

UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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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, 2015, 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.

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 2 of the financial statements; this includes determining that the 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.

Auditor's Responsibility

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.

Opinion

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, 2015, and its revenue and expenses and changes in fund balances for the year then ended, in accordance with the basis of accounting as described in Note 2.

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, who 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 the 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 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, LLP
Certified Public Accountants
New City, New York
May 19, 2016

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Assets, Liabilities and Fund Balances
(Cash Basis)
December 31, 2015

	Total	POA Fund	Easement Fund
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 498,560	\$ 213,317	\$ 285,243
Cash - Restricted for Barge Motors	1,000	-	1,000
Cash - Restricted for Boat Motors	9,000	-	9,000
Cash - Restricted for Bulkhead Replacement	225,000	30,000	195,000
Cash - Restricted for Capital Improvements	11,979	11,979	-
Cash - Restricted for Dam Expenses	124,743	-	124,743
Cash - Restricted for Dredging Expenses	190,283	-	190,283
Cash - Restricted for Stump Expenses	37,140	-	37,140
Interfund Loans	-	2,999	(2,999)
Total Current Assets	1,097,705	258,295	839,410
Property and Equipment:			
Land	55,320	19,335	35,985
Land Improvements	558,907	7,461	551,446
Building	639,555	630,965	8,590
Building Improvements	14,000	-	14,000
Dam Improvements	29,765	-	29,765
Equipment	181,711	107,810	73,901
Total	1,479,258	765,571	713,687
Less: Accumulated Depreciation	883,630	359,091	524,539
Total Property and Equipment (Net)	595,628	406,480	189,148
TOTAL ASSETS	\$ 1,693,333	\$ 664,775	\$ 1,028,558
 <u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Clubhouse Deposits Payable	\$ 1,400	\$ 1,400	\$ -
 FUND BALANCES			
Unrestricted General Fund	1,130,956	621,396	509,560
Restricted:			
Barge Motor Trust Fund	1,000	-	1,000
Boat Motor Trust Fund	9,000	-	9,000
Bulkhead Replacement Fund	225,000	30,000	195,000
Capital Improvement Fund	2,649	2,649	-
General Capital Improvement Fund	9,330	9,330	-
Dam Fund	86,575	-	86,575
Future Dredging Fund	190,283	-	190,283
Stump Sinking Fund	37,140	-	37,140
Total Restricted Funds	560,977	41,979	518,998
Total Fund Balances	1,691,933	663,375	1,028,558
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,693,333	\$ 664,775	\$ 1,028,558

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, 2015

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
REVENUES			
Membership Dues and Assessment - Current Year	\$ 421,349	\$ 142,200	\$ 279,149
Membership Dues and Assessment - Prior Year	51,700	2,475	49,225
Late Fees	24,382	5,650	18,732
Storage and Rental Income	14,843	13,900	943
Interest and Dividend Income	196	4	192
Other Income	3,249	3,249	-
TOTAL REVENUES	<u>515,719</u>	<u>167,478</u>	<u>348,241</u>
EXPENSES			
Payroll and Related Taxes	110,572	59,435	51,137
Real Estate Taxes	51,295	15,984	35,311
Depreciation	48,119	19,058	29,061
Insurance	43,359	13,008	30,351
Building and Parkland Maintenance	39,422	12,420	27,002
Weed Control	30,558	-	30,558
Utilities	13,582	7,531	6,051
Beach	12,487	12,487	-
Office	10,441	3,476	6,965
Activities Expense, Net	9,936	9,936	-
Dam Maintenance	8,477	-	8,477
Legal	6,203	1,283	4,920
Bulkhead Project	5,109	-	5,109
Accounting	4,000	1,200	2,800
Desilting	2,550	-	2,550
Security	1,975	-	1,975
Membership	1,691	1,122	569
Barge Maintenance	1,175	-	1,175
TOTAL EXPENSES	<u>400,951</u>	<u>156,940</u>	<u>244,011</u>
Excess of Revenues over Expenses	<u>\$ 114,768</u>	<u>\$ 10,538</u>	<u>\$ 104,230</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, 2015

	Total	POA Fund	Easement Fund
Fund Balances, December 31, 2014	\$ 1,577,165	\$ 652,837	\$ 924,328
Excess of Revenues over Expenses	114,768	10,538	104,230
Fund Balances, December 31, 2015	\$ 1,691,933	\$ 663,375	\$ 1,028,558

See accompanying notes to financial statements

UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.
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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 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 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, 2015 is \$48,119.

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 barge and boat motors, bulkhead replacement, capital improvements, dam costs, dredging costs and stump removal expenses.

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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.

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 exceeded federally insured limits by \$84,069 as of December 31, 2015.

Note 6 - Subsequent Events

The Association has evaluated subsequent events through May 19, 2016, 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.