

The Lake Hopatcong Foundation (A New Jersey Non-Profit Corporation)

Financial Statements

December 31, 2021

(With Comparative Totals for 2020)



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The Lake Hopatcong Foundation
Table of Contents
December 31, 2021 and 2020

Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-18

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Lake Hopatcong Foundation (a non-profit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Lake Hopatcong Foundation as of December 31, 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

To the Board of Trustees of
The Lake Hopatcong Foundation

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Trustees of
The Lake Hopatcong Foundation

Other Matters

Report on Summarized Comparative Information

We have previously audited The Lake Hopatcong Foundation's 2020 financial statements, and in our report dated May 26, 2021, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisiroccia LLP

Mt. Arlington, New Jersey
August 22, 2022

The Lake Hopatcong Foundation
Statement of Financial Position
December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 595,189	\$ 476,146
Grants receivable	59,301	4,282
Contributions receivable	1,651	
Other receivables		17,255
Employee Retention Credit receivable	50,587	
Total current assets	<u>706,728</u>	<u>497,683</u>
 Property and equipment, net	 <u>1,838,580</u>	 <u>1,847,097</u>
 Total assets	 <u><u>\$ 2,545,308</u></u>	 <u><u>\$ 2,344,780</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,926	\$ 18,947
Deferred revenue	5,000	200
Total current liabilities	<u>66,926</u>	<u>19,147</u>
Net assets:		
Without donor restrictions:		
Undesignated	569,941	427,725
Investment in property and equipment	1,838,580	1,847,097
Total net assets without donor restrictions	<u>2,408,521</u>	<u>2,274,822</u>
With donor restrictions:		
Restricted for specific purposes	69,861	50,811
Total net assets	<u>2,478,382</u>	<u>2,325,633</u>
 Total liabilities and net assets	 <u><u>\$ 2,545,308</u></u>	 <u><u>\$ 2,344,780</u></u>

See accompanying notes to financial statements

The Lake Hopatcong Foundation
Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions	\$ 220,161	\$ 50,275	\$ 270,436	\$ 265,937
Programs and initiatives	67,685		67,685	21,226
Grant income	81,298		81,298	54,028
Paycheck Protection Program grant	63,440		63,440	51,129
Employee Retention Credit	50,587		50,587	
In-kind contributions	31,611		31,611	36,595
Interest income	228		228	2,027
Net assets released from restrictions	31,225	(31,225)		
	<u>546,235</u>	<u>19,050</u>	<u>565,285</u>	<u>430,942</u>
Special events revenue	166,750		166,750	147,116
Less: costs of direct benefits to donors	(16,333)		(16,333)	(2,325)
Net revenue from special events	<u>150,417</u>		<u>150,417</u>	<u>144,791</u>
Total support and revenue	<u>696,652</u>	<u>19,050</u>	<u>715,702</u>	<u>575,733</u>
Expenses:				
Program services	401,779		401,779	317,835
Management and general	53,927		53,927	122,724
Fundraising	107,247		107,247	220,992
Total expenses	<u>562,953</u>		<u>562,953</u>	<u>661,551</u>
Change in net assets	133,699	19,050	152,749	(85,818)
Net assets, beginning of year	<u>2,274,822</u>	<u>50,811</u>	<u>2,325,633</u>	<u>2,411,451</u>
Net assets, end of year	<u>\$ 2,408,521</u>	<u>\$ 69,861</u>	<u>\$ 2,478,382</u>	<u>\$ 2,325,633</u>

See accompanying notes to financial statements

The Lake Hopatcong Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021				2020
	Program Services	Management and General	Fundraising	Total	Total
Payroll and related expenses:					
Salaries and wages	\$ 172,681	\$ 11,101	\$ 51,520	\$ 235,302	\$ 272,888
Employee benefits	30,083	1,425	6,319	37,827	31,997
Payroll taxes	16,076	1,101	4,845	22,022	29,019
Total payroll and related expenses	<u>218,840</u>	<u>13,627</u>	<u>62,684</u>	<u>295,151</u>	<u>333,904</u>
Programs and initiatives	37,950	276		38,226	38,219
Professional fees	31,450	21,752	5,555	58,757	108,812
Printing and publications	206	52	688	946	3,906
Fundraising		468	16,592	17,060	12,247
Merchant charges and bank fees	1,352	291	1,686	3,329	4,456
Office expenses and supplies	5,945	1,791	956	8,692	22,969
Information technology	5,180	1,707	7,538	14,425	20,660
Postage and delivery		338	1,032	1,370	2,405
Insurance	19,254	2,147	874	22,275	6,664
Advertising	1,679	345	964	2,988	4,148
Outside services		6,574			3,846
Occupancy	13,999	1,480	2,032	17,511	23,489
Charitable awards	1,107			1,107	50
Depreciation	63,672	2,170	6,512	72,354	72,353
Membership fees	1,075	775		1,850	2,414
Travel and meetings	70	134	134	338	1,009
Total functional expenses	<u>\$ 401,779</u>	<u>\$ 53,927</u>	<u>\$ 107,247</u>	<u>\$ 562,953</u>	<u>\$ 661,551</u>

See accompanying notes to financial statements

The Lake Hopatcong Foundation
Statement of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 152,749	\$ (85,818)
Adjustments to reconcile change in net assets		
net cash provided by operating activities:		
Depreciation	72,353	72,353
Governmental grant - PPP	(63,440)	(51,129)
Donated stock	(4,925)	
Changes in operating assets and liabilities:		
Grants receivable	(55,019)	33,795
Contributions receivable	(1,651)	
Other receivables	17,256	14,612
Employee Retention Credit receivable	(50,587)	
Accounts payable and accrued expenses	42,979	(20,986)
Deferred revenue	4,800	200
Refundable advance	63,440	51,129
Net cash provided by operating activities	<u>177,955</u>	<u>14,156</u>
Cash flows from investing activities:		
Purchases of property and equipment	(63,837)	(13,284)
Proceeds from sale of investments	4,925	
Net cash used in investing activities	<u>(58,912)</u>	<u>(13,284)</u>
Net increase in cash and cash equivalents	119,043	872
Cash and cash equivalents, beginning of year	<u>476,146</u>	<u>475,274</u>
Cash and cash equivalents, end of year	<u>\$ 595,189</u>	<u>\$ 476,146</u>
Supplemental disclosure of noncash transactions:		
In-kind donation of goods and services	<u>\$ 31,611</u>	<u>\$ 36,595</u>
Donated stock	<u>\$ 4,925</u>	<u>\$ -</u>

See accompanying notes to financial statements

1. Nature of Activities

The Lake Hopatcong Foundation (the “Foundation”), which is located in Landing, NJ, was formed in 2012 as a New Jersey nonprofit corporation. The Foundation’s mission is to protect the lake environment and enhance the lake experience, bringing together public and private resources to encourage a culture of sustainability and stewardship on and around New Jersey’s largest lake, for this and future generations. Contributions, fundraising events, and grant income are the Foundation’s primary source of revenue.

The Foundation endeavors to accomplish its mission through various initiatives and programs focused on the Environment, Education, Recreation, Public Safety, Community and Advocacy.

Environment

Environmental initiatives are centered on improving water quality and preventing the spread of aquatic invasive species. The improvement of water quality is addressed through initiatives to reduce the levels of phosphorus and other nutrients entering the lake via stormwater runoff, by educating area residents about the use of native plants and rain gardens, encouraging alternatives to the use of salt in the winter, and working with local municipalities to upgrade detention basins within their communities. Working with the Lake Hopatcong Commission and officials at the state and local level, the Foundation is involved in various initiatives to prevent and mitigate harmful algal blooms. In addition, our established Lake Stewards and Water Scouts programs engage the community in preventing and terminating the spread of highly invasive species, such as water chestnut.

Education

The Foundation’s Floating Classroom program provides area students and others “hands-on” experiential learning about lake ecology and the importance of protecting our water resources. Educational field trips on the Floating Classroom are held each year for fourth- and fifth-grade students. Annual the Foundation’s field trip program services approximately 1,300 students from over 25 schools across the state. The Foundation also offers Lake Ecology based Educational Tours aboard its Floating Classroom that are open to the public on Monday afternoons during the summer months, reaching over 300 individuals annually. There is also a lake-related education component embedded in all aspects of the Foundation’s activities.

Recreation

The Foundation continues to improve and expand recreation opportunities for area residents by creating new hiking trails, offering guided hikes and guided group kayak paddles, and engaging the lake community in the annual Lake Loop event, which promotes a variety of activities on, in, and around Lake Hopatcong. The Lake Hopatcong Trail, once completed, will traverse approximately 40 miles through all four municipalities encircling the lake.

Public Safety

Public safety is always of the utmost importance on Lake Hopatcong. The Foundation works with local and state officials and first responders to address particular safety issues on the lake, as well as to raise awareness and educate lake users about important safety issues. The Foundation instituted the B-SAFE dock numbering program on Lake Hopatcong, which is designed to assist first responders to efficiently respond to emergencies by land or water.

Community

With four municipalities, two counties, and the State of New Jersey involved in various aspects of Lake Hopatcong, one of the goals of the Foundation is to build a unified lake community. The annual Lake Hopatcong Block Party, hosted and organized by the Foundation, engages the community and showcases all facets of Lake Hopatcong life by bringing area residents together with businesses, government agencies, non-profit organizations, community groups, crafters, and food vendors for a community day of celebration. The Foundation also endeavors to engage members of the lake community in numerous areas of its programs and initiatives.

Advocacy

The Foundation serves as Lake Hopatcong's foremost advocate, working with federal, state, county, and municipal leaders to secure increased funding and resources to improve the water quality and public access to our lake. The Foundation, working with members of the NJ State Legislature, was involved in raising awareness on issues impacting lakes in New Jersey resulting in \$10 million of state funding for public lakes in New Jersey in 2021. Additionally, the Foundation serves in a leadership role as the chair of the Public Lakes Alliance of New Jersey, coordinating advocacy efforts for public lakes across the state.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Foundation in the preparation of the accompanying financial statements is set forth below:

Accounting Method

The financial statements of the Foundation are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Foundation prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Accounting for Contributions Received and Made* and *Financial Statements of Not-for-Profit Organizations*. FASB ASC *Financial Statements of Not-for-Profit Organizations* establishes standards for external financial reporting by not-for-profit organizations and requires that information regarding the Foundation's financial position, activities, and cash flows be reported in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based upon the existence or absence of donor-imposed restrictions.

FASB ASC *Accounting for Contributions Received and Made* 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.

Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions are comprised of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for to be held for specific purposes.

Net assets with donor restrictions represent amounts with donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Support Recognition

Revenue is measured based on consideration specified in a contract with a customer. This occurs with the transfer of control of the sale at a specific point in time. The Foundation recognizes initiative income when the services are provided. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place. There are no multi-year contracts and performance obligations are typically satisfied within one year or less.

The Foundation recognizes contributions and pledges when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. State contracts and grants are conditioned upon certain performance requirements.

A portion of the Foundation's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31, 2021 and 2020:

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	<u>\$ 234,435</u>	<u>\$ 168,342</u>

Revenue from performance obligations satisfied at a point in time consists of initiative income from the Foundation's various programs and the Foundation's fundraising efforts.

Cash Equivalents

The Foundation considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. The Foundation capitalizes additions of property and equipment in excess of \$1,000 cost per unit; the fair value of donated fixed assets is similarly capitalized. Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to net assets without donor restrictions, or, if with donor restrictions, to deferred amounts restricted for fixed asset acquisitions.

Depreciation of assets is provided for by the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the useful life of the asset. Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized.

The Foundation continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Income Taxes

The Foundation is a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, is exempt from federal income taxes on income that is related to its tax-exempt purposes pursuant to Section 501(a) of the Code. The Foundation is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

As required by law, the Foundation files informational returns with both the United States federal and New Jersey State jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with New Jersey State. These returns are subject to examination by these authorities within certain statutory periods from the latest filing date for federal and for New Jersey.

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 assets and liabilities and 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.

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. The statement of functional expenses presents the natural classification detail of expenses by function. Costs are allocated between program services, management and general, and fundraising based on evaluations of the related benefits. Program services include protecting the Lake Hopatcong environment and enhancing the lake experience for those on and around Lake Hopatcong. 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. Fundraising relates to direct cost of special events and development activities carried on by the Foundation as well as the allocation of employees' salaries, when applicable, and other costs involved in fundraising and special events.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, insurance, office expense and supplies, occupancy, travel and meetings, professional fees, printing and publications, postage and delivery, advertising, outside services, and membership which are allocated on the basis of estimates of time and effort. Depreciation is allocated on a usage basis. Charitable awards and interest expense are direct program expenses, while event expenses are allocated based on the specific costs associated with each event.

Grants and Other Receivable

Grants and other receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no allowance for uncollectible grants and other receivable at December 31, 2021 and 2020, as management deemed all receivables to be collectible as of the date of the financial statements.

Fair Value Measurement

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

The carrying amounts of *cash and cash equivalents, grants receivable, contributions receivable, other receivable, accounts payable and accrued expenses, and deferred revenue* approximate fair value because of the short-term maturity of these instruments.

Investments

The Foundation records investments in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, securities purchased for investment are carried at market value; those received as gifts are recorded at market value at date of gift and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income or loss (including interest and dividends) and gains/losses on sale of investments are included in the statement of activities unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended December 31, 2021 and 2020, the Foundation did not record any impairment charge in the statement of activities.

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of the Foundation. Additionally, a substantial number of unpaid volunteers have made significant contributions of their time to the programs sponsored by the Foundation. The value of this contributed time is not reflected in the financial statements since it does not meet the requirements for recognition under U.S. generally accepted accounting principles.

Advertising

The Foundation expenses the costs of advertising the first-time advertising takes place. Advertising expense amounted to \$2,988 and \$4,148 for the years ended December 31, 2021 and 2020, respectively.

Deferred Revenue

Deferred revenue is comprised of amounts received in advance for future special events which will be recognized as income in future periods when the special events are held. Deferred revenue at December 31, 2021 and 2020, amounted to \$5,000 and \$200, respectively

New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The amendments in this update should be applied retrospectively. The Foundation is currently evaluating the impact of this standard.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The FASB ASU requires nonprofits to present contributed nonfinancial assets as a separate line items in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management is evaluating the impact this ASU will have on its financial statements.

Reclassification

Certain reclassifications have been made to 2020 financial statement presentation to conform to current year's presentation.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2021 through the date of the independent auditors' report and the date the financial statements were available to be issued, August 22, 2022. 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 nonrecognized subsequent events that require additional disclosure.

3. Liquidity and Availability

The Foundation receives a majority of its funding as governmental grants utilized for capital improvements, special events, and contributions. Certain contributions are given with donor restrictions and must be used in accordance with those specific purposes, however a majority of contributions are without donor restrictions to support the Foundation's mission. The Foundation considers the contributions with and without donor restrictions and the special event revenue for use in the administration of its current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

General expenditures include administrative and general expenses, fundraising expenses and charitable awards expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that all commitments and obligations to support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Board of Trustees meets regularly to review and approve funding requests. The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus a surplus to meet unexpected expenses which may arise. In addition to these available financial assets, a significant portion of the Foundation's annual expenditures will be funded by current year operating revenues including contributions, special events, initiative, and grant income.

As of December 31, 2021 and 2020, the following table shows the total financial assets held by the Foundation and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2021 and 2020

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 595,189	\$ 476,146
Grants receivable	59,301	4,282
Contributions receivable	1,651	
Other receivable		17,255
Total financial assets	<u>706,728</u>	<u>497,683</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions for specified purposes	<u>(69,861)</u>	<u>(50,811)</u>
Financial assets not available to be used within one year	<u>(69,861)</u>	<u>(50,811)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 636,867</u>	<u>\$ 446,872</u>

4. Investments

Investments are stated at fair value, based on quoted market prices. It is the Foundation's policy to liquidate donated securities in a reasonable time after receipt. There were no investments as of December 31, 2021.

Investment activity for the years ended December 31, 2021 consisted of the following:

	2021
Beginning balance	\$ -
Donated securities	4,925
Sales	(4,925)
	<u>\$ -</u>

5. Other Receivable

In November 2016, the Foundation entered into a tuition loan agreement with the then Executive Director whereby non-interest-bearing advances up to one-half of the cost of tuition, fees, and books to a maximum of \$25,000 per year for up two years were to be made for education finance assistance. The Foundation advanced \$25,000 in 2017 and another \$25,000 in 2018 for a total of \$50,000 as per the agreement. The agreement provides, among other provisions, that the Executive Director resumes her employment with the Foundation upon completion of her degree for a period of at least four years and in return the funds advanced will be repaid in lieu of additional salary over a four-year period. The agreement also provides for full repayment of the loan over a period not to exceed two years, with payments to be made at least quarterly and amortized evenly over eight quarters if the Executive Director does not resume her employment with the Foundation. In the event the Executive Director resumes employment with the Foundation, but her employment terminates less than four years after her return, the amount to be repaid will be based on the amount of time worked. Starting in the first year of employment, 25% of the funds advanced will be deemed earned each year as compensation. As of December 31, 2021 and 2020, the balance of the receivable amounted to \$0 and \$17,255, respectively.

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2021 and 2020

6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2021 and 2020:

	<u>Useful Life (Years)</u>	<u>2021</u>	<u>2020</u>
Construction in progress		\$ 97,117	\$ 33,280
Buildings and improvements	39	1,767,892	1,767,892
Floating classroom	7	147,350	147,350
Equipment	5	18,812	18,812
Furniture and fixtures	7	15,489	15,489
		<u>2,046,660</u>	<u>1,982,823</u>
Less: accumulated depreciation		<u>(208,080)</u>	<u>(135,726)</u>
Net property and equipment		<u>\$ 1,838,580</u>	<u>\$ 1,847,097</u>

Depreciation expense amounted to \$72,354 for the years ended December 31, 2021 and 2020.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Office relocation		\$ 1,977
Train Station	\$ 19,186	19,812
Lake safety	1,400	5,000
Smithsonian YES stories		3,500
Field trips		522
Shed	19,275	
Intern, support maintenance, ramp, and storage	<u>30,000</u>	<u>20,000</u>
Total	<u>\$ 69,861</u>	<u>\$ 50,811</u>

Net assets released from donor restrictions during the years ended December 31, 2021 and 2020 by incurring expenses satisfying the specified restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Office relocation	\$ 1,977	\$ 680
Train station	626	
Lake safety	3,600	
Smithsonian YES Stories	4,500	1,978
Field trips	522	
AV equipment		2,425
Verhalen foundation grant	<u>20,000</u>	<u>30,000</u>
Total	<u>\$ 31,225</u>	<u>\$ 35,083</u>

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2021 and 2020

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 years ended December 31, 2021 and 2020, the Foundation received \$33,814 and \$23,811 respectively, in contributions from its Board of Trustees.

9. Concentrations

Major Donors

During the years ended December 31, 2021 and 2020, the Foundation received approximately \$143,732 and \$175,250, respectively, in contributions from three donors.

Credit Risk

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

10. In-Kind Contributions

The Foundation records contribution revenue for certain in-kind donations received at their fair value. In-kind contributions consisted of the following items as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Professional fees	\$ 12,584	\$ 7,449
Services	12,570	8,215
Supplies	6,457	20,931
	<u>\$ 31,611</u>	<u>\$ 36,595</u>

11. Refundable Advance – Paycheck Protection Program

In April 2020, the Foundation received \$51,129 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Foundation must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Foundation expects to meet the PPP's eligibility criteria and, therefore, has concluded that the PPP Loan represents, in substance, a grant that is expected to be forgiven. As a result, the Foundation has accounted for the PPP funding as a conditional contribution in accordance with FASB ASC Topic 958-605 *Revenue Recognition*. Revenue is recognized only when conditions have been substantially met. The Foundation initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. During the year ended December 31, 2020, the Foundation has used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP funding of \$51,129 as contribution revenue (governmental grant) in the accompanying financial statements.

In March 2021, the Foundation received \$63,440 under the SBA's second draw of PPP funding. The PPP funding of \$63,440 is recognized as revenue as of December 31, 2021, as the conditions for revenue recognition have been met.

12. Employee Retention Credit

As of December 31, 2021, the Foundation has recognized \$50,587 in refundable tax credits through the Employee Retention Credit under the CARES Act for payroll tax expenses incurred during the fiscal year 2021.

13. Risk and Uncertainty

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Foundation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.