

**THE FUND FOR NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2012 AND 2011**

# THE FUND FOR NEW JERSEY

## TABLE OF CONTENTS

	<b>Page</b>
Independent Auditors' Report .....	1-2
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-12
Supplementary Information	
Independent Auditors' Report on Supplementary Information .....	14
Schedule of Functional Expenses .....	15



## 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, 2012 and 2011, 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, 2012 and 2011, 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  
July 17, 2013

**THE FUND FOR NEW JERSEY**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 2)	\$ 247,355	\$ 1,436,244
Interest and dividends receivable	45,439	67,486
Investments, at fair value (Notes 1c, 1d and 3)	50,292,111	46,916,346
Prepaid federal excise tax (Note 1h)	1,898	11,839
Prepaid expenses	13,173	4,599
Equipment, net of accumulated depreciation (Notes 1e and 4)	34,454	4,128
Security deposit	8,834	2,970
	<u>50,643,264</u>	<u>48,443,612</u>
<b>Total Assets</b>		
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 22,055	\$ 18,551
Grant payable (Note 1f)	40,000	30,000
Federal excise tax payable (Note 1h)		
Deferred	50,001	-
Total Liabilities	<u>112,056</u>	<u>48,551</u>
Commitment (Notes 5 and 6)		
Net Assets		
Unrestricted	<u>50,531,208</u>	<u>48,395,061</u>
	<u>50,643,264</u>	<u>48,443,612</u>
<b>Total Liabilities and Net Assets</b>		

See notes to financial statements.

## THE FUND FOR NEW JERSEY

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Change in Unrestricted Net Assets</b>		
Revenues, Gains and Losses		
Interest and dividends	\$ 1,117,040	\$ 1,219,557
Realized gain (loss) on sale of investments	707,882	(1,821,146)
Unrealized gain on investments	3,437,987	466,702
Other net investment income (loss)	14,471	(75,527)
Less: Investment fees:		
Consulting fees	(69,500)	(69,500)
Management fees	(24,277)	(71,411)
Custody fees	(5,196)	(11,277)
Less: Provision for current federal excise tax	(16,399)	(18,186)
Less: Provision for deferred federal excise tax	(50,001)	-
	<u>5,112,007</u>	<u>(380,788)</u>
 Total Revenues, Gains and Losses		
Expenses		
Program Services		
Grants	2,256,200	2,294,759
Program support	575,799	370,352
Total Program Services	<u>2,831,999</u>	<u>2,665,111</u>
Supporting Service Administration	143,861	136,666
	<u>2,975,860</u>	<u>2,801,777</u>
 Total Expenses		
Increase (decrease) in net assets	2,136,147	(3,182,565)
Net assets, beginning of year	<u>48,395,061</u>	<u>51,577,626</u>
	<u>\$50,531,208</u>	<u>\$48,395,061</u>
 <b>Net Assets, End of Year</b>		

See notes to financial statements.

**THE FUND FOR NEW JERSEY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 2,136,147	\$ (3,182,565)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Realized (gain) loss on sale of investments	(707,882)	1,821,146
Unrealized gain on investments	(3,437,987)	(466,702)
Depreciation	5,955	826
(Increase) decrease in:		
Interest and dividends receivable	22,047	18,367
Prepaid federal excise tax	9,941	8,186
Prepaid expenses	(8,574)	-
Security deposit	(5,864)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	3,504	3,531
Grant payable	10,000	-
Deferred federal excise tax payable	50,001	-
Net Cash Used By Operating Activities	<u>(1,922,712)</u>	<u>(1,797,211)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(12,687,833)	(11,902,553)
Sale of investments	13,457,937	14,757,142
Purchase of equipment	(36,281)	(4,954)
Net Cash Provided By Investing Activities	<u>733,823</u>	<u>2,849,635</u>
Net increase (decrease) in cash and cash equivalents	(1,188,889)	1,052,424
Cash and cash equivalents, beginning of year	<u>1,436,244</u>	<u>383,820</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 247,355</u>	<u>\$ 1,436,244</u>

See notes to financial statements.

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

The Fund for New Jersey 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.



**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

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

d - Investments

Investments in cash, fixed income securities and mutual funds are measured at fair value based on quoted market prices. 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'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, which 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 and its investment consultant reviewed and evaluated the values provided by the fund managers and general partners and agree 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.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds, as opposed to direct interests in those funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Fund's interest therein, its classification in Level 2 or 3 is based on the Fund's ability to redeem its interest at or near the measurement date. If the interests can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

e - Equipment

Equipment is recorded at cost and depreciated on a straight-line basis over its estimated useful life.

f - Grant Payable

Grants are accrued at the time awarded. During 2012, the Fund awarded two conditional grants totaling \$95,000, which will not be recorded until the grantees meet certain conditions set forth by the Fund.

At December 31, 2012, the Fund awarded a grant to an organization, which was not paid until January 2013. At December 31, 2011, the Fund awarded a grant to an organization, which was not paid until January 2012.

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

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

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.

Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. The Fund's tax returns for years prior to 2009 are generally no longer subject to examination by the taxing authorities.

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 - Subsequent Events

The Fund has evaluated information relating to subsequent events through July 17, 2013, 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, exceeds federally insured limits.

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**Note 3 - Investments**

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

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 230,222	\$ 230,222	\$ 249,121	\$ 249,121
Cash in transit	-	-	764,616	764,616
Fixed Income:				
Government and agency bonds	56,064	55,476	49,161	49,151
Corporate bonds and obligations	2,943,962	3,183,736	4,304,448	4,389,176
Municipal obligations	72,000	89,951	157,486	182,544
Other fixed income	539,374	492,598	503,006	543,935
Mutual Funds:				
Fixed income	8,255,389	8,428,500	13,269,347	13,226,253
Equities	22,134,187	24,090,951	19,301,383	18,661,697
Alternative Investments:				
Non-US Equity	1,500,000	1,549,995	3,046,071	2,932,492
Long/short equity	5,000,000	4,971,010	1,500,000	1,447,966
Global multi-strategy	5,077,333	5,215,069	3,220,918	3,112,772
Emerging markets	1,983,527	1,984,603	1,488,723	1,356,623
	<u>\$47,792,058</u>	<u>\$50,292,111</u>	<u>\$47,854,280</u>	<u>\$46,916,346</u>

The following summarizes investments at December 31, 2012 and 2011 by the levels within the fair value hierarchy used to measure their respective fair values:

	<u>2012</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 230,222	\$ 230,222	\$ -	\$ -
Fixed Income:				
Government and agency bonds	55,476	55,476	-	-
Corporate bonds and obligations	3,183,736	3,183,736	-	-
Municipal obligations	89,951	89,951	-	-
Other fixed income	492,598	492,598	-	-
Mutual Funds:				
Fixed income	8,428,500	8,428,500	-	-
Equities	24,090,951	24,090,951	-	-
Alternative Investments:				
Non-US Equity	1,549,995	-	-	1,549,995
Long/short equity	4,971,010	-	2,015,825	2,955,185
Global multi-strategy	5,215,069	-	4,189,010	1,026,059
Emerging markets	1,984,603	-	1,984,603	-
	<u>\$50,292,111</u>	<u>\$36,571,434</u>	<u>\$8,189,438</u>	<u>\$5,531,239</u>

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**Note 3 - Investments (continued)**

	<b>2011</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 249,121	\$ 249,121	\$ -	\$ -
Cash in transit	764,616	764,616		
Fixed Income:				
Government and agency bonds	49,151	49,151	-	-
Corporate bonds and obligations	4,389,176	4,389,176	-	-
Municipal obligations	182,544	182,544	-	-
Other fixed income	543,935	543,935	-	-
Mutual Funds:				
Fixed income	13,226,253	13,226,253	-	-
Equities	18,661,697	18,661,697	-	-
Alternative Investments:				
Non-US Equity	2,932,492	-	2,932,492	-
Long/short equity	1,447,966	-	-	1,447,966
Global multi-strategy	3,112,772	-	3,112,772	-
Emerging markets	1,356,623	-	1,356,623	-
	<u>\$46,916,346</u>	<u>\$38,066,493</u>	<u>\$7,401,887</u>	<u>\$1,447,966</u>

The following summarizes changes in fair value of the Fund's Level 3 assets for the years ended December 31, 2012 and 2011. The information reflects gains and losses for the full year for assets categorized as Level 3 as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$1,447,966	\$ -
Purchases	5,500,000	1,500,000
Transfers out	(1,447,966)	-
Unrealized gains (losses)	<u>31,239</u>	<u>(52,034)</u>
Balance, End of Year	<u>\$5,531,239</u>	<u>\$1,447,966</u>

Transfers out of Level 3 occur when an investment's lockup period expires during the year.

The alternative investment funds included in the Fund's investment portfolio at December 31, 2012 are redeemable based on the following terms and conditions:

Monthly with 90 days' notice	\$ 2,594,871
Quarterly with up to 95 days' notice	5,517,909
In process of liquidating, balance expected in 2013	76,658
One year initial lockup; monthly with up to 60 days' notice	2,576,054
One year initial lockup; Quarterly with 60 days' notice	<u>2,955,185</u>
	<u>\$13,720,677</u>

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**Note 3 - Investments (continued)**

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 help reduce 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 a particular regional market. Given the volatility of emerging markets, an emerging markets hedge fund of funds may be more risky than a more broadly diversified strategy.

**Note 4 - Equipment**

Equipment consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Computer and telecom equipment	\$32,777	\$22,643
Office furnishings	<u>27,442</u>	<u>1,295</u>
	60,219	23,938
Less: Accumulated depreciation	<u>(25,765)</u>	<u>(19,810)</u>
	<u>\$34,454</u>	<u>\$ 4,128</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$5,955 and \$826, respectively.

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**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 2012 and 2011 amounted to \$26,720 and \$16,485, respectively.

**Note 6 - Commitment**

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

<u>Year Ending December 31,</u>	
2013	\$ 49,368
2014	55,474
2015	57,033
2016	58,592
2017	60,151
Thereafter, through May 18, 2020	151,612

Rent expense for the years ended December 31, 2012 and 2011 was \$46,284 and \$47,760, 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**



**LUTZ AND CARR**

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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, 2012 and 2011, and our report thereon dated July 17, 2013, 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, 2012 with comparative totals for 2011 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  
July 17, 2013



## THE FUND FOR NEW JERSEY

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	<u>Program Services</u>	<u>Supporting Service</u>	<u>2012</u>	<u>2011</u>
	<u>Grants and Program Support</u>	<u>Administration</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Grants awarded	\$2,256,200	\$ -	\$2,256,200	\$2,294,759
Salaries	376,736	48,954	425,690	244,561
Payroll taxes and employee benefits	78,282	10,172	88,454	106,268
Professional fees	9,955	65,072	75,027	49,744
Occupancy	44,775	5,818	50,593	53,068
Insurance	-	4,792	4,792	9,022
Meetings, travel and parking	25,052	3,255	28,307	15,837
Office expenses	18,230	2,369	20,599	9,679
Equipment rental and service contracts	5,959	752	6,711	8,778
Telephone	5,195	675	5,870	6,246
Dues and memberships	3,612	1,102	4,714	745
Subscriptions, periodicals and books	273	35	308	544
Postage	943	122	1,065	1,700
Miscellaneous	1,517	58	1,575	-
Total expenses before depreciation	2,826,729	143,176	2,969,905	2,800,951
Depreciation	5,270	685	5,955	826
Total Expenses, 2012	<u>\$2,831,999</u>	<u>\$ 143,861</u>	<u>\$2,975,860</u>	
Total Expenses, 2011	<u>\$2,665,111</u>	<u>\$ 136,666</u>		<u>\$2,801,777</u>

See independent auditors' report on supplementary information.