

**THE J.M. KAPLAN FUND, INC.**

**Financial Statements  
for year ended  
December 31, 2012**

**Independent Auditor's Report**

To the Board of Trustees of  
The J.M. Kaplan Fund, Inc.

We have audited the accompanying financial statements of The J.M. Kaplan Fund, Inc. which comprise the statement of financial position as of December 31, 2012 and December 31, 2011 and the related statements of activities 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.

***Auditor's 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 auditor's 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 financial position of The J.M. Kaplan Fund, Inc. as of December 31, 2012 and December 31, 2011 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

October 29, 2013

**THE J.M. KAPLAN FUND, INC.**

**Statement of Financial Position**

**Assets**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 11,832,802	\$ 12,323,629
Investments, at fair value	54,422,938	76,625,291
Illiquid private equity investments, at fair value	58,373,212	32,395,117
Distribution receivable	8,327,531	7,220,779
Other receivables	733,670	111,877
Prepaid federal excise tax	-	319,750
Prepaid expenses	6,448	11,814
Program related investments	260,000	260,000
Promissory notes receivable	296,677	303,571
Arts and antiques	<u>61,003</u>	<u>61,003</u>
<b>Total assets</b>	<b><u>\$ 134,314,281</u></b>	<b><u>\$ 129,632,831</u></b>

**Liabilities and Unrestricted Net Assets**

**Liabilities**

Grants authorized but not paid	\$ 2,238,349	\$ 2,982,349
Accounts payable and accrued expenses	147,769	300,444
Federal excise tax payable	95,250	-
Deferred tax liability	<u>12,000</u>	<u>163,000</u>
<b>Total liabilities</b>	<b>2,493,368</b>	<b>3,445,793</b>
<b>Unrestricted net assets</b>	<b><u>131,820,913</u></b>	<b><u>126,187,038</u></b>
<b>Total liabilities and unrestricted net assets</b>	<b><u>\$ 134,314,281</u></b>	<b><u>\$ 129,632,831</u></b>

See notes to financial statements.

**THE J.M. KAPLAN FUND, INC.**

**Statement of Activities**

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenue</b>		
Dividends and interest	\$ 176,794	\$ 96,307
Partnerships, net	5,530,104	11,799,757
Net gain on sale of investments	<u>20,392,587</u>	<u>16,708,410</u>
Total revenue	<u>26,099,485</u>	<u>28,604,474</u>
Less expenses directly related to investments		
Investment management fees	569,847	496,658
Custodial fees	673	736
Current tax provision (credit)	<u>442,964</u>	<u>(89,419)</u>
Total expenses directly related to investments	<u>1,013,484</u>	<u>407,975</u>
Revenue available for grants and administrative and general expenses	<u>25,086,001</u>	<u>28,196,499</u>
<b>Grants and administrative and general expenses</b>		
Grants authorized, net	5,773,999	9,317,658
Administrative and general	<u>1,428,302</u>	<u>2,003,911</u>
Total grants and administrative and general expenses	<u>7,202,301</u>	<u>11,321,569</u>
Excess of revenue over expenses before other additions (deduction)	17,883,700	16,874,930
<b>Other additions (deduction)</b>		
Other revenue	73,314	2,409
Unrealized (loss) on investments	(12,474,139)	(27,594,230)
Deferred tax credit	<u>151,000</u>	<u>45,000</u>
<b>Increase (decrease) in unrestricted net assets</b>	<b>5,633,875</b>	<b>(10,671,891)</b>
<b>Unrestricted net assets, beginning of year</b>	<b><u>126,187,038</u></b>	<b><u>136,858,929</u></b>
<b>Unrestricted net assets, end of year</b>	<b><u>\$131,820,913</u></b>	<b><u>\$126,187,038</u></b>

See notes to financial statements.

**THE J.M. KAPLAN FUND, INC.**

**Statement of Cash Flows**

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Increase (decrease) in unrestricted net assets	\$ 5,633,875	\$ (10,671,891)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash (used in) operating activities		
Partnerships, net	(5,530,104)	(11,799,757)
Net (gain) on sale of investments	(20,392,587)	(16,708,410)
Unrealized loss on investments	12,474,139	27,594,230
(Increase) decrease in assets		
Distribution receivable	(1,106,752)	(7,220,779)
Other receivables	(621,793)	(111,877)
Prepaid federal excise tax	319,750	(125,043)
Prepaid expenses	5,366	27,270
Promissory notes receivable	6,894	(629)
Increase (decrease) in liabilities		
Grants authorized but not paid	(744,000)	1,063,831
Accounts payable and accrued expenses	(152,675)	116,273
Federal excise tax payable	95,250	-
Deferred tax liability	(151,000)	(45,000)
Net cash (used in) operating activities	<u>(10,163,637)</u>	<u>(17,881,782)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	48,046,791	36,411,051
Purchase of investments	(15,047,464)	(1,579,633)
Proceeds from sale of private equity investments	12,745,773	14,722,619
Purchase of private equity investments	(36,072,290)	(23,268,390)
Net cash provided by investing activities	<u>9,672,810</u>	<u>26,285,647</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(490,827)</b>	<b>8,403,865</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>12,323,629</u></b>	<b><u>3,919,764</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 11,832,802</u></b>	<b><u>\$ 12,323,629</u></b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for excise and unrelated business income taxes	<u>\$ 203,126</u>	<u>\$ 363,335</u>

See notes to financial statements.

**THE J.M. KAPLAN FUND, INC.****Notes to Financial Statements  
December 31, 2012 and December 31, 2011****Note 1 – Organization and summary of significant accounting policies****Organization**

The J.M. Kaplan Fund, Inc. (the “Fund”) was founded in 1945 by Jacob M. Kaplan. The Fund is committed to the conservation of natural and historical resources in New York City and throughout the world, and to the well-being of people in need.

**Cash and cash equivalents**

Cash and cash equivalents consists of highly liquid investments with original maturities of ninety days or less at the date of acquisition. Included in cash and cash equivalents are money market funds.

**Investments**

Investments are recorded in the financial statements at fair value. Realized gains or losses on investment transactions are determined on the specific identification method.

**Fair values of financial instruments**

The Fund’s financial instruments consist of cash and cash equivalents, investments, private equity investments and program related investments. The Fund estimates that the fair value of all financial instruments as of December 31, 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The carrying amounts of cash and cash equivalents reported in the statement of financial position approximate fair values because of the short maturities of those instruments. The fair value of investment securities is based on quoted market prices.

The fair value of private equity investments are generally determined by each private equity’s managing partner. In determination of such estimated values, the managing partner values such investments initially at cost and, thereafter, at fair value based on developments since acquisition, including prices paid in recent substantial purchases in arm’s length transactions, changes in financial conditions and operating results, and the current status of the issuer. The Fund’s program related investments are recorded at the original loan amount. The Fund reviews the status of its investments and collectibility of the program related investments on an ongoing basis.

**Property and equipment**

Prior to January 1, 1999, property and equipment were recorded at cost and depreciated or amortized using the straight-line method over their estimated useful lives. Effective with the year ending December 31, 1999, property and equipment expenditures are charged to expense because the Fund does not deem such amounts to be sufficiently material to warrant capitalization and depreciation.

**THE J.M. KAPLAN FUND, INC.****Notes to Financial Statements (continued)  
December 31, 2012 and December 31, 2011****Note 1 – Organization and summary of significant accounting policies (continued)****Grants**

Grants, which are subject to routine performance requirements by the grantee, are treated as expenses at the time each individual grant is authorized by the Trustees. These grants are payable to the grantee according to the terms established by the Trustees.

**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 amounts reported in the financial statements. Actual results could differ from these estimates.

**Concentrations of credit risk**

The Fund's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Fund places its cash and cash equivalents with what it believes to be quality financial institutions. At times, cash balances exceeded the FDIC insurance limit. However, the Fund has not experienced any losses in these accounts to date. The Fund's investments, which consist of a certificate of deposit, an annuity, mutual funds and similar type investments, liquid private equity investments and private equity investments are exposed to various risks such as market volatility, liquidity, interest rate and credit. Due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2012. In addition, the Fund has various program related investments. The Fund through its investment committee and outside financial advisors, routinely assesses the financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

**Subsequent events**

The Fund has evaluated events and transactions for potential recognition or disclosure through October 29, 2013, which is the date the financial statements were available to be issued.

**THE J.M. KAPLAN FUND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2012 and December 31, 2011**

**Note 2 – Investments**

A summary of the investments held by the Fund as of December 31, 2012 and December 31, 2011 is as follows:

	December 31			
	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Certificate of deposit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Annuity	1,500,626	1,247,089	1,059,357	888,417
Mutual funds and similar type investments				
Institutional bond fund	5,075,182	5,080,410	359,775	360,803
Absolute Return	-	-	2,455,638	15,027,820
Commodities	986,650	184,913	4,500,000	4,046,625
Diversified	8,001,984	8,526,575	8,032,219	7,871,734
Hedged equities	464,335	2,135,574	12,664,037	17,122,694
Liquid private equity				
Global equities	29,063,049	29,063,049	21,002,877	21,002,877
Global fixed income and absolute return	7,890,411	7,890,411	7,251,071	7,251,071
Real estate and real assets	-	-	2,713,879	2,713,879
Liquidating assets	194,917	194,917	239,371	239,371
Total	<u>\$ 53,277,154</u>	<u>\$ 54,422,938</u>	<u>\$ 60,378,224</u>	<u>\$ 76,625,291</u>

Liquid and illiquid private equity investments consist of limited partnerships, some of which are invested in other limited partnerships and real estate ventures. These investments had a total cost basis of \$71,732,451 and \$39,285,685 at December 31, 2012 and 2011, respectively.

**THE J.M. KAPLAN FUND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2012 and December 31, 2011**

**Note 2 – Investments (continued)**

**Fair value measurements**

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices of similar assets, quoted prices in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets.

The following table presents the Fund's investments that are measured at fair value on a recurring basis as of December 31, 2012:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 11,832,802	\$ 11,832,802	\$ -	\$ -
Certificate of deposit	100,000	100,000	-	-
Annuity	1,247,089	-	-	1,247,089
Mutual funds and similar type investments				
Institutional bond fund	5,080,410	5,080,410	-	-
Commodities	184,913	184,913	-	-
Diversified	8,526,575	279,858	943,262	7,303,455
Hedged equities	2,135,574	-	2,135,574	-
Liquid private equity				
Global equities	29,063,049	-	-	29,063,049
Global fixed income and absolute return	7,890,411	-	-	7,890,411
Liquidating assets	194,917	-	-	194,917
Illiquid private equities				
Hedged equities	36,934,248	-	-	36,934,248
Global fixed income and absolute return	4,166,463	-	-	4,166,463
Real estate and real assets	4,258,444	-	-	4,258,444
Liquidating assets	289,556	-	-	289,556
Private equity	<u>12,724,501</u>	<u>-</u>	<u>-</u>	<u>12,724,501</u>
Total	<u>\$ 124,628,952</u>	<u>\$ 17,477,983</u>	<u>\$ 3,078,836</u>	<u>\$ 104,072,133</u>

**THE J.M. KAPLAN FUND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2012 and December 31, 2011**

**Note 2 – Investments (continued)**

**Fair value measurements (continued)**

The following table presents the Fund's investments that are measured at fair value on a recurring basis as of December 31, 2011:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 12,323,629	\$ 12,323,629	\$ -	\$ -
Certificate of deposit	100,000	100,000	-	-
Annuity	888,417	-	-	888,417
Mutual funds and similar type investments				
Institutional bond fund	360,803	360,803	-	-
Absolute return	15,027,820	-	15,027,820	-
Commodities	4,046,625	4,046,625	-	-
Diversified	7,871,734	409,343	1,102,497	6,359,894
Hedged equities	17,122,694	5,108,087	12,014,607	-
Liquid private equity				
Global equities	21,002,877	-	-	21,002,877
Global fixed income and absolute return	7,251,071	-	-	7,251,071
Real estate and real assets	2,713,879	-	-	2,713,879
Liquidating assets	239,371	-	-	239,371
Illiquid private equities				
Hedged equities	7,130,968	-	-	7,130,968
Global fixed income and absolute return	7,631,466	-	-	7,631,466
Real estate and real assets	3,666,659	-	-	3,666,659
Liquidating assets	689,179	-	-	689,179
Private equity	13,276,845	-	-	13,276,845
Total	\$ 121,344,037	\$ 22,348,487	\$ 28,144,924	\$ 70,850,626

THE J.M. KAPLAN FUND, INC.

Notes to Financial Statements (continued)  
December 31, 2012 and December 31, 2011

Note 2 – Investments (continued)

Fair value measurements (continued)

The following is a summary of changes in the fair value of the Fund's Level 3 investments for the years ended December 31, 2011 and 2012:

	Liquid Private Equities					Illiquid Private Equities						
	Global Fixed Income and Absolute Return	Real Estate and Real Assets	Liquidating Assets	Hedged Equities	Global Fixed Income and Absolute Return	Real Estate and Real Assets	Liquidating Assets	Private Equity	Total			
Balance, January 1, 2011	\$ 872,799	\$ 6,059,301	\$ 18,915,459	\$ 6,755,476	\$ 3,000,000	\$ 299,206	\$ 10,602,551	\$ 11,500,479	\$ 6,357,226	\$ 906,565	\$ 14,326,030	\$ 79,595,092
Net realized gains (losses)	-	-	6,942,283	136,376	(290,646)	(3,811)	931,334	493,241	347,803	9,947	1,053,370	9,619,897
Net unrealized gains (losses)	(111,759)	348,634	(6,668,737)	(535,894)	-	(23,116)	(740,375)	(520,410)	(182,466)	(21,628)	(461,043)	(8,916,794)
Net investment income	-	-	1,482,462	938,460	38,737	5,841	192,636	237,301	101,868	191,346	644,660	3,833,311
Management and other fees	-	-	(243,451)	(808)	(34,212)	(1,710)	(400,966)	(314,599)	(199,800)	(35,475)	(422,430)	(1,653,451)
Capital contributions	135,757	439,615	20,400,000	-	-	-	-	-	1,065,005	-	1,803,385	23,843,762
Withdrawals/distributions	(8,380)	(487,656)	(19,825,139)	(42,539)	-	(37,039)	(3,454,212)	(3,764,546)	(3,822,977)	(361,576)	(3,667,127)	(35,471,191)
Balance, December 31, 2011	888,417	6,359,894	21,002,877	7,251,071	2,713,879	239,371	7,130,968	7,631,466	3,666,659	689,179	13,276,845	70,850,626
Net realized gains	-	-	496,313	23,435	991,193	43,483	2,372,462	622,173	91,382	2,647	214,964	4,858,052
Net unrealized gains (losses)	(82,598)	822,016	3,262,608	439,751	-	1,354	1,635,840	175,477	217,939	7,119	308,781	6,788,287
Net investment income	-	69,163	618,468	224,221	120,767	3,021	755,388	130,256	118,812	121,726	589,050	2,750,872
Management and other fees	-	-	(310,218)	(2,255)	(28,446)	(2,165)	(857,128)	(209,950)	(178,756)	(32,246)	(388,493)	(2,009,657)
Capital contributions	476,466	383,679	4,000,000	-	-	-	30,040,000	-	522,703	-	1,509,587	36,932,435
Withdrawals/distributions	(35,196)	(331,297)	(6,999)	(45,812)	(3,797,393)	(90,147)	(4,143,282)	(4,182,959)	(180,295)	(498,869)	(2,786,233)	(16,098,482)
Balance, December 31, 2012	\$ 1,247,089	\$ 7,303,455	\$ 29,063,049	\$ 7,890,411	\$ -	\$ 194,917	\$ 36,934,248	\$ 4,166,463	\$ 4,258,444	\$ 289,556	\$ 12,724,501	\$ 104,072,133

**THE J.M. KAPLAN FUND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2012 and December 31, 2011**

**Note 2 – Investments (continued)**

The Fund uses the net asset value per share or its equivalent (“NAV”), to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists such investments by major class:

<u>Type/fund</u>	<u>Strategies</u>	<u>Redemptions Terms</u>
Annuity – 1	Low Duration-Institutional Bond Fund	Greater than 3 years
Diversified Mutual Funds - 4	International equities	Greater than 3 years
Liquid Private Equities – 3	Global equities; Global fixed income and absolute return; liquidating assets	1- 10 days 1- 30 days 1- 45 days
Illiquid Private Equities – 35	Hedged equities; global fixed income and absolute return; Real estate and real assets; liquidating assets; private equity	31- Greater than 3 years 2- 90 days 1- 30 days 1- In process of being liquidated

- With respect to the above funds, there are no redemption restrictions; all applicable lock-up periods have expired.
- Liquid private equities and private equities can, from time-to-time make capital calls requiring the Fund to make additional deposits in such investments. The potential future capital calls as of December 31, 2012 totaled \$13,143,052.
- During 2012 and 2011, the Fund requested a full distribution from one of its hedged equities and global fixed income and absolute return investments. As of December 31, 2012 and 2011, these distributions had not been received and \$8,327,531 and \$7,220,779, respectively, were reflected as a distribution receivable on the statement of financial position at that date. These distributions were received by the Fund during January 2013 and 2012, respectively.
- Beginning in 2011 and in subsequent years, the Fund is consolidating its investment portfolio from individual limited partnership managers to fund of funds partnerships. At December 31, 2012 and December 31, 2011, the fund of funds investments had a fair value of \$62,381,029 and \$44,064,041, respectively.

**THE J.M. KAPLAN FUND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2012 and December 31, 2011**

**Note 3 – Promissory notes receivable**

The Fund has entered into agreements with Avanti Strategic Land Investors III and IV Limited Partnerships (the “Partnerships”), whereby the Partnerships can borrow up to a maximum amount of \$375,000 and \$525,000, respectively, from the Fund. Interest accrues on the unpaid principal balance at the greater of 11% per annum or the prime rate plus 3-1/2%. The unpaid principal and interest are due and payable on December 19, 2015 and June 30, 2017, respectively. The due dates may be extended by the Partnerships for up to 3 years. As of December 31, 2012, the balance that the Partnerships owed on the notes totaled \$296,677.

**Note 4 – Program-related investments**

Program-related investments as of December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
<u>Open Space Institute, Inc.</u>		
During October 1996, the Fund loaned \$300,000 to Open Space Institute, Inc. to be utilized in acquiring environmentally sensitive land in New York State to protect the environment and/or scenic views. During 1998, the Fund wrote off \$40,000 against the loan plus accrued interest. Thereafter, the loan bore interest at a rate of 3% per annum with the principal due on October 1, 2002. During December 2002, the agreement was extended for an additional 3 years to October 1, 2005, with interest at the rate of 2%. During September 2005, the agreement was extended to July 2007. During June 2007, the agreement was extended to October 2010. During September 2010, the agreement was extended to May 2013, with interest at the rate of 1%. During October 2013, the agreement was extended to May 2016.	<u>\$ 260,000</u>	<u>\$ 260,000</u>

**Note 5 – Lease agreement**

The Fund occupies office space under the terms of a 15-year lease agreement expiring February 28, 2015. The lease requires an annual base rent plus a proportionate share of increases in certain operating expenses. In connection with the lease, the Fund obtained a \$51,844 irrevocable standby letter of credit, which renews each year. Rent expense for the years ended December 31, 2012 and December 31, 2011 totaled \$283,996 and \$276,212, respectively. A summary of the future minimum annual lease payments as of December 31, 2012 is as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 217,875
2014	217,875
2015	<u>36,313</u>
Total	<u>\$ 472,063</u>

**THE J.M. KAPLAN FUND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2012 and December 31, 2011**

**Note 6 – Grants authorized**

The following is a summary of the Fund's authorized grants:

Grants authorized but not paid at December 31, 2010	\$ 1,918,518
Grants authorized during 2011	9,317,658
Grants paid during 2011	<u>(8,253,827)</u>
Grants authorized but not paid at December 31, 2011	2,982,349
Grants authorized during 2012	5,773,999
Grants paid during 2012	<u>(6,517,999)</u>
Grants authorized but not paid at December 31, 2012	<u>\$ 2,238,349</u>

**Note 7 – Administrative and general expenses**

The summary of the administrative and general expenses for the years ended December 31, 2012 and December 31, 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Payroll and related expenses	\$ 590,410	\$ 824,468
Trustees' meeting fees	79,000	81,000
Professional fees	32,191	268,034
Consulting fees and stipends	299,216	316,633
Insurance	20,540	21,195
Travel and meeting expenses	66,757	161,366
Telephone	14,093	16,503
Rent	283,996	276,212
Supplies	6,282	6,397
Repairs and maintenance	13,372	13,977
Printing, postage and stationery	5,531	3,581
Miscellaneous	<u>16,914</u>	<u>14,545</u>
Total	<u>\$1,428,302</u>	<u>\$2,003,911</u>

**THE J.M. KAPLAN FUND, INC.****Notes to Financial Statements (continued)  
December 31, 2012 and December 31, 2011****Note 8 – Payroll and related expenses – pension plan**

The Fund maintains a defined contribution pension plan (the “Plan”) for all eligible employees. The Fund’s contributions are determined based on a percentage (8% in 2012 and 2011) of the annual compensation of the participants up to a maximum of such annual compensation as defined in the plan document. These contributions are 100 percent vested immediately for the benefit of the participants upon entrance to the Plan. The cost of this Plan during the years ended December 31, 2012 and December 31, 2011 amounted to \$35,754 and \$47,025, respectively. In addition, the participants may voluntarily contribute up to 15% of their salary to the Plan.

**Note 9 – Investment management fees – related parties**

A Trustee of the Fund is a Board Member of a company in which the company or its affiliates provide investment management and certain other investment related services to the Fund. During the years ended December 31, 2012 and December 31, 2011, payments to this company for such services totaled \$533,885 and \$452,556, respectively.

**Note 10 – Tax status**

The Fund is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is classified as a private foundation under Section 509(a) of the Code. The Fund is subject to Federal excise tax equal to 2% of its net investment income, which includes interest, dividends, net income from limited partnerships and net gain on sale of investments. If the Fund meets certain criteria, this tax is reduced to 1%. For 2012, the Fund did not meet the criteria and, therefore, paid a 2% excise tax. For 2011, the Fund met the criteria and, therefore, paid a 1% excise tax. In addition, the Fund is subject to Federal and State unrelated business income taxes on its unrelated business income earned by certain private equity investments. The provision for tax consists of a current provision on net investment income and unrelated business income and a deferred provision based on net appreciation on investments.

As of December 31, 2012, no amounts have been recognized for uncertain tax positions. The Fund’s tax returns for 2009 and forward are subject to the usual review by the appropriate taxing authorities.