

COMMUNITY FOUNDATION OF NEW JERSEY

Financial Statements

December 31, 2006

With Independent Auditors' Report

**Community Foundation of New Jersey
Table of Contents
December 31, 2006**

	Page(s)
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9



WithumSmith+Brown
A Professional Corporation
Certified Public Accountants and Consultants

465 South Street, Suite 200
Morristown, New Jersey 07960-6497 USA
973 898 9494 . fax 973 898 0686
www.withum.com

Additional Offices in New Jersey,
New York and Pennsylvania

Independent Auditors' Report

Community Foundation of New Jersey
Morristown, New Jersey

We have audited the accompanying statement of financial position of Community Foundation of New Jersey (a non-profit organization) as of December 31, 2006 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of New Jersey, as of December 31, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, P.C.

August 9, 2007

Community Foundation of New Jersey
Statement of Financial Position
December 31, 2006

Assets

Cash	\$ 1,179,227
Investments	177,489,916
Prepaid expenses and other assets	<u>31,887</u>
Total current assets	<u>178,701,030</u>
Loan receivable	79,500
Equipment and leasehold improvements, net	<u>105,856</u>
	<u><u>\$ 178,886,386</u></u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 167,845
Charitable gift annuity	1,069,491
Funds held on behalf of others	<u>22,402,023</u>
Total current liabilities	<u>23,639,359</u>
Net Assets	
Unrestricted	116,728,410
Temporarily restricted	37,627,651
Permanently restricted	<u>890,966</u>
Total net assets	<u>155,247,027</u>
	<u><u>\$ 178,886,386</u></u>

The Notes to Financial Statements are an integral part of these financial statements.

Community Foundation of New Jersey
Statement of Activities
Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Contributions and grants	\$ 25,542,254	\$ 2,386,706	\$ -	\$ 27,928,960
Corporate awards dinner	-	-	-	-
Interest and dividend income	1,965,158	701,982	-	2,667,140
Realized gain on sale of investments	2,554,022	1,311,625	-	3,865,647
Unrealized gain (loss) in the fair value of investments	7,161,874	1,882,832	-	9,044,706
Supporting organizations	40,000	-	-	40,000
Recovery of bad debts	-	-	-	-
Net assets released from restrictions				
Satisfaction of program restrictions	1,280,989	(1,280,989)	-	-
Management fees and program expenses	697,877	(697,877)	-	-
	<u>39,242,174</u>	<u>4,304,279</u>	<u>-</u>	<u>43,546,453</u>
Program Services Expenses				
Grants	17,732,846	-	-	17,732,846
Program related expenses	589,876	-	-	589,876
	<u>18,322,722</u>	<u>-</u>	<u>-</u>	<u>18,322,722</u>
Supporting Services				
Salaries and related taxes	557,271	-	-	557,271
Medical insurance	55,730	-	-	55,730
Conventions and board retreats	8,385	-	-	8,385
Office expense	78,681	-	-	78,681
Printing	65,250	-	-	65,250
Professional fees	77,162	-	-	77,162
Rent and utilities	28,846	-	-	28,846
Maintenance	40,773	-	-	40,773
Insurance	15,324	-	-	15,324
Advertising/public relations	141,498	-	-	141,498
Corporate awards dinner	-	-	-	-
Travel	31,126	-	-	31,126
Pension expense	34,887	-	-	34,887
Dues and subscriptions	19,159	-	-	19,159
	<u>1,154,092</u>	<u>-</u>	<u>-</u>	<u>1,154,092</u>
Other Expenses				
Change in value of gift annuity	(46,807)	-	-	(46,807)
Depreciation and amortization	31,260	-	-	31,260
	<u>(15,547)</u>	<u>-</u>	<u>-</u>	<u>(15,547)</u>
Total expenses	<u>19,461,267</u>	<u>-</u>	<u>-</u>	<u>19,461,267</u>
Changes in net assets	19,780,907	4,304,279	-	24,085,186
Net assets, beginning of year	283,868	129,987,007	890,966	131,161,841
Reclassification of net assets	96,663,635	(96,663,635)	-	-
Net assets, end of year	<u>\$ 116,728,410</u>	<u>\$ 37,627,651</u>	<u>\$ 890,966</u>	<u>\$ 155,247,027</u>

The Notes to Financial Statements are an integral part of these statements.

Community Foundation of New Jersey
Statement of Cash Flows
Year Ended December 31, 2006

Cash flow from operating activities

Change in net assets	\$ 24,085,186
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:	
Equity in income of limited partnership	-
Unrealized gain on the change in the fair value of investments	(9,044,706)
Noncash stock contribution	(17,002,773)
Realized gain on sale of investments	(3,865,647)
Depreciation and amortization	31,260
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	(6,220)
Accounts payable and accrued expenses	84,345
Charitable gift annuity	228,734
Other payables	-
Net cash (used) provided by operating activities	<u>(5,489,821)</u>

Cash flows from investing activities

Purchase of investments	(31,473,805)
Proceeds on sale of investments	36,317,638
Purchases of equipment and leasehold improvements	(61,625)
Net cash provided by investing activities	<u>4,782,208</u>

Cash flows from financing activities

Change in funds held on behalf of others and net cash provided by financing activities	1,323,886
Net increase in cash	616,273
Cash at the beginning of the year	<u>562,954</u>
Cash at the end of the year	<u><u>\$ 1,179,227</u></u>

The Notes to Financial Statements are an integral part of these statements.

**Community Foundation of New Jersey
Notes to Financial Statements
Year Ended December 31, 2006**

1. Nature of the Organization and Activities

Community Foundation of New Jersey (the "Foundation") was established in November 1979 under the provisions of Title 15 of the New Jersey Revised Statutes of 1937. The mission of the Foundation is to connect donors to organizations, issues and geographic areas important to them over time, in addition to providing leadership and support to donors, community organizations, leaders and foundations to achieve the art of lasting philanthropy.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting.

The Foundation presents information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted

All resources 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's discretion.

Temporarily restricted

Resources 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

Endowment resources 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.

Cash

Cash and cash equivalents represent cash and short-term investments purchased with an original maturity of three months or less. Cash and money market funds held by investment managers are classified as investments. At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits of \$100,000. At December 31, 2006, the Foundation's uninsured cash balance was \$2,715,112. Management monitors regularly the financial condition of the banking institution, along with their balances in cash and endeavors to keep this potential risk at a minimum.

Investments

Marketable securities are reported on the basis of quoted market value as reported on the last business day of the year on securities exchanges throughout the world. Realized gains and losses on investments in securities are calculated based on actual cost and are reflected in the Statement of Activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Community Foundation of New Jersey
Notes to Financial Statements
Years Ended December 31, 2006

Alternative investments include investments in limited partnership funds (hedge funds and private equity). Alternative investment interests are stated at fair value based on financial statements and other information received from the funds. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), or other estimates including appraisals.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Donated assets are recorded at the fair value at the time of donation. Depreciation is provided using the straight-line method over the estimated useful lives of five years for furniture and equipment and the remaining life of the lease for leasehold improvements.

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 income.

Non-Monetary Transactions

Non-monetary transactions should be 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. Amounts determined were not deemed material, and accordingly have not been reflected in the financial statements.

Recognition of Donor Restricted Contributions

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.

Taxation

The Internal Revenue Service has ruled that The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is, therefore, not subject to tax under present income tax law. Once qualified, the Foundation is required to operate in conformity with the IRC to maintain its qualifications. The Foundation is also not subject to State tax under present tax law. The Board is not aware of any course of action or series of events that have occurred that might adversely affect the Foundation's qualified status.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Foundation makes significant estimates regarding the value of alternative investments. Actual results could differ from those estimates.

Community Foundation of New Jersey
Notes to Financial Statements
Years Ended December 31, 2006

3. Securities and Investments

The Foundation's investments are stated at fair market value in the statements of financial position at December 31, 2006:

	2006
Money market funds	\$ 16,939,657
Mutual funds:	
Common stocks and equity fund	115,439,943
Federal and corporate bonds and notes	28,047,139
Balanced fund	16,165,873
Cash surrender value of insurance policies	424,224
Investment in real estate	<u>473,080</u>
	<u>\$ 177,489,916</u>

Net accumulated appreciation in fair value consisted of the following at December 31, 2006:

	2006
Money market fund	\$ -
Mutual funds:	
Common stocks and equity fund	35,839,248
Federal and corporate bonds and notes	1,929,671
Balanced fund	139,991
Cash surrender value of insurance policies	-
Investment in real estate	<u>54,080</u>
	<u>\$ 37,962,990</u>

4. Equipment and leasehold improvements

Equipment and leasehold improvements consisted of the following as of December 31, 2006:

	2006
Furniture and equipment	\$ 145,353
Leasehold improvements	<u>149,487</u>
	294,840
Less accumulated depreciation and amortization	<u>188,984</u>
	<u>\$ 105,856</u>

As of December 31, 2006, depreciation expense for the year was \$31,260.

Community Foundation of New Jersey
Notes to Financial Statements
Years Ended December 31, 2006

5. Retirement plan

The Foundation maintains a defined contribution plan that covers all eligible employees. The Foundation's contribution is discretionary and amounted to \$34,887 for the year ended December 31, 2006. The Foundation also sponsors a noncontributory tax sheltered annuity plan. Employees who elect to participate may make voluntary contributions not to exceed the amount specified by law.

6. Lease Commitment

The Foundation leases its offices under a non-cancelable operating lease that expires on December 31, 2011. Rent expense amounted to \$8,711 for the year ended December 31, 2006.

Future minimum lease payments as of December 31, 2006 under this lease are as follows:

2007	\$ 9,090
2008	9,360
2009	9,636
2010	9,924
2011	<u>10,224</u>
	<u>\$ 48,234</u>

7. Charitable Gift Annuity

The Foundation has several irrevocable charitable remainder annuity trusts, from gifts of securities and other assets, with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trusts, the Foundation will receive the assets remaining in the trusts. The assets are recorded at fair market value when received, and the liability to the donor's beneficiary is recorded at the present value of the estimated future payments to be distributed over the beneficiary's expected life. The discount rates used at December 31, 2006 ranged from 4% to 13%. Contributions from gift annuities amounted to \$743,751 for the year ended December 31, 2006.

8. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2006:

	2006
Gift annuity	\$ 1,076,918
Administrative endowment funds	336,868
Agency restricted funds	21,238,876
Field of interest funds	4,838,588
Scholarship funds	10,001,158
Special projects	<u>135,239</u>
Total	<u>\$ 37,627,647</u>

Community Foundation of New Jersey
Notes to Financial Statements
Years Ended December 31, 2006

Permanently restricted net assets consist of the following at December 31, 2006:

	2006
Administrative endowment funds	\$ 7,313
Field of interest funds	<u>883,653</u>
Total	<u>\$ 890,966</u>

9. Reclassification of Net Assets

The components of net assets have been reclassified to better reflect the terms and conditions of various donor contributions. The adjustment was a reclassification between unrestricted and temporarily restricted net assets and had no impact on the total net assets. The Foundation's net assets were restated to reflect an adjustment to decrease temporarily restricted net assets in the amount of \$96,663,635 for unrestricted items that were misclassified in prior years. Accordingly, unrestricted net assets increased by \$96,663,635.

10. Related Party Transactions

In September 2003, the Foundation loaned \$79,500 to an employee in the form of a second mortgage on his primary residence. The loan is secured by such property and is subordinate in priority to the first mortgage. Monthly payments of interest only are due through October 1, 2033, at which time all outstanding principal and interest are due. The interest rate, which at the inception of the loan was 4.5%, (the interest rate charged on the second mortgage loan is the same rate as charged on the first mortgage) will change monthly commencing October 2010 based upon an index (the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year) plus 2.5%. The rate will never change by more than 2% on any single change date, and the rate will never be higher than 9.5%. In March 2006, the Foundation's second mortgage was made subordinate to a new mortgage in the amount of \$60,000 with Investors Savings Bank.

11. Funds Held on Behalf of Others

The following table summarizes the activity in funds held on behalf of others for the years ended December 31, 2006:

	2006
Funds held on behalf of others, beginning of year	\$ <u>21,078,137</u>
Contributions	1,889,830
Interest and dividend income	519,632
Realized and unrealized gain on investments	1,744,534
Distributions	<u>(2,830,110)</u>
Net increase	<u>1,323,886</u>
Funds held on behalf of others, end of year	<u>\$ 22,402,023</u>