

THE FUND FOR NEW JERSEY

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, at the direction of state and local governmental authorities, the Fund temporarily suspended some of its programmatic work and staff began to work remotely. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
August 19, 2020

THE FUND FOR NEW JERSEY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 3)	\$ 1,852,483	\$ 273,875
Interest and dividends receivable	48,724	40,881
Investments, at fair value (Notes 1d, 1e and 4)	58,082,038	53,493,868
Prepaid federal excise tax (Note 1i)	-	4,549
Prepaid expenses	12,868	19,075
Security deposit	<u>8,834</u>	<u>8,834</u>
Total Assets	<u><u>\$60,004,947</u></u>	<u><u>\$53,841,082</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 41,676	\$ 27,094
Grants payable, net (Note 1g)	475,010	75,000
Federal excise tax payable (Note 1i)		
Current	100,303	-
Deferred	<u>90,594</u>	<u>172,530</u>
Total Liabilities	707,583	274,624
Commitments and Contingency (Notes 5, 6, 7 and 8)		
Net Assets		
Without donor restrictions	<u>59,297,364</u>	<u>53,566,458</u>
Total Liabilities and Net Assets	<u><u>\$60,004,947</u></u>	<u><u>\$53,841,082</u></u>

See notes to financial statements.

THE FUND FOR NEW JERSEY

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Change in Net Assets Without Donor Restrictions		
Support, Revenues and Gains (Losses)		
Contribution - special project (Notes 1c and 7)	\$ 250,000	\$ -
Interest and dividends	1,055,210	1,175,554
Realized gain on sale of investments	10,742,434	1,861,701
Unrealized loss on investments	(2,108,943)	(6,355,960)
Investment fees (Note 4)		
Advisory fees	(74,938)	(73,540)
Management fees	(78,802)	(93,639)
Provision for current federal excise tax	(115,852)	(56,373)
Provision for deferred federal excise tax benefit	81,936	127,119
	<u>9,751,045</u>	<u>(3,415,138)</u>
Expenses		
Program Services		
Grants	3,166,692	2,155,500
Program support	752,819	719,730
Total Program Services	<u>3,919,511</u>	<u>2,875,230</u>
Supporting Service		
Administration and other services	100,628	98,812
	<u>4,020,139</u>	<u>2,974,042</u>
Increase (decrease) in net assets	5,730,906	(6,389,180)
Net assets, beginning of year	53,566,458	59,955,638
	<u>\$59,297,364</u>	<u>\$53,566,458</u>
Net Assets, End of Year		

See notes to financial statements.

THE FUND FOR NEW JERSEY

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Program Services	Supporting Service	Total Expenses	Program Services	Supporting Service	Total Expenses
	Grants and Program Support	Administration and Other Services		Grants and Program Support	Administration	
Grants awarded	\$3,166,692	\$ -	\$3,166,692	\$2,155,500	\$ -	\$2,155,500
Salaries	430,854	27,501	458,355	431,649	32,490	464,139
Payroll taxes and employee benefits	135,869	8,672	144,541	144,093	10,846	154,939
Professional fees	-	46,378	46,378	-	34,797	34,797
Occupancy	65,845	4,203	70,048	62,356	4,693	67,049
Meetings, travel and parking	36,282	6,177	42,459	29,921	6,689	36,610
Special project fees	-	-	-	4,232	-	4,232
Report preparation fees	-	-	-	400	-	400
Other program support	46,091	-	46,091	11,076	-	11,076
Office expenses	8,512	543	9,055	8,722	653	9,375
Website	837	53	890	5,051	380	5,431
Equipment rental and service contracts	8,185	522	8,707	4,012	302	4,314
Telephone and internet	5,904	377	6,281	5,747	433	6,180
Insurance	-	6,130	6,130	-	6,097	6,097
Dues and memberships	13,335	-	13,335	10,725	-	10,725
Postage	1,105	72	1,177	1,746	132	1,878
Unrelated business tax	-	-	-	-	1,300	1,300
Total Expenses	<u>\$3,919,511</u>	<u>\$ 100,628</u>	<u>\$4,020,139</u>	<u>\$2,875,230</u>	<u>\$ 98,812</u>	<u>\$2,974,042</u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 5,730,906	\$ (6,389,180)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Realized gain on sale of investments	(10,742,434)	(1,861,701)
Unrealized loss on investments	2,108,943	6,355,960
(Increase) decrease in:		
Interest and dividends receivable	(7,843)	(6,909)
Prepaid federal excise tax	4,549	41,373
Prepaid expenses	6,207	(6,199)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,582	(4,285)
Grants payable	400,010	27,500
Federal excise tax payable	100,303	-
Deferred federal excise tax payable	(81,936)	(127,119)
Net Cash Used By Operating Activities	<u>(2,466,713)</u>	<u>(1,970,560)</u>
 Cash Flows From Investing Activities		
Purchase of investments	(38,113,588)	(20,775,757)
Proceeds from sale of investments	42,158,909	22,857,421
Net Cash Provided By Investing Activities	<u>4,045,321</u>	<u>2,081,664</u>
 Net increase in cash and cash equivalents	1,578,608	111,104
Cash and cash equivalents, beginning of year	<u>273,875</u>	<u>162,771</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 1,852,483</u>	<u>\$ 273,875</u>
 Supplemental Disclosure		
Excise and unrelated business taxes paid	<u>\$ 12,000</u>	<u>\$ 15,000</u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 - Contributions

Contributions are recognized when the donor makes a promise to give to the Fund, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. Other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

During the year ended December 31, 2019, the Fund received a contribution for a special project from a single foundation (Note 7).

d - 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.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

d - Fair Value Measurements (continued)

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.

e - 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.

f - Equipment

Equipment is recorded at cost and depreciated on a straight-line basis over its estimated useful life. As of December 31, 2019 and 2018, equipment is fully depreciated and not reflected on the statements of financial position.

g - Grants Payable

Unconditional grants are accrued at the time awarded. Payments due after one year are discounted using a rate of 3%.

h - 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.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

h - Financial Statement Presentation (continued)

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.

i - Tax Status

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a private foundation. Through December 31, 2019, the Fund was subject to a 1% or 2% federal excise tax on net investment income, as defined, which includes gains realized on the sale of investments. Effective in 2020, the federal excise tax rate was modified to a flat rate of 1.39%. Due to the tax rate change, deferred taxes represent 1.39% at December 31, 2019 and 2% at December 31, 2018 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.

j - 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.

k - 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.

l - New Accounting Pronouncement

For 2019, the Fund has adopted Accounting Standards Update (ASU) ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The adoption of this standard resulted in no significant changes in the way the Fund recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

m - Subsequent Events

The Fund has evaluated information relating to subsequent events through August 19, 2020, 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 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 1,852,483	\$ 273,875
Interest and dividends receivable	48,724	40,881
Investments	<u>58,082,038</u>	<u>53,493,868</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$59,983,245</u>	<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, 2019 AND 2018

Note 4 - Investments

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

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 365,622	\$ 365,622	\$ 714,026	\$ 714,026
Equities - held in separately managed accounts	10,981,714	11,341,458	5,548,738	6,706,013
Fixed Income - held in separately managed accounts				
Government and agency bonds	82,257	80,171	24,067	24,595
Corporate bonds and obligations	3,494,233	3,728,358	3,310,512	3,231,806
Municipal obligations	275,107	290,500	211,452	215,913
Foreign government and corporate obligations	359,172	384,338	363,329	369,465
Mutual Funds				
Money market fund	4,103,052	4,103,052	3,532,296	3,532,296
Fixed income	7,179,510	7,266,764	7,481,903	7,497,490
Equities	15,692,043	18,342,900	17,663,277	23,242,974
Alternative Investments				
Long/short equity	7,531,759	10,020,690	2,031,759	3,487,543
Global multi-strategy	1,500,000	2,158,185	2,485,997	2,749,096
Non-US equity	-	-	1,500,000	1,722,651
	\$51,564,469	\$58,082,038	\$44,867,356	\$53,493,868

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

	2019			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 365,622	\$ 365,622	\$ -	\$ -
Equities	11,341,458	11,341,458	-	-
Fixed Income				
Government and agency bonds	80,171	80,171	-	-
Corporate bonds and obligations	3,728,358	3,728,358	-	-
Municipal obligations	290,500	290,500	-	-
Foreign government and corporate obligations	384,338	384,338	-	-
Mutual Funds				
Money market fund	4,103,052	4,103,052	-	-
Fixed income	7,266,764	7,266,764	-	-
Equities	18,342,900	18,342,900	-	-
Total Assets in Fair Value Hierarchy	45,903,163	\$45,903,163	\$ -	\$ -
Investments measured at net asset value	12,178,875			
Total Investments	\$58,082,038			

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4 - Investments (continued)

	2018			
	Total	Level 1	Level 2	Level 3
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 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, 2019:

Daily with 5 days' notice	\$ 5,577,250
Quarterly with up to 65 days' notice	<u>6,601,625</u>
	<u>\$12,178,875</u>

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

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.

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

The Fund pays a fixed fee on a quarterly basis for advisory services. It also pays fees based on a percentage of assets under management for its separately managed accounts. The fees charged for mutual funds and alternative investments are embedded in the income from those investments and are not separately reported.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 2019 and 2018 amounted to \$42,153 and \$44,436, respectively.

Note 6 - Commitment

The Fund leases space under a new lease agreement signed in December 2019, which provides for approximate minimum rental payments as follows:

<u>Year Ending December 31,</u>	
2020	\$59,000
2021	66,000
2022	68,000
2023	69,000
2024	71,000
Thereafter, through June 18, 2025	36,000

Rent expense for the years ended December 31, 2019 and 2018 was \$66,468 and \$63,619, respectively.

Note 7 - Special Project

In June 2019, the Fund was awarded a pledge of up to \$500,000 by the Robert Wood Johnson Foundation to make grants supporting coordinated and strategic efforts to promote Census participation in New Jersey, particularly among hard-to-count populations. \$250,000 was received and expended during the year. The balance of \$250,000 is conditional upon the Fund meeting certain requirements and has not been recorded in these financial statements.

Note 8 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, at the direction of state and local governmental authorities, the Fund temporarily suspended some of its programmatic work and staff began to work remotely. Management is currently evaluating the potential impact that the resulting economic uncertainties will have on the Fund's operations.