

UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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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 – modified cash basis as of December 31, 2017, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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, 2017, 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.

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 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, LLP
Certified Public Accountants
New City, New York
April 20, 2018

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Assets, Liabilities and Fund Balances
Modified Cash Basis
December 31, 2017

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 840,631	\$ 229,839	\$ 610,792
Cash - Restricted for Barge Motors	2,000	-	2,000
Cash - Restricted for Boat Motors	11,000	-	11,000
Cash - Restricted for Bulkhead Replacement	225,000	30,000	195,000
Cash - Restricted for Capital Improvements	41,412	41,412	-
Cash - Restricted for Dam Expenses	77,195	-	77,195
Cash - Restricted for Dredging Expenses	317,915	-	317,915
Cash - Restricted for Stump Expenses	57,150	-	57,150
Deposit for Dam Escrow Project	17,500	-	17,500
Total Current Assets	<u>1,589,803</u>	<u>301,251</u>	<u>1,288,552</u>
Property and Equipment:			
Land	55,320	19,335	35,985
Land Improvements	574,366	7,461	566,905
Building	639,555	630,965	8,590
Building Improvements	14,000	-	14,000
Dam Improvements	33,165	-	33,165
Equipment	202,507	128,606	73,901
Total	<u>1,518,913</u>	<u>786,367</u>	<u>732,546</u>
Less: Accumulated Depreciation	977,574	399,393	578,181
Total Property and Equipment (Net)	<u>541,339</u>	<u>386,974</u>	<u>154,365</u>
TOTAL ASSETS	<u>\$ 2,131,142</u>	<u>\$ 688,225</u>	<u>\$ 1,442,917</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Clubhouse Deposits Payable	\$ 600	\$ 600	\$ -
FUND BALANCES			
Unrestricted General Fund	1,398,870	616,213	782,657
Restricted:			
Barge Motor Trust Fund	2,000	-	2,000
Boat Motor Trust Fund	11,000	-	11,000
Bulkhead Replacement Fund	225,000	30,000	195,000
Capital Improvement Fund	41,412	41,412	-
Dam Fund	77,195	-	77,195
Dredging Trust Fund	31,411	-	31,411
Future Dredging Fund	286,504	-	286,504
Stump Sinking Fund	57,150	-	57,150
Total Restricted Funds	<u>731,672</u>	<u>71,412</u>	<u>660,260</u>
Total Fund Balances	<u>2,130,542</u>	<u>687,625</u>	<u>1,442,917</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,131,142</u>	<u>\$ 688,225</u>	<u>\$ 1,442,917</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, 2017

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
REVENUES			
Membership Dues and Assessment - Current Year	\$ 479,776	\$ 161,750	\$ 318,026
Membership Dues and Assessment - Prior Year	122,220	450	121,770
Late Fees	60,173	3,750	56,423
Storage and Rental Income	16,240	14,040	2,200
Interest and Dividend Income	308	6	302
Other Income	3,490	3,490	-
	<u>682,207</u>	<u>183,486</u>	<u>498,721</u>
TOTAL REVENUES			
OPERATING EXPENSES			
Payroll and Related Taxes	122,963	63,029	59,934
Real Estate Taxes	51,842	16,153	35,689
Depreciation	43,567	20,247	23,320
Insurance	41,073	12,318	28,755
Weed Control	40,233	-	40,233
Building and Parkland Maintenance	38,466	12,216	26,250
Legal	16,293	1,419	14,874
Beach	14,574	14,574	-
Utilities	13,139	7,699	5,440
Environmental Lake Study Expense	11,271	-	11,271
Office	11,190	4,904	6,286
Activities Expense, Net	10,111	10,111	-
Security	8,708	-	8,708
Dam Maintenance	7,822	-	7,822
Contingency Fund	7,137	-	7,137
Accounting	4,000	1,200	2,800
Membership	1,763	1,146	617
Barge Maintenance	516	-	516
	<u>444,668</u>	<u>165,016</u>	<u>279,652</u>
TOTAL OPERATING EXPENSES			
Income From Operations	237,539	18,470	219,069
EXPENSES FROM RESERVE FUNDS			
Dam Fund - Spillway Fence	3,400	-	3,400
Dam Fund - Trash Rack	17,500	-	17,500
	<u>21,900</u>	<u>-</u>	<u>21,900</u>
Excess of Revenues over Expenses	<u>\$ 216,639</u>	<u>\$ 18,470</u>	<u>\$ 198,169</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, 2017

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2016	\$ 1,893,003	\$ 669,155	\$ 1,223,848
Excess of Revenues over Expenses	216,639	18,470	198,169
Capitalized Improvements from Reserve Funds	<u>20,900</u>	<u>-</u>	<u>20,900</u>
Fund Balances, December 31, 2017	<u><u>\$ 2,130,542</u></u>	<u><u>\$ 687,625</u></u>	<u><u>\$ 1,442,917</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 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. \$24,433 was allocated to the reserve fund during the year ended December 31, 2017.

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, 2017 was \$43,567.

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.

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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.

Note 4 - 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 \$142,650 as of December 31, 2017.

Note 5 – Reserve Fund Expenses

The Association has set aside funds to be used for projects outside of normal year to year operating activities. Dam fund reserves utilized for the year ended December 31, 2017 included \$17,500 for the installation of a trash rack and \$3,400 for the installation of a fence by the spillway.

Note 6 - Subsequent Events

The Association is in the application process for a \$1,000,000 loan with a 20 year payback period with the State of New Jersey. Proceeds of the loan are to be spent on the dredging of the lake.

The Association has evaluated subsequent events through April 20, 2018, which is the date the financial statements were available to be issued.