

THE LAKE HOPATCONG FOUNDATION  
(A NEW JERSEY NON-PROFIT CORPORATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2017

(With Comparative Totals for 2016)

THE LAKE HOPATCONG FOUNDATION  
TABLE OF CONTENTS  
DECEMBER 31, 2017 AND 2016

Independent Auditors' Report	1-2
<u>Financial Statements</u>	
Statement of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14
<u>Supplementary Information</u>	
Schedule of Expenditures of State Awards	15
Notes to the Schedules of Expenditures of State Awards	16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Schedule of Findings and Responses	19
Summary Schedule of Prior Year Findings	20



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## Independent Auditors' Report

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of The Lake Hopatcong Foundation (a non-profit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

To the Board of Trustees of  
The Lake Hopatcong Foundation

### ***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, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Prior Period Financial Statements***

The financial statements of The Lake Hopatcong Foundation as of December 31, 2016, were audited by other auditors whose report dated July 26, 2017, expressed an unmodified opinion on those statements.

#### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants and State Aid*, and are also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2018, on our consideration of The Lake Hopatcong Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Lake Hopatcong Foundation's internal control over financial reporting and compliance.

*Nisivoccia LLP*

Mt. Arlington, New Jersey  
July 18, 2018

THE LAKE HOPATCONG FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 458,178	\$ 522,331
Grants receivable	292,693	83,442
Contributions receivable	25,136	728
Other receivable	25,000	
Prepaid expenses and other assets	62,057	7,000
Total current assets	<u>863,064</u>	<u>613,501</u>
Property and equipment, net	<u>1,154,418</u>	<u>823,901</u>
Total assets	<u>\$ 2,017,482</u>	<u>\$ 1,437,402</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 10,187	\$ 7,952
Deferred revenue	41,546	19,337
Note payable, current portion	19,456	18,556
Total current liabilities	<u>71,189</u>	<u>45,845</u>
Long-Term Liabilities:		
Note payable, net of current portion	<u>8,382</u>	<u>27,777</u>
Total liabilities	<u>79,571</u>	<u>73,622</u>
Net Assets:		
Unrestricted:		
Undesignated	621,632	473,947
Investment in property and equipment	1,126,580	777,568
Board designated	112,265	112,265
Total unrestricted net assets	<u>1,860,477</u>	<u>1,363,780</u>
Temporarily restricted	<u>77,434</u>	
Total net assets	<u>1,937,911</u>	<u>1,363,780</u>
Total liabilities and net assets	<u>\$ 2,017,482</u>	<u>\$ 1,437,402</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE LAKE HOPATCONG FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with comparative totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Contributions	\$ 196,941	\$ 252,168	\$ 449,109	\$ 359,953
Special events	115,037	7,268	122,305	117,687
Initiative income	36,925		36,925	47,113
Grant income	367,714		367,714	195,343
In-kind contributions	31,632		31,632	9,806
Interest income	331		331	439
Net assets released from restrictions	182,002	(182,002)		
Total support and revenue	<u>930,582</u>	<u>77,434</u>	<u>1,008,016</u>	<u>730,341</u>
Expenses:				
Program services	266,534		266,534	237,299
Management and general	89,895		89,895	70,420
Fundraising	77,456		77,456	71,974
Total expenses	<u>433,885</u>		<u>433,885</u>	<u>379,693</u>
Change in net assets	496,697	77,434	574,131	350,648
Net assets, beginning of year	<u>1,363,780</u>		<u>1,363,780</u>	<u>1,013,132</u>
Net assets, end of year	<u>\$ 1,860,477</u>	<u>\$ 77,434</u>	<u>\$ 1,937,911</u>	<u>\$ 1,363,780</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE LAKE HOPATCONG FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with comparative totals for 2016)

	2017			2016	
	Program Services	Management and General	Fundraising	Total	Total
Payroll and related expenses:					
Salaries and wages	\$ 94,008	\$ 34,045	\$ 29,592	\$ 157,645	\$ 166,549
Employee benefits	15,597	5,648	4,910	26,155	14,560
Payroll taxes	8,045	2,913	2,532	13,490	15,097
Total payroll and related expenses	<u>117,650</u>	<u>42,606</u>	<u>37,034</u>	<u>197,290</u>	<u>196,206</u>
Projects and initiatives	32,366			32,366	52,747
Professional fees	94,273	19,535		113,808	40,580
Printing and publications	6,684	3,103	969	10,756	23,616
Event expenses			15,886	15,886	19,355
Office expense and supplies	3,594	13,535	15,013	32,142	8,557
Postage and delivery	317	1,868	13	2,198	8,046
Insurance	876	317	1,716	2,909	5,881
Advertising	2,471		5,371	7,842	4,300
Outside services	487	3,773	778	5,038	3,913
Rent	2,147	777	676	3,600	3,600
Interest expense	1,730			1,730	3,090
Occupancy	86			86	3,066
Charitable awards	2,300	1,600		3,900	3,050
Depreciation					2,016
Membership	300	2,492		2,792	1,670
Travel and meetings	1,253	289		1,542	
Total functional expenses	<u>\$ 266,534</u>	<u>\$ 89,895</u>	<u>\$ 77,456</u>	<u>\$ 433,885</u>	<u>\$ 379,693</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE LAKE HOPATCONG FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 574,131	\$ 350,648
Adjustments to reconcile change in net assets net cash provided by operating activities:		
Depreciation		2,016
Non-cash contribution of property and equipment	(11,635)	
Temporarily restricted contributions for investment in property and equipment	(219,317)	
Changes in operating assets and liabilities:		
Grants receivable	(209,251)	(78,038)
Contributions receivable	(24,408)	(628)
Other receivable	(25,000)	
Prepaid expenses and other assets	(55,057)	(7,000)
Accounts payable and accrued expenses	2,235	5,919
Deferred revenue	22,209	(21,096)
Net cash provided by operating activities	<u>53,907</u>	<u>251,821</u>
Cash flows from investing activities:		
Purchases of property and equipment	(318,882)	(329,990)
Purchases of assets restricted to investment in property and equipment	53,150	78,815
Net cash used in investing activities	<u>(265,732)</u>	<u>(251,175)</u>
Cash flows from financing activities:		
Principal payments on note payable	(18,495)	(17,136)
Collection of contributions restricted for purchase of property and equipment	166,167	
Net cash provided (used) by financing activities	<u>147,672</u>	<u>(17,136)</u>
Net decrease in cash and cash equivalents	(64,153)	(16,490)
Cash and cash equivalents, beginning of year	<u>522,331</u>	<u>538,821</u>
Cash and cash equivalents, end of year	<u>\$ 458,178</u>	<u>\$ 522,331</u>
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 1,730</u>	<u>\$ 3,090</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 1 - Nature of Activities

The Lake Hopatcong Foundation (the "Foundation"), which is located in Lake Hopatcong, New Jersey, was formed in 2012 as a New Jersey non-profit corporation. 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

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, *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. FASB ASC, *Financial Statements of Not-for-Profit Organizations* establishes standards for external financial reporting by not-for-profit organizations 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. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Basis of Presentation (Cont'd)

Unrestricted net assets are resources representing the portion of expendable funds available for support of the Foundation's programs and general operations. These resources are not subject to donor-imposed restrictions.

Temporarily restricted net assets are 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. When a 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. The Foundation had temporarily restricted net assets of \$77,434 and \$0 at December 31, 2017 and 2016, respectively.

Permanently restricted net assets are assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. The Foundation had no permanently restricted net assets at December 31, 2017 and 2016.

Revenue and Support Recognition

Contributions are recognized as revenue and receivables when they are received or unconditionally pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are to be received.

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, if the donor restriction is satisfied during the accounting period in which the gift was received, the gifts are reported as unrestricted contributions in the statement of activities.

The Foundation accounts for contract and 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. All amounts not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Foundation does not maintain any equity in the grant or contract.

Cash Equivalents

For purposes of the statement of cash flows, 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 unrestricted, are transferred to unrestricted net assets, or, if restricted, to deferred amounts restricted for fixed asset acquisitions.

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Property and Equipment (Cont'd)

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 state of New Jersey jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the state of New Jersey. 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 amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Foundation's estimates may change in the near term.

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 management and general, program services, 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.

Contribution and Grants Receivable

Contributions and grants 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.

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Contribution, Grants and Other Receivable (Cont'd)

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 accounts and contributions receivable for the years ended December 31, 2017 and 2016, as management deemed all accounts and contributions receivable 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, 2017 and 2016.

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

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.

New Pronouncements

In August 2016, the FASB issued ASU 2016-14, "*Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities*" to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for non-profit entities for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied retrospectively. The Foundation is currently evaluating the impact of this standard.

Reclassification

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

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2017 through the date of the independent auditors' report and date the financial statements were available to be issued on July 18, 2018. 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 additional nonrecognized subsequent events that require further disclosure.

Note 3 - Contributions Receivable

At December 31, 2017 and 2016, contributions receivable amounted to \$25,136 and \$728, respectively. All contributions receivable are expected to be collected in one year or less.

Note 4 - Other Receivable

During the year ended December 31, 2016, the Foundation entered into a tuition loan agreement with an employee 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 agreement provides, among other provisions, that the employee 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 employee does not resume her employment with the Foundation. In the event the employee 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, 2017 and 2016, funds advanced by the Foundation amounted to \$25,000 and \$0, respectively.

Note 5 - Property and Equipment

Property and equipment consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Software	\$ 27,210	\$ 27,210
Construction in progress	<u>1,154,418</u>	<u>823,901</u>
	1,181,628	851,111
Less: accumulated depreciation	<u>(27,210)</u>	<u>(27,210)</u>
Net property and equipment	<u>\$ 1,154,418</u>	<u>\$ 823,901</u>

Depreciation expense amounted to \$0 and \$2,016 for the years ended December 31, 2017 and 2016, respectively.

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 6 - Note Payable

Note payable consisted of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<p>Note payable to a bank, payable in monthly installments of \$1,685, currently bearing interest of 4.50%. The rate will reset every five years to the Federal Home Loan Bank Rate of NY (Five Year Advance Rate) + 2.50% with a floor of 4.50%. The final payment is due during the year ended December 31, 2019, assuming that current payments continue. The note is secured by the mortgage on the land located in Landing, NJ.</p>	<u>\$ 27,838</u>	<u>\$ 46,333</u>

Assuming that the note continues to be amortized over its current terms, principal maturities of the mortgage note due in future years are as follows:

Year ending December 31,

2018		\$ 19,456
2019		8,382
		<u>\$ 27,838</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are to be used for the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building project	\$ 40,334	\$
Office relocation	35,000	
Floating classroom	2,100	
Total	<u>\$ 77,434</u>	<u>\$</u>

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 7 - Temporarily Restricted Net Assets (Cont'd)

Temporarily restricted net assets were released from restrictions during the years ended December 31, 2017 and 2016 for the following programs:

	<u>2017</u>	<u>2016</u>
Building project	\$ 128,733	\$ 78,815
Floating classroom	48,150	
Boat races	5,119	
Total	<u>\$ 182,002</u>	<u>\$ 78,815</u>

Note 8 - Board Designated Funds

Board designated funds consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building project	<u>\$ 112,265</u>	<u>\$ 112,265</u>

Note 9 - 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, 2017 and 2016, the Foundation received \$0 and \$150,000, respectively, in contributions from a donor advised fund established by one member of its Board of Trustees.

During the years ended December 31, 2017 and 2016, the Foundation received \$175,000 and \$125,000, respectively, in contributions from one member of its Board of Trustees.

Note 10 - Concentrations

Major Donors

During the years ended December 31, 2017 and 2016, the Foundation received approximately \$325,000 and \$294,000, respectively, in contributions from two donors, respectively.

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.

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

Note 11 - 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Professional fees	\$ 1,170	\$ 2,328
Rent	3,600	3,600
Services	25,913	2,500
Supplies	949	1,378
	<u>\$ 31,632</u>	<u>\$ 9,806</u>

For the years ended December 31, 2017 and 2016, the following in-kind contributions were received from companies controlled by members of its Board of Trustees:

	<u>2017</u>	<u>2016</u>
Professional fees	\$ 1,170	\$ 2,328
Rent	3,600	3,600
	<u>\$ 4,770</u>	<u>\$ 5,928</u>



SUPPLEMENTARY INFORMATION

THE LAKE HOPATCONG FOUNDATION  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2017

State/County Grantor/ Pass-Through Grantor/Program Title	Grantor's Number	State/County Account Number	Grant Period	Award Amount	Cumulative Program Disbursements	Current Year	
						Program Disbursements	Cash Received
<u>NJ Department of Community Affairs</u>							
<u>New Jersey Historic Trust</u>							
Restoration of Tile Roof and Parapet	2015.1014	N/A	02/09/2015-04/18/2017	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Preservation Grant	2017.2010	N/A	Not available	259,775	72,010	72,010	-
Total NJ Department of Community Affairs				<u>409,775</u>	<u>222,010</u>	<u>222,010</u>	<u>-</u>
Total State Awards				<u>\$ 409,775</u>	<u>\$ 222,010</u>	<u>\$ 222,010</u>	<u>\$ -</u>

THE LAKE HOPATCONG FOUNDATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF STATE AWARDS  
DECEMBER 31, 2017

Note 1 - General

The accompanying schedule of expenditures of state awards presents the activity of all state financial assistance programs of The Lake Hopatcong Foundation. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. All state financial assistance received directly from state agencies, as well as financial assistance passed through other government agencies is included on the appropriate schedules. Because these schedules present only a selected portion of the operations of The Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Foundation.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of state awards are presented using the accrual basis of accounting which is described in Note 2 to the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and New Jersey State Circular 15-08-OMB, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to State Financial Reports

The regulations and guidelines governing the preparation of state financial reports vary by state agency and among programs administered by the same agency. Accordingly, the amounts reported in the state financial reports do not necessarily agree with the amounts reported in the accompanying schedule of expenditures of state awards, which is prepared on the accrual basis explained in Note 2.



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Independent Auditors' Report on Internal Control Over Financial Reporting  
 and on Compliance and Other Matters Based on an Audit of Financial Statements  
 Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

To the Board of Trustees of  
The Lake Hopatcong Foundation

**Compliance and Other Matters (Cont'd)**

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nisivoccia LLP*

Mt. Arlington, New Jersey  
July 18, 2018

THE LAKE HOPATCONG FOUNDATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results:

- An unmodified report was issued on The Lake Hopatcong Foundation's financial statements.
- The audit did not disclose any material weaknesses in the internal controls of The Lake Hopatcong Foundation.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of The Lake Hopatcong Foundation.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Responses for State Awards:

- None noted

THE LAKE HOPATCONG FOUNDATION  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED DECEMBER 31, 2017

Status of Prior Year Findings:

There were no audit findings in the prior year.