

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

Financial Statements

December 31, 2018

(With Comparative Totals for 2017)

**The Lake Hopatcong Foundation**  
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**December 31, 2018 and 2017**

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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, 2018, 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, 2018, 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**

**Report on Summarized Comparative Information**

We have previously audited The Lake Hopatcong Foundation's 2017 financial statements, and in our report dated July 18, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**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 September 3, 2019 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.

*Nisiroccia LLP*

Mt. Arlington, New Jersey  
September 3, 2019

**The Lake Hopatcong Foundation**  
**Statement of Financial Position**  
**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 654,209	\$ 458,178
Grants receivable	154,737	292,693
Contributions receivable	378	25,136
Other receivable	44,365	25,000
Prepaid expenses and other assets	<u>2,852</u>	<u>62,057</u>
Total current assets	856,541	863,064
Property and equipment, net	<u>1,721,848</u>	<u>1,154,418</u>
Total assets	<u><u>\$ 2,578,389</u></u>	<u><u>\$ 2,017,482</u></u>
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 187,706	\$ 10,187
Deferred revenue	6,546	41,546
Note payable, current portion	<u>8,482</u>	<u>19,456</u>
Total current liabilities	<u>202,734</u>	<u>71,189</u>
<b>Long-Term Liabilities:</b>		
Note payable, net of current portion		<u>8,382</u>
Total liabilities	<u>202,734</u>	<u>79,571</u>
<b>Net Assets:</b>		
<b>Without donor restrictions:</b>		
Undesignated	818,659	621,632
Investment in property and equipment	1,477,236	1,126,580
Board designated	<u>63,423</u>	<u>112,265</u>
Total net assets without donor restrictions	<u>2,359,318</u>	<u>1,860,477</u>
<b>With donor restrictions:</b>		
Restricted for specific purposes	<u>16,337</u>	<u>77,434</u>
Total net assets	<u>2,375,655</u>	<u>1,937,911</u>
Total liabilities and net assets	<u><u>\$ 2,578,389</u></u>	<u><u>\$ 2,017,482</u></u>

**The Lake Hopatcong Foundation**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**  
**(With Comparative Totals for 2017)**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions	\$ 329,204	\$ 11,994	\$ 341,198	\$ 449,109
Special events	156,888		156,888	122,305
Initiative income	54,323		54,323	36,925
Grant income	361,815		361,815	367,714
In-kind contributions	11,514		11,514	31,632
Interest income	590		590	331
Net assets released from restrictions	73,091	(73,091)		
Total support and revenue	<u>987,425</u>	<u>(61,097)</u>	<u>926,328</u>	<u>1,008,016</u>
Expenses:				
Program services	266,409		266,409	266,534
Management and general	98,539		98,539	89,895
Fundraising	123,636		123,636	77,456
Total expenses	<u>488,584</u>		<u>488,584</u>	<u>433,885</u>
Change in net assets	498,841	(61,097)	437,744	574,131
Net assets, beginning of year	<u>1,860,477</u>	<u>77,434</u>	<u>1,937,911</u>	<u>1,363,780</u>
Net assets, end of year	<u>\$ 2,359,318</u>	<u>\$ 16,337</u>	<u>\$ 2,375,655</u>	<u>\$ 1,937,911</u>

**The Lake Hopatcong Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**  
**(With Comparative Totals for 2017)**

	2018				2017
	Program Services	Management and General	Fundraising	Total	Total
Payroll and related expenses:					
Salaries and wages	\$ 108,130	\$ 38,422	\$ 47,742	\$ 194,294	\$ 157,645
Employee benefits	13,172	4,681	5,816	23,669	26,155
Payroll taxes	9,707	3,449	4,286	17,442	13,490
Total payroll and related expenses	<u>131,009</u>	<u>46,552</u>	<u>57,844</u>	<u>235,405</u>	<u>197,290</u>
Projects and initiatives	50,915			50,915	32,366
Professional fees	27,929	28,144		56,073	113,808
Printing and publications	5,926	61	619	6,606	10,756
Event expenses	247		44,229	44,476	15,886
Office expense and supplies	1,539	1,816	459	3,814	32,142
Postage and delivery	425	1,236	648	2,309	2,198
Insurance	9,293	1,050	2,771	13,114	2,909
Advertising	1,791	198	3,996	5,985	7,842
Outside services	341	5,592	1,034	6,967	5,038
Rent	5,234	1,691	2,075	9,000	3,600
Interest expense	869			869	1,730
Occupancy	14,676	4,742	5,817	25,235	86
Charitable awards	2,300	1,421		3,721	3,900
Depreciation	10,457	3,379	4,144	17,980	
Membership	90	1,931		2,021	2,792
Travel and meetings	3,368	726		4,094	1,542
Total functional expenses	<u>\$ 266,409</u>	<u>\$ 98,539</u>	<u>\$ 123,636</u>	<u>\$ 488,584</u>	<u>\$ 433,885</u>

**The Lake Hopatcong Foundation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**  
**(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 437,744	\$ 574,131
Adjustments to reconcile change in net assets net cash provided by operating activities:		
Depreciation	17,980	
Non-cash contribution of property and equipment		(11,635)
Donor restricted contributions for investment in property and equipment	(349,303)	(219,317)
Changes in operating assets and liabilities:		
Grants receivable	137,956	(209,251)
Contributions receivable	24,758	(24,408)
Other receivable	(19,365)	(25,000)
Prepaid expenses and other assets	59,205	(55,057)
Accounts payable and accrued expenses	177,519	2,235
Deferred revenue	(35,000)	22,209
Net cash provided by operating activities	<u>451,494</u>	<u>53,907</u>
Cash flows from investing activities:		
Purchases of property and equipment	(585,410)	(318,882)
Purchases of assets restricted to investment in property and equipment	<u>154,737</u>	<u>53,150</u>
Net cash used in investing activities	<u>(430,673)</u>	<u>(265,732)</u>
Cash flows from financing activities:		
Principal payments on note payable	(19,356)	(18,495)
Collection of contributions restricted for purchase of property and equipment	<u>194,566</u>	<u>166,167</u>
Net cash provided by financing activities	<u>175,210</u>	<u>147,672</u>
Net increase (decrease) in cash and cash equivalents	196,031	(64,153)
Cash and cash equivalents, beginning of year	<u>458,178</u>	<u>522,331</u>
Cash and cash equivalents, end of year	<u>\$ 654,209</u>	<u>\$ 458,178</u>
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 869</u>	<u>\$ 1,730</u>



**The Lake Hopatcong Foundation**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

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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

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

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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. Additionally, funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

#### 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 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 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.

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, projects and initiatives, 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. Rent and depreciation are allocated on a square footage and 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.

#### 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.

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, 2018 and 2017, 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, 2018 and 2017.

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 (Topic 958) 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 nonprofit entities for fiscal years beginning after December 15, 2017. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for the Foundation for its year ending December 31, 2019. The Foundation is currently evaluating the impact of this standard.

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, 2019. The amendments in this update should be applied retrospectively. The Foundation is currently evaluating the impact of this standard.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU will impact all organizations that receive or make contributions of cash or other assets. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Foundation is currently evaluating the impact of this standard.

### Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2018 through the date of the independent auditors' report and date the financial statements were available to be issued on September 3, 2019. 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.

### 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.

**The Lake Hopatcong Foundation**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

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As of December 31, 2018, 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 balance sheet date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	\$ 654,209
Grants receivable	154,737
Contributions receivable	378
Other receivable	44,365
Prepaid expenses and other assets	<u>2,852</u>
Total financial assets	<u>856,541</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions for specified purposes	(16,337)
Board designated building fund	<u>(63,423)</u>
Financial assets not available to be used within one year	<u>(79,760)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 776,781</u>

4. Contributions Receivable

At December 31, 2018 and 2017, contributions receivable amounted to \$378 and \$25,136, respectively. All contributions receivable are expected to be collected in one year or less.

5. Other Receivable

During the year ended December 31, 2016, the Foundation entered into a tuition loan agreement with the 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 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, 2018 and 2017, funds advanced by the Foundation amounted to \$44,365 and \$25,000, respectively.

**The Lake Hopatcong Foundation**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

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6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	<u>Useful Life</u>	<u>2018</u>	<u>2017</u>
Software	3		\$ 27,210
Construction in progress		\$1,569,894	1,154,418
Floating classroom	7	147,350	
Equipment	5	16,181	
Furniture and fixtures	7	6,403	
		<u>1,739,828</u>	<u>1,181,628</u>
Less: accumulated depreciation		<u>(17,980)</u>	<u>(27,210)</u>
Net property and equipment		<u>\$1,721,848</u>	<u>\$1,154,418</u>

Depreciation expense amounted to \$17,980 and \$0 for the years ended December 31, 2018 and 2017, respectively.

7. Note Payable

Note payable consisted of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
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.	<u>\$ 8,482</u>	<u>\$ 27,838</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,

2019	\$ 8,482
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**The Lake Hopatcong Foundation**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

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8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Building project		\$ 40,334
Office relocation	\$ 16,337	35,000
Floating classroom		2,100
Total	<u>\$ 16,337</u>	<u>\$ 77,434</u>

Net assets with donor restrictions during the years ended December 31, 2018 and 2017 for the following programs:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
Building project	\$ 42,828	\$ 128,733
Floating classroom	2,100	48,150
Boat races		5,119
Office relocation	23,663	
Lake Hopatcong community cleanup	4,500	
Total	<u>\$ 73,091</u>	<u>\$ 182,002</u>

9. Board Designated Funds

Board designated funds consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building project	<u>\$ 63,423</u>	<u>\$ 112,265</u>

10. 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, 2018 and 2017, the Foundation received \$215,243 and \$178,600 respectively, in contributions from one member of its Board of Trustees.

**The Lake Hopatcong Foundation**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

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During each of the years ended December 31, 2018 and 2017, the Foundation advanced \$25,000 to the Executive Director as an employee loan related to tuition costs. (See note 5).

11. Concentrations

Major Donors

During the years ended December 31, 2018 and 2017, the Foundation received approximately \$256,243 and \$325,000, respectively, in contributions from three and 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.

12. 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Professional fees	\$ 420	\$ 1,170
Rent	9,000	3,600
Services	1,732	25,913
Supplies	362	949
	<u>\$ 11,514</u>	<u>\$ 31,632</u>

For the years ended December 31, 2018 and 2017, the following in-kind contributions were received from companies controlled by members of its Board of Trustees:

	<u>2018</u>	<u>2017</u>
Professional fees	\$ 420	\$ 1,170
Rent	9,000	3,600
	<u>\$ 9,420</u>	<u>\$ 4,770</u>

SUPPLEMENTARY INFORMATION

**The Lake Hopatcong Foundation**  
**Schedule of Expenditures of State Awards**  
**Year Ended December 31, 2018**

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>							
Preservation Grant	2017.2010	N/A	01/16/2018 - 01/16/2023	\$ 259,775	\$ 259,775	\$ 187,765	\$ 194,501
Total NJ Department of Community Affairs				<u>259,775</u>	<u>259,775</u>	<u>187,765</u>	<u>194,501</u>
Total State Awards				<u>\$ 259,775</u>	<u>\$ 259,775</u>	<u>\$ 187,765</u>	<u>\$ 194,501</u>

**The Lake Hopatcong Foundation**  
**Notes to the Schedules of Expenditures of State Awards**  
**December 31, 2018**

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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.

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.

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.

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, 2018, 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 August 23, 2019.

### **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.

*Nisiroccia LLP*

Mt. Arlington, New Jersey  
September 3, 2019

**The Lake Hopatcong Foundation**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2018**

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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, 2018**

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Status of Prior Year Findings:

There were no audit findings in the prior year.