

**Special Improvement District of Netcong Borough, Inc.  
(a New Jersey Non-Profit Corporation)**

**Financial Statements**

**Years Ended December 31, 2016 and 2015**

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CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**To the Board of Trustees  
Special Improvement District of Netcong Borough, Inc.**

Management is responsible for the accompanying financial statements of Special Improvement District of Netcong Borough, Inc. (a New Jersey non-profit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*Caristia, Kulsar & Wade, LLC*

**CARISTIA, KULSAR, & WADE, LLC**  
Sparta, New Jersey  
April 20, 2017

**Special Improvement District of Netcong Borough, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	2016	2015
<b><u>Assets</u></b>		
<b>Assets</b>		
Cash	\$ 15,788	\$ 22,810
Assessments receivable	3,450	2,019
Intangible assets, net of accumulated amortization	6,750	-
<b>Total assets</b>	<b>\$ 25,988</b>	<b>\$ 24,829</b>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,500	\$ 1,500
<b>Total liabilities</b>	<b>1,500</b>	<b>1,500</b>
<b>Net Assets:</b>		
Unrestricted	24,488	23,329
<b>Total unrestricted net assets</b>	<b>24,488</b>	<b>23,329</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,988</b>	<b>\$ 24,829</b>

See accompanying notes and independent accountants' compilation report

**Special Improvement District of Netcong Borough, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b><u>Unrestricted Net Assets</u></b>		
<b>Revenues</b>		
Borough of Netcong-special improvement district assessments	\$ 35,291	\$ 21,983
Borough of Netcong-grants	5,000	5,000
Contributions	4,165	1,010
<b>Total revenue</b>	<b>44,456</b>	<b>27,993</b>
<b>Expenses</b>		
Community improvement expenses	\$ 25,907	\$ 1,279
Special events	8,100	2,557
Outside services	5,065	3,135
Insurance	2,029	2,003
Office expenses	1,446	941
Amortization expense	750	-
Management fees	-	12,000
<b>Total expenses</b>	<b>43,297</b>	<b>21,915</b>
<b>Changes in net assets</b>	<b>1,159</b>	<b>6,078</b>
<b>Net assets - beginning of year</b>	<b>23,329</b>	<b>17,251</b>
<b>Net assets - end of year</b>	<b>\$ 24,488</b>	<b>\$ 23,329</b>

See accompanying notes and independent accountants' compilation report

**Special Improvement District of Netcong Borough, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 1,159	\$ 6,078
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</b>		
Amortization	750	-
Decrease (increase) in:		
Assessments receivable	(1,431)	4,119
<b>Total adjustments</b>	(681)	4,119
<b>Net cash provided by operating activities:</b>	478	10,197
<b>Cash flows from investing activities:</b>		
Purchases of intangible assets	(7,500)	-
<b>Net cash used by investing activities</b>	(7,500)	-
<b>Net increase (decrease) in cash</b>	(7,022)	10,197
<b>Cash, beginning of year</b>	22,810	12,613
<b>Cash, end of year</b>	\$ 15,788	\$ 22,810
 <b><u>Supplemental Cash Flow Information:</u></b>		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See accompanying notes and independent accountants' compilation report

**Special Improvement District of Netcong Borough, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 1 - Nature of Business**

In 2001, the Borough of Netcong, New Jersey (the "Borough") created a special improvement district (the "District") within the borough. The Special Improvement District of Netcong Borough, Inc. (the "Organization") was created on November 28, 2001 pursuant to the provisions of N.J.S.A. 40:56-65, et seq. The Organization began operations in February 2002 and provides administrative and other services to benefit the businesses, employees, residents, and consumers within the District. The Organization's primary sources of revenue are assessments, grants, and contributions.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Each class of net assets is defined as follows:

Unrestricted Net Assets: consists of assets, public support, and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use, unless specifically restricted by the donor.

Temporarily Restricted Net Assets: consists of assets, public support, and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use, unless specifically restricted by the donor.

Permanently Restricted Net Assets: includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but typically permits the Organization to expend part or all of the income derived from the donated assets.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Organization reports temporarily restricted revenues as unrestricted support whenever the restrictions are satisfied within the same reporting period in which the revenue is recognized.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they are dependent upon are substantially met.

**Assessments Receivable**

Management expects all receivables to be collectible. No allowance has been recorded for uncollectible accounts.

**Special Improvement District of Netcong Borough, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Tax Status**

The Organization qualifies as a tax-exempt organization under Internal Revenue Code ("IRC") Section 501(c)(3) and State of New Jersey Title 15, "New Jersey Nonprofit Corporation Act." Accordingly, the Organization is exempt from federal and state income taxes. These sections enable the Organization to accept donations, which qualify as charitable contributions to the donor. The Organization is not classified as a private Foundation.

The Organization follows "Accounting for Uncertainty in Income Taxes", in accordance with GAAP. The determination of uncertain tax positions uses tax judgments which are based on the requirements for maintaining tax-exempt status and on the filing of various information returns.

The Organization files federal information tax returns with the IRS and state information returns with the State of New Jersey. The Organization is subject to income tax examinations at any time within three years from the latest filing date for federal and four years from the latest filing date for New Jersey.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and contingent liabilities at the date of the financial statements during the reporting period. Actual results could differ from those estimates.

**Donated Services**

A portion of the Organization's functions are conducted by unpaid officers, board members, and volunteers. The value of this contributed time is not reflected in the accompanying financial statements, since the volunteers' time does not meet the criteria necessary for recognition.

**Intangible Asset**

The intangible asset, which represents costs incurred in connection with developing the Organization's website and related software, is carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

**Fair Value Measurements**

The Organization follows "Fair Value Measurements," under GAAP, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. "Fair Value Measurements" applies to other accounting pronouncements that require or permit fair value measurements. The primary effect of following "Fair Value Measurements" on the Organization is to expand the required disclosures pertaining to methods used to determine fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

"Fair Value Measurements" establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under "Fair Value Measurements" are as follows:

- Level 1:** Unadjusted quoted prices in active markets that are accessible at the measurement for identical, unrestricted assets or liabilities.



**Special Improvement District of Netcong Borough, Inc.  
Notes to Financial Statements  
December 31, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Fair Value Measurements (continued)**

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

The Organization bases its fair value on the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. It is the Organization's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

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

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

**Reclassification**

Certain prior year amounts have been reclassified to conform to the current year financial statements.

**Note 3 - Intangible Assets**

Intangible assets consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Website and software development	\$ 7,500	\$ -
Less: accumulated amortization	(750)	-
Net intangible assets	<u>\$ 6,750</u>	<u>\$ -</u>

Amortization expense amounted to \$750 and \$0 for the years ended December 31, 2016 and 2015, respectively.

Estimated future amortization for the succeeding five years is as follows:

<u>Year Ended December 31,</u>	
2017	\$ 1,500
2018	1,500
2019	1,500
2020	1,500
2021	750
	<u>\$ 6,750</u>

**Special Improvement District of Netcong Borough, Inc.  
Notes to Financial Statements  
December 31, 2016 and 2015**

**Note 4 - Classification of Functional Expenses**

	2016	2015
Program	\$ 33,339	\$ 15,742
General and administrative	1,858	3,616
Fundraising	8,100	2,557
Total expenses	\$ 43,297	\$ 21,915

**Note 5 - Concentrations**

As indicated in Note 1, the Organization is primarily funded through public sources, including assessments, contributions, and grants. Revenues provided by the Borough are contingent upon approved budgets and allocations. Approximately 91% and 96% of the Organization's total revenue and support for the years ended December 31, 2016 and 2015, was from special assessment taxes and grants provided by the Borough, respectively.

**Note 6 - Subsequent Events**

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through April 20, 2017, the date the financial statements were available for issue. 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 non-recognized subsequent events that require additional disclosures.