

UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**Schulman Black & Katz, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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# Schulman Black & Katz, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Upper Greenwood Lake Property Owners' Association, Inc.  
Hewitt, New Jersey

### Opinion

We have audited the accompanying financial statements of Upper Greenwood Lake Property Owners' Association, Inc. (a not for profit organization), which comprise the statements of assets, liabilities, and fund balances – modified cash basis as of December 31, 2023, and the related statements of revenues and expenses – modified cash basis and changes in fund balances – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of Upper Greenwood Lake Property Owners' Association, Inc. as of December 31, 2023, and its revenue and expenses and changes in fund balances for the year then ended, in accordance with the modified basis of accounting as described in Note 2.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Greenwood Lake Property Owners' Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation 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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Greenwood Lake Property Owners' Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Upper Greenwood Lake Property Owners' Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Greenwood Lake Property Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Omission of Required Supplementary Information about Future Major Repairs and Replacements**

Management has omitted the estimated remaining lives and replacement costs of the common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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 this matter.

*Schulman Black & Katz*

SCHULMAN BLACK & KATZ, LLP  
 Certified Public Accountants  
 New City, New York  
 October 28, 2024

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Assets, Liabilities and Fund Balances**  
**Modified Cash Basis**  
**December 31, 2023**

	Total	POA Fund	Easement Fund
<b><u>ASSETS</u></b>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 498,969	\$ 148,163	\$ 350,806
Investments	838,573	164,752	673,821
Investments - Restricted for Dredging Expenses	438,720	-	438,720
Investments - Restricted for Sinking Funds	328,526	-	328,526
Cash - Restricted for Capital Improvements	68,638	68,638	-
Cash - Restricted for Encroachment Enforcement	30,220	-	30,220
Prepaid Capital Improvement Costs	3,000	3,000	-
Interfund Receivable/(Payable)	-	262	(262)
Total Current Assets	<u>2,206,646</u>	<u>384,815</u>	<u>1,821,831</u>
Property and Equipment:			
Land	55,320	19,335	35,985
Land Improvements	1,425,462	20,251	1,405,211
Building	677,717	669,127	8,590
Building Improvements	14,000	-	14,000
Bulkhead Improvements	222,939	-	222,939
Dam Improvements	132,408	-	132,408
Equipment and Clubhouse Improvements	286,824	212,923	73,901
Total	<u>2,814,670</u>	<u>921,636</u>	<u>1,893,034</u>
Less: Accumulated Depreciation	<u>1,586,795</u>	<u>540,844</u>	<u>1,045,951</u>
Total Property and Equipment (Net)	<u>1,227,875</u>	<u>380,792</u>	<u>847,083</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,434,521</u></u>	<u><u>\$ 765,607</u></u>	<u><u>\$ 2,668,914</u></u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Current Liabilities:			
Accrued Interest Payable	\$ 51,634	\$ -	\$ 51,634
Clubhouse Deposits Payable	1,660	1,660	-
Total Current Liabilities	<u>53,294</u>	<u>1,660</u>	<u>51,634</u>
Noncurrent Liabilities:			
Long-Term Debt (Note 5)	<u>581,990</u>	<u>-</u>	<u>581,990</u>
<b>TOTAL LIABILITIES</b>	<u>635,284</u>	<u>1,660</u>	<u>633,624</u>
<b>FUND BALANCES</b>			
Unrestricted General Fund	1,933,133	695,309	1,237,824
Restricted:			
Barge Motor Trust Fund	5,500	-	5,500
Boat Motor Trust Fund	17,000	-	17,000
Clubhouse Capital Improvement Fund	68,638	68,638	-
Dam Fund	197,353	-	197,353
Dredging Trust Fund	34,196	-	34,196
Encroachment Enforcement Fund	30,220	-	30,220
Future Dredging Fund	404,524	-	404,524
Stump/Tree Removal Sinking Fund	108,673	-	108,673
Total Restricted Funds	<u>866,104</u>	<u>68,638</u>	<u>797,466</u>
Total Fund Balances	<u>2,799,237</u>	<u>763,947</u>	<u>2,035,290</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,434,521</u></u>	<u><u>\$ 765,607</u></u>	<u><u>\$ 2,668,914</u></u>

See accompanying notes to financial statements

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Revenues and Expenses**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2023**

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
<b>REVENUES</b>			
Membership Dues and Assessments - Current Year	\$ 610,990	\$ 229,712	\$ 381,278
Membership Dues and Assessments - Prior Year	81,012	576	80,436
Interest and Dividend Income	44,661	5,053	39,608
Late Fees	37,844	4,400	33,444
Rental Income	10,470	10,470	-
Other Income	2,894	2,344	550
<b>TOTAL REVENUES</b>	<u>787,871</u>	<u>252,555</u>	<u>535,316</u>
<b>OPERATING EXPENSES</b>			
Payroll and Related Taxes	170,927	90,835	80,092
Depreciation	138,811	26,146	112,665
Real Estate Taxes	57,987	17,766	40,221
Building and Parkland Maintenance	50,012	23,156	26,856
Insurance	45,250	13,575	31,675
Contingency Fund	45,000	-	45,000
Weed Control	41,437	-	41,437
Utilities	16,907	9,876	7,031
Legal - Minor Actions and Reviews	16,591	2,091	14,500
Beach	16,000	16,000	-
Activities, Net	15,500	15,500	-
Office	12,037	8,297	3,740
Legal - Easement Settlement	11,699	11,699	-
Interest Expense	11,640	-	11,640
Web/IT Services	7,519	-	7,519
Parklands Development (Previously Reimbursed)	6,431	-	6,431
Accounting	6,000	1,800	4,200
Security	3,951	-	3,951
Equipment/Service	3,720	-	3,720
Dam Maintenance	3,504	-	3,504
Legal - Retainer	2,700	810	1,890
Dock Maintenance	2,000	2,000	-
Environmental	1,940	-	1,940
Membership	1,822	1,102	720
Barge Maintenance	1,436	-	1,436
Miscellaneous	320	320	-
<b>TOTAL OPERATING EXPENSES</b>	<u>691,141</u>	<u>240,973</u>	<u>450,168</u>
Income From Operations	96,730	11,582	85,148
<b>EXPENSES FROM RESERVE FUNDS</b>			
Clubhouse Capital Improvement Fund - Total	4,960	4,960	-
Dam Fund - Maintenance Expenses	7,583	-	7,583
Future Dredging Fund - Steam Bulkhead Repair	3,000	-	3,000
Stump/Tree Removal Sinking Fund - Stump Expenses	17,173	-	17,173
Legal Fund - Legal Bill Payment	8,500	-	8,500
<b>Excess of Revenues over Expenses</b>	<u>\$ 55,514</u>	<u>\$ 6,622</u>	<u>\$ 48,892</u>

See accompanying notes to financial statements

Upper Greenwood Lake Property Owners' Association, Inc.  
Statement of Changes in Fund Balances  
Modified Cash Basis  
For the Year Ended December 31, 2023

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2022	\$ 2,738,763	\$ 752,365	\$ 1,986,398
Excess of Revenues over Expenses	55,514	6,622	48,892
Capitalized Improvements from Reserve Funds	<u>4,960</u>	<u>4,960</u>	<u>-</u>
Fund Balances, December 31, 2023	<u><u>\$ 2,799,237</u></u>	<u><u>\$ 763,947</u></u>	<u><u>\$ 2,035,290</u></u>

See accompanying notes to financial statements

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
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**Note 1 - Organization**

The Association maintains two funds – Property Owners' Association Inc. (POA) and Easement. The accounts in each fund reflect the cash receipts and disbursements applicable to that fund.

The POA Fund receives its income from members of the Association and is responsible for the maintenance and repair of the buildings and beach areas. The Easement Fund receives its income from assessments charged to property owners and is responsible for the maintenance and upkeep of the Association's realty, including the lake and dam, but not the clubhouse and beach areas.

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

**Basis of Accounting**

The Association's policies are to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, except for financing (if any), capitalization, and subsequent expensing of property and equipment purchased and the accrual of payroll taxes, revenues are recognized when received rather than earned, and the expenses are recognized when cash is disbursed rather than when the obligation is incurred.

**Future Major Repairs and Replacements**

The Association has not conducted a full study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to borrow, utilize reserve funds, increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

The Association conducted a study to determine the remaining useful lives of the components and current estimates of costs of major repairs and replacements of the clubhouse only during the year ended December 31, 2016. The study identified \$135,000 of repairs and replacements that will need to be made to the clubhouse between 2017 and 2026. The Association adopted a program to begin accumulating funds for estimated future major repairs of the clubhouse beginning in 2017. \$20,000 was allocated to the Clubhouse Capital Improvement Fund during the year ended December 31, 2023. \$4,960 was utilized from the reserve fund during the year ended December 31, 2023 to replace a heat pump heater and a deposit for a future bathroom renovation. The balance of the Clubhouse Capital Improvement Fund as of December 31, 2023 was \$63,638.

**Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Fair Value Measurement**

The fair value of financial instruments is determined by reference to market data and other valuation techniques, as appropriate. The Foundation's financial instruments consist of cash, investments and loans payable. The fair value of financial instruments approximates their carrying value. In January 2010, the Financial Accounting Standards Board issued amended guidance for fair value measurements and improved disclosures about fair value measurements. The guidance requires entities to enhance disclosures about fair value measurements. The adoption of this provision in 2011 did not have any impact on the Association's financial statements.



**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
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**Note 2 - Summary of Significant Accounting Policies (cont'd)**

**Property and Equipment**

Property and equipment is stated at cost. Additions and improvements that increase an asset's useful life are capitalized. Expenditures for maintenance and repairs are charged as an expense as disbursed. Depreciation is provided on the straight-line method over the estimated useful lives, as follows:

Equipment	5-10 years
Improvements (including dam)	10-20 years
Building	39 years

Depreciation expense for the year ended December 31, 2023 was \$138,811.

**Income Taxes**

The Association is incorporated under New Jersey law to operate as a not for profit corporation within the meaning of Section 501(c) (7) of the Internal Revenue Code of 1986. Accordingly, a provision for Federal or New Jersey corporate income taxes is not required other than for unrelated business and investment income.

**Note 3 – Cash: Restricted Use**

The easement holders have agreed that certain assessments collected by the Association would be restricted as to use. Separate balances are maintained for the purpose of barge and boat motors, capital improvements, dam costs, dredging costs, encroachment enforcement, legal fees and stump removal expenses.

**Note 4 – Investments**

The FASB's *Fair Value Measurements and Disclosures* provides the framework for measuring fair value. The framework defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price"), in an orderly transaction between market participants.

In determining fair value, the Association uses various valuation approaches, including market, income and/cost. 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. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The valuation methodology used for assets measured at fair value are quoted market prices and net asset value of shares at year end. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
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**Note 4 – Investments (cont'd)**

The Association's financial assets subject to fair value measurements as of December 31, 2023 are as follows:

<b><u>Fair Value Measurements as of December 31, 2023</u></b>				
<b>Description</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments with RBC	\$ 1,605,819	\$ -	\$ 1,605,819	\$ -

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the year ended December 31, 2023, there were no transfers into or out of Levels 1, 2 or 3.

**Note 5 – Dredging Loan Payable**

The Association was approved for a \$1,000,000 loan by the State of New Jersey through the New Jersey Department of Environmental Protection. The proceeds of the loan may only be used to finance the dredging of the lake. The loan calls for semi-annual repayments over a 20 year at a 2.00% interest rate beginning nine months after the final drawdown of the loan. The dredging project began in 2020 and the Association drew a total of \$781,990 in two drawdowns in 2020. The Association repaid \$200,000 in March of 2022. The loan payable balance was \$581,990 as of December 31, 2023. Interest accrues on each loan drawdown at an interest rate of 2.00% and is payable three months after the final drawdown of the loan. Accrued interest payable on the loan payable as of December 31, 2023 was \$51,634.

**Note 6 - Concentration of Credit Risk**

Financial instruments that potentially subject the Association to credit risk consist principally of cash. The Association places its cash with several high credit quality institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balances exceeded federally insured limits by \$149,579 as of December 31, 2023.

**Note 7 – Reserve Fund Expenses**

The Association has set aside funds to be used for projects outside of normal year to year operating activities. Clubhouse Capital Improvement Fund reserves utilized for the year ended December 31, 2023 totaling \$4,960, included a \$3,000 deposit for a future bathroom renovation and \$1,960 to replace a heat pump heater. Dam Fund reserve funds utilized for the year ended December 31, 2023 included \$7,583 in dam maintenance expenses. Future Dredging Fund reserve funds utilized for the year ended December 31, 2023 included \$3,000 for the Dover Cove steam bulkhead repair for erosion control. Stump/Tree Removal Sinking Fund reserve funds utilized for the year ended December 31, 2023 included \$17,173 to cover stump expenses. Legal Fund reserves utilized for the year ended December 31, 2023 included \$8,500 in payments for legal services related to an on-going lawsuit, as previously approved by easement members.

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
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**Note 8 – Contingent Liability**

In August of 2020 there was an accidental drowning in the Lake. In August 2022, the Association was named as a defendant in a wrongful death claim by the decedent's estate. The Association has denied fault and the Association's insurance carrier has assigned counsel to represent the Association. The discovery period in this case remains open and no trial date has been set yet. At this stage, it is too early to quantify any amount for which the Association would potentially be liable.

There was an ongoing dispute between the Association and the owners of two adjacent properties in relation to the property owners' reconstruction of a bulkhead wall on the Association's property at the water line. On December 4, 2023, both parties agreed to a binding settlement agreement. The agreement permits the Association to reduce the height of the bulkhead wall along agreed-upon contours fronting the homeowners' two properties at the Association's expense. The Association is also permitted to alter a wall the homeowners constructed to restore access to the parklands at the Association's expense. The homeowners agreed to allow the Association and its contractors access to the homeowners' property to accomplish this construction. The construction has not yet begun, and its total cost has not yet been determined.

**Note 9 - Subsequent Events**

The Association evaluated subsequent events through October 28, 2024, which is the date the financial statements were available to be issued. As of this date, the Association did not find any other matters that would require recognition or additional disclosures in these financial statements.