

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

Financial Statements

December 31, 2019

(With Comparative Totals for 2018)



NISIVOCCIA
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The Lake Hopatcong Foundation
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December 31, 2019 and 2018

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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, 2019, 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, 2019, 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 2018 financial statements, and in our report dated September 3, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisiroccia LLP

Mt. Arlington, New Jersey
August 20, 2020

The Lake Hopatcong Foundation
Statement of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 475,274	\$ 654,209
Grants receivable	38,078	154,737
Contributions receivable		378
Other receivable	31,866	44,365
Prepaid expenses and other assets		<u>2,852</u>
Total current assets	<u>545,218</u>	<u>856,541</u>
Property and equipment, net	<u>1,906,166</u>	<u>1,721,848</u>
Total assets	<u><u>\$ 2,451,384</u></u>	<u><u>\$ 2,578,389</u></u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 39,933	\$ 187,706
Note payable		<u>8,482</u>
Total current liabilities	<u>39,933</u>	<u>196,188</u>
Net Assets:		
Without donor restrictions:		
Undesignated	462,703	825,205
Investment in property and equipment	1,906,166	1,477,236
Board designated		<u>63,423</u>
Total net assets without donor restrictions	<u>2,368,869</u>	<u>2,365,864</u>
With donor restrictions:		
Restricted for specific purposes	12,582	16,337
Restricted for specific time period	<u>30,000</u>	
Total net assets with donor restrictions	<u>42,582</u>	<u>16,337</u>
Total net assets	<u>2,411,451</u>	<u>2,382,201</u>
Total liabilities and net assets	<u><u>\$ 2,451,384</u></u>	<u><u>\$ 2,578,389</u></u>

The Lake Hopatcong Foundation
Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions	\$ 185,202	\$ 47,619	\$ 232,821	\$ 347,744
Special events	163,221		163,221	156,888
Initiative income	66,672		66,672	54,323
Grant income	163,371		163,371	361,815
In-kind contributions	5,437		5,437	11,514
Interest income	1,805		1,805	590
Net assets released from restrictions	21,374	(21,374)		
Total support and revenue	<u>607,082</u>	<u>26,245</u>	<u>633,327</u>	<u>932,874</u>
Expenses:				
Program services	318,737		318,737	266,409
Management and general	146,944		146,944	98,539
Fundraising	138,396		138,396	123,636
Total expenses	<u>604,077</u>		<u>604,077</u>	<u>488,584</u>
Change in net assets	3,005	26,245	29,250	444,290
Net assets, beginning of year	<u>2,365,864</u>	<u>16,337</u>	<u>2,382,201</u>	<u>1,937,911</u>
Net assets, end of year	<u>\$ 2,368,869</u>	<u>\$ 42,582</u>	<u>\$ 2,411,451</u>	<u>\$ 2,382,201</u>

The Lake Hopatcong Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019				2018
	Program Services	Management and General	Fundraising	Total	Total
Payroll and related expenses:					
Salaries and wages	\$ 145,429	\$ 62,128	\$ 43,344	\$ 250,901	\$ 194,294
Employee benefits	15,116	5,086	7,155	27,357	23,669
Payroll taxes	16,703	1,389	5,262	23,354	17,442
Total payroll and related expenses	<u>177,248</u>	<u>68,603</u>	<u>55,761</u>	<u>301,612</u>	<u>235,405</u>
Projects and initiatives	36,223			36,223	50,915
Professional fees	35,488	43,224	2,420	81,132	56,073
Printing and publications	881	738	229	1,848	6,606
Event expenses	3,187	1,910	43,031	48,128	44,476
Office expense and supplies	12,291	7,167	11,380	30,838	3,814
Postage and delivery	638	922	1,219	2,779	2,309
Insurance	6,043	5,201	1,524	12,768	13,114
Advertising	1,762	516	3,217	5,495	5,985
Outside services	661	1,698	857	3,216	6,967
Rent					9,000
Interest expense	99			99	869
Occupancy	14,986	4,602	6,499	26,087	25,235
Charitable awards	50	1,200		1,250	3,721
Depreciation	25,081	8,439	11,872	45,392	17,980
Membership	758	1,462		2,220	2,021
Travel and meetings	3,341	1,262	387	4,990	4,094
Total functional expenses	<u>\$ 318,737</u>	<u>\$ 146,944</u>	<u>\$ 138,396</u>	<u>\$ 604,077</u>	<u>\$ 488,584</u>

The Lake Hopatcong Foundation
Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 29,250	\$ 444,290
Adjustments to reconcile change in net assets		
net cash provided by (used in) operating activities:		
Depreciation	45,392	17,980
Donor restricted contributions for investment		
in property and equipment	(125,375)	(349,303)
Changes in operating assets and liabilities:		
Grants receivable	116,659	137,956
Contributions receivable	378	24,758
Other receivable	12,499	(19,365)
Prepaid expenses and other assets	2,852	59,205
Accounts payable and accrued expenses	(147,773)	177,519
Deferred revenue		(41,546)
Net cash provided by (used in) operating activities	<u>(66,118)</u>	<u>451,494</u>
Cash flows from investing activities:		
Purchases of property and equipment	(229,709)	(585,410)
Future reimbursement for purchases of assets restricted		
to investment in property and equipment	<u>38,075</u>	<u>154,737</u>
Net cash used in investing activities	<u>(191,634)</u>	<u>(430,673)</u>
Cash flows from financing activities:		
Principal payments on note payable	(8,482)	(19,356)
Collection of contributions restricted for purchase of		
property and equipment	<u>87,300</u>	<u>194,566</u>
Net cash provided by financing activities	<u>78,818</u>	<u>175,210</u>
Net increase (decrease) in cash and cash equivalents	(178,934)	196,031
Cash and cash equivalents, beginning of year	<u>654,209</u>	<u>458,178</u>
Cash and cash equivalents, end of year	<u>\$ 475,275</u>	<u>\$ 654,209</u>
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 99</u>	<u>\$ 869</u>
Supplemental disclosure of noncash transactions:		
In-kind donation of goods and services	<u>\$ 5,437</u>	<u>\$ 11,514</u>

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2019 and 2018

1. Nature of Activities

The Lake Hopatcong Foundation (the “Foundation”), which is located in Lake Hopatcong, N.J., was formed in 2012 as a New Jersey nonprofit corporation. The primary purpose of the Foundation is to protect the lake environment and enhance the lake experience for those on and around New Jersey’s largest lake. Contributions, fundraising events, and grant income are the Foundation’s primary source of revenue. Initiatives include:

- Support the health of Lake Hopatcong through supporting projects that prevent algae blooms, phosphorus growth, and the spread of invasive species
- Protect those who use the lake through added safety measures, including supplemental police patrols, growing a dock numbering program, and supporting the first responders on the lake with equipment purchases
- Educate those who live around the lake about how best to care for the watershed, including through a spring field trip program, Floating Classroom excursions, a children’s book, and educational talks and films
- Create a trail system that fully surrounds Lake Hopatcong
- Bring together the Lake Hopatcong community through an annual Block Party and community events at the Lake Hopatcong Environmental and Cultural Center
- Share arts and cultural experiences at the Lake Hopatcong Environmental and Cultural Center, including museum exhibits, informative lectures, and a native plant garden with signage.
- Coordinate with other organizations and governmental entities on water quality issues and weed control alternatives.
- Advocate for the lake by furnishing information to elected and governmental officials and encouraging a coordinated lake community response to issues as they arise.

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.

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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 Foundation has adopted ASU 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended with the cumulative effect resulting in a \$6,546 decrease to deferred revenue and a corresponding decrease to change in net assets and net assets without donor restrictions.

As part of the adoption of ASC 606, the Foundation elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2019 and 2018

The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Revenue and Support Recognition

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

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

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

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31, 2019 and December 31, 2018:

	<u>2019</u>	<u>2018</u>
Performance obligations satisfied at a point in time	<u>\$ 126,705</u>	<u>\$ 100,802</u>

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

Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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. The statement of functional expenses presents the natural classification detail of expenses by function. 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, Grants, and Other 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, 2019 and 2018, 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, 2019 and 2018.

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

Note Payable: Long-term debt is carried at amortized cost since management believes the Foundation can obtain similar loans at similar terms. Accordingly, management of the Foundation has determined that cost approximates fair value.

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

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 Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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

As of December 31, 2019, the following table shows the total financial assets held by the Foundation and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	\$ 475,274
Grants receivable	38,078
Other receivable	31,866
Total financial assets	<u>545,218</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions for specified purposes	<u>(12,582)</u>
Financial assets not available to be used within one year	<u>(12,582)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 532,636</u></u>

4. 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, 2019 and 2018, funds advanced by the Foundation amounted to \$31,866 and \$44,365, respectively.

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2019 and 2018

5. Property and Equipment

Property and equipment consisted of the following as of December 31, 2019 and 2018:

	<u>Useful Life (Years)</u>	<u>2019</u>	<u>2018</u>
Construction in progress		\$ 19,997	\$ 1,569,894
Buildings and improvements	39	1,767,890	
Floating classroom	7	147,350	147,350
Equipment	5	18,812	16,181
Furniture and fixtures	7	15,489	6,403
		<u>1,969,538</u>	<u>1,739,828</u>
Less: accumulated depreciation		<u>(63,372)</u>	<u>(17,980)</u>
Net property and equipment		<u>\$1,906,166</u>	<u>\$ 1,721,848</u>

Depreciation expense amounted to \$45,392 and \$17,980 for the years ended December 31, 2019 and 2018, respectively.

Property and equipment consisted primarily of a historic building, which was purchased in 2014 for \$445,617 with \$1,322,275 added to the cost due to a historically accurate reconstruction performed. During 2019, following the completion of the reconstruction, depreciation began on the building which currently has a net book value of \$1,749,004 at December 31, 2019. The reconstruction was primarily funded by historic preservation grants of \$1,231,346.

6. Note Payable

Note payable consisted of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</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 was made during the year ended December 31, 2019. The note was secured by the mortgage on the land located in Landing, NJ.	<u>\$ -</u>	<u>\$ 8,482</u>

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2019 and 2018

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Office relocation	\$ 2,657	\$ 16,337
Lake safety	5,000	
Field trips	2,500	
AV equipment	2,425	
Total	<u>\$ 12,582</u>	<u>\$ 16,337</u>

Net assets with donor restrictions are restricted for the following time period as of December 31, 2019:

	<u>2019</u>
Subject to expenditure for specified time period:	
Year ended December 31, 2020	<u>\$ 30,000</u>

Net assets released from donor restrictions during the years ended December 31, 2019 and 2018 by incurring expenses satisfying the specified restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Building project		\$ 42,828
Floating classroom		2,100
Office relocation	\$ 13,680	23,663
Lake Hopatcong community cleanup	5,119	4,500
AV equipment	2,575	
Total	<u>\$ 21,374</u>	<u>\$ 73,091</u>

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2019 and 2018

8. Board Designated Funds

Board designated funds consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building project	<u>\$ -</u>	<u>\$ 63,423</u>

During the years ended December 31, 2019 and 2018, \$63,423 and \$48,842 of board designated net assets were utilized in accordance with their designated purpose, respectively.

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, 2019 and 2018, the Foundation received \$111,743 and \$215,243 respectively, in contributions from one member of its Board of Trustees.

During the year ended December 31, 2018, the Foundation advanced \$25,000 to the Executive Director as an employee loan related to tuition costs. (See note 4).

10. Concentrations

Major Donors

During the years ended December 31, 2019 and 2018, the Foundation received approximately \$165,343 and \$256,243, respectively, in contributions from three donors.

Credit Risk

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

The Lake Hopatcong Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Professional fees	\$ 1,015	\$ 420
Rent		9,000
Services	2,794	1,732
Supplies	<u>1,628</u>	<u>362</u>
	<u>\$ 5,437</u>	<u>\$ 11,514</u>

For the years ended December 31, 2019 and 2018, the following in-kind contributions were received from companies controlled by members of its Board of Trustees:

	<u>2019</u>	<u>2018</u>
Professional fees	\$ 1,015	\$ 420
Rent		9,000
	<u>\$ 1,015</u>	<u>\$ 9,420</u>

12. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2019 through the date of the independent auditors' report and the date the financial statements were available to be issued, August 20, 2020. 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. However, the Coronavirus Disease 2019 ("COVID-19") global pandemic has created stock market volatility, economic uncertainties and other uncertainties that may have an impact on the Foundation's operations, financial statements and cash flows in the future. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and extent of the pandemic and mitigation measures implemented in the United States and New Jersey, impact on our donors, employees and suppliers all of which are uncertain and cannot be predicted. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and impact. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.