



MIDDLESEX COLLEGE FOUNDATION, INC.

**(A COMPONENT UNIT OF MIDDLESEX COLLEGE)
FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

MIDDLESEX COLLEGE FOUNDATION, INC.
(A Component Unit of Middlesex College)

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Independent Auditors' Report

Board of Trustees
Middlesex College Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Middlesex College Foundation, Inc. (a Component Unit of Middlesex College and a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middlesex College Foundation, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Middlesex College Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Middlesex College Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Board of Trustees
Middlesex College Foundation, Inc.**

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Auditors' 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 auditors' report that includes our opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Middlesex College Foundation, Inc.'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 Middlesex College Foundation, Inc.'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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
November 1, 2024

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS		
Cash and equivalents	\$ 1,545,161	\$ 1,216,235
Investments	21,647,171	20,084,140
Contributions receivable, net	175,464	265,989
Accrued interest receivable	<u>10,581</u>	<u>5,484</u>
Total Assets	<u><u>\$ 23,378,377</u></u>	<u><u>\$ 21,571,848</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 4,292	\$ 14,710
Due to Middlesex College	878,356	1,176,562
Gift annuities payable	<u>20,733</u>	<u>21,304</u>
Total Liabilities	<u><u>903,381</u></u>	<u><u>1,212,576</u></u>
NET ASSETS:		
Without donor restrictions	3,256,702	2,809,789
With donor restrictions	<u>19,218,294</u>	<u>17,549,483</u>
Total Net Assets	<u><u>22,474,996</u></u>	<u><u>20,359,272</u></u>
	<u><u>\$ 23,378,377</u></u>	<u><u>\$ 21,571,848</u></u>

See accompanying notes to financial statements.

Middlesex College Foundation, Inc.

(A Component Unit of Middlesex College)

Statements of Activities and Changes in Net Assets

	Years ended June 30,					
	2024			2023		
	Without	With		Without	With	
	Donor Restrictions	Donor Restrictions	Total	Donor Restrictions	Donor Restrictions	Total
SUPPORT AND REVENUES:						
Contributions	\$ 65,169	\$ 919,099	\$ 984,268	\$ 33,168	\$ 875,386	\$ 908,554
Net investment return	412,947	1,807,058	2,220,005	209,039	1,012,896	1,221,935
In-Kind Donations	283,255	23,514	306,769	264,045	14,947	278,992
Miscellaneous income	570	-	570	556	-	556
Special events	72,856	-	72,856	70,013	9,975	79,988
Net assets released from restrictions	1,080,860	(1,080,860)		1,380,787	(1,380,787)	
Total Support and Revenues	<u>1,915,657</u>	<u>1,668,811</u>	<u>3,584,468</u>	<u>1,957,608</u>	<u>532,417</u>	<u>2,490,025</u>
EXPENSES:						
Program services	1,113,154	-	1,113,154	1,401,602	-	1,401,602
Management and general	255,222	-	255,222	237,810	-	237,810
Fundraising	100,368	-	100,368	96,586		96,586
Total Expenses	<u>1,468,744</u>		<u>1,468,744</u>	<u>1,735,998</u>		<u>1,735,998</u>
Change in Net Assets	446,913	1,668,811	2,115,724	221,610	532,417	754,027
NET ASSETS						
Beginning of year	<u>2,809,789</u>	<u>17,549,483</u>	<u>20,359,272</u>	<u>2,588,179</u>	<u>17,017,066</u>	<u>19,605,245</u>
End of year	<u>\$ 3,256,702</u>	<u>\$ 19,218,294</u>	<u>\$ 22,474,996</u>	<u>\$ 2,809,789</u>	<u>\$ 17,549,483</u>	<u>\$ 20,359,272</u>

See accompanying notes to financial statements.

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Statements of Functional Expenses

	Years ended June 30,							
	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
College program support:								
Scholarship support	\$ 575,136	\$ -	\$ -	\$ 575,136	\$ 606,989	\$ -	\$ -	\$ 606,989
Program support	439,416	-	-	439,416	715,732	-	-	715,732
Direct awards to recipients	67,808	-	-	67,808	49,182	-	-	49,182
Salaries and related expenses	16,368	172,173	54,045	242,586	15,858	163,668	52,610	232,136
Functions and events	6,366	-	16,523	22,889	5,720	-	23,772	29,492
Professional fees	-	41,099	-	41,099	-	35,730	-	35,730
Office expenses	-	20,987	23,580	44,567	-	18,376	13,923	32,299
Occupancy	6,220	18,662	6,220	31,102	6,281	18,844	6,281	31,406
Miscellaneous	1,840	2,301	-	4,141	1,840	1,192	-	3,032
Total expenses by function	<u>\$ 1,113,154</u>	<u>\$ 255,222</u>	<u>\$ 100,368</u>	<u>\$ 1,468,744</u>	<u>\$ 1,401,602</u>	<u>\$ 237,810</u>	<u>\$ 96,586</u>	<u>\$ 1,735,998</u>

See accompanying notes to financial statements.

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Statements of Cash Flows

	Years ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,115,724	\$ 754,027
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Realized (gain)/loss on investments	(23,852)	618,046
Unrealized (gain) on investments	(1,735,416)	(1,392,855)
Contributions restricted to endowments	(160,044)	(169,944)
Changes in operating assets and liabilities		
Contributions receivable	110,325	109,591
Accrued interest receivable	(5,097)	1,897
Accounts payable and accrued liabilities	(10,418)	14,047
Annuities payable	(571)	(556)
Due to Middlesex College	(298,206)	314,082
Net cash flows from operating activities	<u>(7,555)</u>	<u>248,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,265,878)	(12,836,481)
Proceeds from sale of investments	9,462,115	12,476,503
Net cash flows from investing activities	<u>196,237</u>	<u>(359,978)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Collections of contributions restricted to endowments	<u>140,244</u>	<u>160,044</u>
Net Change in Cash and Equivalents	328,926	48,401
CASH AND EQUIVALENTS		
Beginning of year	<u>1,216,235</u>	<u>1,167,834</u>
End of year	<u>\$ 1,545,161</u>	<u>\$ 1,216,235</u>
SUPPLEMENTAL NON-CASH FLOW INFORMATION -		
Donated securities	<u>\$ 35,820</u>	<u>\$ 8,588</u>

See accompanying notes to financial statements.

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Nature of the Foundation and Summary of Significant Accounting Policies:

Nature of the Foundation - Middlesex College Foundation, Inc. (the "Foundation") was formed in 1966 for the purpose of soliciting and receiving contributions. All contributions received by the Foundation are treated in accordance with the donor's wishes and are for the benefit of Middlesex College (the "College") and its students. Although the Foundation is a legally separate not-for-profit organization, because of the significance of its operational and financial relationships with the College, it is considered a component unit of the College. The Foundation is governed by an independent, twenty-two-member volunteer board of trustees, with additional honorary trustees, as approved.

The Foundation is considered a component unit of the College for financial purposes, as its purpose for operations is entirely or almost entirely for the direct benefit of the College. Accordingly, the Foundation's financial statements are discretely presented in the College's basic financial statements. The Foundation's Board of Trustees is separate from the College's Board of Trustees.

Cash and Equivalents and Credit Risk - The Foundation includes money market funds and all other highly liquid short-term investments purchased with maturities of three months or less. The Foundation maintains its cash balances with financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, these balances may exceed the FDIC limits; however, the Foundation has not experienced any losses therein such accounts and believes it is not exposed to any significant risks with respect to these balances. As of June 30, 2024, of the \$1,538,683 bank balance, \$1,504,848 was FDIC insured and \$33,835 was uninsured.

Investments and Credit Risk - Investments are stated at their fair values based on quoted market prices in the statements of financial position. Interest and dividends and realized and unrealized gains and losses, if any, are reported as net investment return (loss) in the statements of activities and changes in net assets. Investment return is reported in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Purchases and sales of investments are recorded on a settlement date basis. The cost of securities sold is determined using the specific identification method. Investments are reviewed annually for impairment. Management has determined there are no other than temporary losses as of June 30, 2024 and 2023.

Dividends and interest are recognized as earned. Net realized gains or losses and changes in net appreciation in fair value are determined by comparing cost to proceeds and fair value, respectively. Gains and losses on sales of securities are recorded in the statements of activities and changes in net assets in the period in which the securities are sold.

The investments are protected by the Securities Insurance Protection Corporation ("SIPC") which provides limited insurance in certain circumstances for securities and cash held in brokerage accounts. The insurance is limited to \$500,000 for securities and \$250,000 for cash balances. The insurance does not protect against investment losses. At times, such balances may be in excess of SIPC insured limits.

Contributions Receivable and Bad Debts – On a periodic basis, the Foundation evaluates its receivables and establishes an allowance for credit losses, based on history of past write-offs, level of past-due accounts, and its relationship with its donors. Contributions receivable are written-off when management determines that a sufficient period of time has elapsed without receiving payment and the donors do not exhibit ability to meet their obligations.

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Nature of the Foundation and Summary of Significant Accounting Policies (continued):

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Concentrations – The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted rate of return applicable to the year in which the promise was made. Amortization of the discount is included in contributions revenue. The discount will be recognized as contribution revenue in future fiscal years as the discount is amortized over the duration of the contributions.

For the years ended June 30, 2024 and 2023, approximately 50% and 24%, respectively, of the Foundation's contributions were from three contributors and five contributors, respectively.

Contributed Services, Materials and Facilities - The Foundation recognizes the services and materials received from the College that directly benefit the Foundation and the use of its facilities. Services received from personnel of an affiliate are measured at the cost of the personnel providing the services. Donated space is measured at the estimated rental value per square foot. The value of these services received from the College is recognized as donated in-kind services and expense in the statements of activities and changes in net assets (see Note 5).

Special Events - Pledges made for special events are recognized when an event takes place. There may be an exchange element based upon the direct benefits donors receive and a conditional contribution element for the difference. Any event revenue received in advance of the event is recorded as deferred revenue.

**Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)**

Notes to Financial Statements
June 30, 2024 and 2023

**Note 1 - Nature of the Foundation and Summary of Significant Accounting Policies
(continued):**

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of estimated time and effort. Rent, utilities, and materials are allocated on the basis of direct costs.

Estimates and Uncertainties - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes - The Foundation is exempt from federal income taxes under Internal Revenue Code ("Code") Section 501(c)(3) and, therefore, has made no provision for federal income taxes. It is also exempt from state and local income taxes. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the Code. Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax ("UBIT"). Management regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax-exempt status, unrelated business income and related matters. All significant tax positions have been considered by management and it has been determined that all tax positions would be sustained upon examination by taxing authorities. Therefore, management has concluded that no tax benefits or liabilities are required to be recognized.

The Foundation is no longer subject to federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2021.

Adoption of New Accounting Pronouncement

The Financial Accounting Standards Board issued FASB ASU 2016-13/ASC 326 related to the measurement of *Financial Instruments- Credit Losses*. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through net income. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on July 1, 2023 expanded the Foundation's required disclosures for its expected credit losses for accounts receivable, but did not have a material effect on its financial statements.

**Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)**

Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Nature of the Foundation and Summary of Significant Accounting Policies (continued):

Subsequent Events - The Foundation has reviewed and evaluated all events and transactions from June 30, 2024 through November 1, 2024, the date that the financial statements were available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the statements of financial position date have been recognized in the accompanying financial statements.

Note 2 - Liquidity and Availability:

Management regularly monitors the availability of resources required to meet its operating needs. As part of management's liquidity plan, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenses over a 12-month period, management considers all expenses related to its ongoing activities. Financial assets available for general expense, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	June 30,	
	2024	2023
Available financial assets at year-end:		
Cash and equivalents	\$ 1,545,161	\$ 1,216,235
Investments	21,647,171	20,084,140
Short-term contributions receivable	133,700	167,189
Accrued interest receivable	10,581	5,484
Total financial assets at year-end	23,336,613	21,473,048
Less: Donor-restricted funds	(19,218,294)	(17,549,483)
 Total financial assets at year-end to meet general expenses over the next twelve months	 \$ 4,118,319	 \$ 3,923,565

In addition to these financial assets, a significant portion of the Foundation's annual expenses will be funded by current year revenues.

Note 3 - Fair Value Measurements for Investments and Investment Return - Recurring:

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("FASB ASC 820"), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Notes to Financial Statements
June 30, 2024 and 2023

Note 3 - Fair Value Measurements for Investments and Investment Return – Recurring (continued):

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in inactive markets;
- quoted prices for identical or similar assets or liabilities in active markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Equities and Mutual Funds: Valued at the closing price reported on the New York Stock Exchange.
- Fixed Income Securities: Corporate bonds, U.S. government securities and exchange traded funds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2024 and 2023:

Assets at Fair Value as of June 30, 2024			
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Equities	\$ 12,176,319	\$ -	\$ 12,176,319
Mutual funds	4,643,725	-	4,643,725
Fixed income:			
Exchange traded funds	-	3,340,106	3,340,106
Corporate bonds	-	820,834	820,834
Government securities	-	666,187	666,187
Total Investments	<u>\$ 16,820,044</u>	<u>\$ 4,827,127</u>	<u>\$ 21,647,171</u>
Assets at Fair Value as of June 30, 2023			
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Equities	\$ 10,442,196	\$ -	\$ 10,442,196
Mutual funds	5,204,580	-	5,204,580
Fixed income:			
Exchange traded funds	-	3,669,209	3,669,209
Corporate bonds	-	294,287	294,287
Government securities	-	473,868	473,868
Total Investments	<u>\$ 15,646,776</u>	<u>\$ 4,437,364</u>	<u>\$ 20,084,140</u>

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Notes to Financial Statements
June 30, 2024 and 2023

Note 4 - Contributions Receivable, net:

Promises to be received after June 30, 2024 and 2023, have been discounted to their net present value using a risk-adjusted rate of return for the anticipated collection period. Promises to give will be received, depending on the timing of the donor's pledge payments as follows:

	Year Ended June 30,	
	2024	2023
Less than one year	\$ 134,414	\$ 169,471
One to five years	42,800	98,800
	<u>177,214</u>	<u>268,271</u>
Less:		
Discount to present value (discount rate of 1%)	(1,750)	(2,282)
Contributions receivable, net	<u>\$ 175,464</u>	<u>\$ 265,989</u>

Note 5 - Related Party Transactions:

In fiscal years 2024 and 2023, the Foundation recorded services received from personnel of an affiliate, contributed office space and other contributed materials as follows:

	Year Ended June 30,	
	2024	2023
Salaries and Related Expenses	\$ 210,259	\$ 204,794
Rent and Utilities	31,103	31,406
Materials	39,593	27,845
	<u>\$ 280,955</u>	<u>\$ 264,045</u>

The Foundation recognized contributed nonfinancial assets within revenue, including salaries and related expenses which includes the salary and benefit costs incurred by the College that relate to the operations of the Foundation. Included in rent and utilities are the office rental value, warehouse storage and utility costs incurred by the College but related to the Foundation. Materials includes computer support, postage and shipping. Such costs are valued at the cost incurred for such goods and services by the College.

Amounts due to Middlesex College are non-interest bearing and include \$878,356 and \$1,176,562 for scholarship and grant program expenses paid by the College on behalf of the Foundation and amounts due to the College for staff accountant salaries, as of June 30, 2024 and 2023, respectively.

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Notes to Financial Statements
June 30, 2024 and 2023

Note 6 - Net Assets with Donor Restrictions:

Net assets with donor restrictions represent contributions received related to the following:

	June 30,	
	2024	2023
Restricted by Purpose:		
Programs	\$ 564,819	\$ 534,131
Scholarships	299,847	417,359
Other	35,000	35,000
MC Retail Services Corp funds:		
Academic programs and services	2,416,763	2,259,446
Support of students	1,151,129	1,077,911
Operations and development	2,146,460	2,008,735
	<u>6,614,018</u>	<u>6,332,582</u>
Endowments (see Note 8):		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Scholarships	1,360,737	441,563
Programs	178,849	100,151
	<u>1,539,586</u>	<u>541,714</u>
Perpetual in nature, earnings which are subject to endowment spending policy and appropriation:		
Scholarships	10,300,529	10,011,025
Programs	764,161	664,161
	<u>11,064,690</u>	<u>10,675,186</u>
Endowment subtotal	<u>12,604,276</u>	<u>11,216,900</u>
Total	<u>\$ 19,218,294</u>	<u>\$ 17,549,482</u>

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Notes to Financial Statements
June 30, 2024 and 2023

Note 7 - Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

	Year Ended June 30,	
	2024	2023
Satisfaction of Purpose Restrictions:		
Programs	\$ 265,757	\$ 323,328
Scholarships	350,993	260,828
MC Retail Services Corp funds	218,004	416,963
Other Expenses	-	8,884
Endowment appropriations	246,106	370,784
	<u>\$ 1,080,860</u>	<u>\$ 1,380,787</u>

Scholarship funds are established specifically for assisting students in payment of tuition fees and books. These funds are established by individuals and businesses making donations to the Foundation. The scholarships are then awarded to students who meet the requirements for each individual scholarship and the funds are then released.

Note 8 - Endowments:

The Foundation's endowment consists of approximately 99 individual funds established by donors for a variety of purposes.

Interpretation of Relevant Law - The Foundation has interpreted New Jersey's Uniform Prudent Management of Institutional Funds Act ("NJUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NJUPMIFA.

In accordance with NJUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Middlesex College Foundation, Inc.
(A Component Unit of Middlesex College)

Notes to Financial Statements
June 30, 2024 and 2023

Note 8 - Endowments (continued):

Endowment Net Asset Composition by Type of Fund as of:

	June 30,	
	2024	2023
	With Donor Restrictions	
Perpetual in nature	\$ 11,064,690	\$ 10,675,186
Restricted for purpose	1,539,586	541,714
	<u>\$ 12,604,276</u>	<u>\$ 11,216,900</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amounts required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted NJUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are required to be covered by assets without donor restrictions of the Organization. Accordingly, the fund includes deficiencies of \$0 and \$3,992 as of June 30, 2024 and 2023, respectively.

Investment and Spending Policies - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to its charitable programs supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted funds the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested per the Board of Trustees' direction with assistance from outside, objective financial professionals at a moderate level of risk to maintain purchasing power and grow its base prudently. The Foundation expects its endowment funds over time, to provide an average rate of return in excess of its annual appropriation for expenditure. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation aims to provide annual scholarships and grants and scholarships up to 5% of the net assets held in perpetuity. The current Spending Policy, approved by the Foundation Board of Trustees in November of 2023, is suited for uncertain economic environments and sets the guidelines for the annual endowment spend rate or actual income on the current fair value of investments if the corpus is below the value of the original endowment donation and the treatment of any investment returns in excess of the annual spending rate. It is designed to both protect the Foundation's ability to operate and advance its mission while making more realistic and prudent scholarship, financial aid and grant commitments.

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Notes to Financial Statements
June 30, 2024 and 2023

Note 8 - Endowments (continued):

The Spending Policy stipulates that a spending rate, between 0% to a maximum 5% based on both the average investment return and average of market value of endowed assets over the previous three years, using June 30 values, should be decided upon and approved by the Foundation Board of Trustees at its Annual meeting, to be held every November, for the next fiscal year.

Changes in Endowment Net Assets for:

	Year Ended June 30,	
	2024	2023
	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 11,216,900	\$ 10,743,959
Investment return, net	1,220,794	667,854
Contributions	402,488	150,867
Appropriation of endowment assets		
pursuant to spending-rate policy	(246,106)	(370,784)
Other changes	10,200	25,004
Endowment net assets, end of year	<u>\$ 12,604,276</u>	<u>\$ 11,216,900</u>

Note 9 – Risks and Uncertainties

The global and domestic economic uncertainty has resulted in significant volatility in financial markets. This volatility has affected, and may continue to affect, the value of the Foundation's net assets. The effect of economic and market conditions subsequent to June 30, 2024, and are not reflected in these financial statements and future effects on the Foundation cannot be predicted.

Note 10 – Contributed Nonfinancial Assets

For the years ended June 30, 2024 and 2023, the Foundation received unrestricted contributed nonfinancial assets of \$283,255 and \$264,045, respectively. \$280,955 and \$264,045, respectively, relate to the College described above in Note 5. The remaining \$2,300 as of June 30, 2024 relates to a donated piano valued at \$1,500 and donated professional services of \$800. The contributed nonfinancial assets were considered without donor restrictions; therefore, they are estimated at the price the Foundation would have paid to purchase the item at the time of receipt.

For the years ended June 30, 2024 and 2023, the Foundation received restricted contributed nonfinancial assets of \$23,514 and \$14,947, respectively. The restricted contributed nonfinancial assets were food pantry donations and donations to the veterans and service members association to be used for these specific purposes.