

**SOUTH ORANGE VILLAGE CENTER ALLIANCE,  
INC.  
SOUTH ORANGE, NEW JERSEY**

**FINANCIAL STATEMENTS – CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31,  
2014 AND 2013**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**SOUTH ORANGE, NEW JERSEY**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Chairman and Members of the  
Board of Trustees  
South Orange Village Center Alliance, Inc.  
South Orange, New Jersey

### **Report on the Financials**

We have audited the accompanying financial statements of South Orange Village Center Alliance, Inc. (a nonprofit organization) which comprise the statement of financial position – cash basis as of December 31, 2014 and 2013, and the related statements of activities - cash basis and cash flows – cash basis for the years then ended and the related notes to the financial statements – cash basis.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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.

**Basis for Disclaimer of Opinion on Consistency**

This was the first audit of the Entity’s financial statements and, as instructed, the scope of our engagement did not include an audit of the financial statements of the preceding year (year ended December 31, 2012) sufficient to enable us to express an opinion on the consistency of application of accounting principles with the preceding year.

**Disclaimer on Consistency**

Because of the significance of the matter discussed in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consistency of application of accounting principles with the preceding year. Accordingly, we do not express such an opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – cash basis of the South Orange Village Center Alliance, Inc. as of December 31, 2014 and 2013, and changes in net assets – cash basis and cash flows – cash basis for the years then ended in accordance with the cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, on our consideration of South Orange Village Center Alliance, Inc.’s internal control over financial reporting and on our test 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 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 South Orange Village Center Alliance, Inc.’s internal control over financial reporting and compliance.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

Highland Park, New Jersey  
August 28, 2015

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**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**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members of  
the Board of Commissioners  
South Orange Village Center Alliance, Inc.  
South Orange, New Jersey

We have audited, in accordance with 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 South Orange Village Center Alliance, Inc. (a non-profit organization), which comprise the statement of financial position – cash basis as of December 31, 2014 and 2013, and the related statement of activities – cash basis and cash flows – cash basis for the years then ended, and the related notes to the financial statements – cash basis and have issued our report thereon dated August 28, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the South Orange Village Center Alliance, Inc.'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 South Orange Village Center Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the South Orange Village Center Alliance, Inc.'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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be control deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Orange Village Center Alliance, Inc.'s financial statements are free from 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. 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*.

We have noted certain other matters involving compliance and control that we have reported to the management of South Orange Village Center Alliance, Inc. in the General Comments section of the audit report.

### **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 of the effectiveness of the entity'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 entity's internal control and compliance; accordingly, this communication is not suitable for any other purpose.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

Highland Park, New Jersey  
August 28, 2015

**EXHIBITS**

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**COUNTY OF ESSEX, NEW JERSEY**

**STATEMENT OF FINANCIAL POSITION - CASH BASIS**  
**DECEMBER 31, 2014 AND 2013**

	<b>December 31, <u>2014</u></b>	<b>December 31, <u>2013</u></b>
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ <u>112,324.63</u>	\$ <u>91,214.04</u>
<b>Total Assets</b>	<b>\$ <u><u>112,324.63</u></u></b>	<b>\$ <u><u>91,214.04</u></u></b>
<b>Liabilities and Net Position</b>		
Net Position		
Unrestricted	<u>112,324.63</u>	<u>91,214.04</u>
Total Net Position	<u>112,324.63</u>	<u>91,214.04</u>
<b>Total Liabilities and Net Position</b>	<b>\$ <u><u>112,324.63</u></u></b>	<b>\$ <u><u>91,214.04</u></u></b>

Note: See notes to financial statements - cash basis.



**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.  
COUNTY OF MIDDLESEX, NEW JERSEY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Changes in Unrestricted Net Position:		
Unrestricted Support:		
BID Tax	\$ 53,500.00	\$ 36,000.00
Municipal Support	168,500.00	182,166.70
Other		
Program & Sponsorship Fees	<u>64,977.28</u>	<u>13,482.65</u>
Total Unrestricted Support	<u>286,977.28</u>	<u>231,649.35</u>
Total Unrestricted Support and Revenue	<u>286,977.28</u>	<u>231,649.35</u>
Expenses:		
Program Expenses	129,204.29	35,172.32
Management and General	<u>136,662.40</u>	<u>118,763.99</u>
Total Expenses	<u>265,866.69</u>	<u>153,936.31</u>
Increase (Decrease) in Unrestricted Net Postion	<u>21,110.59</u>	<u>77,713.04</u>
Increase (Decrease) in Net Position	21,110.59	77,713.04
Net Postion at Beginning of Year	<u>91,214.34</u>	<u>13,501.30</u>
<b>Net Position at End of Year</b>	<b><u>\$ 112,324.93</u></b>	<b><u>\$ 91,214.34</u></b>

Note: See notes to financial statements - cash basis.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**COUNTY OF ESSEX, NEW JERSEY**

**STATEMENT OF CASH FLOWS - CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

	<b>December 31, <u>2014</u></b>	<b>December 31, <u>2013</u></b>
Cash Flows From Operating Activities		
Revenue Collected:		
Bid Tax	\$ 53,500.00	\$ 36,000.00
Municipal Support	168,500.00	182,166.70
Other		
Program & Sponsorship Fees	64,977.28	13,482.65
Payments for Expenses:		
Program Services	(129,204.29)	(35,172.32)
Management and General	<u>(136,662.40)</u>	<u>(118,763.99)</u>
<b>Net Cash Provided By Operating Activities</b>	<b><u>21,110.59</u></b>	<b><u>77,713.04</u></b>
Net Increase in Cash and Cash Equivalents	21,110.59	77,713.04
Cash and Cash Equivalents at Beginning of Year	<u>91,214.34</u>	<u>13,501.30</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u><u>112,324.93</u></u></b>	<b>\$ <u><u>91,214.34</u></u></b>
Reconciliation of Increase in Net Posiiton to Net Cash Provided By Operating Activities:		
(Decrease)/Increase in Net Posiiton	\$ <u>21,110.59</u>	\$ <u>77,713.04</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u><u>21,110.59</u></u></b>	<b>\$ <u><u>77,713.04</u></u></b>

Note: See notes to financial statements - cash basis.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**SOUTH ORANGE, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS –CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

South Orange Village Center Alliance, Inc. (“SOVCA”) was organized and incorporated in the Township of South Orange Village, Essex County, New Jersey in 2012 as a non-profit corporation. The purpose for which SOVCA was formed was to assist in the enhancement of the business district within the Township of South Orange Village.

The Special Improvement District was created pursuant to an adopted Ordinance (No. 2012-01) of the Township of South Orange Village, County of Essex, New Jersey and thereby authorizing a District Management Corporation. The Township of South Orange Village designated Main Street South Orange, Inc. to serve as the District Management Corporation. Main Street South Orange, Inc. is currently doing business as (dba) South Orange Village Center Alliance, Inc.

**Basis of Accounting**

The financial statements of South Orange Village Center Alliance, Inc. have been prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when collected rather than earned, and expenses are recognized when paid rather than incurred.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standard Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organization*. Net Position and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, Net Position of South Orange Village Center Alliance, Inc. and changes therein, are classified and reported as follows:

***Unrestricted Net Position*** - Net Position that are not subject to donor impose restrictions.

***Temporarily Restricted Net Position*** - Net Position subject to donor-imposed stipulations that may or will be met, either by actions of SOVCA or passage of time. When a restriction expires, temporarily restricted Net Position are reclassified to unrestricted Net Position and reported in the statement of activities as Net Position released from restrictions. SOVCA has no temporarily restricted Net Position.

## NOTES TO FINANCIAL STATEMENTS

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

#### Basis of Presentation (cont'd.)

*Permanently Restricted Net Position* - Net Position subject to donor imposed stipulations that they be maintained permanently by SOVCA. Generally the donor of these assets permit organizations to use all or part of the income earned on any related investments for general or specific purposes. SOVCA has no permanently restricted Net Position.

#### Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Income Tax Status

South Orange Village Center Alliance, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. South Orange Village Center Alliance, Inc. files a federal form 990, "Return of Organization Exempt from Income Tax," on an annual basis when required.

#### Donated Services, Goods, and Facilities

A substantial number of volunteers have donated services to the organization during the year; however these donated services are not reflected in the financial statements since these services do not require specialized skills. In addition, the organization is the recipient of the donation of various used equipment and furnishings that also are not reflected in the financial statements due to their limited value.

### Note 2: BUSINESS IMPROVEMENT DISTRICT

The Township of South Orange Village has established a Business Improvement District (the SID"), which encompasses certain business areas, defined within the Township. Main Street South Orange, Inc. doing business as (dba) South Orange Village Center Alliance, Inc. has been designated to serve in the capacity of manager for the SID and will be responsible for overseeing the SID's redevelopment, including the stewardship over tax revenues and any grants received from funding sources.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 3: CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents consist of cash amounts held in a checking account. At year-end and throughout the year, the Organization's cash balance was deposited in one banking institution, with on deposit amounts totaling \$128,117.27 and \$91,721.42 respectively for December 31, 2014 and 2013. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents. The Organization has not experienced any losses on its cash and cash equivalents. The Organization did not purchase or report investment activity during the year.

### **NOTE 4: PROPERTY AND EQUIPMENT**

South Orange Village Center Alliance, Inc. does not own any property or equipment.

### **NOTE 5: COMMITMENTS – EMPLOYEE BENEFITS**

Employees may carry unused vacation time of five (5) days with the approval of the Executive Director.

### **NOTE 6: CONTINGENT LIABILITIES AND PENDING LITIGATION**

As of the date of this report management maintains there is no litigation pending which, if decided adversely to the entity would have a material financial impact on the entity.

### **Note 7: SUBSEQUENT EVENTS**

Reviews for events subsequent to the date of the financial statements and through August 30, 2015 indicated no matters for which additional disclosures are require.

**GENERAL COMMENTS**

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**SOUTH ORANGE, NEW JERSEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SIGNIFICANT DEFICIENCIES - MATERIAL WEAKNESSES:**

None

**SIGNIFICANT DEFICIENCIES:**

None

**CONTROL DEFICIENCIES:**

Finding 2014-1      Segregation of Duties

Conditions exist whereby the same individual may collect, record and deposit funds, and also, record cash receipts, record liabilities, and/or cash disbursements. This condition is the result of multiple tasks performed by the same individual and the level of staffing within South Orange Village Center Alliance, Inc.

**NON-COMPLIANCES:**

None

**Auditee Response:**

Finding is a result of the staffing levels authorized by the Board.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**SOUTH ORANGE, NEW JERSEY**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOT APPLICABLE**