

THE FUND FOR NEW JERSEY

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2014 AND 2013

THE FUND FOR NEW JERSEY

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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, 2014 and 2013, 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, 2014 and 2013, 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
September 21, 2015

THE FUND FOR NEW JERSEY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents (Notes 1b and 2)	\$ 294,303	\$ 225,756
Interest and dividends receivable	43,389	42,252
Investments, at fair value (Notes 1c, 1d and 3)	57,240,578	56,575,683
Prepaid federal excise tax (Note 1h)	-	5,937
Prepaid expenses	8,858	6,245
Equipment, at cost, net of accumulated depreciation (Notes 1e and 4)	14,763	24,196
Security deposit	<u>8,834</u>	<u>8,834</u>
Total Assets	<u>\$57,610,725</u>	<u>\$56,888,903</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 21,206	\$ 21,625
Grants payable (Note 1f)	-	40,000
Federal excise tax payable (Note 1h)		
Current	3,975	-
Deferred	<u>234,532</u>	<u>200,527</u>
Total Liabilities	<u>259,713</u>	<u>262,152</u>
Commitments (Notes 5 and 6)		
Net Assets		
Unrestricted	<u>57,351,012</u>	<u>56,626,751</u>
Total Liabilities and Net Assets	<u>\$57,610,725</u>	<u>\$56,888,903</u>

See notes to financial statements.

THE FUND FOR NEW JERSEY

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Change in Unrestricted Net Assets		
Revenues and Gains		
Interest and dividends	\$ 985,490	\$ 920,511
Realized gain on sale of investments	1,326,230	987,133
Unrealized gain on investments	1,700,293	7,526,277
Other net investment income	-	709
Less: Investment fees		
Consulting fees	(69,500)	(69,500)
Management fees	(77,741)	(62,170)
Less: Provision for current federal excise tax	(41,912)	(34,461)
Less: Provision for deferred federal excise tax	<u>(34,005)</u>	<u>(150,526)</u>
Total Revenues and Gains	<u>3,788,855</u>	<u>9,117,973</u>
Expenses		
Program Services		
Grants	2,380,000	2,374,750
Program support	<u>594,278</u>	<u>558,052</u>
Total Program Services	<u>2,974,278</u>	<u>2,932,802</u>
Supporting Service Administration	<u>90,316</u>	<u>89,628</u>
Total Expenses	<u>3,064,594</u>	<u>3,022,430</u>
Increase in net assets	724,261	6,095,543
Net assets, beginning of year	<u>56,626,751</u>	<u>50,531,208</u>
Net Assets, End of Year	<u><u>\$57,351,012</u></u>	<u><u>\$56,626,751</u></u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 724,261	\$ 6,095,543
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Realized gain on sale of investments	(1,326,230)	(987,133)
Unrealized gain on investments	(1,700,293)	(7,526,277)
Depreciation	9,433	10,258
(Increase) decrease in:		
Interest and dividends receivable	(1,137)	3,187
Prepaid federal excise tax	5,937	(4,039)
Prepaid expenses	(2,613)	6,928
Increase (decrease) in:		
Accounts payable and accrued expenses	(419)	(430)
Grants payable	(40,000)	-
Federal excise tax payable	3,975	-
Deferred federal excise tax payable	34,005	150,526
Net Cash Used By Operating Activities	<u>(2,293,081)</u>	<u>(2,251,437)</u>
 Cash Flows From Investing Activities		
Purchase of investments	(6,279,222)	(10,108,403)
Proceeds from sale of investments	8,640,850	12,338,241
Net Cash Provided By Investing Activities	<u>2,361,628</u>	<u>2,229,838</u>
 Net increase (decrease) in cash and cash equivalents	68,547	(21,599)
Cash and cash equivalents, beginning of year	<u>225,756</u>	<u>247,355</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 294,303</u>	<u>\$ 225,756</u>

See notes to financial statements.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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. 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 - Grants Payable

Unconditional grants are accrued at the time awarded. During 2014, the Fund awarded two conditional grants totaling \$85,000, which will not be recorded until the grantees meet certain conditions set forth by the Fund.

As of December 31, 2013, the Fund had awarded grants to two organizations, which were not paid until January 2014.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 are generally subject to examination by the taxing authorities for a period of three years from the date of filing.

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 September 21, 2015, 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.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 3 - Investments

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

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 212,302	\$ 212,302	\$ 10,808	\$ 10,808
Cash in transit	2,069,802	2,069,802	-	-
Equities	7,410,362	8,526,647	6,651,406	7,738,278
Fixed Income:				
Government and agency bonds	71,024	73,195	52,186	50,784
Corporate bonds and obligations	2,599,741	2,719,992	2,495,789	2,546,588
Municipal obligations	53,287	62,368	36,000	40,577
Other fixed income	351,551	378,861	422,151	436,848
Mutual Funds:				
Fixed income	6,422,664	6,229,098	6,602,008	6,172,196
Equities	15,591,788	24,664,244	16,783,716	24,486,166
Alternative Investments:				
Non-US Equity	1,500,000	1,624,247	1,500,000	1,660,348
Long/short equity	5,000,000	6,106,982	5,000,000	5,954,433
Global multi-strategy	4,024,746	4,455,590	5,011,762	5,269,226
Emerging markets	206,688	117,250	1,983,527	2,209,431
	<u>\$45,513,955</u>	<u>\$57,240,578</u>	<u>\$46,549,353</u>	<u>\$56,575,683</u>

The following summarizes investments at December 31, 2014 and 2013 by the levels within the fair value hierarchy used to measure their respective fair values:

	<u>2014</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 212,302	\$ 212,302	\$ -	\$ -
Cash in transit	2,069,802	2,069,802	-	-
Equities	8,526,647	8,526,647	-	-
Fixed Income:				
Government and agency bonds	73,195	73,195	-	-
Corporate bonds and obligations	2,719,992	2,719,992	-	-
Municipal obligations	62,368	62,368	-	-
Other fixed income	378,861	378,861	-	-
Mutual Funds:				
Fixed income	6,229,098	6,229,098	-	-
Equities	24,664,244	24,664,244	-	-
Alternative Investments:				
Non-US Equity	1,624,247	-	1,624,247	-
Long/short equity	6,106,982	-	4,274,152	1,832,830
Global multi-strategy	4,455,590	-	4,455,590	-
Emerging markets	117,250	-	117,250	-
	<u>\$57,240,578</u>	<u>\$44,936,509</u>	<u>\$10,471,239</u>	<u>\$1,832,830</u>

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 3 - Investments (continued)

	2013			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 10,808	\$ 10,808	\$ -	\$ -
Equities	7,738,278	7,738,278	-	-
Fixed Income:				
Government and agency bonds	50,784	50,784	-	-
Corporate bonds and obligations	2,546,588	2,546,588	-	-
Municipal obligations	40,577	40,577	-	-
Other fixed income	436,848	436,848	-	-
Mutual Funds:				
Fixed income	6,172,196	6,172,196	-	-
Equities	24,486,166	24,486,166	-	-
Alternative Investments:				
Non-US Equity	1,660,348	-	1,660,348	-
Long/short equity	5,954,433	-	4,155,782	1,798,651
Global multi-strategy	5,269,226	-	5,269,226	-
Emerging markets	2,209,431	-	2,209,431	-
	<u>\$56,575,683</u>	<u>\$41,482,245</u>	<u>\$13,294,787</u>	<u>\$1,798,651</u>

The following summarizes changes in fair value of the Fund's Level 3 assets for the years ended December 31, 2014 and 2013. The information reflects gains and losses for the full year for assets categorized as Level 3 as of December 31, 2014 and 2013:

	2014	2013
Balance, beginning of year	\$1,798,651	\$5,531,239
Transfers out	-	(3,908,583)
Unrealized gains	<u>34,179</u>	<u>175,995</u>
Balance, End of Year	<u>\$1,832,830</u>	<u>\$1,798,651</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, 2014 are redeemable based on the following terms and conditions:

Monthly with 90 days' notice	\$ 4,270,226
Quarterly with up to 95 days' notice	6,201,013
Bi-annual with 90 days' notice	<u>1,832,830</u>
	<u>\$12,304,069</u>

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 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>2014</u>	<u>2013</u>
Computer and telecom equipment	\$32,777	\$32,777
Office furnishings	<u>27,442</u>	<u>27,442</u>
	60,219	60,219
Less: Accumulated depreciation	<u>(45,456)</u>	<u>(36,023)</u>
	<u>\$14,763</u>	<u>\$ 24,196</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$9,433 and \$10,258, 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 2014 and 2013 amounted to \$36,985 and \$32,898, respectively.

THE FUND FOR NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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>	
2015	\$57,000
2016	59,000
2017	60,000
2018	62,000
2019	63,000
Thereafter, through June 19, 2020	30,000

Rent expense for the years ended December 31, 2014 and 2013 was \$56,209 and \$49,365, 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



LUZ 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, 2014 and 2013, and our report thereon dated September 21, 2015, 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, 2014 with comparative totals for 2013 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
September 21, 2015

THE FUND FOR NEW JERSEY

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	<u>Program Services Grants and Program Support</u>	<u>Supporting Service Administration</u>	<u>2014 Total Expenses</u>	<u>2013 Total Expenses</u>
Grants awarded	\$2,380,000	\$ -	\$2,380,000	\$2,374,750
Salaries	365,691	27,499	393,190	368,517
Payroll taxes and employee benefits	93,683	7,051	100,734	77,231
Professional fees	-	38,281	38,281	43,308
Occupancy	55,464	4,175	59,639	52,715
Meetings, travel and parking	27,319	5,825	33,144	32,082
Other program support	19,472	-	19,472	22,790
Office expenses	5,308	399	5,707	10,680
Website design	4,138	312	4,450	9,969
Equipment rental and service contracts	3,118	235	3,353	4,441
Telephone	4,499	339	4,838	4,898
Insurance	-	5,487	5,487	4,491
Dues and memberships	5,920	-	5,920	5,495
Subscriptions, periodicals and books	192	-	192	79
Postage	701	53	754	726
Total expenses before depreciation	2,965,505	89,656	3,055,161	3,012,172
Depreciation	8,773	660	9,433	10,258
Total Expenses, 2014	<u>\$2,974,278</u>	<u>\$ 90,316</u>	<u>\$3,064,594</u>	
Total Expenses, 2013	<u>\$2,932,802</u>	<u>\$ 89,628</u>		<u>\$3,022,430</u>

See independent auditors' report on supplementary information.