

**The Lake Hopatcong Foundation**

**Financial Statements**

**Year Ended December 31, 2015**

**(With Summarized Financial Information  
for the Year Ended December 31, 2014)**

**(With Independent Auditors' Report Thereon)**

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CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2015, 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, 2015 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 2014's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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  
August 8, 2016

**The Lake Hopatcong Foundation**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	2015	2014
<b><u>Assets</u></b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 538,821	\$ 284,531
Property and equipment, at cost, net of accumulated depreciation	495,927	451,663
Grants receivable	5,404	-
Contributions receivable	100	12,733
Cash restricted to investment in property and equipment	78,815	49,488
<b>Total assets</b>	<b>\$ 1,119,067</b>	<b>\$ 798,415</b>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities</b>		
Note payable	\$ 63,469	\$ 264,308
Deferred revenue	40,433	8,495
Accounts payable	2,033	2,397
<b>Total liabilities</b>	105,935	275,200
<b>Net assets</b>		
Unrestricted	884,317	473,727
Board designated funds	50,000	-
<b>Total unrestricted net assets</b>	934,317	473,727
Temporarily restricted	78,815	49,488
<b>Total net assets</b>	1,013,132	523,215
<b>Total liabilities and net assets</b>	<b>\$ 1,119,067</b>	<b>\$ 798,415</b>

See independent auditors' report and accompanying notes to financial statements

**The Lake Hopatcong Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2015**  
**(With Summarized Financial Information for the Year Ended December 31, 2014)**

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Revenue and Support</b>				
Contributions	409,194	125,321	\$ 534,515	\$ 288,200
Special events	118,931	-	118,931	120,680
Initiative income	41,964	-	41,964	24,414
Grant income	219,061	-	219,061	16,863
In-kind contributions	22,760	-	22,760	14,970
Interest income	444	-	444	276
Net assets released from restrictions through satisfaction of program requirements	95,994	(95,994)	-	-
<b>Total revenue and support</b>	<u>908,348</u>	<u>29,327</u>	<u>937,675</u>	<u>465,403</u>
<b>Functional expenses</b>				
Program services	283,962	-	283,962	209,545
Management and general	88,945	-	88,945	89,490
Fundraising	74,851	-	74,851	72,111
<b>Total functional expenses</b>	<u>447,758</u>	<u>-</u>	<u>447,758</u>	<u>371,146</u>
<b>Changes in net assets</b>	460,590	29,327	489,917	94,257
<b>Net assets, beginning of year</b>	<u>473,727</u>	<u>49,488</u>	<u>523,215</u>	<u>428,958</u>
<b>Net assets, end of year</b>	<u>\$ 934,317</u>	<u>\$ 78,815</u>	<u>\$ 1,013,132</u>	<u>\$ 523,215</u>

See independent auditors' report and accompanying notes to financial statements

**The Lake Hopatcong Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2015**  
(With Summarized Financial Information for the Year Ended December 31, 2014)

	2015				2014
	Program Services	Management and General	Fundraising	Total	Total
<b>Functional Expenses</b>					
Payroll and related expenses	\$ 92,226	\$ 51,622	\$ 36,956	\$ 180,804	\$ 153,906
Projects and initiatives	97,633	-	-	97,633	80,052
Professional fees	16,098	17,880	-	33,978	18,727
Event expenses	-	-	25,211	25,211	29,740
Charitable awards	24,000	-	-	24,000	5,000
Occupancy	15,936	2,742	1,963	20,641	14,576
Printing and publications	8,808	731	4,616	14,155	10,677
Interest expense	11,886	-	-	11,886	6,122
Office expense and supplies	2,100	8,024	-	10,124	10,657
Postage and delivery	4,948	858	701	6,507	4,664
Advertising	4,320	150	1,737	6,207	4,103
Insurance	3,288	414	1,036	4,738	1,942
Depreciation	2,055	1,151	824	4,030	12,095
Rent	-	3,600	-	3,600	3,600
Outside services	414	692	1,807	2,913	13,961
Membership	250	1,081	-	1,331	1,324
<b>Total functional expenses</b>	<u>\$ 283,962</u>	<u>\$ 88,945</u>	<u>\$ 74,851</u>	<u>\$ 447,758</u>	<u>\$ 371,146</u>

See independent auditors' report and accompanying notes to financial statements

**The Lake Hopatcong Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 489,917	\$ 94,257
<b>Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	4,030	12,095
Temporarily restricted contributions for investment in property and equipment	(125,321)	(245,610)
Decrease (increase) in:		
Grants receivable	(5,404)	-
Contributions receivable	12,633	(12,733)
Increase (decrease) in:		
Accounts payable	(364)	2,397
Deferred revenue	31,938	495
<b>Total adjustments</b>	<b>(82,488)</b>	<b>(243,356)</b>
<b>Net cash provided (used) by operating activities:</b>	<b>407,429</b>	<b>(149,099)</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(48,294)	(445,617)
Restrictions released from donors purchases of property and equipment	95,994	196,122
<b>Net cash provided (used) by investing activities:</b>	<b>47,700</b>	<b>(249,495)</b>
<b>Cash flows from financing activities:</b>		
Loan received from related party	-	250,000
Payments to related party	-	(250,000)
Proceeds from note payable	-	265,000
Principle payments on note payable	(200,839)	(692)
<b>Net cash provided (used) by financing activities:</b>	<b>(200,839)</b>	<b>264,308</b>
<b>Net increase (decrease) in cash</b>	254,290	(134,286)
<b>Cash and cash equivalents, beginning of year</b>	284,531	418,817
<b>Cash and cash equivalents, end of year</b>	<b>\$ 538,821</b>	<b>\$ 284,531</b>
 <b><u>Supplemental Cash Flow Information</u></b>		
<u>Cash paid during the year for:</u>		
Interest	\$ 11,886	\$ 6,122
Income taxes	\$ -	\$ -

See independent auditors' report and accompanying notes to financial statements

**The Lake Hopatcong Foundation**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**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. Contributions, fundraising events, and grant income 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.



**The Lake Hopatcong Foundation  
Notes to Financial Statements  
December 31, 2015 and 2014**

**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.

**Grant Revenue Recognition**

The Foundation accounts for grant revenue, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. Additionally, funds received in advance of their proper usage are accounted for as deferred revenue in the statements of financial position.

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

**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 organization under Internal Revenue Code Section 501(c)(3) and State of New Jersey Title 15, *New Jersey Nonprofit Corporation 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 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 federal information tax returns with the IRS and state information returns with the State of New Jersey. The Foundation is subject to income tax examinations at any time within three years from the latest filing date for federal and four years from the latest filing date for New Jersey.

**The Lake Hopatcong Foundation  
Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**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 statement of activities.

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 and Grants Receivables**

The Foundation considers all contributions and grants receivables 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, services, project and initiatives, and supplies. Space is recorded based on current fair market values of the donated space. Contributed services, as more fully described in Note 10, 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 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.

**The Lake Hopatcong Foundation  
Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Fair Value Measurement (continued)**

*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 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 and cash equivalents, grants receivable, contributions receivable, cash restricted to investment in property and equipment, accounts payable and deferred revenue: the carrying amounts approximate fair value, because of the short term maturity of these instruments.

Note payable is carried at amortized cost. However, management of the Foundation believes that they can obtain similar loans at similar terms; therefore management has determined it approximates fair value.

**Comparative Information**

The statements of activities and functional expenses contain certain prior-year summarized comparative information in total, but not net asset or functional expense categories. 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, 2014.

**Reclassifications**

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

**The Lake Hopatcong Foundation  
Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 3 - Contributions Receivable**

Contributions receivable consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Due within one year	\$ 100	\$ 12,733

**Note 4 - Property and Equipment**

Property and equipment consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Building	\$ 445,617	\$ 445,617
Software	27,210	27,210
Construction in process	48,294	-
	521,121	472,827
Less: accumulated depreciation	(25,194)	(21,164)
Net property and equipment	\$ 495,927	\$ 451,663

Depreciation expense amounted to \$4,030 and \$12,095 for the years ended December 31, 2015 and 2014, respectively.

**Note 5 - Note Payable**

Note payable consisted of the following for the year ended December 31, 2015 and 2014:

	2015	2014
Note payable to a bank, payable in monthly installments of \$1,685, currently bearing interest of 4.50% and shall be fixed at closing for the initial five years. The rate will reset every five years to the Federal Home Loan Bank Rate of NY Five (5/20) Year Advance Rate + 2.50% with a floor of 4.50%. The final payment is due November 2024. The note is secured by the mortgage on the land located in Landing, NJ.	\$ 63,469	\$ 264,308

Principal maturities of the mortgage note due in future years are as follows:

Year ending December 31,	
2016	\$ 8,897
2017	9,305
2018	9,733
2019	10,180
2020	10,648
Thereafter	14,706
	\$ 63,469

During the year ended December 31, 2015, there was an additional principal payment made of \$192,500 towards the mortgage.

**The Lake Hopatcong Foundation  
Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 6 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are to be used for the following as of December 31, 2015 and 2014:

	2015	2014
Building project	\$ 78,815	\$ 49,488

Temporarily restricted net assets were released from restrictions during the years ended December 31, 2015 and 2014 for the following programs:

	2015	2014
Building project	\$ 95,994	\$ -

**Note 7 - Board Designated Funds**

Board designated funds consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Building project	\$ 50,000	\$ -

**Note 8 - 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, 2015, the Foundation received \$190,000 in contributions from a donor advised fund established by one member of its Board of Trustees. During the year ended December 31, 2014, the Foundation received \$150,000 in contributions from one member of its Board of Trustees.

During the year ended December 31, 2015, the Foundation received \$21,600 in contributions from one member of its Board of Trustees.

During the year ended December 31, 2014, the Foundation received \$250,000 as a loan from one member of its Board of Trustees, which was paid back in full as of December 31, 2014. The interest paid during the year related to the loan was \$5,128. There were no loans from any members of its Board of Trustees during the year ended December 31, 2015.

**Note 9 - Concentrations**

**Major Donors**

During the year ended December 31, 2015, the Foundation received approximately \$392,000 in contributions from three donors.

During the year ended December 31, 2014, the Foundation received \$150,000 in contributions from one donor.

**The Lake Hopatcong Foundation**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Note 9 - Concentrations (continued)**

**Credit Risk**

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risks related to cash.

**Note 10 - In-Kind Contributions**

The Foundation records contribution revenue for certain in-kind donations received at their fair value. In kind contributions, which were received in part from companies controlled by members of its Board of Trustees, consisted of the following items as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Professional fees	\$ 17,605	\$ 5,075
Rent	3,600	3,600
Services	950	6,295
Supplies	605	-
	<u>\$ 22,760</u>	<u>\$ 14,970</u>

For the years ended December 31, 2015 and 2014, the following in-kind contributions were received from companies controlled by members of its Board of Trustees:

	<u>2015</u>	<u>2014</u>
Legal	\$ 17,605	\$ 5,075
Rent	3,600	3,600
	<u>\$ 21,205</u>	<u>\$ 8,675</u>

**Note 11 - Contingency**

During the year ended December 31, 2015, the Foundation filed a claim with its insurance company relating to a minor accident at one of its events. Management believes that there will be no material effect on its operations.

**Note 12 - Subsequent Events**

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through August 8, 2016, the date the financial statements were available for issue. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosures.