



**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

# FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

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KPMG LLP  
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New York, NY 10154-0102

## Independent Auditors' Report

The Board of Directors  
Fashion Institute of Technology Foundation:

We have audited the accompanying financial statements of the Fashion Institute of Technology Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *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 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 Fashion Institute of Technology Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

December 16, 2021

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Statements of Financial Position

June 30, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 4,671,407	6,303,890
Receivables, net (note 4)	1,258,707	1,779,122
Prepaid expense and other assets	304	2,956
Investments (notes 2, 3, and 11)	59,899,896	49,531,673
Interest in charitable remainder trusts (notes 3, 5 and 10)	495,632	423,748
Total assets	\$ 66,325,946	58,041,389
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 119,175	99,562
Unearned revenue	479,965	250,000
Due to the College (note 6)	546,717	1,941,001
Paycheck Protection Program Loan (note 1(j))	182,100	—
Accrued vacation and sick leave	109,605	47,238
Accrued retiree health benefits (note 8)	437,193	391,578
Total liabilities	1,874,755	2,729,379
Net assets :		
Net assets without donor restrictions:		
Board-designated for endowment (note 11)	718,587	595,861
Undesignated	1,365,885	853,847
Total net assets without donor restrictions	2,084,472	1,449,708
Net assets with donor restrictions (note 10):		
Time or purpose restricted	10,434,887	10,804,201
Endowment appreciation not appropriated for expenditure (note 11)	16,056,107	7,766,968
Endowment fund corpus (note 11)	35,875,725	35,291,133
Total net assets with donor restrictions	62,366,719	53,862,302
Total net assets	64,451,191	55,312,010
Total liabilities and net assets	\$ 66,325,946	58,041,389

See accompanying notes to financial statements.

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Statement of Activities

Year ended June 30, 2021

(With summarized totals for the year ended June 30, 2020)

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total 2021</b>	<b>Total 2020</b>
Support and revenue:				
General gifts, net	\$ 613,455	1,158,164	1,771,619	7,257,373
Contributions from Fashion Institution of Technology	878,267	—	878,267	860,903
FIT Circle and other events, net	321,441	—	321,441	—
Gift and event assessment	77,519	—	77,519	198,016
Net assets released from restrictions (note 9)	2,066,990	(2,066,990)	—	—
Total support and revenue	3,957,672	(908,826)	3,048,846	8,316,292
Expenses (note 13):				
Program services:				
Financial aid	1,273,007	—	1,273,007	1,516,915
Departmental support	881,734	—	881,734	887,970
College subsidies	9,752	—	9,752	70,912
Capital projects	—	—	—	15,000
Total program services	2,164,493	—	2,164,493	2,490,797
Supporting services:				
Management and general:				
Salaries and related payroll costs	1,876,417	—	1,876,417	2,139,043
Professional fees, supplies and other	315,370	—	315,370	634,605
Total management and general	2,191,787	—	2,191,787	2,773,648
Total expenses	4,356,280	—	4,356,280	5,264,445
Change in net assets before investment income and other	(398,608)	(908,826)	(1,307,434)	3,051,847
Investment income and other:				
Net investment income	1,022,841	9,413,243	10,436,084	581,566
Postretirement related changes other than net periodic cost	1,588	—	1,588	167,444
Other components of net periodic postretirement cost	8,943	—	8,943	82,529
Change in net assets	634,764	8,504,417	9,139,181	3,883,386
Net assets:				
Beginning of year	1,449,708	53,862,302	55,312,010	51,428,624
End of year	\$ 2,084,472	62,366,719	64,451,191	55,312,010

See accompanying notes to financial statements.

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Statement of Activities

Year ended June 30, 2020

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total 2020</b>
Support and revenue:			
General gifts, net	\$ 461,988	6,795,385	7,257,373
Contributions from Fashion Institution of Technology	860,903	—	860,903
Gift and event assessment	198,016	—	198,016
Net assets released from restrictions (note 9)	2,324,001	(2,324,001)	—
Total support and revenue	3,844,908	4,471,384	8,316,292
Expenses (note 13):			
Program services:			
Financial aid	1,516,915	—	1,516,915
Departmental support	887,970	—	887,970
College subsidies	70,912	—	70,912
Capital projects	15,000	—	15,000
Total program services	2,490,797	—	2,490,797
Supporting services:			
Management and general:			
Salaries and related payroll costs	2,139,043	—	2,139,043
Professional fees, supplies and other	634,605	—	634,605
Total management and general	2,773,648	—	2,773,648
Total expenses	5,264,445	—	5,264,445
Change in net assets before investment income and other	(1,419,537)	4,471,384	3,051,847
Investment income and other:			
Net investment income	86,609	494,957	581,566
Postretirement related changes other than net periodic cost	167,444	—	167,444
Other components of net periodic postretirement cost	82,529	—	82,529
Change in net assets	(1,082,955)	4,966,341	3,883,386
Net assets:			
Beginning of year	2,532,663	48,895,961	51,428,624
End of year	\$ 1,449,708	53,862,302	55,312,010

See accompanying notes to financial statements.

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Change in net assets	\$ 9,139,181	3,883,386
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net (appreciation) depreciation on investments	(8,879,103)	894,111
Postretirement related changes other than net periodic cost	1,588	(167,444)
Contributions with perpetual donor restriction	(584,592)	(4,683,599)
Change in value of charitable remainder trusts	(71,884)	9,143
Changes in operating assets and liabilities:		
Receivables	620,415	(309,696)
Prepaid expense and other assets	2,652	11,594
Charitable remainder trust	—	100,000
Accounts payable and other accrued expenses	19,613	(125,056)
Unearned revenue	229,965	(299,775)
Due to the College	(1,394,284)	1,620,340
Accrued vacation and sick leave	62,367	(65,773)
Accrued retiree health benefits	44,027	(23,979)
Net cash (used in) provided by operating activities	(810,055)	843,252
Cash flows from investing activities:		
Proceeds from sale or maturities of investments	15,474,373	13,694,210
Purchases of investments	(16,963,493)	(17,193,731)
Net cash used in investing activities	(1,489,120)	(3,499,521)
Cash flows from financing activities:		
Permanently restricted contributions	484,592	4,683,599
Paycheck Protection Program Loan	182,100	—
Net cash provided by financing activities	666,692	4,683,599
Net (decrease) increase in cash and cash equivalents	(1,632,483)	2,027,330
Cash and cash equivalents, beginning of year	6,303,890	4,276,560
Cash and cash equivalents, end of year	\$ 4,671,407	6,303,890

See accompanying notes to financial statements.

## FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Notes to Financial Statements

June 30, 2021 and 2020

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Organization

The Fashion Institute of Technology Foundation (the Foundation) is a not-for-profit organization, which provides scholarships and fund-raising activities for the Fashion Institute of Technology (FIT or the College). The Foundation is related to the College, FIT Student Housing Corporation (Student Housing), and FIT Student Faculty Corporation (Student Faculty) through either common board membership or management control. The Foundation is a discretely presented component unit of the College. The accompanying financial statements do not include the financial information of these affiliated entities.

The Foundation is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under Section 511 of the Code. The Foundation did not have any material unrelated business income tax liabilities for the years ended June 30, 2021 and 2020.

#### (b) Summary of Significant Accounting Policies

##### (i) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The Foundation's net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. This category of net assets are available to support the general operations of the Foundation and may be designated by the Board of Directors for specific purposes.

*Net assets with donor restrictions* – Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation or by the passage of time. Also included in this category are assets that are subject to donor-imposed stipulations to be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor-imposed restrictions or by law. Investment income on the donor-restricted endowment funds is recorded as net assets with donor restrictions until appropriated for expenditure. When restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished or endowment funds are appropriated for expenditure, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.



## FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

### Notes to Financial Statements

June 30, 2021 and 2020

Expenses are reported as decreases in net assets without donor restrictions. The Foundation presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. Expenses attributable to multiple areas are allocated based on time and effort.

#### **(c) Contributions**

Contributions, which include unconditional promises to give, are recognized, at fair value, as revenue in the period received. Contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred asset or a right of release of the promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. Unconditional pledges to be paid in future years are discounted to present value. Amortization of the discount is recorded as additional contribution revenue.

#### **(d) Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid investments available for current use with an initial maturity of 90 days or less to be cash and cash equivalents, other than those cash equivalents held in the investment portfolio for long-term purposes.

The Foundation's cash and cash equivalents are maintained in interest-bearing checking accounts. All cash and investments are held in Federal Deposit Insurance Corporation-insured commercial banks and are insured or collateralized with securities held by an agent in the Foundation's name.

#### **(e) Investments**

Investments primarily consist of fixed-income funds, equity funds, money market funds, hedge funds, real assets and private equity investments and are maintained in separate current and endowment portfolios for each fund. The Foundation records investments with readily determinable fair values based on quoted or published prices. The Foundation reports its investments in funds that do not have readily determinable fair values (investments measured at net asset value) at estimated fair value using net asset value per share or its equivalent as reported by the investment managers, as a practical expedient. The estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. The Foundation reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the underlying net assets.

#### **(f) Fair Value Measurements**

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Foundation uses three levels of inputs to measure fair value:

Level 1: Quoted or published prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date

## FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

### Notes to Financial Statements

June 30, 2021 and 2020

Level 2: Inputs other than quoted or published prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3: Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the hierarchy does not necessarily correspond to the Foundation's perceived risk of that instrument. Investments measured at net asset value or its equivalent are excluded from categorization in the fair value hierarchy.

#### **(g) Accounting 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the fair value of investments, and accrued retiree health benefits.

#### **(h) Related-Party Transactions**

The Foundation receives contributed services from FIT for administrative support and use of facilities. The Foundation relies upon FIT for additional contributed services to support future grants. During 2021 and 2020, contributed services from FIT totaled \$878,267 and \$860,903, respectively.

#### **(i) New Accounting Pronouncement**

In 2021, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for the resource provider related to contributions made. This update helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The update also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). The adoption did not have a significant impact on the financial statements.

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Notes to Financial Statements

June 30, 2021 and 2020

**(j) Risks and Uncertainties**

The Foundation invests in various investment securities and relies on fundraising to support its operations. Investment securities are exposed to various risks such as interest rate, market and credit risks. The spread of Coronavirus (COVID-19) around the world has caused significant volatility in the U.S. and international markets. As a result, all in-person events schedule for fiscal year 2021 were cancelled and replaced by virtual and remote events. As part of the funding made available in the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the Foundation received a \$182,100 loan through the Paycheck Protection Program in 2021. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact to its financial position and changes in net assets in the future.

**(k) Subsequent Events**

The Foundation evaluated events subsequent to June 30, 2021 and through December 16, 2021, the date on which the financial statements were available to be issued, and determined that there were no additional matters that are required to be disclosed.

**(2) Investments**

The following tables present the investment portfolios measured at fair value of the Foundation at June 30, 2021 and 2020:

	<b>Current portfolio</b>	<b>Endowed portfolio</b>	<b>2021 Total</b>
Cash and cash equivalents	\$ —	319,544	319,544
Money market funds	3,696,231	—	3,696,231
Equity funds:			
Domestic	2,084,363	18,446,985	20,531,348
International	1,215,454	12,636,733	13,852,187
Fixed income funds:			
Domestic	1,241,048	8,128,024	9,369,072
Hedge funds:			
Domestic	222,056	5,395,057	5,617,113
International	—	153	153
Real assets	228,150	1,973,103	2,201,253
Private equity funds	—	4,312,995	4,312,995
	<u>\$ 8,687,302</u>	<u>51,212,594</u>	<u>59,899,896</u>

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Notes to Financial Statements

June 30, 2021 and 2020

	<u>Current portfolio</u>	<u>Endowed portfolio</u>	<u>2020 Total</u>
Cash and cash equivalents	\$ —	535,851	535,851
Money market funds	3,682,147	—	3,682,147
Equity funds:			
Domestic	1,440,380	10,712,904	12,153,284
International	948,476	9,141,140	10,089,616
Fixed income funds:			
Domestic	1,183,535	10,870,579	12,054,114
Hedge funds:			
Domestic	184,629	5,141,812	5,326,441
International	—	447	447
Real assets	223,954	2,281,775	2,505,729
Private equity funds	—	3,184,044	3,184,044
	<u>\$ 7,663,121</u>	<u>41,868,552</u>	<u>49,531,673</u>

**(3) Fair Value Measurement**

The following tables present the fair value hierarchy for the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investments (Level 1):		
Cash and cash equivalents	\$ 319,544	535,851
Money market funds	3,696,231	3,682,147
Equity funds:		
Domestic	20,531,348	12,153,284
International	13,852,187	10,089,616
Fixed income funds:		
Domestic	9,369,072	12,054,114
Hedge funds:		
Domestic	—	656,085
Real assets	1,454,512	1,638,599
Total investments included within the fair value hierarchy	<u>49,222,894</u>	<u>40,809,696</u>

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Notes to Financial Statements

June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Investments measured at net asset value (or its equivalent):		
Hedge funds:		
Domestic	\$ 5,617,113	4,670,356
International	153	447
Real assets	746,741	867,130
Private equity funds	4,312,995	3,184,044
Total investments measured at net asset value (or its equivalent)	10,677,002	8,721,977
Total investments	\$ 59,899,896	49,531,673
Charitable remainder trusts (Level 2)	\$ 495,632	432,748

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Cash, cash equivalents, and money market funds: The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1, as these financial instruments are highly liquid.

Equity funds – domestic and international: Common stocks are valued at the closing price reported on the active market on which the individual securities are traded or published net asset value for alternative investments in funds similar to mutual funds.

Fixed income funds – domestic: Fixed income investments are valued at the closing price reported on the active market on which the individual securities are traded or published net asset value for alternative investments in funds similar to mutual funds.

Hedge funds – domestic and international: Hedge funds are investment funds valued at the net asset value of shares held by the Foundation at year-end. Management has considered all other rights and obligations associated with the investment and has concluded there would be no significant adjustment required to the net asset value.

Real assets: Real assets represent investments through mutual funds in commodity futures and high-quality bonds, mostly Treasury inflation-protected securities (TIPS). The majority of these funds are traded on a public market and are valued at the closing price or published net asset value for alternative investments in funds similar to mutual funds. Real assets also include funds valued at the net asset value of shares held by the Foundation at year-end. Management has considered all other rights and obligations associated with the investment and has concluded there would be no significant adjustment required to the net asset value.

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Notes to Financial Statements

June 30, 2021 and 2020

Private equity: Includes private equity and venture capital, all of which are illiquid investments. The investments are valued at the net asset value of shares held by the Foundation at year-end. Management has considered all other rights and obligations associated with the investment and has concluded there would be no significant adjustment required to the net asset value.

Charitable remainder trusts: Valued at estimated present value of the funds to be received when the trust terminates using various assumptions with regard to the anticipated date of termination, appropriate rate of discount, and market returns.

The preceding methods described may produce a fair value calculation that may not be indicative of the 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 fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the redemption terms and unfunded commitments of the Foundation's alternative investments as of June 30, 2021:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency if currently eligible</u>	<u>Redemption notice period</u>
Hedge funds:				
Domestic	\$ 5,617,113	—	Monthly, Quarterly	2–95 days
International	153	—	Quarterly	70 days
Real assets	746,741	83,684	Quarterly	75-95 days
Private equity	<u>4,312,995</u>	<u>4,754,299</u>	NA	NA
	<u>\$ 10,677,002</u>	<u>4,837,983</u>		

The remaining life of the nonredeemable funds ranges from one year to ten years as of June 30, 2021 and 2020.

**(4) Receivables**

Receivables consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pledges receivable, net	\$ 1,227,707	1,704,048
Due from the College	<u>31,000</u>	<u>75,074</u>
	<u>\$ 1,258,707</u>	<u>1,779,122</u>

One contribution receivable comprised approximately 53% and 39% of gross contributions receivable as of June 30, 2021 and 2020. Three contributions comprised approximately 16% and 63% of total support and revenue for the years ended June 30, 2021 and 2020, respectively.

**FASHION INSTITUTE OF TECHNOLOGY FOUNDATION**

Notes to Financial Statements

June 30, 2021 and 2020

Pledges receivable at June 30, 2021 and 2020 are scheduled to be collected as follows:

	<b>2021</b>	<b>2020</b>
Receivable in less than one year	\$ 1,163,748	1,659,244
Receivable in one to five years	65,000	47,500
Total unconditional pledges receivable	1,228,748	1,706,744
Less discounts to net present value ranging from 1.32% to 2.54%	(1,041)	(2,696)
Pledges receivable, net	\$ 1,227,707	1,704,048

**(5) Charitable Remainder Trust**

On December 31, 1999, a trustee of the Foundation established a charitable remainder unitrust in the amount of \$404,782, with directions that upon death the principal and all accrued income in the trust shall be distributed half to the Foundation and half to another unrelated organization, for each organization's general uses and purposes. An additional \$1,000,000 was added in 2001.

As of June 30, 2021 and 2020, the remainder interest was valued at \$991,264 and \$847,496, half of which, \$495,632 and \$423,748, is designated for the Foundation. These amounts are included in the statements of financial position as interest in charitable remainder trusts.

**(6) Due to the College**

Amounts due to the College at June 30, 2021 and 2020 consist of the following:

	<b>2021</b>	<b>2020</b>
Operating expenses	\$ 115,006	132,934
Departmental scholarships, awards, and programs	431,711	1,808,067
	\$ 546,717	1,941,001

**(7) Retirement Plan**

The Foundation participates in defined contribution retirement plans administered by the Teachers Insurance Annuity Association of America and College Retirement Equities Fund (TIAA-CREF) for full-time employees.

The Foundation's TIAA-CREF basic retirement plan provides for a 10% employer contribution for all eligible employees. The employees are not required to make contributions to the plan. The Foundation's policy is to accrue the cost of these defined-contribution plans currently. The employer contributions by the Foundation to the plan were \$66,749 and \$89,356 for the years ended June 30, 2021 and 2020, respectively.

The Foundation also has a voluntary Supplemental Retirement Annuity Plan that is available to all eligible employees. The plan is funded solely by employees' contributions through payroll deductions.

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Notes to Financial Statements

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**(8) Accrued Retiree Health Benefits**

FIT provides healthcare benefits to eligible retirees of the College and its component organizations (including the Foundation) through the New York City Health Insurance Program. In addition, FIT reimburses a portion of the Part B premium for Medicare-eligible retirees and covered spouses; also, FIT makes contributions to the welfare fund of the United College Employees of FIT (UCE). The plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

**Healthcare Coverage:** Basic coverage is provided to eligible retirees through the New York City Health Insurance Program. The plans included in this program are community rated; given the size of FIT's covered population in relation to the total covered population, FIT's actual claims experience has no effect on the premiums charged by these plans.

**UCE Welfare Fund:** FIT pays \$1,670 annually for most eligible retirees to the UCE Welfare Fund. This contribution may change periodically based on collective bargaining agreements.

**Medicare Part B Premium Reimbursement:** FIT reimburses \$58.70 per month toward Part B premium for all Medicare-eligible retirees and covered spouses.

**Funding Policy:** The terms of the plan are determined through collective bargaining among FIT, UCE, and the City of New York. FIT (and its component organizations) historically has funded the plan on a pay-as-you-go basis and does not anticipate prefunding the plan. Current expenses funded for the Foundation were \$16,704 and \$7,021 for the fiscal years ended June 30, 2021 and 2020, respectively.

The following tables provide information about the plan's funded status reconciled with the amount reported in the Foundation's statements of financial position as of June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 391,578	583,001
Service cost	56,146	58,550
Interest cost	9,351	20,804
Actuarial (gain) loss	(3,178)	(263,756)
Benefits paid	(16,704)	(7,021)
Benefit obligation at end of year	437,193	391,578
Change in plan assets:		
Employer contribution	16,704	7,021
Benefit paid	(16,704)	(7,021)
Fair value of plan assets at end of year	—	—
Unfunded status	\$ 437,193	391,578



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	<b>2021</b>	<b>2020</b>
Amount recognized in the statements of financial position consists of:		
Accrued retiree health benefits – beginning of year	\$ 391,578	583,001
(Gains) losses not yet recognized as a component of net periodic cost	15,116	(160,423)
Net periodic benefit cost	47,203	(23,979)
Employer contribution	(16,704)	(7,021)
Net amount recognized	\$ 437,193	391,578
Weighted average discount rate assumptions as of June 30	2.71 %	2.44 %

  

	<b>2021</b>	<b>2020</b>
Components of net periodic benefit cost:		
Service cost	\$ 56,146	58,550
Interest cost	9,351	20,804
Recognized actuarial loss	(18,294)	(103,333)
Net periodic benefit cost	\$ 47,203	(23,979)
Benefit cost weighted average discount rate assumptions for the years ended June 30	2.44 %	3.59 %

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	<b>One- percentage- point increase</b>	<b>One- percentage- point decrease</b>
Effect on total of service and interest cost components	\$ 28,277	(18,731)
Effect on postretirement benefit obligation	80,604	(60,316)

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The projected premium payments in each fiscal year from 2021 through 2031 are as follows:

Year(s) ending June 30:			
2022	\$	17,949	
2023		18,451	
2024		18,909	
2025		19,310	
2026		19,650	
2027 through 2031 (in aggregate)		100,193	
	\$	194,462	

**Actuarial Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the actuarial valuation, the projected benefits of each individual included in the actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of future benefits payments is referred to as the Expected Postretirement Benefit Obligation (EPBO). The portion of the EPBO allocated to a fiscal year is called the Service Cost. The portion of the EPBO allocated to all periods prior to a valuation date is called the Accumulated Postretirement Benefit Obligation (APBO). Projected benefits are calculated by projecting the current per capita claims cost into the future based on the applicable healthcare trend rates. The projected benefits are allocated to valuation years by a straight proration based on expected years of employment. The unrecognized APBO is amortized over future years in accordance with U.S. GAAP.

The healthcare cost increase assumptions for Pre-Medicare/Medicare rates for 2021 was 6.75%, decreasing to an ultimate trend rate of 3.784% in 2075. The healthcare cost increase assumptions for Post-Medicare/Medicare rates for 2021 was 4.4%, decreasing to an ultimate trend rate of 3.784% in 2075.

The healthcare cost increase assumptions for Pre-Medicare/Medicare rates for 2020 was 6.5%, decreasing to an ultimate trend rate of 3.784% in 2075. The healthcare cost increase assumptions for Post-Medicare/Medicare rates for 2020 was 4.4%, decreasing to an ultimate trend rate of 3.784% in 2075.

The projected benefits are allocated to valuation years by a straight proration based on expected years of employment. The unrecognized APBO is amortized over future years at the rate of 3.6% per year.

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**(9) Net Assets Released from Restrictions**

During 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<b>2021</b>	<b>2020</b>
Financial aid	\$ 1,185,256	1,433,961
Department support and other	881,734	890,040
	\$ 2,066,990	2,324,001

**(10) Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2021 and 2020 are restricted for the following purposes as follows:

	<b>2021</b>	<b>2020</b>
Subject to expenditure for specified time or purpose:		
General scholarships	\$ 174,683	132,818
Awards and department scholarships	445,841	614,295
Departmental programs	4,035,922	4,350,531
Capital projects	5,282,809	5,282,809
Remainder trusts	495,632	423,748
Total net assets held for time or purpose restrictions	10,434,887	10,804,201
Endowment appreciation not appropriated for expenditure	16,056,107	7,766,968
Endowment assets held in perpetuity to generate income for specified purposes:		
General scholarships	22,830,291	22,445,679
Awards and department scholarships	5,406,942	5,206,962
Departmental programs	7,023,684	7,023,684
Dorm subsidy	614,808	614,808
Total net assets held as endowment fund corpus	35,875,725	35,291,133
Total net assets with donor restrictions	\$ 62,366,719	53,862,302

**(11) Endowment Funds**

New York State has enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The Foundation has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. Accounting guidance associated with the

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enactment of NYPMIFA as set forth with U.S. GAAP, requires the portion of a donor-restricted endowment fund that is not classified as corpus restricted assets to be reported as net assets with donor restrictions for time or purpose until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The objective of the Foundation's investment portfolio is to preserve the real (inflation-adjusted) purchasing power of the portfolio while providing a relatively predictable, stable, and constant (in real terms) stream of earnings in line with spending needs. Financial objectives for the Foundation are established to provide for sufficient income to meet the spending needs of the Foundation, as well as to provide for continued capital appreciation of the portfolio. The established objective for investment returns is to generate a return of the Consumer Price Index (CPI) plus an additional percentage based upon the investment objectives and asset allocation structure set by the Finance Committee as described in the investment policy over a 3 – to 5-year planning horizon.

The Foundation's endowment consists of approximately 349 and 346 funds at June 30, 2021 and 2020, respectively.

The Foundation has a spending policy of appropriating for distribution each year 4.25% of the endowment. From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the original historic dollar value. This deficiency results from unfavorable market fluctuations subsequent to the investment of the endowment corpus and is reported in the net assets with donor restriction category. As of June 30, 2021 and 2020, the amounts by which funds were underwater was calculated as follows:

	<b>2021</b>	<b>2020</b>
Aggregate original gift value	\$ —	4,428,531
Aggregate fair value	—	4,411,799
Total amount underwater	\$ —	16,732

Endowment net assets, excluding pledges, consist of the following at June 30, 2021 and 2020:

		<b>2021</b>			
		<b>Without donor restrictions</b>	<b>With donor restrictions</b>		<b>Total</b>
			<b>Accumulated gains</b>	<b>Endowment corpus</b>	
Donor restricted	\$	—	16,056,107	35,609,157	51,665,264
Board-designated		718,587	—	—	718,587
Balance at					
June 30, 2021	\$	718,587	16,056,107	35,609,157	52,383,851

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		<b>2020</b>			
		<b>Without donor restrictions</b>	<b>With donor restrictions</b>		
			<b>Accumulated gains</b>	<b>Endowment corpus</b>	<b>Total</b>
Donor restricted	\$	—	7,766,968	35,124,565	42,891,533
Board-designated		595,861	—	—	595,861
Balance at June 30, 2020	\$	<u>595,861</u>	<u>7,766,968</u>	<u>35,124,565</u>	<u>43,487,394</u>

The following tables present the changes in endowment net assets, excluding pledges, for the years ended June 30, 2021 and 2020:

		<b>Without donor restrictions</b>	<b>With donor restrictions</b>		
			<b>Accumulated gains</b>	<b>Endowment corpus</b>	<b>Total</b>
Balance at June 30, 2020	\$	595,861	7,766,968	35,124,565	43,487,394
Investment income, net		122,726	9,216,198	—	9,338,924
Endowment spending		—	(927,059)	—	(927,059)
Gifts		—	—	484,592	484,592
Balance at June 30, 2021	\$	<u>718,587</u>	<u>16,056,107</u>	<u>35,609,157</u>	<u>52,383,851</u>

		<b>Without donor restrictions</b>	<b>With donor restrictions</b>		
			<b>Accumulated gains</b>	<b>Endowment corpus</b>	<b>Total</b>
Balance at June 30, 2019	\$	587,898	8,392,583	30,440,966	39,421,447
Investment income, net		7,963	507,043	—	515,006
Endowment spending		—	(1,132,658)	—	(1,132,658)
Gifts		—	—	4,683,599	4,683,599
Balance at June 30, 2020	\$	<u>595,861</u>	<u>7,766,968</u>	<u>35,124,565</u>	<u>43,487,394</u>

During 2020, a bequest of approximately \$4,300,000 was received and endowed for scholarship.

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**(12) Liquidity and Availability**

Resources available to the Foundation to fund general expenditures, such as operating expenses, have seasonal variations related to the receipt of gifts and pledge payments, the timing of special events, and transfers from the endowment. The Foundation actively manages its resources utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by its Board of Directors. Financial assets available for general expenditures within one year of June 30<sup>th</sup> are as follows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 4,671,407	6,303,890
Pledges receivable, due within one year	1,163,748	1,659,244
Investments	59,899,896	49,531,673
Total financial assets	65,735,051	57,494,807
Less:		
Board designated funds	(718,587)	(595,861)
Endowment assets held in perpetuity	(35,875,725)	(35,291,133)
Endowment appreciation not appropriated for expenditure	(16,056,107)	(7,766,968)
	(52,650,419)	(43,653,962)
Plus:		
Endowment earnings appropriated for general spending	1,597,345	1,577,819
Total financial assets available to meet cash needs for general expenditures within one year	\$ 14,681,977	15,418,664

**(13) Functional Allocation of Expense**

The composition of expenses for the year June 30, 2021 and 2020 are as follows:

	<b>2021</b>					
	<b>Grants to the College</b>	<b>Salaries and related payroll costs</b>	<b>Professional, consulting and outside services</b>	<b>Rentals/ food costs</b>	<b>Supplies and other</b>	<b>Total</b>
Program services	\$ 1,761,906	—	91,640	1,085	309,862	2,164,493
Management and general (a)	—	1,885,360	86,935	625	227,810	2,200,730
Total expenses	\$ 1,761,906	1,885,360	178,575	1,710	537,672	4,365,223

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	<b>2020</b>					
	<b>Grants to the College</b>	<b>Salaries and related payroll costs</b>	<b>Professional, consulting and outside services</b>	<b>Rentals/ food costs</b>	<b>Supplies and other</b>	<b>Total</b>
Program services	\$ 1,921,636	—	136,416	95,616	337,129	2,490,797
Management and general (a)	—	2,221,572	245,107	95,491	294,007	2,856,177
Total expenses	\$ 1,921,636	2,221,572	381,523	191,107	631,136	5,346,974

(a) Management and general salaries and related payroll costs includes \$8,943 and \$82,529 of other components of net periodic postretirement cost for the years ended June 30, 2021 and 2020, respectively.

As the Foundation's primary purpose is to provide scholarships and fundraising activities for FIT, management and general and direct donor benefit expenses are primarily considered to be fundraising.