Community Foundation of New Jersey and Affiliate

Consolidated Financial Statements and Independent Auditor's Report

December 31, 2012 and 2011

COMMUNITY FOUNDATION OF NEW JERSEY AND AFFILIATE

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Independent Auditor's Report

To the Board of Trustees
Community Foundation of New Jersey

We have audited the accompanying consolidated financial statements of Community Foundation of New Jersey and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of New Jersey and Affiliate 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.

CohnReznick LLP

Roseland, New Jersey
September 27, 2013

COMMUNITY FOUNDATION OF NEW JERSEY AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS	2012	2011
Cash and cash equivalents	**$ 2,252,525**	$ 723,076
Securities and investments, at fair value	**226,500,878**	215,761,964
Grants and other receivables	**886,764**	-
Prepaid expenses and other assets	**70,050**	116,747
Equipment and leasehold improvements, net	**43,551**	52,906
Total assets	**$ 229,753,768**	$ 216,654,693
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	**$ 207,317**	$ 303,632
Grants and pledges payable	**3,896,537**	3,781,000
Charitable gift annuities	**1,619,245**	1,616,729
Funds held on behalf of others	**16,152,325**	15,552,326
Total liabilities	**21,875,424**	21,253,687
Commitments and contingencies		
Net assets:		
Unrestricted	**159,980,920**	150,624,218
Unrestricted - board designated	**29,785,407**	28,571,962
Temporarily restricted	**12,718,896**	10,821,205
Permanently restricted	**5,393,121**	5,383,621
Total net assets	**207,878,344**	195,401,006
Total liabilities and net assets	**$ 229,753,768**	$ 216,654,693

See Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF NEW JERSEY AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Contributions	$ 29,254,046	$ 3,104,064	$ 9,500	$ 32,367,610
Program revenue	248,088	4,255		252,343
Interest and dividend income	3,670,281	375,064		4,045,345
Realized gain on sale of investments	5,431,959	328,674		5,760,633
Unrealized gain in the fair value of investments	2,739,514	523,753		3,263,267
Net assets released from restrictions:				
Satisfaction of program restrictions	1,205,175	(1,205,175)		
Management fees and program expenses	1,232,944	(1,232,944)		
Total revenues and support	43,782,007	1,897,691	9,500	45,689,198
Program services expenses:				
Grants	28,395,393			28,395,393
Program related expenses	2,087,531			2,087,531
Total program services expenses	30,482,924			30,482,924
Supporting services:				
Salaries and related taxes	1,537,884			1,537,884
Employee benefits	183,685			183,685
Conventions, meetings and travel	116,939			116,939
Office expense	103,279			103,279
Professional fees	212,624			212,624
Occupancy costs	53,358			53,358
Maintenance	105,830			105,830
Insurance	33,690			33,690
Communications and marketing	190,307			190,307
Dues and subscriptions	25,479			25,479
Total supporting services expenses	2,563,075			2,563,075
Other expenses:				
Change in value of charitable gift annuities	114,756			114,756
Depreciation and amortization	36,105			36,105
Loss on disposal of assets	15,000			15,000
Total other expenses	165,861			165,861
Changes in net assets	10,570,147	1,897,691	9,500	12,477,338
Net assets, beginning of year	179,196,180	10,821,205	5,383,621	195,401,006
Net assets, end of year	$ 189,766,327	$ 12,718,896	$ 5,393,121	$ 207,878,344

See Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF NEW JERSEY AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Contributions	$ 33,655,210	$ 4,049,616	$ 1,566,027	$ 39,270,853
Program revenue	231,837	10,307		242,144
Interest and dividend income	3,528,380	331,332		3,859,712
Realized gain on sale of investments	719,297	52,608		771,905
Unrealized loss in the fair value of investments	(8,505,212)	(529,660)		(9,034,872)
Net assets released from restrictions:				
Satisfaction of program restrictions	2,988,226	(2,988,226)		
Management fees and program expenses	1,394,651	(1,394,651)		
Total revenues and support	34,012,389	(468,674)	1,566,027	35,109,742
Program services expenses:				
Grants	27,457,909			27,457,909
Program related expenses	2,781,812			2,781,812
Total program services expenses	30,239,721			30,239,721
Supporting services:				
Salaries and related taxes	1,235,444			1,235,444
Employee benefits	152,836			152,836
Conventions, meetings and travel	62,243			62,243
Office expense	99,233			99,233
Professional fees	371,791			371,791
Occupancy costs	45,281			45,281
Maintenance	111,761			111,761
Insurance	24,360			24,360
Communications and marketing	90,539			90,539
Dues and subscriptions	22,189			22,189
Total supporting services expenses	2,215,677			2,215,677
Other expenses:				
Change in value of charitable gift annuities	29,793			29,793
Depreciation and amortization	46,845			46,845
Total other expenses	76,638			76,638
Changes in net assets	1,480,353	(468,674)	1,566,027	2,577,706
Net assets, beginning of year	177,715,827	11,289,879	3,817,594	192,823,300
Net assets, end of year	$ 179,196,180	$ 10,821,205	$ 5,383,621	$ 195,401,006

See Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF NEW JERSEY AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	**$ 12,477,338**	$ 2,577,706
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Unrealized loss (gain) on change in the fair value of investments	**(3,263,267)**	9,034,872
Realized gain on change on the sale of investments	**(5,760,633)**	(771,905)
Noncash stock contribution	**(9,696,317)**	(9,024,276)
Permanently restricted contributions	**(9,500)**	(1,566,027)
Depreciation and amortization	**36,105**	46,845
Change in value of charitable gift annuities	**114,756**	29,793
Loss on write off of assets	**15,000**	-
Changes in operating assets and liabilties:		
Grants and other receivables	**(886,764)**	-
Prepaid expenses and other assets	**46,697**	(67,319)
Accounts payable and accrued expenses	**(96,315)**	205,204
Grant and pledges payable	**115,537**	(80,873)
Net cash provided by (used in) operating activities	**(6,907,363)**	384,020
Cash flows from investing activities:		
Purchase of investments	**(39,947,170)**	(67,205,880)
Proceeds on sale of investment	**47,928,473**	66,919,218
Purchase of equipment and leasehold improvements	**(41,750)**	-
Net cash provided by (used in) investing activities	**7,939,553**	(286,662)
Cash flows from financing activities:		
Payments of charitable gift annuities	**(112,240)**	(145,913)
Change in funds held on behalf of others	**599,999**	(2,007,004)
Permanently restricted contributions	**9,500**	1,566,027
Net cash provided by (used in) financing activities	**497,259**	(586,890)
Net increase (decrease) in cash and cash equivalents	**1,529,449**	(489,532)
Cash and cash equivalents, beginning of year	**723,076**	1,212,608
Cash and cash equivalents, end of year	**$ 2,252,525**	$ 723,076

See Notes to Consolidated Financial Statements.

Note 1 - Nature of organization and activities:

Community Foundation of New Jersey ("CFNJ") was established in November 1979 under the provisions of Title 15 of the New Jersey Revised Statutes of 1937. CFNJ is an alliance of families, businesses, and foundations that work together providing services in New Jersey that use charitable giving to create lasting differences in lives and communities for today and tomorrow. It is organized for consistent, responsive, and timely giving. On an ongoing basis, community needs are assessed and projects are selected based upon where resources can deliver the best outcomes.

In December 2009, CFNJ was the recipient of a grant to establish a civic journalism website. In 2010, to limit the liability and exposure, and to conduct all activities associated with the requirements of the grant, CFNJ established NJSpotlight.com LLC ("NJSpotlight.com"), a single member limited liability company.

CFNJ and NJSpotlight.com are collectively known as the "Foundation".

Note 2 - Summary of significant accounting policies:

Basis of accounting and principles of consolidation:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The consolidated financial statements include the accounts of the Foundation and NJSpotlight.com. All intercompany accounts and transactions have been eliminated in consolidation.

The Foundation presents information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets over which the governing board has discretionary control. The governing board of the Foundation may elect to designate such resources for specific purposes. Board designated net assets are presented on the statements of financial position. This designation may be removed at the Board's discretion.

- Temporarily restricted net assets - Net assets accumulated through donations or grants for operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Note 2 - Summary of significant accounting policies (continued):

Basis of accounting and principles of consolidation (concluded):

- Permanently restricted - Net assets accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Foundation makes significant estimates regarding the value of investments. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk:

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents. The Foundation considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. The Foundation maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits. Cash and money market funds held by investment managers are classified as investments.

Investment valuation and income recognition:

The Foundation's investments are stated at fair value, which has been determined based on the fair value of the underlying investments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales are recorded on a trade date basis. The Foundation's gains and losses on investments sold or held during the year are included on the statements of activities and changes in net assets. Dividend income is recorded when received and interest income is recorded on the accrual basis.

Note 2 - Summary of significant accounting policies (continued):

Fair value of financial instruments:

The Foundation's material financial instruments at December 31, 2012 and 2011 which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, grants and other receivables, accounts payable and accrued expenses, grants and pledges payable, and annuities. The fair values of cash and cash equivalents, grants receivable, and accounts payable and accrued expenses are equal to their carrying value because of their liquidity and short-term maturity. Management believes that the fair values of other receivables from and grants and pledges payable to unrelated parties do not differ materially from their aggregate carrying values in that substantially all the obligations bear risk fee interest rates if material that are based on market rates or interest rates that are periodically adjustable to rates that are based on market rates (see Note 10 for discussion on annuities).

Grants and other receivables:

The Foundation received two grant awards to support the Foundation's Hurricane Sandy Recovery and Relief efforts. These are due in 2013. During 2012, the Foundation sold its interest in a private corporation and will receive a portion of the proceeds over a ten year period. The note is non-interest bearing and due in quarterly installments of approximately $8,000 through 2021.

Equipment and leasehold improvements:

Equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation of furniture and equipment is provided using the straight-line method over the estimated useful lives of five years. Amortization of leasehold improvements is provided using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term.

Donated assets are recorded at the fair value at the time of donation. Expenditures for major renewals, betterments and additions are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and related accumulated depreciation are eliminated from the accounts. Any gain or loss on disposition is credit or charged to income.

Grants and pledges payable:

Grants are recorded as an expense and accrued as a liability when approved by the President and Executive committee, and ratified by the Board of Trustees. Pledges payable are recorded at fair value at the date the promise is made to the non-profit organization as established by the Foundation. Pledges that are expected to be paid after one year are discounted at a risk-free interest rate when material and amortization of the discount is included in grant expense. Conditional pledges are reported at fair value at the date the condition is met.

Note 2 - Summary of significant accounting policies (continued):

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Grant revenue is recognized to the extent of expenditures.

It is the Foundation's policy that contributions to donor advised funds are reported as an increase in unrestricted net assets. Although the donor relinquishes control over those assets, the donor can advise the Foundation as to the use of those assets. However, the Foundation can exercise its variance power to modify any restriction if such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community.

Board designated net assets:

From time to time, the Board will designate funds for specified purposes and retain control and may, at its discretion, subsequently use these funds for other purposes.

Funds held on behalf of others:

The Foundation receives and distributes assets under certain agency and intermediary arrangements. When the Foundation accepts a contribution from a not-for-profit organization to establish a fund that specifies itself as the beneficiary of that fund, the Foundation will account for the transfer of such assets as a liability. The liability is established at the fair value of the funds received, adjusted for investment earnings, fees, gains and losses and net of any funds returned to the not-for-profit organization which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organization.

Non-monetary transactions/donated services:

Non-monetary transactions are recorded in a similar manner as monetary transactions. That is, they should be based on fair values of the donated services involved. Certain donated services require recognition as contribution revenue in the period received at fair value. In many instances the contribution revenue would be offset by additional expenses based on the nature of the donated services. The Foundation received $0 and $1,946 of program related services for the years ended December 31, 2012 and 2011, respectively.

Note 2 - Summary of significant accounting policies (concluded):

Income taxes:

CFNJ is qualified under Section 501(c)3 of the Internal Revenue Code ("IRC") and is therefore not subject to Federal income taxes. CFNJ is required to operate in conformity with the IRC to maintain its tax-exempt status. CFNJ is also not subject to state tax under present tax law. Management is not aware of any course of action or series of events that have occurred that might adversely affect CFNJ's qualified status.

NJSpotlight.com is a single member limited liability company, and therefore any taxes associated with it are the responsibility of the individual member.

The Foundation has no unrecognized tax benefits at December 31, 2012 and 2011. The Foundation's Federal and state income tax returns prior to 2009 and 2008, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Foundation recognizes interest and penalties associated with tax matters as expenses and includes accrued interest and penalties under accrued expenses in the consolidated statements of financial position. There were no interest or penalties accrued or paid for the year ended December 31, 2012.

The Foundation is subject to corporate tax rates on net income earned from unrelated business activities. The Foundation's investments produce minimal amounts of unrelated business income. The Foundation reviews unrelated business income transactions and related tax returns have been filed on a timely basis with the Internal Revenue Service.

Reclassifications:

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation. These reclassifications have no effect on the net assets of the Foundation.

Subsequent events:

Subsequent events have been evaluated through September 27, 2013, which is the date the financial statements were available to be issued.

Note 3 - Investments:

The Foundation's investments are stated at fair market value in the statements of financial position and consist of the following:

	Fair Value	
	2012	2011
Money market funds	**$ 30,248,917**	$ 22,762,993
Common stock	**33,173,186**	24,218,643
Federal and corporate bonds and notes	**6,369,444**	4,884,056
Mutual funds	**105,891,569**	102,152,203
Hedge funds	**46,641,397**	57,046,280
Private equity	**1,057,248**	677,847
Investment in real estate	**657,849**	657,849
Limited partnerships	**1,452,447**	2,698,382
Cash surrender value of insurance policies	**1,001,171**	662,061
Artwork	**7,650**	1,650
Totals	**$226,500,878**	$215,761,964

Note 4 - Fair value measurements:

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Note 4 - Fair value measurements (continued):

Financial assets and liabilities carried at fair value at December 31, 2012 and 2011 are classified in the tables below in one of the three categories described above:

	2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	$ 30,248,917	$ 30,248,917		
Common stocks:				
Consumer products	3,435,129	3,435,129		
Consumer discretion	1,683,380	1,683,380		
Consumer staples	1,197,659	1,197,659		
Energy	7,162,711	7,162,711		
Finance	4,964,838	4,964,838		
Healthcare	1,892,720	1,892,720		
Industrials	3,289,880	3,289,880		
Information technology	1,679,394	1,679,394		
Materials	971,776	971,776		
Metals	1,669,129	1,669,129		
Natural resources	836,006	836,006		
International/emerging	1,742,691	1,742,691		
Real estate	1,138,822		$ 1,138,822	
Royalty trusts	170,362	170,362		
Telecommunication	1,093,132	1,093,132		
Transportation	36,017	36,017		
Utilities	209,540	209,540		
Federal and corporate bonds and notes:				
AAA	217,270		217,270	
AA+	997,435		997,435	
AA	205,546		205,546	
AA-	216,192		216,192	
A+	129,687		129,687	
A	237,709		237,709	
A-	215,097		215,097	
BBB+	56,458		56,458	
BBB	109,128		109,128	
BBB-	51,917		51,917	
BB+	33,049		33,049	
NR	2,380,468		2,380,468	
Zero coupon, unrated	220,300		220,300	
Other	1,299,188		1,299,188	

Note 4 - Fair value measurements (continued):

	2012			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Balanced funds	$ 8,999,524	$ 8,999,524		
Fixed income funds	38,663,596	38,663,596		
Equity funds	37,671,387	37,671,387		
Index funds	20,557,062	20,557,062		
Hedge funds	46,641,397		$44,866,476	$1,774,921
Private equity	1,057,248			1,057,248
Investment in real estate	657,849			657,849
Limited partnerships	1,452,447			1,452,447
Cash surrender of life policies	1,001,171		1,001,171	
Artwork	7,650		7,650	
Totals	$226,500,878	$168,174,850	$53,383,563	$4,942,465
Liabilities:				
Charitable gift annuities	$ 1,619,245	$ -	$ -	$1,619,245

	2011			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	$22,762,993	$22,762,993		
Common stocks:				
Consumer products	617,781	617,781		
Consumer discretion	984,583	984,583		
Consumer staples	632,821	632,821		
Energy	3,386,288	3,386,288		
Finance	3,627,542	3,627,542		
Healthcare	1,504,409	1,504,409		
Industrials	2,033,767	2,033,767		
Information technology	2,642,572	2,642,572		
Materials	779,284	779,284		
Metals	1,700,055	1,700,055		
Natural resources	1,161,860	1,161,860		
International/emerging	712,089	712,089		
Real estate	991,832		$ 991,832	
Royalty trusts	2,726,323	2,726,323		
Telecommunication	417,954	417,954		
Transportation	19,332	19,332		
Utilities	280,151	280,151		

Note 4 - Fair value measurements (continued):

	2011 Total	Level 1	Level 2	Level 3
Federal and corporate bonds and notes:				
AA+	$ 801,255		$ 801,255	
A+	105,644		105,644	
A	128,328		128,328	
A-	154,241		154,241	
BBB+	105,169		105,169	
BBB	106,114		106,114	
BB+	27,809		27,809	
NR	2,264,530		2,264,530	
Zero coupon, unrated	481,035		481,035	
Other	709,931		709,931	
Mutual funds:				
Balanced funds	5,624,290	$ 5,624,290		
Fixed income funds	29,736,823	29,736,823		
Equity funds	49,084,575	49,084,575		
Index funds	17,706,515	17,706,515		
Hedge funds	57,046,280			$57,046,280
Private equity	677,847			677,847
Investment in real estate	657,849			657,849
Limited partnerships	2,698,382			2,698,382
Cash surrender of life policies	662,061		662,061	
Artwork	1,650		1,650	
Totals	$215,761,964	$148,142,007	$6,539,599	$61,080,358
Liabilities:				
Charitable gift annuities	$ 1,616,729	$ -	$ -	$ 1,616,729

The following is a summary of activity for the years ended December 31, 2012 and 2011 for assets (liabilities) measured at fair value based on Level 3 criteria:

2012	Real Estate	Hedge Funds	Private Equity	Limited Partnerships	Charitable Gift Annuities
Balance, beginning of year	$ 657,849	$57,046,280	$ 677,847	$2,698,382	$(1,616,729)
Realized and unrealized gains (losses) included in earnings		1,042,875		(143,389)	
Purchases		130,318	577,501		112,240
Sales		(10,686,130)	(54,709)	(806,415)	
Transfers out of Level 3 investments		(45,758,422)			
Totals	$ 657,849	$ 1,774,921	$1,057,248	$1,452,447	$(1,619,245)

Note 4 - Fair value measurements (continued):

	2012				
	Real Estate	Hedge Funds	Private Equity	Limited Partnerships	Charitable Gift Annuities
Change in unrealized gains or losses for the year included in the change in unrestricted net assets, for assets held at the end of the year	$ -	$ (109,924)	$ (149,372)	$ -	$ -

	2011				
	Real Estate	Hedge Funds	Private Equity	Limited Partnerships	Charitable Gift Annuities
Balance, beginning of year	$ 1,799,577	$56,981,741	$ 761,365	$2,698,382	$(1,732,849)
Realized and unrealized gains (losses) included in earnings	(1,141,728)	(4,801,438)	31,741		(29,793)
Purchases		11,314,923			145,913
Sales		(6,448,946)	(115,259)		
Totals	$ 657,849	$57,046,280	$ 677,847	$2,698,382	$(1,616,729)
Change in unrealized gains or losses for the year included in the change in unrestricted net assets, for assets held at the end of the year	$(1,141,728)	$(5,804,084)	$ 31,747	$ -	$ -

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Common stock, mutual funds and hedge funds are broadly diversified according to economic sector, industry, number of holdings and other investment characteristics. These are designated as Level 1. Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

Note 4 - Fair value measurements (continued):

Federal and corporate bonds and notes consist of broadly diversified bonds (which term is meant to include notes, debentures, appropriate mortgage-backed securities and other debt instruments which are not publicly traded but for which a limited trading market is likely to be available) and money market instruments, but equity and convertible securities are excluded. These are designated as Level 2. They are based on a modeled bid evaluation pricing estimate for comparable instruments.

The Foundation invests in alternative investment strategies (other than traditional long-only purchases of stocks or bonds) for the purposes of diversifying the market exposure of the Investment Portfolios, reducing volatility and/or enhancing the overall return. Alternative investments may include investment managers, partnerships or other similar vehicles investing (long and/or short) in domestic and international securities, venture capital investments, private equity, high yield and distressed securities and loans, commodities, gold, oil and gas interests, real estate and derivative instruments. These are designated as Level 3. Hedge funds and private equity are valued utilizing the net asset value ("NAV") provided by the underlying investment companies or Fund managers. NAV is utilized as a practical expedient. Investments in real estate and limited partnerships are stated at estimated fair value. The value of the investments, which includes investment in marketable and nonmarketable securities, is provided by the general partner and is based on historical cost, appraisals and market values discounted for concentration of ownership and other estimates.

The preceding methods may produce a fair value calculation that may not be Indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments in hedge funds with a fair value of $44,866,477 were transferred from Level 3 hedge funds to Level 2 hedge funds as better information became available regarding redemption frequency and notice. Investments in hedge funds with a fair value of $891,945 were transferred from Level 3 hedge funds to Level 1 common stock as better information became available regarding investment broker availability of funds.

Transfers are measured at fair value on the date the transfer takes place. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Note 4 - Fair value measurements (continued):

The Investment Committee periodically monitors the investment portfolios for consistency in each investment manager's investment philosophy, return relative to objectives and investment risk measured by asset concentration, exposure to extreme economic conditions and volatility.

The following table presents the Foundation's investments with a reported NAV at December 31, 2012 and 2011:

	2012	2011	Unfunded Commitment	Redemption Frequency	Redemption Notice
ADM Investor Services, Inc.		$ 844,629		Daily	1 day
Archipelago Holdings, Ltd.	**$ 1,705,099**	1,556,705		Quarterly	45 days
Ascend Partners Fund II, Ltd.	**2,434,317**	2,350,321		Monthly	60 days
BlackRock Asia Pacific Partners (Offshore) SPV, Ltd.	**108,442**	504,985		Annually	N/A
CastleRock Fund, Ltd.	**1,542,695**	1,862,210		Quarterly	60 days
Davidson Kempner Institutional Partners, L.P.	**1,938,542**	1,796,456		Quarterly	65 days
EACM Absolute Return Fund, Ltd. - Class M	**2,690,012**	2,509,558		Quarterly	45 days
Fairmont Partners	**61,117**	107,733		Annually	N/A
Karsch Capital, Ltd.	**2,612,048**	2,469,394		Monthly	45 days
Kuroto Funds International Ltd. Class K	**4,065,389**	3,313,796		Quarterly	90 days
Lucas Energy Total Return Partners, L.P.	**10,349,256**	15,610,906		Monthly	30 days
Lyster Watson Conservative Alternative, Ltd.	**106,132**	3,831,695		Quarterly	45 days
Lyster Watson Distressed Opportunity Fund, Ltd.	**1,666,479**	3,792,091		Annually	100 days
Lyster Watson Equity Partners		6,592		Annually	N/A
Merrill Lynch Alternative Investments Renaissance Access	**787,266**	712,298		Quarterly	50 days
Merrill Lynch Alternative Investments York Total Access	**311,614**	284,267		Quarterly	45 days
Pinnacle Natural Resources Offshore Ltd.	**4,540,944**	4,434,193		Quarterly	90 days
Summit Private Investments Offshore Ltd.	**3,004,136**	2,795,886		Quarterly	75 days
Tocqueville Gold Offshore Fund, Ltd.	**4,678**	7,082		Annually	N/A
Viridian Fund, Ltd.	**3,594,746**	3,985,214		Quarterly	90 days
Vontobel International Equity Fund	**5,118,485**	4,270,269		Monthly	15 days
Total hedge funds	**46,641,397**	57,046,280			
Gunsight Partners	**577,500**			N/A	N/A
Lucas Energy Ventures II, LP and Subsidiaries	**271,263**	355,688	$25,000	N/A	N/A
Ridgewood Energy Funds	**204,968**	310,558		N/A	N/A
Total Return Fund Urban Growth Partners	**3,517**	11,601		N/A	N/A
Total private equity	**1,057,248**	677,847	25,000		
Totals	**$47,698,645**	$57,724,127	$25,000		

Note 4 - Fair value measurements (continued):

ADM Investor Services, Inc. - The objective of the fund is to seek short term gains through the buying and selling of commodities, commodity futures contract and options.

Archipelago Holdings, Ltd. - The company's objective is to seek capital gain appreciation through investing in certain private investment funds that have been sponsored by, or may in the future be sponsored by, the Investment Manager (Wellington Global Holdings, Ltd) or its affiliates.

Ascend Partners Fund II, Ltd. - The objective of the fund is to achieve capital appreciation while minimizing risk by investing both long and short equities and equity-related securities in the United States and secondarily, in developing countries. Effective May 1, 2013, the redemption notice has decreased from 60 days to 30 days.

BlackRock Asia Pacific Partners (Offshore) SPV, Ltd. - Amounts held by the Foundation on December 31, 2012 represent the remaining portion not yet returned from this liquidating hedge fund. The Foundation is awaiting final disposition of liquidated assets.

CastleRock Fund, Ltd. - The objective of the fund is the achievement of superior investment returns, while minimizing risk through the use of various hedging techniques. The fund engages primarily in the purchase and sale of long and short positions in publicly traded common stocks, options and other types of securities.

Davidson Kempner Institutional Partners, L.P. - The partnership's investment objective is to achieve capital appreciation through event-driven investments which seek to exploit situations in which announced or anticipated events create opportunities to invest in securities and other financial instruments at a discount to their exit values.

EACM Absolute Return Fund, Ltd. Class M - The objective of the fund is to generate consistent long term capital appreciation with moderate volatility and moderate correlation to global equity and fixed income markets. The underlying holding is EACM/Mellon Absolute Return (Dublin) Fund.

Fairmont Partners - Amounts held by the Foundation on December 31, 2012 represent the remaining portion not yet returned from this liquidating hedge fund. The Foundation is awaiting final disposition of liquidated assets.

Karsch Capital, Ltd. - The objective of the fund is to achieve capital appreciation, while minimizing risk by investing both long and short equities and equity-related securities in the United States and secondarily, in developing countries.

Note 4 - Fair value measurements (continued):

Kuroto Funds International, Ltd. Class K - The objective of the partnership is to achieve maximum appreciation of capital, consistent with moderate investment risk, through trading and investing in domestic, foreign and emerging market securities, primarily of Asian.

Lucas Energy Total Return Partners, L.P. - The objective of the fund is to achieve capital appreciation by investing in a wide variety of securities and financial instruments, domestic and foreign, primarily focusing on investments in energy and natural resources related equities, royalty trusts and other yield oriented securities.

Lyster Watson Conservative Alternative, Ltd. - Amounts held on December 31, 2012 represent the remaining portion not yet returned from this liquidating hedge fund. The Foundation is awaiting final disposition of liquidated assets.

Lyster Watson Distressed Opportunity Fund, Ltd. - As a fund of funds, the objective is to invest primarily in investment funds consisting of a portfolio of various distressed strategies with a three to five year investment horizon. Managers invest in securities of companies currently or potentially undergoing restructuring under the protection of the United States bankruptcy code. The Foundation has submitted its redemption notice and is awaiting final distribution from the fund.

Lyster Watson Equity Partners - Amounts held by the Foundation on December 31, 2011 represent the remaining portion not yet returned from this liquidating hedge fund. The Foundation has received the final disposition of liquidated assets.

Merrill Lynch Alternative Investments, Renaissance Access LLC - The objective of the fund is to achieve rates of return, with low volatility and relatively low beta.

Merrill Lynch Alternative Investments, York Total Access, Ltd. - The principal objective, through its investment in York Total Return Master Fund, L.P., is to achieve capital appreciation by allocating its capital among various non-U.S. private investment funds managed by the general partner of York focusing primarily on investment opportunities in the areas of event equities, credit, value equities and risk arbitrage.

Pinnacle Natural Resources Offshore Ltd. - The fund's objective is to achieve capital appreciation over the long term. The fund of funds allocates capital to asset managers to pursue investment strategies in the global commodity and commodity-related markets.

Summit Private Investments Offshore Ltd. - The objective of the fund is to achieve capital appreciation of net assets through investments in private limited partnerships.

Note 4 - Fair value measurements (continued):

Tocqueville Gold Fund Offshore Fund, Ltd. - Amounts held by the Foundation on December 31, 2012 represent the remaining portion not yet returned from this liquidating hedge fund. The Foundation is awaiting final disposition of liquidated assets.

Viridian Fund, Ltd. - The objective of the fund is to generate consistently high total returns with an emphasis on the preservation of capital, through relative value and hedged trading in a broad range of physical, exchange-traded and over-the-counter commodities, derivatives and commodity related debt and equity securities.

Vontobel International Equity Fund - The objective of the fund is capital appreciation through investing in a diversified portfolio consisting primarily of equity securities and to outperform the benchmark index over a full market cycle with lower than market volatility. The fund identifies sensibly priced, high quality international companies in at least a dozen industry groups, with an emphasis on consumer staples.

Gunsight Partners LLC - The current objective of this fund is to acquire and hold shares of Series A Preferred Stock in Red Leaf Resources, Inc., a Delaware corporation. Transfers and sales are restricted and no redemptions are permitted. Quarterly distributions of available cash are made to members within thirty days of quarter end.

Lucas Energy Ventures Fund II, LP and Subsidiaries - The objective of the fund is to generate income and capital appreciation and invests in North American oil and gas assets, including ownership interests in producing oil and gas wells, exploratory prospects, as well as entities controlling oil and gas assets. The fund has a seven year lock-up and no redemptions are permitted. Instead, the nature of the investment is that distributions are received through the liquidation of the underlying assets of the fund.

Ridgewood Energy Funds - The Foundation holds investments in the Capital Venture, K and M Funds. The objective of the Capital Venture Fund is to invest in private growth companies at differing stages of development with a view toward creating long-term capital appreciation. The objective of the K and M Funds is primarily to acquire interests in oil and gas properties located in the United States' offshore waters of Texas, Louisiana and Alabama. During 2012, the K and M Funds were terminated. All assets were liquidated and net proceeds distributed to the investors.

Note 4 - Fair value measurements (concluded):

Total Return Fund Urban Growth Partners - The objective of the fund is to see positive financial returns on its investments while providing debt and equity to expanding businesses that provide quality job opportunities for low and middle income urban workers in the Mid-Atlantic Region. This investment cannot be redeemed. Instead the nature of the investment is that distributions are received through the liquidation of the underlying assets of the fund.

As of December 31, 2012 and 2011, the Foundation had commitments of $25,000 under subscription agreements to fund capital calls of private-equity limited partnerships. Subsequent to year end, the commitments were not called.

Note 5 - Risks and uncertainties:

The Foundation invests in various securities and investments. These investments are exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Note 6 - Equipment and leasehold improvements:

Equipment and leasehold improvements consist of the following:

	2012	2011
Furniture and equipment	**$206,145**	$211,086
Leasehold improvements	**228,213**	206,522
	434,358	417,608
Less accumulated depreciation and amortization	**(390,807)**	(364,702)
Totals	**$ 43,551**	$ 52,906

Depreciation expense was $36,105 and $46,845 in 2012 and 2011, respectively.

Note 7 - Grants and pledges payable:

Grants and pledges payable are recorded at their estimated fair values and are as follows:

	2012	2011
Grants/pledges payable expected to be paid in:		
Less than one year	**$1,886,017**	$1,619,934
One to five years	**1,909,520**	1,959,066
After five years	**101,000**	202,000
	3,896,537	3,781,000
Less current portion	**1,886,017**	1,619,934
Long-term portion	**$2,010,520**	$2,161,066

Note 8 - Retirement plan:

The Foundation sponsors a 403(b) plan. Employees who elect to participate may make voluntary contributions not to exceed the amount specified by law. The plan allows for discretionary employer matching contributions. The Foundation matched employee contributions up to 8% for 2012 and 2011 of an eligible employee's salary. The Foundation's contribution amounted to $58,926 and $55,003 for the years ended December 31, 2012 and 2011, respectively.

Note 9 - Lease commitment:

The Foundation leases office space in Morristown, New Jersey under a noncancelable operating lease that expires on May 31, 2015. In February 2011, the Foundation leased additional office space in Haddonfield, New Jersey that terminated on February 28, 2012. In March 2013, the Foundation relocated its Haddonfield office to a different facility under a month to month lease arrangement. In September 2011, the Foundation rented additional office space in Trenton, New Jersey under an operating lease that expired in September 2012 and an additional office space in Newark, New Jersey under a month to month agreement. Rent expense amounted to $42,201 and $29,631 in 2012 and 2011, respectively.

Future minimum lease payments under the Foundation's one noncancellable operating lease in years subsequent to December 31, 2012 are as follows:

Years Ended December 31,	Amount
2013	$12,596
2014	10,605
2015	4,551
Total	$27,752

Note 10- Charitable gift annuities:

The Foundation has several charitable gift annuity contracts funded by gifts of securities and other assets, with specified distributions to be made to a designated charitable beneficiary or beneficiaries over the contacts' terms. Upon termination of the contract, the Foundation will receive the remaining assets. The assets are recorded at fair market value when received, and the liability to the donor's charitable beneficiary is recorded at the present value of the estimated future payments to be distributed over the beneficiary's expected life based upon relevant mortality tables. The difference is recorded as an unrestricted or restricted contribution. The discount rates used at December 31, 2012 and 2011 were 1.2% and 1.6%, respectively. Contributions from gift annuities amounted to $52,092 and $70,000 for the years ended December 31, 2012 and 2011, respectively

Note 11- Restrictions on net assets:

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Administrative endowment funds	**$ 410,312**	$ 360,392
Agency restricted funds	**1,925,187**	783,393
Community action funds	**(237,901)**	(223,937)
Field of interest funds	**1,052,087**	874,952
Gift annuities - net	**391,994**	259,094
Scholarship funds	**5,314,151**	5,292,377
Special projects	**3,863,066**	3,474,934
Totals	**$12,718,896**	$10,821,205

Permanently restricted net assets consist of the following:

	2012	2011
Agency restricted funds	**$1,193,764**	$1,184,264
Community action funds	**1,339,705**	1,339,705
Field of interest funds	**2,596,110**	2,596,110
Scholarship funds	**263,542**	263,542
Totals	**$5,393,121**	$5,383,621

Note 12- Endowment net assets:

The Foundation adopted authoritative guidance intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations for the year ended December 31, 2009. This guidance provides clarity on classifying the net assets associated with donor-restricted endowment funds held by an organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds.

The guidance also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not subject to an enacted version of UPMIFA.

Endowment funds:

The Foundation's permanently restricted net assets consist of seventeen individual, donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law:

The Board of Trustees of the Foundation have interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit, donor-stipulation to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. All remaining donor-restricted funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by state law.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Note 12- Endowment net assets (continued):

Return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets. The primary objective of the investment committee is to provide for adequate, total investment return without undue exposure to market risk to enable the Foundation to accomplish its charitable purpose and to make grants on a continuing and reasonably consistent basis.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy:

The Foundation has a policy of appropriating for distribution each year between 3% and 5.5% of its endowment fund's average fair value over the prior sixteen calendar quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Board of Trustees considers market conditions and the long-term expected return on its' investments. This is consistent with the Foundation's objective to provide for adequate total investment return without undue exposure to market risk.

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor required the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately $361,300 and $437,000 as of December 31, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Note 12- Endowment net assets (concluded):

The following tables provide information regarding the change in endowment net assets:

	2012			
	Unrestricted Board Designated	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$28,571,962**	**$360,392**	**$5,383,621**	**$34,315,975**
Contributions	**101,254**	**29,415**	**9,500**	**140,169**
Investment return:				
Investment income	**670,160**	**8,670**	**-**	**678,830**
Realized gains	**1,201,003**	**10,891**	**-**	**1,211,894**
Unrealized gains	**965,165**	**19,072**	**-**	**984,237**
Satisfaction of program restrictions	**(1,423,329)**	**(17,388)**	**-**	**(1,440,717)**
Management fees and program expenses	**(300,808)**	**(740)**	**-**	**(301,548)**
Endowment net assets, end of year	**$29,785,407**	**$410,312**	**$5,393,121**	**$35,588,840**

	2011			
	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$30,726,689	$358,689	$3,817,594	$34,902,972
Contributions	57,798	31,371	1,566,027	1,655,196
Investment return:				
Investment income	604,365	8,418	-	612,783
Realized gain	131,116	2,126	-	133,242
Unrealized loss	(1,285,957)	(21,380)	-	(1,307,337)
Satisfaction of program restrictions	(1,372,510)	(18,096)	-	(1,390,606)
Management fees and program expenses	(289,539)	(736)	-	(290,275)
Endowment net assets, end of year	$28,571,962	$360,392	$5,383,621	$34,315,975

Note 13- Related party transactions:

Effective September 1, 2009, CFNJ entered into an affiliation agreement with Southern New Jersey Regional Community Foundation, Inc. ("CFSJ"), a New Jersey non-profit corporation founded in 2007 to provide community foundation services to the southernmost eight counties of the State of New Jersey under the name of Community Foundation of South Jersey. Both CFNJ and CFSJ are tax exempt organizations under IRC Section 501(c)(3) and designated as public charities under IRC Section 509(a)(1). CFNJ will provide staff, expertise and financial oversight to CFSJ. The original agreement was for a term of one year through August 31, 2010; subsequently, the agreement was extended to December 31, 2012. Currently, the agreement is in effect on a month-to-month basis. If the agreement is terminated by either party, all funds established by CFSJ during the agreement period will be transferred to CFSJ.

Note 14- Funds held on behalf of others:

The following tables summarize the activity in Funds held on behalf of others:

	2012	2011
Funds held on behalf of others, beginning of year	**$15,552,326**	$17,559,330
Contributions	**211,048**	475,346
Interest and dividend income	**368,567**	342,600
Realized and unrealized gains (losses) on investments	**1,302,410**	(599,778)
Distributions	**(1,282,026)**	(2,225,172)
Net increase (decrease)	**599,999**	(2,007,004)
Funds held on behalf of others, end of year	**$16,152,325**	$15,552,326