

**Community Foundation of New Jersey  
and Affiliate**

**Consolidated Financial Statements  
and Independent Auditor's Report**

**December 31, 2017 and 2016**

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**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

# 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, 2017 and 2016, 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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Roseland, New Jersey  
July 17, 2018

**Community Foundation of New Jersey and Affiliate**

**Consolidated Statements of Financial Position  
December 31, 2017 and 2016**

	<u>Assets</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 591,216	\$ 1,050,635
Securities and investments, at fair value	453,813,552	400,160,576
Grants and other receivables	13,098,705	8,230,567
Prepaid expenses and other assets	109,444	515,626
Equipment and leasehold improvements, net	<u>9,840</u>	<u>18,019</u>
 Total	 <u>\$ 467,622,757</u>	 <u>\$ 409,975,423</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 529,859	\$ 997,475
Grants and pledges payable	9,077,866	8,664,948
Deferred revenue	5,000	21,500
Charitable gift annuities	1,623,732	2,032,342
Funds held on behalf of others	<u>14,928,856</u>	<u>13,589,914</u>
 Total liabilities	 <u>26,165,313</u>	 <u>25,306,179</u>
Commitments and contingencies		
Net assets		
Unrestricted	330,714,619	281,314,369
Unrestricted - board designated	30,666,244	28,891,434
Temporarily restricted	31,537,084	25,930,047
Permanently restricted	<u>48,539,497</u>	<u>48,533,394</u>
 Total net assets	 <u>441,457,444</u>	 <u>384,669,244</u>
 Total	 <u>\$ 467,622,757</u>	 <u>\$ 409,975,423</u>

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, 2017**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support				
Contributions	\$ 75,845,952	\$ 1,422,265	\$ 6,103	\$ 77,274,320
Program revenue	286,158	-	-	286,158
Interest and dividend income	6,921,824	1,944,346	-	8,866,170
Realized gain on sale of investments	6,905,275	1,429,961	-	8,335,236
Unrealized gain in fair value of investments	17,104,859	6,328,716	-	23,433,575
Net assets released from restrictions				-
Satisfaction of program restrictions	3,414,480	(3,414,480)	-	-
Management fees and program expenses	2,103,771	(2,103,771)	-	-
<b>Total revenues and support</b>	<b>112,582,319</b>	<b>5,607,037</b>	<b>6,103</b>	<b>118,195,459</b>
Program services expenses				
Grants	49,182,117	-	-	49,182,117
Program related expenses	8,348,462	-	-	8,348,462
<b>Total program services expenses</b>	<b>57,530,579</b>	<b>-</b>	<b>-</b>	<b>57,530,579</b>
Supporting services expenses				
Salaries and related taxes	2,699,419	-	-	2,699,419
Employee benefits	366,266	-	-	366,266
Conventions, meetings and travel	148,786	-	-	148,786
Office expense	156,294	-	-	156,294
Professional fees	179,699	-	-	179,699
Occupancy costs	85,175	-	-	85,175
Computer services	155,018	-	-	155,018
Insurance	37,000	-	-	37,000
Communications and marketing	275,256	-	-	275,256
Dues and subscriptions	21,471	-	-	21,471
<b>Total supporting services expenses</b>	<b>4,124,384</b>	<b>-</b>	<b>-</b>	<b>4,124,384</b>
Other expenses				
Change in value of charitable gift annuities	(255,882)	-	-	(255,882)
Depreciation and amortization	8,178	-	-	8,178
<b>Total other expenses</b>	<b>(247,704)</b>	<b>-</b>	<b>-</b>	<b>(247,704)</b>
Changes in net assets	51,175,060	5,607,037	6,103	56,788,200
Net assets, beginning	310,205,803	25,930,047	48,533,394	384,669,244
Net assets, end	\$ 361,380,863	\$ 31,537,084	\$ 48,539,497	\$ 441,457,444

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, 2016**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support				
Contributions	\$ 101,669,730	\$ 3,708,294	\$ 2,788,110	\$ 108,166,134
Program revenue	315,985	8,241	-	324,226
Interest and dividend income	7,583,812	1,569,582	-	9,153,394
Realized gain (loss) on sale of investments	1,710,338	(416,868)	-	1,293,470
Unrealized gain in fair value of investments	5,173,434	3,807,633	-	8,981,067
Net assets released from restrictions				
Satisfaction of program restrictions	5,005,693	(5,005,693)	-	-
Management fees and program expenses	3,292,026	(3,292,026)	-	-
Transfers	(1,137,909)	145,850	992,059	-
Total revenues and support	<u>123,613,109</u>	<u>525,013</u>	<u>3,780,169</u>	<u>127,918,291</u>
Program services expenses				
Grants	52,319,559	-	-	52,319,559
Program related expenses	<u>13,578,179</u>	<u>-</u>	<u>-</u>	<u>13,578,179</u>
Total program services expenses	<u>65,897,738</u>	<u>-</u>	<u>-</u>	<u>65,897,738</u>
Supporting services expenses				
Salaries and related taxes	2,719,761	-	-	2,719,761
Employee benefits	309,966	-	-	309,966
Conventions, meetings and travel	141,690	-	-	141,690
Office expense	211,632	-	-	211,632
Professional fees	128,438	-	-	128,438
Occupancy costs	102,445	-	-	102,445
Computer services	208,135	-	-	208,135
Insurance	43,955	-	-	43,955
Communications and marketing	525,618	-	-	525,618
Dues and subscriptions	<u>23,826</u>	<u>-</u>	<u>-</u>	<u>23,826</u>
Total supporting services expenses	<u>4,415,466</u>	<u>-</u>	<u>-</u>	<u>4,415,466</u>
Other expenses				
Change in value of charitable gift annuities	230,675	-	-	230,675
Depreciation and amortization	<u>16,461</u>	<u>-</u>	<u>-</u>	<u>16,461</u>
Total other expenses	<u>247,136</u>	<u>-</u>	<u>-</u>	<u>247,136</u>
Changes in net assets	53,052,769	525,013	3,780,169	57,357,951
Net assets, beginning	<u>257,153,034</u>	<u>25,405,034</u>	<u>44,753,225</u>	<u>327,311,293</u>
Net assets, end	<u>\$ 310,205,803</u>	<u>\$ 25,930,047</u>	<u>\$ 48,533,394</u>	<u>\$ 384,669,244</u>

See Notes to Consolidated Financial Statements.

**Community Foundation of New Jersey and Affiliate**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Changes in net assets	\$ 56,788,200	\$ 57,357,951
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Unrealized gain on change in fair value of investments	(23,433,575)	(8,981,067)
Realized gain on change on sale of investments	(8,335,236)	(1,293,470)
Noncash stock contribution	(27,543,500)	(13,597,033)
Depreciation and amortization	8,178	16,461
Change in value of charitable gift annuities	(255,882)	230,675
Changes in operating assets and liabilities		
Grants and other receivables	(4,868,138)	(3,434,917)
Prepaid expenses and other assets	406,181	(436,101)
Accounts payable and accrued expenses	(467,617)	532,093
Deferred revenue	(16,500)	3,750
Grants and pledges payable	412,918	487,103
	<u>(7,304,971)</u>	<u>30,885,445</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of investments	(114,176,115)	(210,274,582)
Proceeds on sale of investments	119,835,453	181,210,183
	<u>5,659,338</u>	<u>(29,064,399)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Payments of charitable gift annuities, net	(152,728)	(116,934)
Change in funds held on behalf of others	1,338,942	(1,351,462)
	<u>1,186,214</u>	<u>(1,468,396)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	(459,419)	352,650
Cash and cash equivalents, beginning	<u>1,050,635</u>	<u>697,985</u>
Cash and cash equivalents, end	<u>\$ 591,216</u>	<u>\$ 1,050,635</u>

See Notes to Consolidated Financial Statements.

## **Community Foundation of New Jersey and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2017 and 2016**

#### **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. 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 ("GAAP").

The consolidated financial statements include the accounts of CFNJ and its affiliate, 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 consolidated statements of financial position. This designation may be removed at the Board of Trustees' 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.

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 or operation of law.

##### **Use of estimates**

The preparation of financial statements in conformity with GAAP 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.



## **Community Foundation of New Jersey and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2017 and 2016**

#### **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 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 consolidated statements of activities and changes in net assets. Dividend income is recorded when received and interest income is recorded on the accrual basis.

#### **Fair value of financial instruments**

The Foundation's material financial instruments at December 31, 2017 and 2016 for 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-free 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**

During 2017, the Foundation increased a line of credit with a New Jersey non-profit from \$9.3 million to \$12.9 million. As of December 31, 2017, the non-profit had drawdown the entire line of credit. Interest is charged at 1% of the outstanding balance and payable quarterly to the Foundation. The line of credit is to be repaid in full within 60 months from the date of each drawdown.

During 2014, the Foundation made a non-interest bearing loan of \$200,000 to a New Jersey non-profit. The loan was repaid in full at December 31, 2017.

During 2012, the Foundation sold its interest in a private corporation and is receiving a portion of the proceeds over a ten-year period. The note is non-interest bearing and due in quarterly installments. The balance outstanding was \$127,451 and \$159,313 at December 31, 2017 and 2016, respectively.

#### **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.

## **Community Foundation of New Jersey and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2017 and 2016**

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 credited or charged to changes in net assets.

#### **Line of credit**

During 2017, the Foundation opened a \$500,000 line of credit with a local financial institution. The terms of the line of credit are Prime Rate minus 125 basis points and secured by one of the investment accounts held at the financial institution. As of December 31, 2017, the line of credit had not been drawn down on.

#### **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.

#### **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 of Trustees 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

## **Community Foundation of New Jersey and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2017 and 2016**

contribution revenue would be offset by additional expenses based on the nature of the donated services. The Foundation received \$7,087 and \$13,270 of program related services for the years ended December 31, 2017 and 2016, respectively.

#### **Income taxes**

CFNJ is qualified under Section 501(c)(3) of the Internal Revenue Code (the "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, 2017 and 2016. The Foundation's federal and state income tax returns prior to 2014 and 2013, 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, 2017.

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 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on the net assets of the Foundation.

#### **Subsequent events**

Subsequent events have been evaluated through July 17, 2018, which is the date the consolidated financial statements were available to be issued.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2017 and 2016

#### Note 3 - Investments

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

	Fair value	
	2017	2016
Money market funds	\$ 80,996,640	\$ 98,486,120
Common stocks	62,439,886	36,066,222
Federal and corporate bonds and notes	15,165,173	12,408,440
Mutual funds	265,553,871	219,427,342
Hedge funds	24,763,006	29,826,105
Private equity	1,098,555	717,290
Investment in real estate	528,855	540,368
Cash surrender value of life insurance policies	1,041,433	1,043,836
Limited partnerships	2,226,133	1,644,853
Total	<u>\$ 453,813,552</u>	<u>\$ 400,160,576</u>

#### 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.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2017 and 2016

Financial assets and liabilities carried at fair value at December 31, 2017 and 2016 are classified in the tables below in one of the three categories described above:

	2017			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Money market funds	\$ 80,996,640	\$ -	\$ 80,996,640	\$ -
<b>Common stocks</b>				
Consumer products	31,600	31,600	-	-
Consumer discretion	9,243,843	9,243,843	-	-
Consumer staples	5,799,320	5,799,320	-	-
Energy	5,810,801	5,810,801	-	-
Finance	14,701,414	14,701,414	-	-
Healthcare	6,899,371	6,899,371	-	-
Industrials	4,089,672	4,089,672	-	-
Information technology	10,113,793	10,113,793	-	-
Materials	2,157,803	2,157,803	-	-
Natural resources	271,080	271,080	-	-
Real estate	451,086	451,086	-	-
Telecommunication	1,086,659	1,086,659	-	-
Utilities and other	1,783,444	1,783,444	-	-
<b>Federal and corporate bonds and notes</b>				
AAA	133,654	-	133,654	-
AA+	619,401	-	619,401	-
AA	306,577	-	306,577	-
AA-	283,004	-	283,004	-
A+	335,725	-	335,725	-
A	184,017	-	184,017	-
A-	49,115	-	49,115	-
BBB+	179,743	-	179,743	-
BBB	1,295,465	-	1,295,465	-
BBB-	379,072	-	379,072	-
BB-	154,025	-	154,025	-
BB+	99,500	-	99,500	-
NR	11,145,875	-	11,145,875	-
<b>Mutual funds</b>				
Fixed income funds	115,569,042	115,569,042	-	-
Equity funds	149,984,829	149,984,829	-	-
Hedge funds	24,763,006	-	24,741,680	21,326
Private equity	1,098,555	-	-	1,098,555
Investment in real estate	528,855	-	-	528,855
Limited partnerships	2,226,133	-	-	2,226,133
Cash surrender of life insurance policies	1,041,433	-	1,041,433	-
<b>Total</b>	<b>\$ 453,813,552</b>	<b>\$ 327,993,757</b>	<b>\$ 121,944,926</b>	<b>\$ 3,874,869</b>
<b>Liabilities</b>				
Charitable gift annuities	\$ 1,623,732	\$ -	\$ -	\$ 1,623,732

**Community Foundation of New Jersey and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2017 and 2016**

	2016			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Money market funds	\$ 98,486,120	\$ -	\$ 98,486,120	\$ -
<b>Common stocks</b>				
Consumer products	389,630	389,630	-	-
Consumer discretionary	3,040,599	3,040,599	-	-
Consumer staples	4,015,483	4,015,483	-	-
Energy	1,668,360	1,668,360	-	-
Finance	5,701,615	5,701,615	-	-
Healthcare	3,321,969	3,321,969	-	-
Industrials	2,431,677	2,431,677	-	-
Information technology	9,164,729	9,164,729	-	-
Materials	282,583	282,583	-	-
Natural resources	1,937,741	1,937,741	-	-
Real estate	231,267	231,267	-	-
Telecommunication	1,157,398	1,157,398	-	-
Transportation	78,112	78,112	-	-
Utilities and other	2,645,059	2,645,059	-	-
<b>Federal and corporate bonds and notes</b>				
AAA	140,726	-	140,726	-
AA+	590,019	-	590,019	-
AA	319,868	-	319,868	-
AA-	393,673	-	393,673	-
A+	14,071	-	14,071	-
A	27,198	-	27,198	-
A-	63,803	-	63,803	-
BBB+	133,808	-	133,808	-
BBB	323,970	-	323,970	-
BBB-	488,123	-	488,123	-
BB	96,500	-	96,500	-
B+	80,800	-	80,800	-
NR	9,735,881	-	9,735,881	-
<b>Mutual funds</b>				
Balanced funds	6,514,001	6,514,001	-	-
Fixed income funds	86,938,067	86,938,067	-	-
Equity funds	125,975,274	125,975,274	-	-
<b>Hedge funds</b>	29,826,105	-	29,744,669	81,436
<b>Private equity</b>	717,290	-	-	717,290
<b>Investment in real estate</b>	540,368	-	-	540,368
<b>Cash surrender of life insurance policies</b>	1,043,836	-	1,043,836	-
<b>Limited partnerships</b>	1,644,853	-	-	1,644,853
<b>Total</b>	<u>\$ 400,160,576</u>	<u>\$ 255,493,564</u>	<u>\$ 141,683,065</u>	<u>\$ 2,983,947</u>
<b>Liabilities</b>				
Charitable gift annuities	\$ 2,032,342	\$ -	\$ -	\$ 2,032,342

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2017 and 2016

The following is a summary of activity for the years ended December 31, 2017 and 2016 for assets (liabilities) measured at fair value based on Level 3 criteria:

	2017				
	Real estate	Hedge funds	Private equity	Limited partnerships	Charitable gift annuities
Balance, beginning of year	\$ 540,368	\$ 81,436	\$ 717,290	\$ 1,644,853	\$ (2,032,342)
Realized and unrealized gains (losses) included in earnings	(11,513)	(16,777)	-	45,464	-
Purchases/contributions	285,000	-	450,301	535,816	(156,253)
Sales	(285,000)	(43,333)	(69,037)	-	564,863
<b>Total</b>	<b>\$ 528,855</b>	<b>\$ 21,326</b>	<b>\$ 1,098,554</b>	<b>\$ 2,226,133</b>	<b>\$ (1,623,732)</b>
	2017				
	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	<u>\$ (11,513)</u>	<u>\$ (16,777)</u>	<u>\$ -</u>	<u>\$ 45,464</u>	<u>\$ -</u>
	2016				
	Real estate	Hedge funds	Private equity	Limited partnerships	Charitable gift annuities
Balance, beginning of year	\$ 555,656	\$ 418,024	\$ 223,075	\$ 1,452,447	\$ (1,918,601)
Realized and unrealized gains (losses) included in earnings	(15,288)	(40,162)	75,888	-	-
Transfer	-	45,025	-	-	-
Purchases	-	-	418,327	192,406	(288,232)
Sales	-	(341,451)	-	-	174,491
<b>Total</b>	<b>\$ 540,368</b>	<b>\$ 81,436</b>	<b>\$ 717,290</b>	<b>\$ 1,644,853</b>	<b>\$ (2,032,342)</b>
	2016				
	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	<u>\$ (15,288)</u>	<u>\$ (40,162)</u>	<u>\$ 75,888</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017 and 2016.

Common stocks and mutual 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.

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). 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.

Money market funds are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer. These are designated as Level 2.

## **Community Foundation of New Jersey and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2017 and 2016**

Cash surrender value of life insurance policies is valued to reflect the return on a portfolio of securities and periodically adjusted. These are designated as Level 2.

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, hedge funds, private equity, high yield and distressed securities and loans, commodities, gold, oil and gas interests, real estate and derivative instruments. Certain alternative investments are classified within Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Other alternative investments can be redeemed or traded frequently and therefore are classified within Level 2 of the fair value hierarchy. 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.

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.

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.



## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2017 and 2016

The following table presents the Foundation's investments with a reported NAV at December 31, 2017 and 2016:

	2017	2016	Unfunded commitment	Redemption frequency	Redemption notice
Archipelago Holdings, Ltd.	\$ 1,551,373	\$ 1,373,250	\$ -	Quarterly	45 days
Davidson Kempner Institutional Partners, L.P.	1,473,565	1,384,316	-	Quarterly	65 days
Garnet Absolute Return Fund	3,166,398	3,093,858	-	Quarterly	45 days
ESG Cross Border Equity Offshore Fund, Ltd.	-	88,203	-	Quarterly	60 days
Fairmont Partners	21,329	38,604	-	Annually	N/A
Goldman Sachs Hedge Fund Managers Ltd.	12,770,207	12,232,520	-	Quarterly	91 days
Kuroto Funds International, Ltd. Class K	-	91,270	-	Quarterly	90 days
Lucas Energy Total Return Partners, L.P.	-	5,886,655	-	Quarterly	90 days
Lyster Watson Distressed Opportunity Fund, Ltd.	-	36,412	-	Annually	100 days
Marathon European Credit Opportunity Fund II, Ltd.	2,428,254	2,320,172	527,379	N/A	N/A
Pinnacle Natural Resources Offshore, Ltd.	-	189,394	-	Quarterly	90 days
SEI Core Property Fund, LP	3,351,880	3,085,030	-	Quarterly	65 days
Tocqueville Gold Offshore Fund, Ltd.	-	6,421	-	Annually	N/A
<b>Total hedge funds</b>	<b>24,763,006</b>	<b>29,826,105</b>	<b>527,379</b>		
Goldman Sachs Private Equity Managers 2016	264,730	108,420	715,201	N/A	N/A
Goldman Sachs Private Equity Managers 2017	63,945	-	1,226,700	N/A	N/A
Goldman Sachs Vintage VII LP	239,954	9,907	724,544	N/A	N/A
Amplify (Magnify Networks)	1,294	1,295	-	N/A	N/A
Gunsight Partners LLC	140,992	140,992	-	N/A	N/A
Holman Automotive Group	-	69,037	-	N/A	N/A
Red Leaf	7,324	7,324	-	N/A	N/A
Ridgewood Energy Funds	80,244	80,244	-	N/A	N/A
Support NJ Fund	71	71	-	N/A	N/A
Spectrum Holdings	300,000	300,000	-	N/A	N/A
<b>Total private equity</b>	<b>1,098,554</b>	<b>717,290</b>	<b>2,666,445</b>		
<b>Total</b>	<b>\$ 25,861,560</b>	<b>\$ 30,543,395</b>	<b>\$ 3,193,824</b>		

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

Davidson Kempner Institutional Partners, L.P. - The partnership's investment objective is to achieve capital appreciation through an event-driven focus, seeking 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.

Garnet Absolute Return Fund (formerly EACM Absolute Return Fund, Ltd. Class M) - The fund's investment objective is to generate consistent long-term capital appreciation with moderate volatility and moderate correlation to global markets.

ESG Cross Border Equity Offshore Fund, Ltd. - A long/short equity fund focused on global emerging markets, ESG CBE combines comprehensive fundamental stock selection with carefully constructed risk management procedures. Amounts held on December 31, 2016 represented the remaining portion not yet returned. The Foundation received the final distribution during 2017.

Fairmont Partners - Amounts held at December 31, 2016 and 2017 represent the remaining portion not yet returned from this liquidating hedge fund.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2017 and 2016

Goldman Sachs Hedge Fund Managers Ltd. - The objective of this fund is to invest in hedge fund managers diversified across sectors, strategies and geographies, focused on identifying managers who may be positioned to take advantage of current market dislocations.

Kuroto Fund 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 businesses. Amounts held on December 31, 2016 represented the remaining portion not yet returned. The Foundation received the final distribution during 2017.

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. The partnership terminated in 2017 and all funds were returned to the Foundation.

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 potentially undergoing restructuring under the protection of the U.S. bankruptcy code. Amounts held on December 31, 2016 represented the remaining portion not yet returned from this liquidating hedge fund. The Foundation received the final distribution during 2017.

Marathon European Credit Opportunity Fund II, Ltd. - The objective of the fund is to generate alpha and attractive absolute returns for investors by opportunistically deploying and managing capital in special situations and stressed and distressed debt stemming from the European credit crisis, including non-performing loans, restructurings, bank asset sales, mispriced debt, structured products, capital structure trades and other event-driven opportunities.

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. Amounts held on December 31, 2016 represented the remaining portion not yet returned. The Foundation received the final distribution during 2017.

SEI Core Property Fund, LP - The objective of the fund is to seek both current income and long-term capital appreciation through investing in underlying funds that acquire, manage and dispose of commercial real estate properties.

Tocqueville Gold Offshore Fund, Ltd. - Amounts held by the Foundation on December 31, 2016 represent the remaining portion not yet returned from this liquidating hedge fund. The Foundation received the final distribution during 2017.

Goldman Sachs Private Equity Managers - The objective of this fund is to invest in pooled investment vehicles via capital commitments to the issuers of such investments, pooled investment vehicles purchase from the existing owners of such pooled investments and not from the issuers of such investment transaction structured to share many of the characteristics and economics of such purchase, and privately negotiated transactions, generally sourced on co-investment basis with certain other co-investment partnerships.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2017 and 2016

Goldman Sachs Vintage VII Fund - The objective of this fund is to invest in LP Secondaries, Direct Secondaries/Special Situations and other opportunistic investments.

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 30 days of quarter end.

Ridgewood Energy Funds - The Foundation holds investments in the Capital Venture Fund. 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.

Spectrum Holdings - The objective of this company is to hold shares as a membership interest in Elauwit LLC, a privately held telecommunications company, headquartered in Charleston, South Carolina.

As of December 31, 2017 and 2016, the Foundation had commitments of \$4,818,824 and \$2,395,536, respectively, under subscription agreements to fund capital calls of a hedge fund and private-equity limited partnerships.

#### 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:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 141,331	\$ 141,331
Leasehold improvements	<u>257,675</u>	<u>257,676</u>
	399,006	399,007
Less accumulated depreciation and amortization	<u>(389,166)</u>	<u>(380,988)</u>
Total	<u>\$ 9,840</u>	<u>\$ 18,019</u>

Depreciation and amortization expense was \$8,178 and \$16,461 for years ended December 31, 2017 and 2016, respectively.

**Community Foundation of New Jersey and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2017 and 2016**

**Note 7 - Grants and pledges payable**

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

	<u>2017</u>	<u>2016</u>
Grants/pledges payable expected to be paid in		
Less than one year	\$ 6,694,631	\$ 4,860,212
One to five years	2,383,235	3,804,736
	<u>9,077,866</u>	<u>8,664,948</u>
Less current portion	<u>6,694,631</u>	<u>4,860,212</u>
Long-term portion	<u>\$ 2,383,235</u>	<u>\$ 3,804,736</u>

**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 2017 and 2016 of an eligible employee's salary. The Foundation's contributions amounted to \$133,031 and \$105,538 for the years ended December 31, 2017 and 2016, respectively.

**Note 9 - Lease commitments**

The Foundation leases office space in Morristown, New Jersey under a noncancellable operating lease that expires on December 31, 2022. In 2015, the Foundation relocated its Haddonfield, New Jersey office to a different facility under an annual lease arrangement, which was converted to a month to month agreement in 2017. In September 2011, the Foundation rented additional office space in Trenton, New Jersey under an operating lease that expired in September 2012 and was renewed under a month to month agreement. In September 2014, the Foundation rented a larger space in Newark, New Jersey for a term ending in December 2015 and renewed on a month to month basis. The space was vacated in May 2017. In 2016, the Foundation rented office space in Newark under an annual agreement. Rent expense amounted to \$53,587 and \$64,255 in 2017 and 2016, respectively.

The future minimum lease payment under the Foundation's noncancellable operating leases in the year subsequent to December 31, 2017 is as follows:

2018	\$ 28,537
2019	22,105
2020	18,205
2021	18,205
2022	17,896
Thereafter	<u>895</u>
	<u>\$ 105,843</u>

**Community Foundation of New Jersey and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2017 and 2016**

**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 contracts' terms. Upon termination of the contract, the residuum less a 5% administrative fee will be paid to the charity of the annuitant's choice. 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, 2017 and 2016 was 2.6% and 2.0% respectively. Contributions from gift annuities amounted to \$314,391 and \$55,000 for the years ended December 31, 2017 and 2016, respectively. In 2014, the Foundation has become licensed in the State of Florida to issue charitable gift annuities.

**Note 11 - Restrictions on net assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Administrative endowment funds	\$ 685,108	\$ 582,293
Agency restricted funds	3,337,942	2,979,472
Field of interest funds	19,744,311	14,351,340
Gift annuities - net	1,520,494	1,147,385
Scholarship funds	4,160,525	3,980,969
Special projects	<u>2,088,704</u>	<u>2,888,588</u>
Total	<u>\$ 31,537,084</u>	<u>\$ 25,930,047</u>

Permanently restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Agency restricted funds	\$ 3,142,085	\$ 3,136,085
Community action funds	1,081,867	1,081,764
Field of interest funds	42,775,922	42,775,922
Special projects	1,000,000	1,000,000
Scholarship funds	<u>539,623</u>	<u>539,623</u>
Total	<u>\$ 48,539,497</u>	<u>\$ 48,533,394</u>

**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 as of 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.

## **Community Foundation of New Jersey and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2017 and 2016**

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 26 individuals, donor-restricted endowment funds established for a variety of purposes. As required by GAAP, 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.

#### **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 4.75% and 5.75% of its endowment fund's average fair value over the prior 16 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.

**Community Foundation of New Jersey and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2017 and 2016**

**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 \$191,050 and \$1,942,069 as of December 31, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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

	2017			
	Unrestricted board designated	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning	\$ 28,891,434	\$ 582,613	\$ 48,533,394	\$ 78,007,441
Contributions	130,288	68,594	6,103	204,985
Investment return				
Investment income	569,677	9,752	-	579,429
Realized gains	1,357,274	10,745	-	1,368,019
Unrealized gains	1,636,189	44,208	-	1,680,397
Satisfaction of program restrictions	(1,602,014)	(29,279)	-	(1,631,293)
Transfers	31,752	-	-	31,752
Management fees and program expenses	(348,356)	(1,526)	-	(349,882)
Endowment net assets, end	<u>\$ 30,666,244</u>	<u>\$ 685,107</u>	<u>\$ 48,539,497</u>	<u>\$ 79,890,848</u>

Endowment net asset composition by type of fund is as follows as of December 31, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 685,107	\$ 48,539,497	\$ 49,224,604
Board designated endowment funds	30,666,244	-	-	30,666,244
	<u>\$ 30,666,244</u>	<u>\$ 685,107</u>	<u>\$ 48,539,497</u>	<u>\$ 79,890,848</u>

	2016			
	Unrestricted board designated	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning	\$ 28,930,443	\$ 512,785	\$ 44,753,225	\$ 74,196,453
Contributions	118,303	71,467	2,788,110	2,977,880
Investment return				
Investment income	691,224	10,607	-	701,831
Realized gains	1,058,989	18,135	-	1,077,124
Unrealized losses	(92,490)	(3,717)	-	(96,207)
Satisfaction of program restrictions	(1,497,560)	(25,725)	-	(1,523,285)
Transfers	-	-	992,059	992,059
Management fees and program expenses	(317,475)	(939)	-	(318,414)
Endowment net assets, end	<u>\$ 28,891,434</u>	<u>\$ 582,613</u>	<u>\$ 48,533,394</u>	<u>\$ 78,007,441</u>

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2017 and 2016

Endowment net asset composition by type of fund is as follows as of December 31, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 582,613	\$ 48,533,394	\$ 49,116,007
Board designated endowment funds	28,891,434	-	-	28,891,434
	\$ 28,891,434	\$ 582,613	\$ 48,533,394	\$ 78,007,441

#### Note 13 - Related party transactions

Effective September 1, 2009, CFNJ entered into an affiliation agreement with Southern New Jersey Regional Community Foundation, Inc., 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 ("CFSJ"). 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 table summarizes the activity in funds held on behalf of others:

	2017	2016
Funds held on behalf of others, beginning	\$ 13,589,914	\$ 14,941,376
Contributions	764,302	1,606,498
Interest and dividend income	257,271	308,913
Realized and unrealized gains on investments	1,421,683	532,548
Distributions (decrease)	(1,104,314)	(3,799,421)
Net increase	1,338,942	(1,351,462)
Funds held on behalf of others, end	\$ 14,928,856	\$ 13,589,914

#### Note 15 - Subsequent events

During 2014, a donor contributed \$52,614,017 to the Foundation for the formation of a fund to support, assist and develop the health and wellness of the residents of a county in New Jersey. During 2018, to better meet the donor's restrictions it was determined that the fund assets should be returned to the donor. The balance of the fund's investments as of December 31, 2017 totaled \$56,037,728, \$15,000,000 of which was classified as temporarily restricted and the balance of \$41,037,728 was classified as permanently restricted.

During 2018, approval was received and a Board resolution was made to return the funds to the donor. In March 2018, all assets of the fund were transferred back to a donor for a total amount of \$55,786,800 consisting of all fund assets less administrative expenses and liabilities. As this transaction involves returning a contribution from the prior years, the Foundation will recognize this as a return of contributions in 2018, the year that the contribution was returned in accordance with generally accepted account principles ("GAAP").



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