

**NEW JERSEY PREPAID FUNERAL
TRUST FUND**

Financial Statements

December 31, 2015 and 2014

With Independent Auditors' Report

New Jersey Prepaid Funeral Trust Fund
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December 31, 2015 and 2014

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Independent Auditors' Report

Board of Trustees
New Jersey Prepaid Funeral Trust Fund
Wall, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of New Jersey Prepaid Funeral Trust Fund, which comprise the statements of net assets available for benefits as of December 31, 2015 and 2014, and the related statements of changes in net assets available for benefits 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. Those standards require that we plan and perform the audits 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 auditor considers internal control relevant to the entity'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 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 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 net assets available for benefits of New Jersey Prepaid Funeral Trust Fund as of December 31, 2015 and 2014, and the changes in net assets available for benefits and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



April 7, 2016

New Jersey Prepaid Funeral Trust Fund
Statements of Net Assets Available for Benefits
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents		
Master funding account	\$ 2,458,615	\$ 455,455
Investments, certificates of deposit	353,500,000	353,500,000
Accrued interest receivable	<u>1,245,189</u>	<u>1,943,579</u>
	<u>\$ 357,203,804</u>	<u>\$ 355,899,034</u>
Liabilities and Net Assets Available for Benefits		
Accrued administrative fees	\$ 302,806	\$ 302,334
Asset recovery and withholding payable	10	14,061
Net assets available for benefits, participants' accounts	<u>356,900,988</u>	<u>355,582,639</u>
	<u>\$ 357,203,804</u>	<u>\$ 355,899,034</u>

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

New Jersey Prepaid Funeral Trust Fund
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2015 and 2014

	2015	2014
Additions		
Interest earned on investments	\$ 8,524,799	\$ 9,228,829
Deposits to participants' accounts	<u>74,927,484</u>	<u>71,390,444</u>
	83,452,283	80,619,273
Deductions		
Withdrawals from participants' accounts	78,596,592	73,007,950
Administrative expenses	<u>3,537,342</u>	<u>3,532,194</u>
	<u>82,133,934</u>	<u>76,540,144</u>
Net additions	1,318,349	4,079,129
Net assets available for benefits, beginning of year	<u>355,582,639</u>	<u>351,503,510</u>
Net assets available for benefits, end of year	<u>\$ 356,900,988</u>	<u>\$ 355,582,639</u>

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

New Jersey Prepaid Funeral Trust Fund
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash and cash equivalents, beginning of year	\$ 455,455	\$ 901,836
Investing activities		
Interest received on investments	9,223,189	9,194,557
Management and record keeping fees to trustees	(3,536,870)	(3,528,491)
Maturities of certificates of deposit	62,000,000	60,000,000
Purchase of certificates of deposit	<u>(62,000,000)</u>	<u>(64,500,000)</u>
Cash provided by investing activities	5,686,319	1,166,066
Financing activities		
Deposits received from participants	74,927,484	71,390,444
Withdrawals for participants	<u>(78,610,643)</u>	<u>(73,002,891)</u>
Cash used in financing activities	<u>(3,683,159)</u>	<u>(1,612,447)</u>
Cash and cash equivalents, end of year	<u>\$ 2,458,615</u>	<u>\$ 455,455</u>

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

New Jersey Prepaid Funeral Trust Fund

Notes to Financial Statements

December 31, 2015 and 2014

1. Summary of Significant Accounting Policies

Nature of Activities

The New Jersey Prepaid Funeral Trust Fund (the "Trust") was established by certain members of the New Jersey State Funeral Directors Association Inc. ("NJSFDA"), a New Jersey non-profit corporation, for the safekeeping and administration of advance funeral payments as described in N.J.S. A2A:102-13. The Trust is administered by a Board of Trustees.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting.

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 net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Trust is treated as a grantor trust for income tax purposes and is, therefore, not subject to income taxes. All income is reported by the owners of the accounts.

Cash and Cash Equivalents

For the purposes of the Statements of Net Assets Available for Benefits and Cash Flows, the Trust considers all highly liquid investments available for current use with initial maturities of three months or less to be cash equivalents.

Investments, Certificate of Deposit

Investments are comprised of certificates of deposit which are carried at the face value.

2. Trust Description

General

The New Jersey Prepaid Funeral Trust Fund is a funeral prefunding option provided to consumers by NJSFDA member funeral homes through the Funeral Planning CHOICES program. The trust fund is the largest depository in the State of New Jersey for prepaid funeral monies.

Contributions (Deposits)

The trust fund is required to deposit all funds in a state or federally chartered bank, with each account insured by the Federal Deposit Insurance Corporation (FDIC), in the name of the purchaser. All funds are invested in jumbo certificates of deposit which allow the trust fund to obtain competitive interest rates and growth from the day of deposit.

Trust Accounts

Individual accounts are held by the Trust for the benefit of the participant.

Benefits

Preneed accounts may be established with the New Jersey Prepaid Funeral Trust Fund as revocable or irrevocable. A revocable account may be refunded at any time at the request of the Purchaser. An irrevocable account is established for that individual who is currently receiving, or reasonably expects to be receiving within six months, benefits from either the Supplemental Security Income (SSI) and/or Medicaid programs, Work First New Jersey General Assistance (GA), Work First New Jersey, or any successor programs, as provided by the U.S. Department of Health and Human Services, Social Security Administration and the New Jersey Departments of Human Services and Health and Senior Services. Irrevocable accounts are not subject to refunds.

New Jersey Prepaid Funeral Trust Fund
Notes to Financial Statements
December 31, 2015 and 2014

Upon the death of the funeral recipient, the Trust dispenses all revocable account funds to the provider funeral home. In the case of an irrevocable account, any excess funds, after payment of funeral goods and services, are remitted to the State of New Jersey as required by law.

Administrative Expenses

New Jersey Funeral Director Services, Inc. has been contracted to provide all operational and managerial functions for the Trust. The Trustees are entitled by law to expend, out of interest earnings, up to one percent (1%) annually of the principal sum of the trust fund for these services.

3. Investments, Certificates of Deposit

Investments at December 31, 2015 and 2014 consisted of the following Certificates of Deposit:

<u>2015</u>			<u>2014</u>		
<u>Interest</u>	<u>Maturities Between</u>	<u>CD Amounts</u>	<u>Maturities Between</u>	<u>CD Amounts</u>	
1.300 - 1.499	12/06/2017 - 04/02/2018	\$ 19,000,000	12/06/2017 - 04/02/2018	\$ 19,000,000	
1.500 - 1.999	12/01/2016 - 11/21/2019	61,500,000	12/01/2016 - 11/21/2019	61,500,000	
2.000 - 2.499	02/01/2016 - 02/13/2023	167,500,000	11/21/2015 - 02/13/2023	112,500,000	
2.500 - 2.999	01/04/2016 - 05/08/2023	69,500,000	08/03/2015 - 05/08/2023	79,500,000	
3.000 - 3.499	09/29/2018 - 12/10/2024	25,000,000	01/15/2015 - 11/01/2023	53,000,000	
3.500 - 3.999	N/A	-	02/02/2015 - 04/01/2015	12,000,000	
4.000 - 4.499	01/06/2017 - 02/06/2017	6,000,000	01/06/2017 - 02/06/2017	6,000,000	
4.500 - 4.999	N/A	-	N/A	-	
5.000 - 5.499	11/06/2018 - 11/06/2018	5,000,000	01/19/2015 - 10/30/2015	5,000,000	
5.500 - 5.999	N/A	-	11/06/2018 - 11/06/2018	5,000,000	
		<u>\$ 353,500,000</u>		<u>\$ 353,500,000</u>	

4. Fair Value Accounting

The Trust follows FASB's accounting pronouncement, *Fair Value Measurements*. The pronouncement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under *Fair Value Measurements and Disclosures* as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under *Fair Value Measurements and Disclosures* must maximize the use of observable inputs and minimize the use of unobservable inputs. The pronouncement describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect one's estimates of assumptions that a market participant would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

New Jersey Prepaid Funeral Trust Fund
Notes to Financial Statements
December 31, 2015 and 2014

Certificates of Deposit are valued at the fair market value determined on, as of year-end, using quoted market prices. There have been no changes in the methodologies used for periods presented in these financial statements.

In accordance with *Fair Value Measurements and Disclosures*, the following table represents the New Jersey Prepaid Funeral Trust Fund's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	<u>\$ 2,458,615</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,458,615</u>
Certificates of deposit	<u>\$ --</u>	<u>\$ 355,785,609</u>	<u>\$ --</u>	<u>\$ 355,785,609</u>

The following table represents the New Jersey Prepaid Funeral Trust Fund's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	<u>\$ 455,455</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 455,455</u>
Certificates of deposit	<u>\$ --</u>	<u>\$ 353,955,728</u>	<u>\$ --</u>	<u>\$ 353,955,728</u>

5. Related Party Transactions

The Trustees of the New Jersey Prepaid Funeral Trust Fund are also Trustees of the New Jersey State Funeral Directors Association Inc. (NJSFDA). The Trust is managed by New Jersey Funeral Directors Services Inc., seventy-nine percent (79%) of which is owned by NJSFDA. Fees paid to New Jersey Funeral Directors Services, Inc. for these services amounted to \$3,537,342 and \$3,532,194 in 2015 and 2014, respectively.

6. Subsequent Events

The Trust has evaluated subsequent events occurring after the Statement of Net Assets Available for Benefits date through the date of April 7, 2016, which is the date the financial statement were available to be issued. Based on this evaluation, the Trust has determined that no subsequent events have occurred which require disclosure in the financial statements.