



FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Fashion Institute of Technology Foundation:

Opinion

We have audited the financial statements of the Fashion Institute of Technology Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation 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 U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

New York, New York
December 12, 2022

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 5,468,815	4,671,407
Receivables, net (note 4)	4,065,065	1,258,707
Prepaid expense and other assets	46,100	304
Investments (notes 2, 3, and 11)	56,262,617	59,899,896
Interest in charitable remainder trusts (notes 3, 5 and 10)	395,775	495,632
Total assets	\$ 66,238,372	66,325,946
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 370,096	119,175
Unearned revenue	353,550	479,965
Due to the College (note 6)	277,258	546,717
Paycheck Protection Program Loan (note 1(j))	—	182,100
Accrued vacation and sick leave	132,325	109,605
Accrued retiree health benefits (note 8)	303,125	437,193
Total liabilities	1,436,354	1,874,755
Net assets :		
Net assets without donor restrictions:		
Board-designated for endowment (note 11)	662,747	718,587
Undesignated	1,071,556	1,365,885
Total net assets without donor restrictions	1,734,303	2,084,472
Net assets with donor restrictions (note 10):		
Time or purpose restricted	15,312,215	10,434,887
Endowment appreciation not appropriated for expenditure (note 11)	10,442,335	16,056,107
Endowment fund corpus (note 11)	37,313,165	35,875,725
Total net assets with donor restrictions	63,067,715	62,366,719
Total net assets	64,802,018	64,451,191
Total liabilities and net assets	\$ 66,238,372	66,325,946

See accompanying notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Statement of Activities

Year ended June 30, 2022

(With summarized totals for the year ended June 30, 2021)

	Without donor restrictions	With donor restrictions	Total 2022	Total 2021
Support and revenue:				
General gifts, net	\$ 548,574	7,127,520	7,676,094	1,771,619
Contributions from Fashion Institution of Technology	893,101	—	893,101	878,267
Annual Dinner, net of direct donor benefits of \$395,382	641,975	—	641,975	—
FIT Circle and other events, net of direct donor benefits of \$32,033	109,923	—	109,923	321,441
Gift and event assessment	192,500	—	192,500	77,519
Net assets released from restrictions (note 9)	2,218,007	(2,218,007)	—	—
Total support and revenue	4,604,080	4,909,513	9,513,593	3,048,846
Expenses (note 13):				
Program services:				
Financial aid	1,458,699	—	1,458,699	1,273,007
Departmental support	794,707	—	794,707	881,734
College subsidies	41,097	—	41,097	9,752
Capital projects	15,000	—	15,000	—
Total program services	2,309,503	—	2,309,503	2,164,493
Supporting services:				
Management and general:				
Salaries and related payroll costs	1,748,028	—	1,748,028	1,876,417
Professional fees, supplies and other	329,882	—	329,882	315,370
Total management and general	2,077,910	—	2,077,910	2,191,787
Total expenses	4,387,413	—	4,387,413	4,356,280
Changes in net assets before investment income and other	216,667	4,909,513	5,126,180	(1,307,434)
Investment income and other:				
Net investment income	(572,807)	(4,208,517)	(4,781,324)	10,436,084
Gain on forgiveness of Paycheck Protection Loan	182,100	—	182,100	—
Postretirement related changes other than net periodic cost	(183,523)	—	(183,523)	1,588
Other components of net periodic postretirement cost	7,394	—	7,394	8,943
Changes in net assets	(350,169)	700,996	350,827	9,139,181
Net assets:				
Beginning of year	2,084,472	62,366,719	64,451,191	55,312,010
End of year	\$ 1,734,303	63,067,715	64,802,018	64,451,191

See accompanying notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Statement of Activities

Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total 2021
Support and revenue:			
General gifts, net	\$ 613,455	1,158,164	1,771,619
Contributions from Fashion Institution of Technology	878,267	—	878,267
FIT Circle and other events, net	321,441	—	321,441
Gift and event assessment	77,519	—	77,519
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
Expenses (note 13):			
Program services:			
Financial aid	1,273,007	—	1,273,007
Departmental support	881,734	—	881,734
College subsidies	9,752	—	9,752
Total program services	2,164,493	—	2,164,493
Supporting services:			
Management and general:			
Salaries and related payroll costs	1,876,417	—	1,876,417
Professional fees, supplies and other	315,370	—	315,370
Total management and general	2,191,787	—	2,191,787
Total expenses	4,356,280	—	4,356,280
Changes in net assets before investment income and other	(398,608)	(908,826)	(1,307,434)
Investment income and other:			
Net investment income	1,022,841	9,413,243	10,436,084
Postretirement related changes other than net periodic cost	1,588	—	1,588
Other components of net periodic postretirement cost	8,943	—	8,943
Changes in net assets	634,764	8,504,417	9,139,181
Net assets:			
Beginning of year	1,449,708	53,862,302	55,312,010
End of year	\$ 2,084,472	62,366,719	64,451,191

See accompanying notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ 350,827	9,139,181
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net depreciation (appreciation) on investments	6,847,645	(8,879,103)
Postretirement related changes other than net periodic cost	(183,523)	1,588
Contributions with perpetual donor restriction	(1,437,441)	(584,592)
Change in value of charitable remainder trusts	99,857	(71,884)
Changes in operating assets and liabilities:		
Receivables	(2,860,358)	520,415
Prepaid expense and other assets	(45,796)	2,652
Accounts payable and other accrued expenses	250,921	19,613
Unearned revenue	(126,415)	229,965
Due to the College	(269,459)	(1,394,284)
Gain on forgiveness of Paycheck Protection Program Loan	(182,100)	—
Accrued vacation and sick leave	22,720	62,367
Accrued retiree health benefits	49,455	44,027
Net cash provided by (used in) operating activities	<u>2,516,333</u>	<u>(910,055)</u>
Cash flows from investing activities:		
Proceeds from sale or maturities of investments	11,895,659	15,474,373
Purchases of investments	(15,173,602)	(16,863,493)
Net cash used in investing activities	<u>(3,277,943)</u>	<u>(1,389,120)</u>
Cash flows from financing activities:		
Permanently restricted contributions	1,559,018	484,592
Paycheck Protection Program Loan	—	182,100
Net cash provided by financing activities	<u>1,559,018</u>	<u>666,692</u>
Net increase (decrease) in cash and cash equivalents	797,408	(1,632,483)
Cash and cash equivalents, beginning of year	<u>4,671,407</u>	<u>6,303,890</u>
Cash and cash equivalents, end of year	<u>\$ 5,468,815</u>	<u>4,671,407</u>
Supplemental disclosures of cash flow information:		
Restricted cash and cash equivalents included within investments	\$ 3,537,180	3,436,488

See accompanying notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021.

(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, 2022 and 2021

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

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Notes to Financial Statements

June 30, 2022 and 2021

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 2022 and 2021, contributed services from FIT totaled \$893,101 and \$878,267, respectively.

(i) New Accounting Pronouncements

In 2022, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance enhances presentation and disclosure requirements for not-for-profit entities that received contributed nonfinancial assets. The Foundation also adopted FASB ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*. This update amends the disclosure requirements applicable to all employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures. These adoptions did not have a significant impact on the financial statements.

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(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. In fiscal year 2022, the Foundation resumed in-person events and normal operations. In addition, the \$182,100 Paycheck Protection Program loan received under the CARES Act was forgiven.

(k) Subsequent Events

The Foundation evaluated events subsequent to June 30, 2022 and through November 8, 2022, 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, 2022 and 2021:

	<u>Current portfolio</u>	<u>Endowed portfolio</u>	<u>2022 Total</u>
Cash and cash equivalents	\$ —	1,052,134	1,052,134
Money market funds	3,704,685	—	3,704,685
Equity funds:			
Domestic	1,541,254	14,204,134	15,745,388
International	952,117	11,847,314	12,799,431
Fixed income funds:			
Domestic	1,251,068	6,722,083	7,973,151
Hedge funds:			
Domestic	219,799	5,340,224	5,560,023
Real assets	352,413	2,949,555	3,301,968
Private equity funds	—	6,125,837	6,125,837
	<u>\$ 8,021,336</u>	<u>48,241,281</u>	<u>56,262,617</u>

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

	Current portfolio	Endowed portfolio	2021 Total
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
	\$ 8,687,302	51,212,594	59,899,896

(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, 2022 and 2021:

	2022	2021
Investments (Level 1):		
Cash and cash equivalents	\$ 1,052,134	319,544
Money market funds	3,704,685	3,696,231
Equity funds:		
Domestic	15,745,388	20,531,348
International	12,799,431	13,852,187
Fixed income funds:		
Domestic	7,973,151	9,369,072
Real assets	2,610,323	1,454,512
Total investments included within the fair value hierarchy	43,885,112	49,222,894

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

	2022	2021
Investments measured at net asset value (or its equivalent):		
Hedge funds:		
Domestic	\$ 5,560,023	5,617,113
International	—	153
Real assets	691,645	746,741
Private equity funds	6,125,837	4,312,995
Total investments measured at net asset value (or its equivalent)	12,377,505	10,677,002
Total investments	\$ 56,262,617	59,899,896
Charitable remainder trusts (Level 2)	\$ 395,775	495,632

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, 2022 and 2021.

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, 2022 and 2021

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, 2022:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency if currently eligible</u>	<u>Redemption notice period</u>
Hedge funds:				
Domestic	\$ 5,560,023	—	Monthly, Quarterly	2–95 days
Real assets	691,645	82,921	Quarterly	75-95 days
Private equity	<u>6,125,837</u>	<u>3,440,193</u>	NA	NA
	<u>\$ 12,377,505</u>	<u>3,523,114</u>		

The remaining life of the nonredeemable funds ranges from one year to ten years as of June 30, 2022 and 2021.

(4) Receivables

Receivables consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pledges receivable, net	\$ 4,001,805	1,227,707
Due from the College	<u>63,260</u>	<u>31,000</u>
	<u>\$ 4,065,065</u>	<u>1,258,707</u>

One contribution receivable comprised approximately 25% and 53% of gross contributions receivable as of June 30, 2022 and 2021. Three contributions comprised approximately 32% and 16% of total support and revenue for the years ended June 30, 2022 and 2021, respectively.

FASHION INSTITUTE OF TECHNOLOGY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

Pledges receivable at June 30, 2022 and 2021 are scheduled to be collected as follows:

	2022	2021
Receivable in less than one year	\$ 1,180,309	1,163,748
Receivable in one to five years	2,915,000	65,000
Total unconditional pledges receivable	4,095,309	1,228,748
Less discounts to net present value ranging from 1.32% to 2.54%	(93,504)	(1,041)
Pledges receivable, net	\$ 4,001,805	1,227,707

(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, 2022 and 2021, the remainder interest was valued at \$791,550 and \$991,264, half of which, \$395,775 and \$495,632, 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, 2022 and 2021 consist of the following:

	2022	2021
Operating expenses	\$ 103,648	115,006
Departmental scholarships, awards, and programs	173,610	431,711
	\$ 277,258	546,717

(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 \$73,396 and \$66,749 for the years ended June 30, 2022 and 2021, 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 \$17,949 and \$16,704 for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 437,193	391,578
Service cost	56,849	56,146
Interest cost	11,605	9,351
Actuarial (gain) loss	(184,573)	(3,178)
Benefits paid	(17,949)	(16,704)
Benefit obligation at end of year	303,125	437,193
Change in plan assets:		
Employer contribution	17,949	16,704
Benefit paid	(17,949)	(16,704)
Fair value of plan assets at end of year	—	—
Unfunded status	\$ 303,125	437,193

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	2022	2021
Amount recognized in the statements of financial position consists of:		
Accrued retiree health benefits – beginning of year	\$ 437,193	391,578
(Gains) losses not yet recognized as a component of net periodic cost	(165,574)	15,116
Net periodic benefit cost	49,455	47,203
Employer contribution	(17,949)	(16,704)
Net amount recognized	\$ 303,125	437,193
Weighted average discount rate assumptions as of June 30	4.39 %	2.71 %
	2022	2021
Components of net periodic benefit cost:		
Service cost	\$ 56,849	56,146
Interest cost	11,605	9,351
Recognized actuarial loss	(18,999)	(18,294)
Net periodic benefit cost	\$ 49,455	47,203
Benefit cost weighted average discount rate assumptions for the years ended June 30	2.71 %	2.44 %

The projected premium payments in each fiscal year from 2022 through 2032 are as follows:

Year(s) ending June 30:	
2023	\$ 17,659
2024	17,799
2025	17,895
2026	17,940
2027	17,930
2028 through 2032 (in aggregate)	86,757
	\$ 175,980

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.

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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 2022 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 2022 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 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 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.

(9) Net Assets Released from Restrictions

During 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Financial aid	\$ 1,423,300	1,185,256
Department support and other	<u>794,707</u>	<u>881,734</u>
	<u>\$ 2,218,007</u>	<u>2,066,990</u>

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(10) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are restricted for the following purposes as follows:

	2022	2021
Subject to expenditure for specified time or purpose:		
General scholarships	\$ 1,218,583	174,683
Awards and department scholarships	1,200,912	445,841
Departmental programs	7,220,236	4,035,922
Capital projects	5,276,709	5,282,809
Remainder trusts	395,775	495,632
Total net assets held for time or purpose restrictions	15,312,215	10,434,887
Endowment appreciation not appropriated for expenditure	10,442,335	16,056,107
Endowment assets held in perpetuity to generate income for specified purposes:		
General scholarships	22,979,643	22,830,291
Awards and department scholarships	6,695,034	5,406,942
Departmental programs	7,023,680	7,023,684
Dorm subsidy	614,808	614,808
Total net assets held as endowment fund corpus	37,313,165	35,875,725
Total net assets with donor restrictions	\$ 63,067,715	62,366,719

(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 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

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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 350 and 349 funds at June 30, 2022 and 2021, 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, 2022 and 2021, the amounts by which funds were underwater was calculated as follows:

	2022	2021
Aggregate original gift value	\$ 1,884,180	—
Aggregate fair value	1,745,575	—
Total amount underwater	\$ 138,605	—

Endowment net assets, excluding pledges, consist of the following at June 30, 2022 and 2021:

		2022			
		Without donor restrictions	With donor restrictions		
		Accumulated gains	Endowment corpus	Total	
Donor restricted	\$	—	10,442,335	37,168,175	47,610,510
Board-designated		662,747	—	—	662,747
Balance at					
June 30, 2022	\$	662,747	10,442,335	37,168,175	48,273,257

		2021			
		Without donor restrictions	With donor restrictions		
		Accumulated gains	Endowment corpus	Total	
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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The following tables present the changes in endowment net assets, excluding pledges, for the years ended June 30, 2022 and 2021:

		Without donor restrictions	With donor restrictions		Total
			Accumulated gains	Endowment corpus	
Balance at June 30, 2021	\$	718,587	16,056,107	35,609,157	52,383,851
Investment income, net		(55,840)	(4,470,702)	—	(4,526,542)
Endowment spending		—	(1,143,070)	—	(1,143,070)
Gifts		—	—	1,559,018	1,559,018
Balance at June 30, 2022	\$	<u>662,747</u>	<u>10,442,335</u>	<u>37,168,175</u>	<u>48,273,257</u>

		Without donor restrictions	With donor restrictions		Total
			Accumulated gains	Endowment corpus	
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>

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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 30th are as follows:

	2022	2021
Cash and cash equivalents	\$ 5,468,815	4,671,407
Pledges receivable, due within one year	1,072,351	1,163,748
Investments	56,262,617	59,899,896
Total financial assets	62,803,783	65,735,051
Less:		
Board designated funds	(662,747)	(718,587)
Endowment appreciation not appropriated for expenditure	(10,442,335)	(16,056,107)
Endowment assets held in perpetuity	(37,313,165)	(35,875,725)
	(48,418,247)	(52,650,419)
Plus:		
Endowment earnings appropriated for general spending	2,191,400	1,597,345
Total financial assets available to meet cash needs for general expenditures within one year	\$ 16,576,936	14,681,977

(13) Functional Allocation of Expense

The composition of expenses for the year June 30, 2022 and 2021 are as follows:

	2022					
	Grants to the College	Salaries and related payroll costs	Professional, consulting and outside services	Rentals/ food costs	Supplies and other	Total
Program services	\$ 1,777,832	—	223,382	26,754	281,535	2,309,503
Management and general (a)	—	1,755,422	97,290	15,047	217,545	2,085,304
Total expenses	\$ 1,777,832	1,755,422	320,672	41,801	499,080	4,394,807

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	2021					
	Grants to the College	Salaries and related payroll costs	Professional, consulting and outside services	Rentals/ food costs	Supplies and other	Total
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

- (a) Management and general salaries and related payroll costs includes \$7,394 and \$8,943 of other components of net periodic postretirement cost for the years ended June 30, 2022 and 2021, 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.