	2,423,742	1,993,209
Institutional scholarship support		775,268	856,947
Restricted funds – Departmental transfers		1,027,852	624,682
Gifts in kind		556	14,752
Total	$	4,227,418	3,489,590

The College provides certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in fiscal years 2017 and 2016. Due to The College of New Jersey included in the statements of net position for the years ended 2017 and 2016 were $1,498,492 and $596,883, respectively. In fiscal year 2017, the College made an unrestricted contribution of $500,000 to the Foundation. This amount was due from The College of New Jersey as of June 30, 2017. No such amounts were contributed in 2016. In addition, there is an outstanding receivable from the College of $10,000 for fiscal year 2017 campaign expense reimbursements.

(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 2016, the Foundation was named the beneficiary of a trust whose investments fair value approximated $6,270,000 and $6,180,000 as of June 30, 2017 and 2016, respectively.

(7) Noncurrent Liabilities

For the years ended June 30, 2017 and 2016, noncurrent liabilities activity was as follows:

Noncurrent Liabilities Activity

2017		Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:						
Annuities payable	$	3,157,586	323,453	400,648	3,080,391	399,055
Total noncurrent liabilities	$	3,157,586	323,453	400,648	3,080,391	399,055

2016		Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:						
Annuities payable	$	2,940,790	587,995	371,199	3,157,586	401,056
Total noncurrent liabilities	$	2,940,790	587,995	371,199	3,157,586	401,056

(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. There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.