

**NEW JERSEY SEEDS, INC.**

FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**NEW JERSEY SEEDS, INC.**

AUGUST 31, 2018 AND 2017

CONTENTS

	<b><u>Page</u></b>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-21

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
New Jersey SEEDS, Inc.  
Newark, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New Jersey SEEDS, Inc. ("Organization"), a New Jersey nonprofit organization, which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

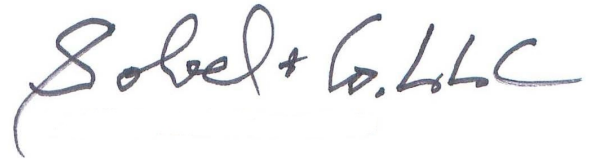
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey SEEDS, Inc. as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Sobel + Co. LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Livingston, New Jersey  
January 18, 2019

**NEW JERSEY SEEDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>August 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 398,531	\$ 404,243
Accounts receivable, net	21,750	22,917
Pledges receivable, current, net	738,345	1,087,582
Prepaid expenses and other assets	13,623	43,696
Total Current Assets	<u>1,172,249</u>	<u>1,558,438</u>
NONCURRENT ASSETS:		
Investments	7,341,340	7,239,038
Pledges receivable, noncurrent, net	562,770	1,239,656
Fixed assets, net	79,927	90,396
Cash surrender value	85,698	81,669
Security deposits	22,500	22,500
Total Noncurrent Assets	<u>8,092,235</u>	<u>8,673,259</u>
Total Assets	<u>\$ 9,264,484</u>	<u>\$ 10,231,697</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 259,530	\$ 367,857
Deferred rent	13,354	3,046
Deferred revenue	-	60,650
Total Liabilities	<u>272,884</u>	<u>431,553</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	4,901,563	5,091,722
Temporarily restricted	682,669	1,316,054
Permanently restricted endowment	3,407,368	3,392,368
Total Net Assets	<u>8,991,600</u>	<u>9,800,144</u>
Total Liabilities and Net Assets	<u>\$ 9,264,484</u>	<u>\$ 10,231,697</u>

**NEW JERSEY SEEDS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended August 31, 2018				Year Ended August 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE:</b>								
Contributions:								
Investing in futures campaign, net of discount	\$ -	\$ 13,722	\$ -	\$ 13,722	\$ -	\$ 87,224	\$ -	\$ 87,224
Annual campaign	1,213,983	193,361	15,000	1,422,344	1,259,393	367,773	25,000	1,652,166
	1,213,983	207,083	15,000	1,436,066	1,259,393	454,997	25,000	1,739,390
Fundraising Events:								
Special events	1,148,984	-	-	1,148,984	1,181,145	-	-	1,181,145
Less: Cost of events	(224,973)	-	-	(224,973)	(220,255)	-	-	(220,255)
Fundraising Events, Net	924,011	-	-	924,011	960,890	-	-	960,890
Interest and dividends, net	81,250	71,006	-	152,256	51,260	48,833	-	100,093
Realized and unrealized gains on investment securities, net	351,372	307,074	-	658,446	331,220	315,537	-	646,757
Investment Income, Net	432,622	378,080	-	810,702	382,480	364,370	-	746,850
Total Support and Revenue before Satisfaction of Restrictions	2,570,616	585,163	15,000	3,170,779	2,602,763	819,367	25,000	3,447,130
Satisfaction of time and expense restrictions	1,218,548	(1,218,548)	-	-	1,875,914	(1,875,914)	-	-
Total Support and Revenue	3,789,164	(633,385)	15,000	3,170,779	4,478,677	(1,056,547)	25,000	3,447,130
<b>EXPENSES:</b>								
Program services	3,287,178	-	-	3,287,178	3,537,114	-	-	3,537,114
Management and general	340,278	-	-	340,278	358,419	-	-	358,419
Development	351,867	-	-	351,867	438,878	-	-	438,878
Total Expenses	3,979,323	-	-	3,979,323	4,334,411	-	-	4,334,411
CHANGES IN NET ASSETS	(190,159)	(633,385)	15,000	(808,544)	144,266	(1,056,547)	25,000	(887,281)
NET ASSETS, Beginning of year	5,091,722	1,316,054	3,392,368	9,800,144	4,947,456	2,372,601	3,367,368	10,687,425
NET ASSETS, End of year	\$ 4,901,563	\$ 682,669	\$ 3,407,368	\$ 8,991,600	\$ 5,091,722	\$ 1,316,054	\$ 3,392,368	\$ 9,800,144

The accompanying notes are an integral part of these financial statements.

**NEW JERSEY SEEDS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended August 31, 2018				Year Ended August 31, 2017			
	Program Services	Management and General	Development	Total Expenses	Program Services	Management and General	Development	Total Expenses
Salaries and related taxes	\$ 1,850,087	\$ 240,407	\$ 245,931	\$ 2,336,425	\$ 2,000,702	\$ 262,361	\$ 309,993	\$ 2,573,056
Employee benefits	152,138	23,758	24,305	200,201	158,777	24,943	29,471	213,191
Educational books and supplies	27,923	-	-	27,923	87,867	-	-	87,867
Student educational expenses	218,599	2,368	789	221,756	531,001	4,566	1,522	537,089
Student transportation and trips	159,057	-	-	159,057	159,736	-	-	159,736
Facility expenses	478,456	28,183	25,562	532,201	178,975	19,427	27,901	226,303
Travel and auto expenses	52,760	2,931	2,931	58,622	68,818	3,823	3,823	76,464
Office supplies and expenses	129,976	20,561	19,578	170,115	152,736	19,396	22,680	194,812
Telephone	25,011	4,168	3,781	32,960	21,296	2,596	3,729	27,621
Printing and publications	8,874	359	1,792	11,025	19,114	969	4,845	24,928
Professional fees	91,848	7,471	7,471	106,790	22,218	9,859	9,859	41,936
Insurance	35,629	5,938	5,386	46,953	31,167	3,800	5,457	40,424
Postage	6,818	486	2,435	9,739	7,619	544	2,721	10,884
Bad debt expense	2,580	322	323	3,225	19,591	2,449	2,449	24,489
Marketing/public relations	15,296	-	8,144	23,440	41,116	-	9,914	51,030
Total Expenses before Depreciation	3,255,052	336,952	348,428	3,940,432	3,500,733	354,733	434,364	4,289,830
Depreciation	32,126	3,326	3,439	38,891	36,381	3,686	4,514	44,581
Total Expenses	\$ 3,287,178	\$ 340,278	\$ 351,867	\$ 3,979,323	\$ 3,537,114	\$ 358,419	\$ 438,878	\$ 4,334,411

*The accompanying notes are an integral part of these financial statements.*

**NEW JERSEY SEEDS, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended August 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS (USED FOR) PROVIDED BY:</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (808,544)	\$ (887,281)
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation	38,891	44,581
Realized and unrealized gains on investments	(658,446)	(646,757)
Bad debt expense	3,225	24,489
Contributions restricted for long-term investment	(15,000)	(25,000)
Changes in certain assets and liabilities:		
Pledges receivable	(3,055)	(123,870)
Cash surrender value	(4,029)	(3,899)
Prepaid expenses and other assets	30,073	(18,431)
Accounts payable and accrued expenses	(108,327)	(38,471)
Deferred rent	10,308	(18,276)
Deferred revenue	(60,650)	(49,420)
Net Cash Used for Operating Activities	<u>(1,575,554)</u>	<u>(1,742,335)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	(28,422)	(30,964)
Purchases of investments	(896,145)	(5,209,016)
Distributions from investments	1,452,289	5,233,152
Net Cash Provided by (Used for) Investing Activities	<u>527,722</u>	<u>(6,828)</u>
<u>FINANCING ACTIVITIES:</u>		
Contributions restricted for long-term investment	1,042,120	1,193,783
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,712)</b>	<b>(555,380)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	<u>404,243</u>	<u>959,623</u>
End of year	<u>\$ 398,531</u>	<u>\$ 404,243</u>



**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 1 - NATURE OF ORGANIZATION:**

---

Founded in 1992, New Jersey SEEDS, Inc. (“NJ SEEDS” or “Organization”) is a privately funded, statewide, nonprofit organization committed to developing future leaders from the state’s least privileged communities. By providing access to exceptional educational opportunities, NJ SEEDS programs create a viable path for students in underperforming schools to achieve their full potential. NJ SEEDS delivers an extremely rigorous academic curriculum, inspiring cultural experiences and critical training in leadership skills followed by placement in some of the nation’s most competitive independent schools and colleges. The Organization continues to guide its graduates throughout their school careers and beyond, and encourages its alumni to be ethical, engaged, responsible citizens who lead lives of contribution and give back to their communities.

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

---

***Basis of Accounting:***

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

***Financial Statement Presentation:***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations and currently available for use by the Organization’s Board of Trustees.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

***Cash and Cash Equivalents:***

Cash and cash equivalents represent cash and short-term investments purchased with an original maturity of three months or less.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

---

***Investments:***

Investment income is presented net of investment advisory/management fees and is reflected as realized gain (loss) on investment securities in the statements of activities and changes in net assets. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses recognized in the statements of activities and changes in net assets.

***Fair Value:***

Fair value measurements are defined as the amount 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market 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:** Valuations based on 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 by, observable market data.
- Level 3:** Valuations based on unobservable inputs used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

---

***Fair Value: (Continued)***

The Organization has investments in one limited partnership which are invested in diversified portfolios with no specific industry concentration or risk focus. Because of this inherent uncertainty of valuation for the Organization's investments in limited partnerships and for certain underlying investments held by them, which are not readily marketable, values for those investments may differ significantly from values that would have been used had a ready market value for them existed. Such limited partnerships are valued utilizing Level 3 inputs, whereby the acquisition cost of the investment is adjusted for the Organization's share of net income or loss of the limited partnerships.

Mutual funds are valued at the net asset value of shares held by the Organization at year-end.

***Fixed Assets:***

Fixed assets are recorded at cost or fair value at date of gift for donated assets. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments greater than \$1,000 that extend the useful life of the asset are capitalized. Depreciation is applied on a straight-line basis over the estimated useful lives of the assets:

	<b><u>Estimated Useful Life</u></b>
Office equipment	5 years
Automobiles	5 years
Computer software	3 years

Replacements, betterments and additions to property and equipment are capitalized if they increase the useful lives of such assets. Costs incurred for maintenance and repairs are charged to expenses as incurred. Upon the retirement of these assets, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in revenues or expenses for the period.

***Contributions:***

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

---

***Income Taxes:***

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years ended 2018 and 2017. At August 31, 2018 and 2017, there are no significant income tax uncertainties.

***Use of Estimates:***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

***Functional Allocation of Expenses:***

Costs of providing NJ SEEDS program services, management and general, and development activities are separately summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and development using reasonable ratios determined by management. Management and general costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

***Accounts and Pledges Receivable:***

The Organization charges uncollectible accounts or pledges receivable to operations when determined to be uncollectible. The allowance for uncollectible accounts and pledges receivable is based on historical experience and management's evaluation of accounts and pledges receivable at the end of the year. The allowance has been reviewed by management and it has been determined to be adequate at August 31, 2018 and 2017.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

---

***Accounts and Pledges Receivable: (Continued)***

The allowance for uncollectible accounts and pledges receivable are as follows:

	<b>August 31,</b>	
	<b>2018</b>	<b>2017</b>
Allowance for uncollectible accounts receivable	\$ 7,500	\$ 5,500
Allowance for uncollectible pledges receivable short-term	82,038	57,241
Allowance for uncollectible pledges receivable long-term	66,903	93,975
	<u>\$ 156,441</u>	<u>\$ 156,716</u>

***Deferred Rent:***

The Organization accounts for rent expense on a straight-line basis for financial reporting purposes. The difference between cash payments and rent expense is included in deferred rent. Deferred rent as of August 31, 2018 and 2017, was \$13,354 and \$3,046, respectively.

***Deferred Revenue:***

Deferred revenue represents amounts collected for a special event which takes place in September.

***Marketing and Public Relations:***

Marketing and public relations costs are expensed as incurred. Marketing and public relations expense for the years ended August 31, 2018 and 2017, was \$23,443 and \$51,030, respectively.

***Financial Statement Reporting for Nonprofit Entities:***

The Financial Accounting Standards Board issued an accounting pronouncement, *Presentation of Financial Statements of Not-for-Profit Entities*, that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending August 31, 2019. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

---

***Subsequent Events:***

The Organization has evaluated events subsequent to the statement of financial position date as of August 31, 2018 through January 18, 2019, the date that the financial statements were available to be issued.

**NOTE 3 - PLEDGES RECEIVABLE:**

---

Pledges receivable are due as follows:

	<b>August 31, 2018</b>		
	<b>Due in 1 Year</b>	<b>Due in 1-5 Years</b>	<b>Total</b>
Gross pledges receivable	\$ 820,383	\$ 669,035	\$ 1,489,418
Less: Allowance for uncollectable pledges	(82,038)	(66,903)	(148,941)
Less: Discount on pledges receivable	-	(39,362)	(39,362)
	<u>\$ 738,345</u>	<u>\$ 562,770</u>	<u>\$ 1,301,115</u>
	<b>August 31, 2017</b>		
	<b>Due in 1 Year</b>	<b>Due in 1-5 Years</b>	<b>Total</b>
Gross pledges receivable	\$ 1,144,823	\$ 1,389,715	\$ 2,534,538
Less: Allowance for uncollectable pledges	(57,241)	(93,975)	(151,216)
Less: Discount on pledges receivable	-	(56,084)	(56,084)
	<u>\$ 1,087,582</u>	<u>\$ 1,239,656</u>	<u>\$ 2,327,238</u>

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

**NOTE 4 - FIXED ASSETS:**

---

Fixed assets are summarized as follows:

	<b>August 31,</b>	
	<b>2018</b>	<b>2017</b>
Office equipment	\$ 433,497	\$ 405,075
Automobiles	21,503	21,503
Computer software	308,289	308,289
	<u>763,289</u>	<u>734,867</u>
Less: Accumulated depreciation	(683,362)	(644,471)
Fixed Assets, Net	<u>\$ 79,927</u>	<u>\$ 90,396</u>

**NOTE 5 - RESTRICTIONS ON NET ASSETS:**

---

***Temporarily Restricted Net Assets:***

Temporarily restricted net assets consist of donations available for the following purposes:

	<b>August 31,</b>	
	<b>2018</b>	<b>2017</b>
Alumni Relations	\$ 97,259	\$ 76,398
Time restrictions for long-term pledges receivable, net	585,410	1,239,656
	<u>\$ 682,669</u>	<u>\$ 1,316,054</u>

***Permanently Restricted Net Assets:***

Permanently restricted net assets consist of donor-restricted donations to be held in perpetuity, the income from which is expendable.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

**NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS:**

---

Net assets were released from restrictions as follows during the years ended August 31:

	<b>2018</b>	<b>2017</b>
Computers and equipment	\$ -	\$ 7,800
Investment income	378,080	364,370
Scholars and Young Scholars programs	112,500	247,033
College preparatory program	60,000	59,000
Time restriction expired on pledges receivable	667,968	1,197,711
	<u>\$ 1,218,548</u>	<u>\$ 1,875,914</u>

**NOTE 7 - INVESTMENTS:**

---

Investments consist of both permanently restricted net assets and assets designated by the Board of Trustees for long-term purposes. They are invested as follows:

	<b>August 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 73,663	\$ 34,401
Mutual funds:		
Equity mutual funds	4,761,849	4,694,662
Bond mutual funds	2,451,985	2,457,418
Equity and debt securities held through a family limited partnership interest	53,843	52,557
	<u>\$ 7,341,340</u>	<u>\$ 7,239,038</u>

The Organization has categorized its investments based on the priority of inputs to the valuation technique, into a three-level, fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within the different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.



**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

**NOTE 7 - INVESTMENTS: (Continued)**

---

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

**FAIR VALUE MEASUREMENTS**  
**AS OF AUGUST 31, 2018**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Cash and cash equivalents	\$ 73,663	\$ -	\$ -	\$ 73,663
Mutual Funds:				
Equity mutual funds	4,761,849	-	-	4,761,849
Bond mutual funds	2,451,985	-	-	2,451,985
Partnership interests	-	-	53,843	53,843
Investments at Fair Value	<u>\$ 7,287,497</u>	<u>\$ -</u>	<u>\$ 53,843</u>	<u>\$ 7,341,340</u>

**FAIR VALUE MEASUREMENTS**  
**AS OF AUGUST 31, 2017**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Cash and cash equivalents	\$ 34,401	\$ -	\$ -	\$ 34,401
Mutual Funds:				
Equity mutual funds	4,694,662	-	-	4,694,662
Bond mutual funds	2,457,418	-	-	2,457,418
Partnership interests	-	-	52,557	52,557
Investments at Fair Value	<u>\$ 7,186,481</u>	<u>\$ -</u>	<u>\$ 52,557</u>	<u>\$ 7,239,038</u>

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

**NOTE 7 - INVESTMENTS: (Continued)**

---

The following tables provide further details of Level 3 fair value measurements:

	<b>Year Ended August 31, 2018</b>	
	<b>Community Foundation of New Jersey</b>	<b>Partnership Interests</b>
Balance, Beginning of year	\$ -	\$ 52,557
Realized/unrealized gains	-	5,611
Distributions	-	(4,325)
Balance, End of year	<u>\$ -</u>	<u>\$ 53,843</u>

	<b>Year Ended August 31, 2017</b>	
	<b>Community Foundation of New Jersey</b>	<b>Partnership Interests</b>
Balance, Beginning of year	\$ 1,779	\$ 5,022,002
Realized/unrealized losses	-	(13,090)
Transfers	(1,779)	(4,956,355)
Balance, End of year	<u>\$ -</u>	<u>\$ 52,557</u>

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 8 - RETIREMENT PLAN:**

---

The Organization instituted an employee retirement plan under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all full-time employees. Under the Plan, employees may voluntarily contribute a percentage of their pretax compensation to the Plan subject to IRS limits, with NJ SEEDS matching employee contributions by approximately 50% of the first 6% of employee-eligible compensation. Employer-matching contributions to the Plan amounted to \$50,975 and \$52,791 for the years ended August 31, 2018 and 2017, respectively.

---

**NOTE 9 - CONCENTRATION OF CREDIT RISK:**

---

NJ SEEDS maintains cash and cash equivalent balances at several financial institutions which, in some instances, may exceed insured limits. The Organization's exposure to concentrations of credit risk is limited by its policy of investing in diverse investments.

---

**NOTE 10 - TAXES:**

---

At August 31, 2018, all required tax returns have been filed.

---

**NOTE 11 - COMMITMENTS AND CONTINGENCIES:**

---

The Organization has entered into a ten-year lease agreement to lease office space located at 494 Broad Street, Newark, New Jersey. The lease provides for minimum monthly rent of \$11,250 in the first two years plus the Organization's proportionate share of operating costs and real estate taxes. Rent is subject to a step-up in basis of 5% every second year. The Organization renewed its agreement to lease office space by entering into an 11-year lease agreement. The lease provides for minimum monthly rent of \$14,000 in the first two years plus the Organization's proportionate share of operating costs and real estate taxes. Rent is subject to a step-up basis of 4% every second year.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 11 - COMMITMENTS AND CONTINGENCIES: (Continued)**

---

The Organization also leases equipment under terms of noncancellable operating leases.

At August 31, 2018, future minimum aggregate payments on all leases are as follows:

<b>Year Ending August 31,</b>	<b>Amount</b>
2019	\$ 181,275
2020	186,400
2021	180,095
2022	184,819
2023	184,202
Thereafter	1,005,709
	<u>\$1,922,500</u>

Lease expense under all leases was \$188,194 and \$158,254 for the years ended August 31, 2018 and 2017, respectively; such amounts are included in facility expenses on the statements of functional expenses.

***Employment Agreement:***

The Organization has an annual employment agreement with the executive director. The agreement provides for a base annual salary and, among other items, employee benefits; performance bonuses; and reasonable expenses.

---

**NOTE 12 - ENDOWMENT FUND:**

---

The Organization follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as permanently restricted should not be reduced by losses on the investment of the fund or an organization's appropriations from the fund.

The Board of Trustees' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, the Organization classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 12 - ENDOWMENT FUND: (Continued)**

---

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

- (1) The duration and preservation of the principal of contributions
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Board of Trustees' primary objective, in this regard, is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the Board of Trustees to grow the endowment and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted.

The funds may be held in individual securities or mutual funds; may be comprised of domestic and international securities; and will be further diversified into asset classes by their market capitalization.

The Organization may distribute the calendar-year income (without regard to unrealized gains or losses) generated from the endowment fund. Income is defined as dividends, interest, and net realized gains.

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**NOTE 12 - ENDOWMENT FUND: (Continued)**

Change in Endowment Net Assets:

	<b>Year Ended August 31, 2018</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment Net Assets, Beginning of year 9/1/17	\$ 1,250,701	\$ -	\$ 3,392,368	\$ 4,643,069
Investment return:				
Investment income	-	71,006	-	71,006
Net appreciation (realized and unrealized)	-	307,074	-	307,074
Total Investment Return	-	378,080	-	378,080
Contributions	-	-	15,000	15,000
Appropriated for expenditure	378,080	(378,080)	-	-
Endowment Net Assets, End of year 8/31/18	\$ 1,628,781	\$ -	\$ 3,407,368	\$ 5,036,149

	<b>Year Ended August 31, 2017</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment Net Assets, Beginning of year 9/1/16	\$ 886,331	\$ -	\$ 3,367,368	\$ 4,253,699
Investment return:				
Investment income	-	48,833	-	48,833
Net appreciation (realized and unrealized)	-	315,537	-	315,537
Total Investment Return	-	364,370	-	364,370
Contributions	-	-	25,000	25,000
Appropriated for expenditure	364,370	(364,370)	-	-
Endowment Net Assets, End of year 8/31/17	\$ 1,250,701	\$ -	\$ 3,392,368	\$ 4,643,069

**NEW JERSEY SEEDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

---

---

**NOTE 12 - ENDOWMENT FUND: (Continued)**

---

Contributions include donor-restricted contributions, the change in the allowance for uncollectible pledges and amortization of present value of pledges made for more than one year. Endowment funds are invested with operating funds and all investment income is available for operating expenses at the Board's discretion.