

**UPPER GREENWOOD LAKE
PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

TABLE OF CONTENTS

	Page
Accountants' Audit Report	1
Financial Statements:	
Statement of Assets, Liabilities and Fund Balances	2
Statement of Revenue and Expenses	3
Statement of Changes in Fund Balances	4
Notes to Financial Statements	5-7

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INDEPENDENT AUDITORS' REPORT

Ellen M. McLiverty, CPA

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

We have audited the accompanying statement of assets, liabilities, and fund balances (cash basis) of Upper Greenwood Lake Property Owners' Association, Inc. (a not for profit organization) as of December 31, 2010, and the related statement of revenue and expenses (cash basis) and change in fund balances (cash basis) for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2010, the results of its operations and its fund balances for the year then ended on the basis of accounting described in Note 1.



SCHULMAN AND BLACK, LLP
Certified Public Accountants

May 13, 2011

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Assets, Liabilities and Fund Balances
(Cash Basis)
December 31, 2010

	Total	POA Fund	Easement Fund
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$353,141	\$147,988	\$205,153
Cash (Restricted for Dredging Expenses)	\$237,925	0	237,925
Cash (Restricted for Dam Expenses)	106,511	0	106,511
Cash (Restricted)	49,692	49,692	0
Total Current Assets	747,269	197,680	549,589
Property & Equipment:			
Land	40,665	4,680	35,985
Land Improvements (Note 1)	558,905	7,461	551,444
Building	616,495	607,905	8,590
Building Improvements (Note 1)	14,000	0	14,000
Equipment (Note 1)	149,192	100,847	48,345
Total	1,379,257	720,893	658,364
Less: Accumulated Depreciation	(625,547)	(251,989)	(373,558)
Total Property & Equipment (Net)	753,710	468,904	284,806
TOTAL ASSETS	\$1,500,979	\$666,584	\$834,395
 <u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Long Term Debt-Current (Note 3)	\$46,618	\$27,384	\$19,234
Total Current Liabilities	46,618	27,384	19,234
Noncurrent Liabilities:			
Long Term Debt (Note 3)	225,033	9,917	215,116
Total Noncurrent Liabilities	225,033	9,917	215,116
TOTAL LIABILITIES	271,651	37,301	234,350
 FUND BALANCES			
Unrestricted	1,035,075	604,283	430,792
Restricted	194,253	25,000	169,253
Total Fund Balances	1,229,328	629,283	600,045
TOTAL LIABILITIES AND FUND BALANCES	\$1,500,979	\$666,584	\$834,395

See Accompanying Notes to Financial Statements

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Revenue and Expenses
(Cash Basis)
For the Year Ended December 31, 2010

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
REVENUES			
Membership Dues & Assessment - Current Year	\$407,866	\$150,750	\$257,116
Membership Dues & Assessment - Prior Year	39,341	225	39,116
Late Fees	21,920	9,364	12,556
Storage & Rental Income	10,435	9,435	1,000
Interest & Dividend Income	2,561	715	1,846
Capital Improvements	23,796	0	23,796
Other Income	164	164	0
TOTAL REVENUES	<u>506,083</u>	<u>170,653</u>	<u>335,430</u>
EXPENSES			
Payroll & Taxes	\$100,637	\$59,855	\$40,782
Weed Control Expenses	26,848	0	26,848
Insurance	35,560	10,668	24,892
Depreciation (Note 1)	69,644	26,375	43,269
Real Estate Taxes	48,318	14,932	33,386
Building & Parkland Maintenance	44,247	7,455	36,792
Activities Expense, Net	7,362	7,362	0
Beach Expense	5,470	5,470	0
Interest Expenses	8,640	3,581	5,059
Legal Expenses	10,658	775	9,883
Office Expenses	10,894	3,048	7,846
Utilities	13,556	7,403	6,153
Security Expenses	1,546	0	1,546
Environmental Expenses	54	0	54
Accounting	3,600	1,080	2,520
Membership Expenses	2,179	1,399	780
Dam Maintenance	628	0	628
TOTAL EXPENSES	<u>389,841</u>	<u>149,403</u>	<u>240,438</u>
Excess Revenues over Expenses	<u>\$116,242</u>	<u>\$21,250</u>	<u>\$94,992</u>

See Accompanying Notes to Financial Statement

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Change in Fund Balance
(Cash Basis)
For the Year Ended December 31, 2010

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2009	\$1,113,086	\$608,033	\$505,053
Excess Revenues over Expenses	<u>116,242</u>	<u>21,250</u>	<u>94,992</u>
Fund Balances, December 31, 2010	<u>\$1,229,328</u>	<u>\$629,283</u>	<u>\$600,045</u>

See Accompanying Notes to Financial Statement

UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Property & Equipment

Property and equipment is stated at cost. Additions and improvements, which 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 or accelerated 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, 2010 is \$69,644.

UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2 - 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 and dam expenses.

NOTE 3 - LONG TERM DEBT

Long term debt consists of the following:

A) Mortgage note payable, secured by the clubhouse land and building, is currently payable in monthly installments of \$2,417. The note, which was refinanced in 2003 currently incurs interest at 6.52% per annum and matures February 1, 2013. The Association has made additional payments towards the principal. Currently the final payment will be May 2012. Annual principal payments as of December 31, 2010 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2011	\$ 27,384
2012	9,917

**UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

B) The State of New Jersey approved a long term low interest loan of \$375,000 to the association for the purpose of dredging the lake. The Town of West Milford has cosigned the loan for this plan. The terms of the loan are as follows: 2% interest, payable in thirty eight installments at six month intervals beginning January 29, 2003 and ending July 29, 2021. As of December 31, 2010, the loan payable was \$234,350.

Annual principal payments as of December 31, 2010 are as follows:

<u>Year Ending December 31,</u>	
2011	\$19,233
2012	19,620
2013	20,014
2014	20,417
2015	20,827
Later Years	134,239

NOTE 4 - CONTRIBUTIONS

The Association's primary management personnel, including the Board of Trustees and the Officers, are volunteers. Certain of these individuals receive nominal stipends, which are immaterial in amount. These disbursements are reported as expenses. The value of the volunteers' contributed time is not reflected in the financial statements because no reliable basis exists for reasonably determining an appropriate amount.

NOTE 5 - CONTINGENCY

The Association is a party to various legal actions normally associated with property owner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

NOTE 6 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to credit risk consist principally of cash. The Corporation places its cash with high credit quality institutions. The balance exceeds federally insured limits.

**UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010**

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NOTE 6 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to credit risk consist principally of cash. The Corporation places its cash with high credit quality institutions. Of the \$747,269 total cash balance, only \$73,441 exceeds federally insured limits.