The Lake Hopatcong Foundation

Financial Statements

For the Year Ended December 31, 2013 and
From March 6, 2012 (Date of Inception) to
December 31, 2012

(With Independent Auditors' Report Thereon)

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CaristiaKulsar&Wade
Certified Public Accountants LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Lake Hopatcong Foundation
Lake Hopatcong, New Jersey

We have audited the accompanying financial statements of The Lake Hopatcong Foundation (a New Jersey nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 financial position of The Lake Hopatcong Foundation as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Lake Hopatcong Foundation's 2012's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2013. In our opinion, the summarized comparative information presented herein from March 6, 2012 (Date of Inception) to December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Caristia, Kulsar + Wade, LLC

Caristia, Kulsar, & Wade LLC
Sparta, New Jersey
July 11, 2014

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The Lake Hopatcong Foundation
Statements of Financial Position
December 31, 2013 and 2012

		2013		2012
Assets				
Assets				
Cash	$	418,817	$	281,250
Property and equipment, at cost, net of accumulated depreciation		18,141		-
Contributions receivable		-		1,000
Deposits		-		7,967
Total assets	$	436,958	$	290,217
Liabilities and Net Assets				
Liabilities				
Deferred revenue	$	8,000	$	-
Accounts payable		-		1,125
Total liabilities		8,000		1,125
Net assets				
Unrestricted		428,958		289,092
Total net assets		428,958		289,092
Total liabilities and net assets	$	436,958	$	290,217

The Lake Hopatcong Foundation
Statements of Activities
For the Year Ended December, 31, 2013 and from March 6, 2012 (Date of Inception) to December 31, 2012

Unrestricted Net Assets

	2013	2012
Revenue and Support		
Contributions	$ 311,518	$ 342,094
Special events	68,493	-
In-kind contributions	22,544	23,154
Local grant income	15,000	-
Interest income	370	302
Total revenue and support	417,925	365,550
Functional expenses		
Program services	168,370	47,520
Management and general	60,141	20,840
Fundraising	49,548	8,098
Total functional expenses	278,059	76,458
Changes in net assets	139,866	289,092
Net assets, beginning of period	289,092	-
Net assets, end of period	$ 428,958	$ 289,092

The Lake Hopatcong Foundation
Statement of Functional Expenses
Year Ended December 31, 2013
(With Summarized Financial Information from March 6, 2012 (Date of Inception) to December 31, 2012)

	2013				2012
	Program Services	Management and General	Fundraising	Total	Total
Functional Expenses					
Payroll and related expenses	$ 73,568	$ 31,583	$ 13,987	$ 119,138	$ 25,515
Projects and initiatives	47,640	-	-	47,640	16,605
Event expenses	-	-	29,967	29,967	3,840
Professional fees	3,389	14,610	1,453	19,452	14,755
Outside services	14,562	-	-	14,562	7,291
Office expense and supplies	6,554	3,407	1,027	10,988	1,785
Advertising	4,414	2,294	-	6,708	-
Printing and publications	5,804	714	1,372	7,890	1,588
Depreciation	5,600	2,404	1,065	9,069	-
Rent	-	3,600	-	3,600	2,020
Postage and delivery	3,277	-	-	3,277	1,687
Insurance	1,866	801	355	3,022	-
Membership	1,273	546	242	2,061	-
Telephone	423	182	80	685	1,372
Total functional expenses	$ 168,370	$ 60,141	$ 49,548	$ 278,059	76,458

See independent auditors' report and accompanying notes to financial statements

The Lake Hopatcong Foundation
Statements of Cash Flows
Year Ended December 31, 2013 and from
March 6, 2012 (Date of Inception) to December 31, 2012

	2013	2012
Cash flows from operating activities:		
Changes in net assets	$ 139,866	$ 289,092
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	9,069	-
Decrease (increase) in:		
Contributions receivable	1,000	(1,000)
Deposits	-	(7,967)
Increase (decrease) in:		
Accounts payable	(1,125)	1,125
Deferred revenue	8,000	-
Total adjustments	16,944	(7,842)
Net cash provided by operating activities	156,810	281,250
Cash flows from investing activities:		
Capital expenditures	(19,243)	-
Net cash used by investing activities	(19,243)	-
Net increase in cash	137,567	281,250
Cash, beginning of period	281,250	-
Cash, end of period	$ 418,817	$ 281,250

Supplemental Cash Flow Information

Cash paid during the year for:

	2013	2012
Interest	$ -	$ -
Income taxes	$ -	$ -

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2013 and 2012

Note 1 - Nature of Foundation

The Lake Hopatcong Foundation (the "Foundation"), which is located in Lake Hopatcong, New Jersey, was formed in 2012 as a New Jersey nonprofit organization. The primary purpose of the Foundation is to improve the lake experience and environment of Lake Hopatcong, New Jersey's largest lake. Donations and fundraising events are the Foundation's primary source of revenue. In addition to initiating projects for the betterment of the lake, the Foundation also provides financial support toward efforts undertaken by other lake organizations. These initiatives include:

- Providing real-time information to boaters about severe weather and wake restrictions
- Maintaining water-quality monitoring throughout the lake
- Creating a trail system around and within Lake Hopatcong
- Continuing efforts to prevent invasive species of plants
- Establishing models for water level based on upstream inflow, weather, and outflow levels
- Partnering with businesses and local organizations to enhance the lake's sense of community
- Educating the public on opportunities to improve the quality of life on the lake
- Teaching local students about the lake environment, lake safety, and lake history
- Improving public safety on the lake through enhanced police patrols
- Conducting clean-ups to remove debris from the lake
- Preserving historical resources on Lake Hopatcong
- Improving riparian vegetation to reduce pollution into the lake

Note 2 - Summary of Significant Accounting Policies

Basics of Presentation

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires that unconditional promises to give be recorded as receivables and revenue and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. GAAP establishes standards for external financial reporting by non-profit foundations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue, Contributions, and Support Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Foundation reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, the Foundation reports gifts of cash and other assets subject to temporary restrictions by donor stipulations as unrestricted contributions in the statement of activities, if the restriction is met during the accounting period in which the gift was recognized.

Property and Equipment

All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment purchased are stated at cost and fixed assets donated are stated at fair market value. Both are reported less accumulated depreciation, which is provided by using the straight-line method over the estimated useful lives of the respective assets.

Tax Status

The Foundation qualifies as a tax-exempt public charity under Internal Revenue Code Section 501(c)(3) and State of New Jersey Title 15, *Corporations and Organizations Not-For-Profit Act*. Accordingly, the Foundation is exempt from federal and state income taxes. These sections enable the Foundation to accept donations, which qualify as charitable contributions to the donor. The Foundation is not classified as a private foundation.

The Foundation follows *Accounting for Uncertainty in Income Taxes*, in accordance with GAAP. The standard prescribes minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions. The determination of uncertain tax positions uses tax judgments which are based on the requirements for maintaining tax-exempt status and on the filing of various information returns.

The Foundation files tax returns in the United States federal and New Jersey state jurisdictions. The Foundation's tax filings are no longer subject to examinations for New Jersey and United States before calendar year 2012.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent 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

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities.

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

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

Contributions Receivable

The Foundation considers all contributions receivable to be fully collectable; accordingly, no allowance for doubtful accounts is required.

In-Kind Contributions

In-kind contributions consist primarily of professional fees, office space, professional services, and supplies. Space is recorded based on current fair market values of the donated space. Contributed services, as more fully described in Note 8, are recognized as revenue if the services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and typically need to be purchased if they had not been donated. Contributed services are recorded at the fair value of the services provided. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements. Donated materials and supplies are recorded at actual cost.

The Board of Trustees makes significant contributions of time relative to general management and operations of the Foundation. Since the donated time does not meet the criteria for recognition under GAAP, there has been no reflection of this in the financial statement.

Fair Value Measurement

The Foundation follows FASB Accounting Standards Codification *Fair Value Measurements* which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. *Fair Value Measurements* applies to other accounting pronouncements that require or permit fair value measurements. The primary effect of adopting *Fair Value Measurements* on the Foundation was to expand the required disclosures pertaining to methods used to determine fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under Fair Value Measurements are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

The Foundation bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value:

Cash, contributions receivable, deposits, accounts payable and deferred revenue: the carrying amounts approximate fair value, because of the short term maturity of these instruments.

Comparative Information

The statement of functional expenses contains certain prior–year summarized comparative information in total, but not functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 3 - Contributions Receivable

Contributions receivable consisted of the following as of December 31, 2013 and 2012:

	2013	2012
Due within one year	$ -	$ 1,000

Note 4 - Property and Equipment

Property and equipment consisted of the following as of December 31, 2013 and 2012:

	2013	2012
Software	$ 27,210	$ -
	27,210	-
Less: accumulated depreciation	(9,069)	-
Net property and equipment	$ 18,141	$ -

Depreciation expense amounted to $9,069 and $0 for the years ended December 31, 2013 and 2012, respectively.

Note 5 - Deposits

During the year ended December 31, 2012, the Foundation paid $7,967 for a deposit on software which was placed into service during the year ended December 31, 2013.

Note 6 - Related Party Transactions

The Foundation engages in certain transactions for the purchase of goods and services with businesses located within the community that are owned or operated by certain members of its Board of Trustees.

During the year ended December 31, 2013, the Foundation received $265,000 in contributions from a donor advised fund established by one member of its Board of Trustees.

During the year ended December 31, 2012, the Foundation received $300,000 in contributions from one member of its Board of Trustees.

Note 7 - Credit Risk

At various times during the year ended December 31, 2013, the balance in the Foundation's bank accounts exceeded federally insured limits, exposing such amounts to risk in the event of a bank failure. As of December 31, 2013, the amount exceeding federally insured limits was approximately $135,000. The Foundation has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk.

Note 8 - In-Kind Contributions

The Foundation records contribution revenue for certain in-kind donations received at their fair value. In-kind contributions, which were received from companies controlled by members of its Board of Trustees, consisted of the following items as of December 31, 2013 and 2012:

	2013	2012
Administrative services	$ 10,289	$ 7,066
Projects and initiatives	6,019	183
Rent	3,600	2,020
Professional fees	1,745	13,352
Office expense	891	533
	$ 22,544	$ 23,154

Note 9 - Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 11, 2014, the date the financial statements were available to be issued.