

THE FUND FOR NEW JERSEY

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016 AND 2015

THE FUND FOR NEW JERSEY

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LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

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, 2016 and 2015, 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 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, 2016 and 2015, 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
June 12, 2017

THE FUND FOR NEW JERSEY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents (Notes 1b and 2)	\$ 107,069	\$ 84,407
Interest and dividends receivable	35,820	39,067
Investments, at fair value (Notes 1c, 1d and 3)	56,227,656	54,766,784
Prepaid federal excise tax (Note 1h)	15,205	23,416
Prepaid expenses	11,911	12,634
Equipment, at cost, net of accumulated depreciation (Notes 1e and 4)	2,616	7,845
Security deposit	<u>8,834</u>	<u>8,834</u>
Total Assets	<u><u>\$56,409,111</u></u>	<u><u>\$54,942,987</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 28,269	\$ 24,202
Grants payable (Note 1f)	12,500	-
Deferred federal excise tax payable (Note 1h)	<u>256,007</u>	<u>202,181</u>
Total Liabilities	296,776	226,383
Commitments (Notes 5 and 6)		
Net Assets		
Unrestricted	<u>56,112,335</u>	<u>54,716,604</u>
Total Liabilities and Net Assets	<u><u>\$56,409,111</u></u>	<u><u>\$54,942,987</u></u>

See notes to financial statements.

THE FUND FOR NEW JERSEY

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Change in Unrestricted Net Assets		
Revenues and Gains		
Interest and dividends	\$ 1,075,343	\$ 1,031,724
Realized gain on sale of investments	1,217,052	1,384,483
Unrealized gain (loss) on investments	2,691,293	(1,617,562)
Investment fees		
Advisory fees	(70,546)	(70,056)
Management fees	(89,953)	(85,240)
Provision for current federal excise tax	(20,212)	(22,609)
Provision for deferred federal excise (tax) benefit	<u>(53,826)</u>	<u>32,351</u>
Total Revenues and Gains	<u>4,749,151</u>	<u>653,091</u>
Expenses		
Program Services		
Grants	2,537,500	2,541,150
Program support	<u>702,455</u>	<u>644,947</u>
Total Program Services	<u>3,239,955</u>	<u>3,186,097</u>
Supporting Service Administration	<u>113,465</u>	<u>101,402</u>
Total Expenses	<u>3,353,420</u>	<u>3,287,499</u>
Increase (decrease) in net assets	1,395,731	(2,634,408)
Net assets, beginning of year	<u>54,716,604</u>	<u>57,351,012</u>
Net Assets, End of Year	<u><u>\$56,112,335</u></u>	<u><u>\$54,716,604</u></u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 1,395,731	\$(2,634,408)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Realized gain on sale of investments	(1,217,052)	(1,384,483)
Unrealized (gain) loss on investments	(2,691,293)	1,617,562
Depreciation	5,229	6,918
(Increase) decrease in:		
Interest and dividends receivable	3,247	4,322
Prepaid federal excise tax	8,211	(23,416)
Prepaid expenses	723	(3,776)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,067	2,996
Grants payable	12,500	-
Federal excise tax payable	-	(3,975)
Deferred federal excise tax payable	53,826	(32,351)
Net Cash Used By Operating Activities	<u>(2,424,811)</u>	<u>(2,450,611)</u>
Cash Flows From Investing Activities		
Purchase of investments	(4,113,950)	(5,819,428)
Proceeds from sale of investments	<u>6,561,423</u>	<u>8,060,143</u>
Net Cash Provided By Investing Activities	<u>2,447,473</u>	<u>2,240,715</u>
Net increase (decrease) in cash and cash equivalents	22,662	(209,896)
Cash and cash equivalents, beginning of year	<u>84,407</u>	<u>294,303</u>
Cash and Cash Equivalents, End of Year	<u>\$ 107,069</u>	<u>\$ 84,407</u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 unrestricted 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.

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 unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

d - Investments (continued)

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.

f - Grants Payable

Unconditional grants are accrued at the time awarded. During 2016, the Fund awarded two conditional grants totaling \$37,500, which will not be recorded until the grantees meet certain conditions set forth by the Fund.

g - Financial Statement Presentation

The Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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% on 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.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

j - Subsequent Events

The Fund has evaluated information relating to subsequent events through June 12, 2017, the date that the financial statements are considered available to be issued.

Note 2 - Concentration of Credit Risk

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

Note 3 - Investments

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 550,610	\$ 550,610	\$ 683,707	\$ 683,707
Equities	8,182,766	10,188,906	7,816,908	8,981,593
Fixed Income:				
Government and agency bonds	31,831	32,572	58,085	58,439
Corporate bonds and obligations	2,552,646	2,553,187	2,407,903	2,416,120
Municipal obligations	143,195	150,655	113,679	120,639
Foreign government and corporate obligations	386,173	401,665	454,922	470,238
Mutual Funds:				
Fixed income	6,408,427	6,048,361	6,279,813	5,747,557
Equities	15,082,141	24,317,369	15,723,216	23,373,784
Alternative Investments:				
Non-US Equity	1,500,000	1,698,597	1,500,000	1,635,736
Long/short equity	3,331,759	4,736,367	3,331,759	4,610,901
Global multi-strategy	3,255,371	3,633,282	4,024,746	4,478,420
Emerging markets	2,002,383	1,916,085	2,262,985	2,189,650
	<u>\$43,427,302</u>	<u>\$56,227,656</u>	<u>\$44,657,723</u>	<u>\$54,766,784</u>

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 3 - Investments (continued)

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, 2016:

Monthly with 90 days' notice	\$ 3,477,361
Quarterly with up to 95 days' notice	6,567,362
Bi-annual with 90 days' notice	1,907,742
In liquidation - redemptions at discretion of fund manager	<u>31,866</u>
	<u>\$11,984,331</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.

Emerging Markets - Invests in a select subset of international hedge funds to provide investors with more targeted exposure to particular regional markets.

Note 4 - Equipment

Equipment consists of the following at December 31:

	<u>Life</u>	<u>2016</u>	<u>2015</u>
Computer and telecom equipment	3 years	\$32,777	\$32,777
Office furnishings	5 years	<u>27,442</u>	<u>27,442</u>
		60,219	60,219
Less: Accumulated depreciation		<u>(57,603)</u>	<u>(52,374)</u>
		<u>\$ 2,616</u>	<u>\$ 7,845</u>

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 4 - Equipment (continued)

Depreciation expense for the years ended December 31, 2016 and 2015 was \$5,229 and \$6,918, respectively.

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 2016 and 2015 amounted to \$43,546 and \$41,132, respectively.

Note 6 - Commitment

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

<u>Year Ending December 31,</u>	
2017	\$60,000
2018	62,000
2019	63,000
Thereafter, through June 19, 2020	30,000

Rent expense for the years ended December 31, 2016 and 2015 was \$59,883 and \$57,665, respectively.

Note 7 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees of
The Fund for New Jersey

We have audited the financial statements of The Fund for New Jersey as of and for the years ended December 31, 2016 and 2015, and our report thereon dated June 12, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2016 with comparative totals for 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
June 12, 2017

THE FUND FOR NEW JERSEY

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	<u>Program Services</u>	<u>Supporting Service</u>	<u>2016</u>	<u>2015</u>
	<u>Grants and Program Support</u>	<u>Administration</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Grants awarded	\$2,537,500	\$ -	\$2,537,500	\$2,541,150
Salaries	402,165	30,270	432,435	419,689
Payroll taxes and employee benefits	133,050	10,015	143,065	138,938
Professional fees	-	52,805	52,805	43,365
Occupancy	58,881	4,432	63,313	61,095
Meetings, travel and parking	32,960	7,713	40,673	29,058
Report preparation fees	25,500	-	25,500	-
Other program support	15,240	-	15,240	14,232
Office expenses	9,174	690	9,864	6,166
Website design	712	54	766	2,330
Equipment rental and service contracts	3,208	241	3,449	3,402
Telephone	5,179	390	5,569	6,163
Insurance	-	6,445	6,445	6,019
Dues and memberships	10,720	-	10,720	8,161
Subscriptions, periodicals and books	224	-	224	119
Postage	579	44	623	694
Total expenses before depreciation	3,235,092	113,099	3,348,191	3,280,581
Depreciation	4,863	366	5,229	6,918
Total Expenses, 2016	<u>\$3,239,955</u>	<u>\$ 113,465</u>	<u>\$3,353,420</u>	
Total Expenses, 2015	<u>\$3,186,097</u>	<u>\$ 101,402</u>		<u>\$3,287,499</u>

See independent auditors' report on supplementary information.