

**UPPER GREENWOOD LAKE  
PROPERTY OWNERS' ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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# Schulman Black & Katz, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

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 (cash basis) as of December 31, 2013, and the related statements of revenues and expenses (cash basis) and changes in fund balances (cash basis) for the year then ended, and the related notes to the financial statements.

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 auditor's 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.

In our opinion, the financial statements referred to above, present fairly, in all material respects the financial position of Upper Greenwood Lake Property Owners' Association, Inc. as of December 31, 2013, and the results of its operations and its fund balances for the year then ended, in accordance with the basis of accounting as described in Note 2.

We draw attention to Note 2 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 this matter.

*Schulman Black & Katz*

SCHULMAN BLACK & KATZ, LLP  
Certified Public Accountants

June 5, 2014

Upper Greenwood Lake Property Owners' Association Inc.  
Statement of Assets, Liabilities and Fund Balances  
(Cash Basis)  
December 31, 2013

	Total	POA Fund	Easement Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 545,337	\$ 203,719	\$ 341,618
Cash - Restricted for Boat Motors	7,000	-	7,000
Cash - Restricted for Capital Improvements	29,830	29,830	-
Cash - Restricted for Dam Expenses	104,719	-	104,719
Cash - Restricted for Dredging Expenses	123,127	-	123,127
Cash - Restricted for Stump Expenses	21,901	-	21,901
Total Current Assets	<u>831,914</u>	<u>233,549</u>	<u>598,365</u>
Property and Equipment:			
Land	55,320	19,335	35,985
Land Improvements	558,907	7,461	551,446
Building	616,495	607,905	8,590
Building Improvements	14,000	-	14,000
Equipment	172,536	105,134	67,402
Total	<u>1,417,258</u>	<u>739,835</u>	<u>677,423</u>
Less: Accumulated Depreciation	<u>786,865</u>	<u>320,106</u>	<u>466,759</u>
Total Property and Equipment (Net)	<u>630,393</u>	<u>419,729</u>	<u>210,664</u>
 TOTAL ASSETS	 <u>\$ 1,462,307</u>	 <u>\$ 653,278</u>	 <u>\$ 809,029</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Clubhouse Deposits Payable	\$ 1,290	\$ 1,290	\$ -
 FUND BALANCES			
Unrestricted General Fund	1,174,440	622,158	552,282
Restricted:			
Boat Motor Trust Fund	7,000	-	7,000
Capital Improvement Fund	25,000	25,000	-
General Capital Improvement Fund	4,830	4,830	-
Dam Fund	104,719	-	104,719
Future Dredging Fund	123,127	-	123,127
Stump Sinking Fund	21,901	-	21,901
Total Restricted Funds	<u>286,577</u>	<u>29,830</u>	<u>256,747</u>
Total Fund Balances	<u>1,461,017</u>	<u>651,988</u>	<u>809,029</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,462,307</u>	 <u>\$ 653,278</u>	 <u>\$ 809,029</u>

See accompanying notes to financial statements

Upper Greenwood Lake Property Owners Association Inc.  
Statement of Revenues and Expenses  
(Cash Basis)  
For the Year Ended December 31, 2013

	Total	POA Fund	Easement Fund
REVENUES			
Membership Dues and Assessment - Current Year	\$ 416,424	\$ 142,215	\$ 274,209
Membership Dues and Assessment - Prior Year	37,299	900	36,399
Late Fees	24,055	6,310	17,745
Storage and Rental Income	15,360	14,030	1,330
Interest and Dividend Income	143	7	136
Other Income	988	240	748
	<u>494,269</u>	<u>163,702</u>	<u>330,567</u>
TOTAL REVENUES			
EXPENSES			
Payroll and Related Taxes	95,262	50,088	45,174
Weed Control	65,886	-	65,886
Insurance	44,191	13,269	30,922
Depreciation	50,460	20,961	29,499
Real Estate Taxes	48,492	15,207	33,285
Building and Parkland Maintenance	39,043	18,826	20,217
Activities Expense, Net	8,288	8,288	-
Beach	21,271	21,271	-
Legal	5,420	968	4,452
Office	17,273	10,902	6,371
Utilities	13,573	7,806	5,767
Security	5,329	-	5,329
Accounting	1,172	352	820
Membership	1,683	1,126	557
Dam Maintenance	1,161	-	1,161
	<u>418,504</u>	<u>169,064</u>	<u>249,440</u>
TOTAL EXPENSES			
Excess (Deficiency) of Revenues over Expenses	<u>\$ 75,765</u>	<u>\$ (5,362)</u>	<u>\$ 81,127</u>

See accompanying notes to financial statements



Upper Greenwood Lake Property Owners' Association Inc.  
Statement of Changes in Fund Balances  
(Cash Basis)  
For the Year Ended December 31, 2013

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2012	\$ 1,385,252	\$ 657,350	\$ 727,902
Excess (Deficiency) of Revenues over Expenses	<u>75,765</u>	<u>(5,362)</u>	<u>81,127</u>
Fund Balances, December 31, 2013	<u><u>\$ 1,461,017</u></u>	<u><u>\$ 651,988</u></u>	<u><u>\$ 809,029</u></u>

See accompanying notes to 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 against property owners and is responsible for the maintenance and upkeep of the Association's realty, including the lake and dam, other than building 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 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 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.

**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.

**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, 2013 is \$50,460.

**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 money market accounts have been set aside for the purpose of, dredging, dam and stump removal expenses. Separate accounts have not been set aside for the purpose of capital improvements and boat motors.

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**Note 4 – Grits Matter**

During August 2012, the Association entered into a settlement with the Township of West Milford, New Jersey with respect to the West Milford Township road drainage (grits matter). The Association had brought the lawsuit against the town due to concerns regarding winter road grits entering the lake. As a result of the settlement, the Township of West Milford has agreed to institute a seven year program to install and/or retrofit the sedimentation/catch basins in the Upper Greenwood Lake Development; to annually sweep the roads that have been paved by the Township in the Upper Greenwood Lake Development; and to remove road grits and to clean sedimentation basins in the Upper Greenwood Lake Development four times a year.

Funding for the grits matter legal fees was approved by the easement holders during the 2009 easement budget meeting as follows: \$5.72 to be collected annually from easement holders for a period of five years, with collections beginning in 2009.

**Note 5 - 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 did not exceed federally-insured limits as of December 31, 2013.

**Note 6 - Subsequent Events**

The Association has evaluated subsequent events through June 5, 2014 which is the date the financial statements were available to be issued. As of this date, the Association did not find anything that would require recognition or additional disclosure in these financial statements.