

**THE FUND FOR NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2011 AND 2010**

# THE FUND FOR NEW JERSEY

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# LOTZ AND CARR

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
The Fund for New Jersey

We have audited the accompanying statements of financial position of The Fund for New Jersey (a not-for-profit organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
July 10, 2012

**THE FUND FOR NEW JERSEY**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 2)	\$ 1,436,244	\$ 383,820
Interest and dividends receivable	67,486	85,853
Investments, at fair value (Notes 1c, 1d and 3)	46,916,346	51,125,379
Prepaid federal excise tax (Note 1h)	11,839	20,025
Prepaid expenses	4,599	4,599
Equipment, net of accumulated depreciation (Notes 1e and 4)	4,128	-
Security deposit	<u>2,970</u>	<u>2,970</u>
<b>Total Assets</b>	<u><u>\$ 48,443,612</u></u>	<u><u>\$ 51,622,646</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 18,551	\$ 15,020
Grant payable (Note 1f)	30,000	30,000
Total Liabilities	<u>48,551</u>	<u>45,020</u>
Commitment (Notes 5 and 6)		
Net Assets		
Unrestricted	<u>48,395,061</u>	<u>51,577,626</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 48,443,612</u></u>	<u><u>\$ 51,622,646</u></u>

See notes to financial statements.

## THE FUND FOR NEW JERSEY

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>Change in Unrestricted Net Assets</b>		
Revenues, Gains and Losses		
Interest and dividends	\$ 1,219,557	\$ 1,379,715
Realized gain (loss) on sale of investments	(1,821,146)	985,983
Unrealized gain on investments	466,702	2,689,582
Other net investment income (loss)	(75,527)	87,328
Less: Investment management, consulting and custody fees	(152,188)	(151,867)
Less: Provision for current federal excise tax	(18,186)	(22,642)
	<u>(380,788)</u>	<u>4,968,099</u>
Total Revenues, Gains and Losses		
Expenses		
Program Services		
Grants	2,294,759	2,403,485
Program support	370,352	444,268
Total Program Services	<u>2,665,111</u>	<u>2,847,753</u>
Supporting Services		
Administration	136,666	160,480
	<u>136,666</u>	<u>160,480</u>
Total Expenses	<u>2,801,777</u>	<u>3,008,233</u>
Increase (decrease) in net assets	(3,182,565)	1,959,866
Net assets, beginning of year	<u>51,577,626</u>	<u>49,617,760</u>
<b>Net Assets, End of Year</b>	<u>\$ 48,395,061</u>	<u>\$ 51,577,626</u>

See notes to financial statements.

**THE FUND FOR NEW JERSEY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (3,182,565)	\$ 1,959,866
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Realized (gain) loss on sale of investments	1,821,146	(985,983)
Unrealized gain on investments	(466,702)	(2,689,582)
Depreciation	826	328
(Increase) decrease in:		
Interest and dividends receivable	18,367	38,462
Prepaid federal excise tax	8,186	22,642
Prepaid expenses	-	(13)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,531	(11,192)
Grant payable	-	(45,000)
Net Cash Used By Operating Activities	<u>(1,797,211)</u>	<u>(1,710,472)</u>
 <b>Cash Flows From Investing Activities</b>		
Purchase of investments	(11,902,553)	(22,288,535)
Sale of investments	14,757,142	24,223,663
Purchase of equipment	(4,954)	-
Net Cash Provided By Investing Activities	<u>2,849,635</u>	<u>1,935,128</u>
 Net increase in cash and cash equivalents	1,052,424	224,656
Cash and cash equivalents, beginning of year	<u>383,820</u>	<u>159,164</u>
 <b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,436,244</u>	<u>\$ 383,820</u>

See notes to financial statements.

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**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.

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 FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**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, 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 December 2011, the Fund awarded six conditional grants totaling \$100,000, which will not be recorded until the grantees meet certain conditions set forth by the Fund.

At December 31, 2011, the Fund awarded a grant to an organization, which was not paid until January 2012. At December 31, 2010, the Fund awarded a grant to an organization, which was not paid until February 2011.

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.



**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**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% 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 2008 are 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 10, 2012, 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 one financial institution, which at times, exceeds federally insured limits.

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**Note 3 - Investments**

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

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	\$ 249,121	\$ 249,121	\$ 222,520	\$ 222,520
Cash in transit	764,616	764,616	-	-
Fixed Income:				
Government and agency bonds	49,161	49,151	759,230	773,126
Corporate bonds and obligations	4,304,448	4,389,176	4,982,369	5,005,107
Municipal obligations	157,486	182,544	172,317	169,981
Other fixed income	503,006	543,935	326,613	339,029
Mutual Funds:				
Fixed income	27,006,886	26,888,859	26,382,735	26,469,291
Equities	5,563,844	4,999,091	12,208,326	10,628,881
Alternative Investments:				
Non-US Equity	3,046,071	2,932,492	5,475,905	5,432,002
Long/short equity	1,500,000	1,447,966	-	-
Global multi-strategy	3,220,918	3,112,772	2,000,000	2,085,442
Emerging markets	1,488,723	1,356,623	-	-
	<u>\$47,854,280</u>	<u>\$46,916,346</u>	<u>\$52,530,015</u>	<u>\$51,125,379</u>

The following summarizes investments at December 31, 2011 and 2010 by the levels within the fair value hierarchy used to measure their respective fair values:

	<u>2011</u>			
	<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	26,888,859	26,888,859	-	-
Equities	4,999,091	4,999,091	-	-
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 FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3 - Investments (continued)**

	2010			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 222,520	\$ 222,520	\$ -	\$ -
Fixed Income:				
Government and agency bonds	773,126	773,126	-	-
Corporate bonds and obligations	5,005,107	5,005,107	-	-
Municipal obligations	169,981	169,981	-	-
Other fixed income	339,029	339,029	-	-
Mutual Funds:				
Fixed income	26,469,291	26,469,291	-	-
Equities	10,628,881	10,628,881	-	-
Alternative Investments:				
Non-US Equity	5,432,002	-	5,432,002	-
Global multi-strategy	<u>2,085,442</u>	<u>-</u>	<u>2,085,442</u>	<u>-</u>
	<u>\$51,125,379</u>	<u>\$43,607,935</u>	<u>\$7,517,444</u>	<u>\$ -</u>

The following summarizes changes in fair value of the Fund's Level 3 assets for the years ended December 31, 2011 and 2010. The information reflects gains and losses for the full year for assets categorized as Level 3 as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ -	\$ -
Purchases	1,500,000	-
Unrealized loss	<u>(52,034)</u>	<u>-</u>
Balance, End of Year	<u>\$1,447,966</u>	<u>\$ -</u>

The alternative investment funds included in the Fund's investment portfolio at December 31, 2011 are redeemable based on the following terms and conditions:

Monthly with 90 days' notice	\$4,427,493
Quarterly with 65 days' notice	1,398,895
Quarterly with 95 days' notice	1,356,623
One year initial lockup; Quarterly with 60 days' notice	1,447,966
In process of liquidating, balance expected in late 2012	<u>218,876</u>
	<u>\$8,849,853</u>

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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>2011</u>	<u>2010</u>
Computer equipment	\$ 22,643	\$ 17,689
Office equipment	<u>1,295</u>	<u>1,295</u>
	23,938	18,984
Less: Accumulated depreciation	<u>(19,810)</u>	<u>(18,984)</u>
	<u>\$ 4,128</u>	<u>\$ -</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$826 and \$328, respectively.

**THE FUND FOR NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**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 2011 and 2010 amounted to \$16,485 and \$19,865, respectively.

**Note 6 - Commitment**

The Fund occupies space under a lease which provides for minimum rental payments from January 1, 2012 through June 30, 2012 of \$22,206.

Effective June 19, 2012, the Fund will relocate and occupy new office space under a lease which provides for minimum rental payments through May 18, 2020 as follows:

<u>Year Ending December 31,</u>	
2012	\$ 24,293
2013	49,368
2014	55,474
2015	57,033
2016	58,592
Thereafter through May 18, 2020	211,763

Rent expense for both the years ended December 31, 2011 and 2010 was \$47,760.

**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.