

THE FUND FOR NEW JERSEY

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Fund for New Jersey

We have audited the accompanying financial statements of The Fund for New Jersey (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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 accounting principles generally accepted in the United States of America; 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fund for New Jersey as of December 31, 2018 and 2017, 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.

Lotz + Carr, LLP

New York, New York
May 20, 2019

THE FUND FOR NEW JERSEY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents (Notes 1b and 3)	\$ 273,875	\$ 162,771
Interest and dividends receivable	40,881	33,972
Investments, at fair value (Notes 1c, 1d and 4)	53,493,868	60,069,791
Prepaid federal excise tax (Note 1h)	4,549	45,922
Prepaid expenses	19,075	12,876
Security deposit	<u>8,834</u>	<u>8,834</u>
Total Assets	<u><u>\$53,841,082</u></u>	<u><u>\$60,334,166</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 27,094	\$ 31,379
Grants payable (Note 1f)	75,000	47,500
Deferred federal excise tax payable (Note 1h)	<u>172,530</u>	<u>299,649</u>
Total Liabilities	274,624	378,528
Commitments (Notes 5 and 6)		
Net Assets		
Without donor restrictions	<u>53,566,458</u>	<u>59,955,638</u>
Total Liabilities and Net Assets	<u><u>\$53,841,082</u></u>	<u><u>\$60,334,166</u></u>

See notes to financial statements.

THE FUND FOR NEW JERSEY

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Change in Net Assets Without Donor Restrictions		
Revenues and Gains (Losses)		
Interest and dividends	\$ 1,175,554	\$ 1,072,588
Realized gain on sale of investments	1,861,701	4,325,737
Unrealized gain (loss) on investments	(6,355,960)	2,182,118
Investment fees		
Advisory fees	(73,540)	(72,028)
Management fees	(93,639)	(97,904)
Provision for current federal excise tax	(56,373)	(51,783)
Provision for deferred federal excise (tax) benefit	<u>127,119</u>	<u>(43,642)</u>
Total Revenues and Gains (Losses)	<u>(3,415,138)</u>	<u>7,315,086</u>
Expenses		
Program Services		
Grants	2,155,500	2,437,000
Program support	<u>719,730</u>	<u>940,543</u>
Total Program Services	2,875,230	3,377,543
Supporting Service		
Administration	<u>98,812</u>	<u>94,240</u>
Total Expenses	<u>2,974,042</u>	<u>3,471,783</u>
Increase (decrease) in net assets	(6,389,180)	3,843,303
Net assets, beginning of year	<u>59,955,638</u>	<u>56,112,335</u>
Net Assets, End of Year	<u><u>\$53,566,458</u></u>	<u><u>\$59,955,638</u></u>

See notes to financial statements.

THE FUND FOR NEW JERSEY

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Program Services	Supporting Service	Total Expenses	Program Services	Supporting Service	Total Expenses
	Grants and Program Support	Administration		Grants and Program Support	Administration	
Grants awarded	\$2,155,500	\$ -	\$2,155,500	\$2,437,000	\$ -	\$2,437,000
Salaries	431,649	32,490	464,139	413,748	31,142	444,890
Payroll taxes and employee benefits	144,093	10,846	154,939	138,603	10,433	149,036
Professional fees	-	34,797	34,797	-	33,968	33,968
Occupancy	62,356	4,693	67,049	59,156	4,453	63,609
Meetings, travel and parking	29,921	6,689	36,610	25,514	6,044	31,558
Special project fees	4,232	-	4,232	194,320	-	194,320
Report preparation fees	400	-	400	44,500	-	44,500
Other program support	11,076	-	11,076	35,683	-	35,683
Office expenses	8,722	653	9,375	6,238	468	6,706
Website	5,051	380	5,431	2,863	215	3,078
Equipment rental and service contracts	4,012	302	4,314	3,017	227	3,244
Telephone and internet	5,747	433	6,180	5,230	394	5,624
Insurance	-	6,097	6,097	-	6,648	6,648
Dues and memberships	10,725	-	10,725	8,365	-	8,365
Postage	1,746	132	1,878	873	65	938
Unrelated business tax	-	1,300	1,300	-	-	-
Total expenses before depreciation	2,875,230	98,812	2,974,042	3,375,110	94,057	3,469,167
Depreciation	-	-	-	2,433	183	2,616
Total Expenses	<u>\$2,875,230</u>	<u>\$ 98,812</u>	<u>\$2,974,042</u>	<u>\$3,377,543</u>	<u>\$ 94,240</u>	<u>\$3,471,783</u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (6,389,180)	\$ 3,843,303
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Realized gain on sale of investments	(1,861,701)	(4,325,737)
Unrealized (gain) loss on investments	6,355,960	(2,182,118)
Depreciation	-	2,616
(Increase) decrease in:		
Interest and dividends receivable	(6,909)	1,848
Prepaid federal excise tax	41,373	(30,717)
Prepaid expenses	(6,199)	(965)
Increase (decrease) in:		
Accounts payable and accrued expenses	(4,285)	3,110
Grants payable	27,500	35,000
Deferred federal excise tax payable	(127,119)	43,642
Net Cash Used By Operating Activities	<u>(1,970,560)</u>	<u>(2,610,018)</u>
Cash Flows From Investing Activities		
Purchase of investments	(20,775,757)	(11,677,302)
Proceeds from sale of investments	<u>22,857,421</u>	<u>14,343,022</u>
Net Cash Provided By Investing Activities	<u>2,081,664</u>	<u>2,665,720</u>
Net increase in cash and cash equivalents	111,104	55,702
Cash and cash equivalents, beginning of year	<u>162,771</u>	<u>107,069</u>
Cash and Cash Equivalents, End of Year	<u>\$ 273,875</u>	<u>\$ 162,771</u>
Supplemental Disclosure		
Excise and unrelated business taxes paid	<u>\$ 15,000</u>	<u>\$ 70,000</u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Fund for New Jersey (the "Fund") is a not-for-profit private foundation. The Fund's purpose is to distribute grants to organizations dealing with current public policy issues facing New Jersey in order to promote social improvement within the State of New Jersey.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fund considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those short-term investments managed by the Fund's investment managers as part of their long-term investment strategies.

c - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Fund.
- Level 3 Unobservable inputs reflect the assumptions that the Fund develops based on available information about what market participants would use in valuing the asset or liability.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Investments

Investments in cash, equities, fixed income securities and mutual funds are measured at fair value based on quoted market prices. Investment income, including realized and unrealized gains and losses on investments, are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

The Fund's alternative investments, which do not have readily determinable fair values, are reported based upon the underlying net asset value per share or its equivalent as a practical expedient. The net asset value per share is estimated at fair value by the fund manager or general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies. The Fund relied on its investment consultant to review and evaluate the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

e - Equipment

Equipment is recorded at cost and depreciated on a straight-line basis over its estimated useful life. As of December 31, 2018 and 2017, equipment is fully depreciated and not reflected on the statements of financial position.

f - Grants Payable

Unconditional grants are accrued at the time awarded.

g - Financial Statement Presentation

The financial statements of the Fund have been prepared in accordance with U.S. generally accepted accounting principles, which require the Fund to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of the Fund's management and Board of Trustees.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

h - Tax Status

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to a 1% or 2% federal excise tax on net investment income, as defined, which includes gains realized on the sale of investments. Deferred taxes represent 2% of the unrealized appreciation in the market value of investments.

The Tax Reform Act of 1969 and subsequent amendments require that certain minimum distributions be made in accordance with a specified formula. The Fund has made distributions and expenditures in excess of the amounts required.

i - Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Fund's expenses are directly related to program activities. The expenses that are allocated include salaries and benefits, depreciation, office expenses, occupancy costs, equipment rental and telephone, which are allocated on the basis of time and effort.

k - Recent Accounting Pronouncement

In 2018, the Fund adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Fund opted to not disclose liquidity and availability information for 2017.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

I - Subsequent Events

The Fund has evaluated information relating to subsequent events through May 20, 2019, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

The Fund's income is generated from its investment portfolio, which is without donor restrictions. The Fund regularly monitors its liquidity to meet its operating needs and other commitments and obligations. The Fund considers general expenditures to consist of all expenses related to its ongoing program activities, and expenses related to general and administrative activities undertaken to support those activities. Management prepares disbursement requests quarterly, based on cash flow projections sufficient to cover ninety days of expenditures.

The Fund's financial assets as of December 31, 2018, and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year End:	
Cash and cash equivalents	\$ 273,875
Interest and dividends receivable	40,881
Investments	<u>53,493,868</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$53,808,624</u>

Note 3 - Concentration of Credit Risk

The Fund maintains its cash and cash equivalents at two financial institutions, which at times, may exceed federally insured limits.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 4 - Investments

Investments are reflected at fair value and consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 714,026	\$ 714,026	\$ 356,494	\$ 356,494
Equities	5,548,738	6,706,013	7,514,583	10,211,211
Fixed Income:				
Government and agency bonds	24,067	24,595	70,688	71,700
Corporate bonds and obligations	3,310,512	3,231,806	2,740,105	2,796,711
Municipal obligations	211,452	215,913	146,574	157,422
Foreign government and corporate obligations	363,329	369,465	335,460	351,116
Mutual Funds:				
Money market fund	3,532,296	3,532,296	-	-
Fixed income	7,481,903	7,497,490	11,068,718	10,876,732
Equities	17,663,277	23,242,974	15,447,702	25,579,045
Alternative Investments:				
Non-US equity	1,500,000	1,722,651	1,500,000	1,677,453
Long/short equity	2,031,759	3,487,543	3,331,759	5,053,987
Global multi-strategy	2,485,997	2,749,096	2,485,997	2,913,266
Emerging markets	-	-	89,239	24,654
	<u>\$44,867,356</u>	<u>\$53,493,868</u>	<u>\$45,087,319</u>	<u>\$60,069,791</u>

The following summarizes the fair value of the investments that are measured on a recurring basis at December 31:

	<u>2018</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 714,026	\$ 714,026	\$ -	\$ -
Equities	6,706,013	6,706,013	-	-
Fixed Income:				
Government and agency bonds	24,595	24,595	-	-
Corporate bonds and obligations	3,231,806	3,231,806	-	-
Municipal obligations	215,913	215,913	-	-
Foreign government and corporate obligations	369,465	369,465	-	-
Mutual Funds:				
Money market fund	3,532,296	3,532,296	-	-
Fixed income	7,497,490	7,497,490	-	-
Equities	<u>23,242,974</u>	<u>23,242,974</u>	-	-
Total Assets in Fair Value Hierarchy	45,534,578	<u>\$45,534,578</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value	<u>7,959,290</u>			
Total Investments	<u>\$53,493,868</u>			

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
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Note 4 - Investments (continued)

	2017			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 356,494	\$ 356,494	\$ -	\$ -
Equities	10,211,211	10,211,211	-	-
Fixed Income:				
Government and agency bonds	71,700	71,700	-	-
Corporate bonds and obligations	2,796,711	2,796,711	-	-
Municipal obligations	157,422	157,422	-	-
Foreign government and corporate obligations	351,116	351,116	-	-
Mutual Funds:				
Fixed income	10,876,732	10,876,732	-	-
Equities	<u>25,579,045</u>	<u>25,579,045</u>	-	-
Total Assets in Fair Value Hierarchy	50,400,431	<u>\$50,400,431</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value	<u>9,669,360</u>			
Total Investments		<u>\$60,069,791</u>		

The alternative investment funds included in the Fund's investment portfolio using net asset value are redeemable based on the following terms and conditions at December 31, 2018:

Monthly with 90 days' notice	\$2,571,823
Quarterly with up to 95 days' notice	<u>5,387,467</u>
	<u>\$7,959,290</u>

The following are descriptions of the investment strategies of these investments:

Non-US Equity - Invests in securities of public companies listed on exchanges outside the United States.

Long/Short Equity - Invests in long and short securities with varying degrees of exposure and leverage. These strategies may be broadly diversified or focused by region or sector.

Global Multi-Strategy - Broadly diversified hedge fund which utilizes several strategies (event driven, relative value, equity hedge, and macro) within the same pool of assets. Multi-strategy hedge funds are designed to reduce overall portfolio volatility and decrease asset-class and single-strategy risks.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 5 - Retirement Plan

The Fund has a defined contribution plan for the benefit of all eligible employees, which provides for employer contributions equal to 10% of a participant's compensation. Contributions to the plan during 2018 and 2017 amounted to \$44,436 and \$43,566, respectively.

Note 6 - Commitment

The Fund occupies space under a lease which provides for approximate minimum rental payments as follows:

Year ending December 31, 2019	\$63,000
Thereafter, through June 19, 2020	30,000

Rent expense for the years ended December 31, 2018 and 2017 was \$63,619 and \$60,179, respectively.