

**Community Foundation of New Jersey and Affiliate**

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

**December 31, 2020**

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**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 statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Consolidated 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 audit. We conducted our audit 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, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Holmdel, New Jersey  
August 18, 2021

**Community Foundation of New Jersey and Affiliate**

**Consolidated Statement of Financial Position  
December 31, 2020**

Assets

|   |                                  |
|---|----------------------------------|
| Cash and cash equivalents                 | \$ 12,105,730                    |
| Securities and investments, at fair value | 631,471,589                      |
| Loan and interest receivables             | 19,050,774                       |
| Pledges receivable                        | 5,700,000                        |
| Prepaid expenses and other assets         | <u>379,270</u>                   |
| <br>Total                                 | <br><u><u>\$ 668,707,363</u></u> |

Liabilities and Net Assets

|                                       |                                  |
|---------------------------------------|----------------------------------|
| Liabilities                           |                                  |
| Accounts payable and accrued expenses | \$ 222,322                       |
| Grants and pledges payable            | 9,117,051                        |
| Debt                                  | 581,600                          |
| Charitable gift annuities             | 1,198,512                        |
| Funds held on behalf of others        | <u>17,782,886</u>                |
| <br>Total liabilities                 | <br><u>28,902,371</u>            |
| <br>Commitments and contingencies     |                                  |
| <br>Net assets                        |                                  |
| Without donor restrictions            | 489,604,634                      |
| With donor restrictions               | <u>150,200,358</u>               |
| <br>Total net assets                  | <br><u>639,804,992</u>           |
| <br>Total                             | <br><u><u>\$ 668,707,363</u></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, 2020**

|  | <u>Without donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>          |
|--|---------------------------------------|------------------------------------|-----------------------|
| Revenues and support   |                                       |                                    |                       |
| Contributions  | \$ 89,990,341                         | \$ 95,279,492                      | \$ 185,269,833        |
| Net investment return  | 42,803,389                            | 9,020,209                          | 51,823,598            |
| Net assets released from restrictions                                    |                                       |                                    |                       |
| Satisfaction of program restrictions                                     | 26,217,470                            | (26,217,470)                       | -                     |
| Management fees and program expenses                                     | 12,953,021                            | (12,953,021)                       | -                     |
| Total revenues and support   | <u>171,964,221</u>                    | <u>65,129,210</u>                  | <u>237,093,431</u>    |
| Expenses   |                                       |                                    |                       |
| Grants   | 85,028,425                            | -                                  | 85,028,425            |
| Program related expenses   | 15,729,915                            | -                                  | 15,729,915            |
| General and administrative   | 1,354,206                             | -                                  | 1,354,206             |
| Fundraising and development  | 860,067                               | -                                  | 860,067               |
| Total expenses   | <u>102,972,613</u>                    | <u>-</u>                           | <u>102,972,613</u>    |
| Change in net assets before change in value of charitable gift annuities | <u>68,991,608</u>                     | <u>65,129,210</u>                  | <u>134,120,818</u>    |
| Change in value of charitable gift annuities                             | <u>36,438</u>                         | <u>-</u>                           | <u>36,438</u>         |
| Change in net assets   | <u>69,028,046</u>                     | <u>65,129,210</u>                  | <u>134,157,256</u>    |
| Beginning net assets   | <u>420,576,588</u>                    | <u>85,071,148</u>                  | <u>505,647,736</u>    |
| Net assets, end  | <u>\$ 489,604,634</u>                 | <u>\$ 150,200,358</u>              | <u>\$ 639,804,992</u> |

See Notes to Consolidated Financial Statements.

**Community Foundation of New Jersey and Affiliate**

**Consolidated Statement of Cash Flows  
Year Ended December 31, 2020**

|  |                |
|--|----------------|
| Cash flows from operating activities   |                |
| Change in net assets   | \$ 134,157,256 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                |
| Unrealized gain on change in fair value of investments                                     | (35,737,134)   |
| Realized gain on change on sale of investments   | (5,345,098)    |
| Noncash stock contributions  | (41,748,935)   |
| Restricted contributions to endowment  | (8,719,343)    |
| Change in value of charitable gift annuities   | (36,438)       |
| Changes in operating assets and liabilities  |                |
| Loan and interest receivables  | (2,851,910)    |
| Pledges receivable   | 1,300,000      |
| Prepaid expenses and other assets  | (19,368)       |
| Accounts payable and accrued expenses  | (166,883)      |
| Grants and pledges payable   | 2,970,465      |
|  | <hr/>          |
| Net cash provided by operating activities  | 43,802,612     |
|  | <hr/>          |
| Cash flows from investing activities   |                |
| Purchase of investments  | (208,392,401)  |
| Proceeds on sale of investments  | 164,345,932    |
|  | <hr/>          |
| Net cash used in investing activities  | (44,046,469)   |
|  | <hr/>          |
| Cash flows from financing activities   |                |
| Proceeds from debt   | 300,600        |
| Payments of charitable gift annuities, net   | (162,828)      |
| Change in funds held on behalf of others   | 1,473,115      |
| Restricted contributions to endowment  | 8,719,343      |
|  | <hr/>          |
| Net cash provided by financing activities  | 10,330,230     |
|  | <hr/>          |
| Net increase in cash and cash equivalents  | 10,086,373     |
| Cash and cash equivalents, beginning   | 2,019,357      |
|  | <hr/>          |
| Cash and cash equivalents, end   | \$ 12,105,730  |
|  | <hr/> <hr/>    |

See Notes to Consolidated Financial Statements.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### 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.

On March 4, 2019, the Foundation completed an asset purchase agreement with WNET and WNET Spotlight LLC, unrelated tax-exempt organizations, to sell substantially all intangible assets and contracts of NJSpotlight.com. WNET and WNET Spotlight, LLC assumed all of the Foundation's obligations under contracts and grant agreements. The assets transferred in connection with the sale include NJSpotlight.com's website, intellectual property, membership and underwriting database contracts used in connection with the operations of NJSpotlight.com. The sale was agreed to by the Foundation and WNET for the purchase price of \$1, which resulted in a gain of \$1.

In March 2019 and concurrent to the sale to WNET and WNET Spotlight LLC noted above, the Foundation changed the name of its single member limited liability company from NJSpotlight.com to CFNJ News, LLC. On November 10, 2020, CFNJ News, LLC was dissolved.

CFNJ and CFNJ News, LLC are collectively known as the "Foundation."

In March 2020, the New Jersey Pandemic Relief Fund was formed as a division of the Foundation. The purpose of the fund is to manage and distribute the assets contributed to help New Jersey residents and communities respond to the effects of the COVID-19 pandemic. For the year ended December 31, 2020, the Foundation received approximately \$63,000,000 of contributions in connection with this fund.

#### 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, CFNJ News, LLC. 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:

*Without donor restrictions* - 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. This designation may be removed at the Board of Trustees' discretion.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

*With donor restrictions* - Net assets with donor restrictions consist of assets that are restricted by a donor to be used for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions, or when the stipulated time has passed. Other donor-imposed restrictions on net assets are permanent in nature. These net assets have been restricted by donors to be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

#### **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.

#### **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. Cash and money market funds held by investment managers are classified as investments.

#### **Pledges receivable**

Pledges receivable consist of unconditional promises to give. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At December 31, 2020, the Foundation had pledges receivable of \$5,700,000 which were due within one year.

#### **Concentrations of credit risk**

The Foundation maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

#### **Investment valuation and net investment return**

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 7 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 statement of activities and changes in net assets. Dividend income is recorded when received and interest income is recorded on the accrual basis.



## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

Net investment return includes dividends, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. External investment related expenses are netted against investment returns.

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

The Foundation's material financial instruments at December 31, 2020, 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 13 for discussion on annuities).

#### **Functional allocation of expenses**

Costs are allocated between activities and program services, fundraising and general and administrative based on an evaluation of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort. Other expenses are allocated by direct costs incurred.

#### **Grants and pledges payable**

Grants are recorded as an expense and accrued as a liability once approved by a member of senior management. Large grants (those in excess of \$50,000) and program related expenses in excess of \$10,000 require approval by the CFNJ Board Executive Committee. Pledges payable are recorded at fair value at the date the promise is made to the nonprofit 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 are classified as either conditional or unconditional. A conditional contribution is a transaction where the Foundation has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Foundation fails to overcome the barrier. The Foundation recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

It is the Foundation's policy that contributions to donor-advised funds are reported as an increase in net assets without donor restrictions. Although the donor relinquishes control over those assets, the donor can advise the Foundation as to the use of those assets.

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

### **Notes to Consolidated Financial Statements December 31, 2020**

The Foundation can exercise its variance power to modify any restriction on a restricted fund if such restriction becomes incapable of fulfillment or inconsistent with the charitable needs of the community.

Concentrations consist primarily of contributions received from third parties. For the year ended December 31, 2020, two contributions accounted for approximately 26% of contributions received.

#### **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.

#### **Nonmonetary transactions/donated services**

Nonmonetary 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 \$24,493 of program related services for the year ended December 31, 2020.

#### **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.

CFNJ News, LLC 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, 2020. The Foundation's federal and state income tax returns prior to 2017 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 statement of financial position. There were no interest or penalties accrued or paid for the year ended December 31, 2020.

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 ("IRS").

#### **Subsequent events**

Subsequent events have been evaluated through August 18, 2021, 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, 2020

#### Note 3 - Loans and other receivables

The Foundation holds loan receivables from third parties related to an arts loan fund as well as other various functions. These receivables are interest and non-interest bearing and are due in accordance with the loan agreements. As of December 31, 2020, the outstanding balance on these loans totaled \$3,240,092.

During 2019, the Foundation increased a line of credit with a New Jersey nonprofit from \$12.8 million to \$15.8 million. As of December 31, 2020, the nonprofit had drawn down \$15,771,254. 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 by November 3, 2025. During 2020, interest incurred during the first three quarters of the year were forgiven due to the impact of COVID-19 on the New Jersey nonprofit organization. As of December 31, 2020, \$39,428 of interest was receivable and was recorded in loans and interest receivables at year end.

The future minimum payments to the Foundation for loan and other receivables subsequent to December 31, 2020 are as follows:

| Year ending<br>December 31, | Amount                      |
|-----------------------------|-----------------------------|
| 2021                        | \$ 2,704,520                |
| 2022                        | 125,000                     |
| 2023                        | -                           |
| 2024                        | -                           |
| 2025                        | 15,771,254                  |
| Thereafter                  | <u>450,000</u>              |
|                             | <u><u>\$ 19,050,774</u></u> |

#### Note 4 - Debt

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 is secured by one of the investment accounts held at the financial institution. During 2019, the Foundation had drawn down \$300,000 against the line of credit and repaid \$19,000. There were no payments made during 2020. For the year ended December 31, 2020, the Foundation incurred interest expense of \$6,807 in connection with this line of credit. The balance of the line of credit payable was \$281,000 at December 31, 2020.

On April 20, 2020, the Foundation entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately \$300,600 pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against the Foundation.

Under the CARES Act, PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

The Foundation submitted its application for PPP Loan forgiveness subsequent to December 31, 2020 and received notice from its lender that the SBA approved forgiveness of the full amount of the PPP Loan and the related interest thereon. Accordingly, the Foundation will derecognize \$300,600 of the PPP Loan and recognize a corresponding gain on debt forgiveness, which will be included in other income for the year ending December 31, 2021. There is a six-year period during which the SBA can review the Foundation's forgiveness calculation. Notice of SBA approved forgiveness was received on April 28, 2021.

#### Note 5 - Liquidity and availability

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor or other restrictions within one year of the balance sheet date:

|  |                              |
|--|------------------------------|
| Cash and cash equivalents  | \$ 12,105,730                |
| Securities and investments, at fair value  | 631,471,589                  |
| Loan and interest receivable, collectible in less than one year                    | 2,704,520                    |
| Pledges receivable, collectible in less than one year                              | <u>5,700,000</u>             |
| Total financial assets, excluding noncurrent receivables                           | 651,981,839                  |
| Less   |                              |
| Investments in non-liquid securities   | 39,240,576                   |
| Donor-imposed restrictions unavailable within one year due to purpose restrictions | <u>150,200,358</u>           |
| Financial assets available to meet cash needs for expenditures within one year     | <u><u>\$ 462,540,905</u></u> |

#### Note 6 - Securities and investments

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

|   | <u>Fair value</u>            |
|---|------------------------------|
| Money market funds                              | \$ 136,128,307               |
| Common stocks                                   | 108,263,005                  |
| Federal and corporate bonds and notes           | 51,547,413                   |
| Mutual funds                                    | 296,292,288                  |
| Hedge funds                                     | 8,716,849                    |
| Private equity                                  | 16,112,446                   |
| Investment in real estate                       | 522,600                      |
| Cash surrender value of life insurance policies | 1,044,197                    |
| Limited partnerships                            | <u>12,844,484</u>            |
| Total   | <u><u>\$ 631,471,589</u></u> |

#### Note 7 - 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,

**Community Foundation of New Jersey and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2020**

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 Foundation 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.

Financial assets and liabilities carried at fair value at December 31, 2020 are classified in the table below in one of the three categories described above:

|   | Level 1               | Level 2               | Level 3              | Total                 |
|---|-----------------------|-----------------------|----------------------|-----------------------|
| Money market funds                        | \$ -                  | \$ 136,128,307        | \$ -                 | \$ 136,128,307        |
| Common stocks                             | 108,263,005           | -                     | -                    | 108,263,005           |
| Federal and corporate bonds and notes     | -                     | 51,547,413            | -                    | 51,547,413            |
| Mutual funds                              | 296,292,288           | -                     | -                    | 296,292,288           |
| Investment in real estate                 | -                     | -                     | 522,600              | 522,600               |
| Limited partnerships                      | -                     | -                     | 12,844,484           | 12,844,484            |
| Cash surrender of life insurance policies | -                     | 1,044,197             | -                    | 1,044,197             |
| <b>Total assets at fair value</b>         | <b>404,555,293</b>    | <b>188,719,917</b>    | <b>13,367,084</b>    | <b>606,642,294</b>    |
| Investments measured at NAV (a)           | -                     | -                     | -                    | 24,829,295            |
| <b>Total investments</b>                  | <b>\$ 404,555,293</b> | <b>\$ 188,719,917</b> | <b>\$ 13,367,084</b> | <b>\$ 631,471,589</b> |
| <b>Liabilities</b>                        |                       |                       |                      |                       |
| Charitable gift annuities                 | \$ -                  | \$ -                  | \$ 1,198,512         | \$ 1,198,512          |

(a) In accordance with ASC 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position available for benefits.

**Community Foundation of New Jersey and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2020**

The following is a summary of activity for the year ended December 31, 2020 for assets (liabilities) measured at fair value based on Level 3 criteria:

|  | <u>Real<br/>estate</u> | <u>Limited<br/>partnerships</u> | <u>Charitable gift<br/>annuities</u> |
|--|------------------------|---------------------------------|--------------------------------------|
| Balance, beginning of year                                     | \$ 522,600             | \$ 9,563,045                    | \$ (1,397,778)                       |
| Realized and unrealized gains<br>(losses) included in earnings | -                      | 3,983,550                       | (77,383)                             |
| Purchases/contributions  | -                      | 28,864,827                      | (24,769)                             |
| Sales  | -                      | <u>(29,566,938)</u>             | <u>301,418</u>                       |
| <br>Total  | <br><u>\$ 522,600</u>  | <br><u>\$ 12,844,484</u>        | <br><u>\$ (1,198,512)</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, 2020.

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.

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

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

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.

The following table presents the Foundation's investments with a reported NAV at December 31, 2020:

|  |                      | <u>Unfunded<br/>commitment</u> | <u>Redemption<br/>frequency</u> | <u>Redemption<br/>notice</u> |
|--|----------------------|--------------------------------|---------------------------------|------------------------------|
| Davidson Kempner Institutional Partners, L.P.      | \$ 1,735,755         | \$ -                           | Quarterly                       | 65 days                      |
| Garnet Absolute Return Fund                        | 45,816               | -                              | Quarterly                       | 45 days                      |
| Fairmont Partners                                  | 17,269               | -                              | Annually                        | N/A                          |
| Goldman Sachs Hedge Fund Managers Ltd.             | 6,307,265            | -                              | Quarterly                       | 91 days                      |
| Marathon European Credit Opportunity Fund II, Ltd. | <u>610,744</u>       | <u>-</u>                       | N/A                             | N/A                          |
| Total hedge funds                                  | <u>8,716,849</u>     | <u>-</u>                       |                                 |                              |
| Goldman Sachs PrivateCredit Managers II Offshore   | 1,083,075            | 1,541,046                      | N/A                             | N/A                          |
| Goldman Sachs Private Equity Managers 2016         | 989,942              | 238,835                        | N/A                             | N/A                          |
| Goldman Sachs Private Equity Managers 2017         | 1,165,569            | 283,682                        | N/A                             | N/A                          |
| Goldman Sachs Private Equity Managers 2018         | 343,674              | 568,791                        | N/A                             | N/A                          |
| Goldman Sachs Private Equity Managers 2019         | 309,931              | 1,315,518                      | N/A                             | N/A                          |
| Goldman Sachs Private Equity Managers 2020         | 35,660               | 1,261,000                      | N/A                             | N/A                          |
| Goldman Sachs Private Equity Managers 2021         | -                    | 1,600,000                      | N/A                             | N/A                          |
| Goldman Sachs Vintage VII Offshore LP              | 714,862              | 475,909                        | N/A                             | N/A                          |
| Goldman Sachs Vintage VIII Offshore LP             | 583,818              | 1,981,376                      | N/A                             | N/A                          |
| Genscript Corporation                              | 2,000,800            | -                              | N/A                             | N/A                          |
| Gunsight Partners LLC                              | 11,550               | -                              | N/A                             | N/A                          |
| Huber Company                                      | 5,892,230            | -                              | N/A                             | N/A                          |
| Ridgewood Energy Funds                             | 4,275                | -                              | N/A                             | N/A                          |
| Hawkes Bay   | 557,020              | -                              | N/A                             | N/A                          |
| Blackstone Real Estate                             | 575,937              | -                              | N/A                             | N/A                          |
| Ironwood Institutional                             | 1,802,988            | -                              | N/A                             | N/A                          |
| Portfolio Advisors Secondary Fund *V Offshore LP   | <u>41,115</u>        | <u>-</u>                       | N/A                             | N/A                          |
| Total private equity                               | <u>16,112,446</u>    | <u>9,266,157</u>               |                                 |                              |
| Total  | <u>\$ 24,829,295</u> | <u>\$ 9,266,157</u>            |                                 |                              |

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.

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### Notes to Consolidated Financial Statements December 31, 2020

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. The amount held at December 31, 2020 represents the remaining portion not yet returned from this liquidating hedge fund.

Fairmont Partners - Amounts held at December 31, 2020 represent the remaining portion not yet returned from this liquidating hedge fund.

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.

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 nonperforming loans, restructurings, bank asset sales, mispriced debt, structured products, capital structure trades and other event-driven opportunities. The amount held at December 31, 2020 represents the remaining portion not yet returned from this liquidating hedge fund.

Goldman Sachs Private Equity Managers - The objective of these fund is to invest in pooled investment vehicles via capital commitments to the issuers of such investments, pooled investment vehicles purchased 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 a co-investment basis with certain other co-investment partnerships.

Goldman Sachs Vintage VII and VIII Funds - The objective of these funds is to invest in LP Secondaries, Direct Secondaries/Special Situations and other opportunistic investments.

Genscript Corporation - The company is an investment holding company. The company's subsidiaries are principally engaged in the manufacture and sale of life sciences research products and services.

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.

Huber Company - The company, in the normal course of business, enters into derivative financial instruments with high-quality counterparties as part of its risk management strategy. These financial instruments are used principally to reduce the company's exposure to fluctuations in foreign currency and interest rates.

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.

Hawkes Bay -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.



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### Notes to Consolidated Financial Statements December 31, 2020

Blackstone Real Estate - The objective of these funds is to invest primarily in stabilized, income-generating U.S. commercial real estate across key property types including, multifamily, industrial, hotel, retail and office.

Ironwood Institutional - The objective of these funds is to invest in alternative investments with an objective of capital appreciation with limited variability of returns through a number of pooled investment vehicles.

Portfolio Advisors Secondary Fund \*V Offshore LP - The objective of these funds is to invest in special situation funds, private credit funds, real estate funds, secondary and co-investment opportunities, and funds with a geographic focus such as the United States, Europe, and Pan-Asia region.

As of December 31, 2020, the Foundation had commitments of \$9,266,157 under subscription agreements to fund capital calls of hedge fund and private equity limited partnerships.

#### Note 8 - Functional expenses

Expenses incurred by the Foundation classified by functional categories for the year ended December 31, 2020 were as follows:

|                                  | Program               | General and<br>administrative | Fundraising       | Total                 |
|----------------------------------|-----------------------|-------------------------------|-------------------|-----------------------|
| Grants                           | \$ 85,028,425         | \$ -                          | \$ -              | \$ 85,028,425         |
| Charitable partnerships expense  | 13,835,842            | -                             | 405,143           | 14,240,985            |
| Salaries/wages                   | 1,414,981             | 374,445                       | 276,141           | 2,065,567             |
| Payroll taxes                    | 100,294               | 26,164                        | 18,896            | 145,354               |
| Employee benefits                | 258,750               | 67,500                        | 48,750            | 375,000               |
| Conferences, meetings, travel    | 20,116                | 4,021                         | 13,108            | 37,245                |
| Office expense                   | 12,604                | 125,619                       | -                 | 138,223               |
| Professional fees                | -                     | 468,297                       | -                 | 468,297               |
| Occupancy costs                  | 56,292                | 51,929                        | -                 | 108,221               |
| Computer services                | -                     | 144,296                       | -                 | 144,296               |
| Insurance                        | 838                   | 19,452                        | -                 | 20,290                |
| Communications, marketing        | 26,098                | 992                           | 96,844            | 123,934               |
| Dues, subscriptions              | 4,100                 | 15,607                        | 1,185             | 20,892                |
| Depreciation, amortization       | -                     | 55,884                        | -                 | 55,884                |
| <b>Total functional expenses</b> | <b>\$ 100,758,340</b> | <b>\$ 1,354,206</b>           | <b>\$ 860,067</b> | <b>\$ 102,972,613</b> |

|   | Program | General and<br>administrative | Fundraising |
|---|---------|-------------------------------|-------------|
| Percentage of total expenses for<br>year ended December 31, 2020: | 98%     | 1%                            | 1%          |

#### Note 9 - 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.

**Community Foundation of New Jersey and Affiliate**

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December 31, 2020**

In early 2020 and continuing into 2021, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally has caused business disruption domestically in the United States, the area in which the Foundation operates, and uncertainty in the financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this event. Therefore, while the Foundation realizes this matter may negatively impact the Foundation's financial position, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

**Note 10 - Grants and pledges payable**

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

|   |                     |
|---|---------------------|
| Grants/pledges payable expected to be paid in |                     |
| Less than one year                            | \$ 8,113,834        |
| One to five years                             | <u>1,003,217</u>    |
|   | <u>\$ 9,117,051</u> |

**Note 11 - 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% of an eligible employee's salary for 2020. The Foundation's contributions amounted to \$134,411 for the year ended December 31, 2020.

**Note 12 - Lease commitments**

The Foundation leases office space in Morristown, New Jersey under a noncancelable operating lease that expires on December 31, 2022. For the year ended December 31, 2020, the Foundation incurred rent expense of \$11,358.

The future minimum lease payments under the Foundation's office lease and other noncancelable operating leases in the years subsequent to December 31, 2020 are as follows:

| <u>Year ending<br/>December 31,</u> | <u>Amount</u>    |
|-------------------------------------|------------------|
| 2021                                | \$ 18,851        |
| 2022                                | 18,750           |
| 2023                                | 895              |
| Thereafter                          | <u>-</u>         |
|                                     | <u>\$ 38,496</u> |

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### Note 13 - 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. 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 rate used at December 31, 2020 was the IRS discount rate of each gift, with a range of 1.2% to 7.4%. New gift annuities amounted to \$50,000 for the year ended December 31, 2020.

#### Note 14 - Net assets with donor restrictions

As of December 31, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

|  |                       |
|--|-----------------------|
| Subject to expenditures for specific purposes or passage of time |                       |
| Agency-restricted funds  | \$ 7,561,672          |
| Field of interest funds  | 33,227,839            |
| Gift annuities - net   | 1,349,245             |
| Scholarship funds  | 14,346,677            |
| Community action funds   | 296,616               |
| Special projects   | <u>51,095,406</u>     |
|  | <u>107,877,455</u>    |
| Endowments   |                       |
| Agency-restricted funds  | 30,529,659            |
| Field of interest funds  | 5,183,423             |
| Scholarship funds  | 3,806,825             |
| Community action funds   | 1,445,686             |
| Special projects   | <u>1,357,310</u>      |
|  | <u>42,322,903</u>     |
| Total  | <u>\$ 150,200,358</u> |

#### Note 15 - 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.

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.

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### Notes to Consolidated Financial Statements December 31, 2020

#### **Endowment funds**

The Foundation's net assets with donor restrictions consist of endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

#### **Underwater endowments**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020, funds with original gift values of \$6,743,289, fair values of \$6,482,837 and deficiencies of \$260,452 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

#### **Interpretation of relevant law**

The Board of Trustees of the Foundation has 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 retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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.

## Community Foundation of New Jersey and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### 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.

The following table provides information regarding the change in endowment net assets:

|                                      | With donor<br>restrictions |
|--------------------------------------|----------------------------|
| Endowment net assets, beginning      | \$ 31,799,848              |
| Contributions                        | 8,719,343                  |
| Investment return                    |                            |
| Investment income                    | 679,961                    |
| Realized gains                       | 691,115                    |
| Unrealized gain                      | 1,980,735                  |
| Satisfaction of program restrictions | (1,110,554)                |
| Management fees and program expenses | (437,545)                  |
| Endowment net assets, ending         | <u>\$ 42,322,903</u>       |

#### Note 16 - Related party transactions

Effective September 1, 2009, CFNJ entered into an affiliation agreement with Southern New Jersey Regional Community Foundation, Inc., a New Jersey nonprofit 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 17 - Funds held on behalf of others

The following table summarizes the activity in funds held on behalf of others:

|  |                      |
|--|----------------------|
| Funds held on behalf of others, beginning    | <u>\$ 16,309,771</u> |
| Contributions                                | 2,536,675            |
| Interest and dividend income                 | 317,228              |
| Realized and unrealized gains on investments | 1,390,424            |
| Distributions                                | <u>(2,771,212)</u>   |
| Net increase                                 | <u>1,473,115</u>     |
| Funds held on behalf of others, end          | <u>\$ 17,782,886</u> |



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