The Lake Hopatcong Foundation

Financial Statements

Year Ended December 31, 2014

(With Summarized Financial Information
for the Year Ended December 31, 2013)

(With Independent Auditors' Report Thereon)

Table of Contents

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

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, 2014, 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, 2014 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 2013's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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
June 26, 2015

The Lake Hopatcong Foundation
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Assets		
Cash	$ 284,531	$ 418,817
Property and equipment, at cost, net of accumulated depreciation	451,663	18,141
Contributions receivable	12,733	-
Cash restricted to investment in property and equipment	49,488	-
Total assets	$ 798,415	$ 436,958
Liabilities and Net Assets		
Liabilities		
Note payable	$ 264,308	$ -
Deferred revenue	8,495	8,000
Accounts payable	2,397	-
Total liabilities	275,200	8,000
Net assets		
Unrestricted	473,727	428,958
Total unrestricted net assets	473,727	428,958
Temporarily restricted	49,488	-
Total net assets	523,215	428,958
Total liabilities and net assets	$ 798,415	$ 436,958

See independent auditors' report and accompanying notes to financial statements

The Lake Hopatcong Foundation
Statement of Activities
Year Ended December, 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support				
Contributions	$ 238,712	$ 49,488	$ 288,200	$ 311,518
Special events	120,680	-	120,680	68,493
Initiative income	24,414	-	24,414	-
Local grant income	16,863	-	16,863	15,000
In-kind contributions	14,970	-	14,970	22,544
Interest income	276	-	276	370
Total revenue and support	415,915	49,488	465,403	417,925
Functional expenses				
Program services	209,545	-	209,545	168,632
Management and general	89,490	-	89,490	59,959
Fundraising	72,111	-	72,111	49,468
Total functional expenses	371,146	-	371,146	278,059
Changes in net assets	44,769	49,488	94,257	139,866
Net assets, beginning of year	428,958	-	428,958	289,092
Net assets, end of year	$ 473,727	$ 49,488	$ 523,215	$ 428,958

See independent auditors' report and accompanying notes to financial statements

The Lake Hopatcong Foundation
Statement of Functional Expenses
Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	2014				2013
	Program Services	Management and General	Fundraising	Total	Total
Functional Expenses					
Payroll and related expenses	$ 83,971	$ 43,933	$ 26,002	$ 153,906	$ 119,138
Projects and initiatives	81,309	-	-	81,309	47,640
Event expenses	-	-	29,740	29,740	29,967
Professional fees	-	18,727	-	18,727	19,452
Office expense and supplies	1,262	6,730	2,415	10,407	10,988
Outside services	76	6,742	6,167	12,985	14,562
Depreciation	6,599	3,453	2,043	12,095	9,069
Printing and publications	7,579	1,246	1,852	10,677	7,890
Occupancy	11,207	1,204	2,165	14,576	685
Interest expense	6,122	-	-	6,122	-
Charitable awards	5,000	-	-	5,000	-
Advertising	3,229	-	874	4,103	6,708
Postage and delivery	2,113	2,019	532	4,664	3,277
Rent	-	3,600	-	3,600	3,600
Insurance	1,078	542	321	1,941	3,022
Membership	-	1,294	-	1,294	2,061
Total functional expenses	$ 209,545	$ 89,490	$ 72,111	$ 371,146	$ 278,059

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See independent auditors' report and accmpanying notes to financial statements

The Lake Hopatcong Foundation
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Changes in net assets	$ 94,257	$ 139,866
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	12,095	9,069
Temporarily restricted contributions for investment in property and equipment	(245,610)	-
Decrease (increase) in:		
Contributions receivable	(12,733)	1,000
Increase (decrease) in:		
Accounts payable	2,397	(1,125)
Deferred revenue	495	8,000
Total adjustments	(243,356)	16,944
Net cash provided (used) by operating activities:	(149,099)	156,810
Cash flows from investing activities:		
Capital expenditures	(445,617)	(19,243)
Restrictions released from donors purchases of property and equipment	196,122	-
Net cash used by investing activities:	(249,495)	(19,243)
Cash flows from financing activities:		
Loan received from related party	250,000	-
Payments to related party	(250,000)	-
Proceeds from note payable	265,000	-
Principle payments on note payable	(692)	-
Net cash provided by financing activities:	264,308	-
Net increase in cash	(134,286)	137,567
Cash, beginning of period	418,817	281,250
Cash, end of period	$ 284,531	$ 418,817

Supplemental Cash Flow Information

Cash paid during the year for:

	2014	2013
Interest	$ 6,122	$ -
Income taxes	$ -	$ -

See independent auditors' report and accompanying notes to financial statements

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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's Form 990, *Return of Organization Exempt from Income Tax,* for the years ended December 31, 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed. Also, the Foundation's New Jersey Form CRI-300R, *Long Form Renewal Registration Statement,* for the years ending December 31, 2010, 2011, 2012, and 2013 are subject to examination by the State, generally for four years after they were filed.

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 9, 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 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

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

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

Debt 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, 2013.

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, 2014 and 2013:

	2014	2013
Due within one year	$ 12,733	$ -

Note 4 - Property and Equipment

Property and equipment consisted of the following as of December 31, 2014 and 2013:

	2014	2013
Building	$ 445,617	$ -
Software	27,210	27,210
	472,827	27,210
Less: accumulated depreciation	(21,164)	(9,069)
Net property and equipment	$ 451,663	$ 18,141

Depreciation expense amounted to $12,095 and $9,069 for the years ended December 31, 2014 and 2013, respectively.

Note 5 - Note Payable

Note payable consisted of the following for the year ended December 31, 2014 and 2013:

	2014	2013
Note payable to a bank, payable in monthly installments of $1,685, bearing interest of 4.50% and shall be fixed at closing for the initial five (5) years. The rate will reset every five (5) 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.	$ 264,308	$ -

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

Year ending December 31,	
2015	$ 8,506
2016	8,897
2017	9,305
2018	9,733
2019	10,180
Thereafter	217,687
	$ 264,308

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are to be used for the following as of December 31, 2014 and 2013:

	2014	2013
Building project	$ 49,488	$ -

Note 7 - 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, 2014, the Foundation received $150,000 in contributions from one member 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, 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.

Note 8 - 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 9 - 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, 2014 and 2013:

	2014	2013
Services	$ 6,295	$ -
Professional fees	5,075	1,745
Rent	3,600	3,600
Administrative services	-	10,289
Projects and initiatives	-	6,019
Office expense	-	891
	$ 14,970	$ 22,544

For the years ended December 31, 2014 and 2013, the following in-kind contributions were received from companies controlled by members of its Board of Trustees:

	2014	2013
Legal	$ 5,075	$ 1,745
Rent	3,600	3,600
Services	-	9,939
	$ 8,675	$ 15,284

Note 10 - Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions that occurred after the balance sheet date through the date of the auditors' report and the date of issuance. 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.

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.