

UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020

Schulman Black & Katz, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, 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, 2020, 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 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
August 10, 2021

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Assets, Liabilities and Fund Balances
Modified Cash Basis
December 31, 2020

	Total	POA Fund	Easement Fund
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 1,034,813	\$ 274,889	\$ 759,924
Cash - Restricted for Barge Motors	4,000	-	4,000
Cash - Restricted for Boat Motors	14,000	-	14,000
Cash - Restricted for Bulkhead Replacement	11,477	11,477	-
Cash - Restricted for Capital Improvements	33,875	33,875	-
Cash - Restricted for Dam Expenses	106,130	-	106,130
Cash - Restricted for Dredging Expenses	436,493	-	436,493
Cash - Restricted for Encroachment Enforcement	29,670	-	29,670
Cash - Restricted for Stump Expenses	87,171	-	87,171
Interfund Receivable/(Payable)	-	262	(262)
Total Current Assets	<u>1,757,629</u>	<u>320,503</u>	<u>1,437,126</u>
Property and Equipment:			
Land	55,320	19,335	35,985
Land Improvements	1,402,607	7,461	1,395,146
Building	677,717	669,127	8,590
Building Improvements	14,000	-	14,000
Bulkhead Improvements	213,523	-	213,523
Dam Improvements	118,728	-	118,728
Equipment and Clubhouse Improvements	244,860	170,959	73,901
Total	<u>2,726,755</u>	<u>866,882</u>	<u>1,859,873</u>
Less: Accumulated Depreciation	<u>1,147,610</u>	<u>463,672</u>	<u>683,938</u>
Total Property and Equipment (Net)	<u>1,579,145</u>	<u>403,210</u>	<u>1,175,935</u>
TOTAL ASSETS	<u><u>\$ 3,336,774</u></u>	<u><u>\$ 723,713</u></u>	<u><u>\$ 2,613,061</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Accrued Interest Payable	\$ 11,737	\$ -	\$ 11,737
Clubhouse Deposits Payable	650	650	-
Total Current Liabilities	<u>12,387</u>	<u>650</u>	<u>11,737</u>
Noncurrent Liabilities:			
Long-Term Debt (Note 4)	<u>781,990</u>	<u>-</u>	<u>781,990</u>
TOTAL LIABILITIES	<u>794,377</u>	<u>650</u>	<u>793,727</u>
FUND BALANCES			
Unrestricted General Fund	1,819,581	659,188	1,160,393
Restricted:			
Barge Motor Trust Fund	4,000	-	4,000
Boat Motor Trust Fund	14,000	-	14,000
Bulkhead Replacement Fund	11,477	30,000	(18,523)
Clubhouse Capital Improvement Fund	33,875	33,875	-
Dam Fund	106,130	-	106,130
Dredging Trust Fund	132,800	-	132,800
Future Dredging Fund	303,693	-	303,693
Encroachment Enforcement Fund	29,670	-	29,670
Stump Sinking Fund	87,171	-	87,171
Total Restricted Funds	<u>722,816</u>	<u>63,875</u>	<u>658,941</u>
Total Fund Balances	<u>2,542,397</u>	<u>723,063</u>	<u>1,819,334</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,336,774</u></u>	<u><u>\$ 723,713</u></u>	<u><u>\$ 2,613,061</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, 2020

	Total	POA Fund	Easement Fund
REVENUES			
Membership Dues and Assessments - Current Year	\$ 539,250	\$ 185,900	\$ 353,350
Membership Dues and Assessments - Prior Year	77,522	2,250	75,272
Late Fees	31,885	3,225	28,660
Storage and Rental Income	870	870	-
Other Income	11,448	5,018	6,430
Interest and Dividend Income	1,429	6	1,423
	<u>662,404</u>	<u>197,269</u>	<u>465,135</u>
TOTAL REVENUES			
OPERATING EXPENSES			
Payroll and Related Taxes	136,662	63,813	72,849
Depreciation	75,323	22,448	52,875
Weed Control	59,999	-	59,999
Real Estate Taxes	54,303	16,790	37,513
Insurance	41,244	11,856	29,388
Building and Parkland Maintenance	33,608	14,456	19,152
Contingency Fund	30,902	-	30,902
Office	22,307	7,280	15,027
Activities, Net	15,347	15,347	-
Legal - Minor Actions and Reviews	14,500	-	14,500
Utilities	13,157	7,054	6,103
Beach	12,467	12,467	-
Interest Expense	11,737	-	11,737
Dam Maintenance	6,500	-	6,500
Accounting	5,000	1,500	3,500
Membership	2,027	1,291	736
Legal - Retainer	1,890	-	1,890
Equipment/Service	1,813	-	1,813
Legal - Collections, net of property owner chargebacks	1,753	3,030	(1,277)
Security	696	-	696
Barge Maintenance	452	-	452
	<u>541,687</u>	<u>177,332</u>	<u>364,355</u>
TOTAL OPERATING EXPENSES			
Income From Operations	120,717	19,937	100,780
EXPENSES FROM RESERVE FUNDS			
Bulkhead Repair/Replacement Fund - Bulkhead Improvements	38,638	-	38,638
Capital Improvement Fund - Roof, Security System	28,368	28,368	-
	<u>67,006</u>	<u>28,368</u>	<u>38,638</u>
Excess/(Deficiency) of Revenues over Expenses	<u>\$ 53,711</u>	<u>\$ (8,431)</u>	<u>\$ 62,142</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, 2020

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2019	\$ 2,421,680	\$ 703,126	\$ 1,718,554
Excess/(Deficiency) of Revenues over Expenses	53,711	(8,431)	62,142
Capitalized Improvements from Reserve Funds	<u>67,006</u>	<u>28,368</u>	<u>38,638</u>
Fund Balances, December 31, 2020	<u><u>\$ 2,542,397</u></u>	<u><u>\$ 723,063</u></u>	<u><u>\$ 1,819,334</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. \$30,183 was allocated to the Clubhouse Capital Improvement Fund during the year ended December 31, 2020. \$28,368 was utilized from the reserve fund during the year ended December 31, 2020 in clubhouse improvements and an upgrade to the security system for the clubhouse. The balance of the Clubhouse Capital Improvement Fund as of December 31, 2020 was \$33,875.

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, 2020 was \$75,323.

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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. The bulkhead replacement project began in the fall of 2019.

Note 4 – 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 which represents the loan payable balance as of December 31, 2020. 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, 2020 was \$11,737.

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 \$393,312 as of December 31, 2020.

Note 6 – Reserve Fund Expenses

The Association has set aside funds to be used for projects outside of normal year to year operating activities. Bulkhead Replacement Fund reserves utilized for the year ended December 31, 2020 included \$38,638 for bulkhead replacement and repairs. Capital improvement reserves utilized for the year ended December 31, 2020 included \$28,368 in clubhouse improvements and an upgrade to the security system for the clubhouse.

Note 7 – Contingent Liability

In August of 2020 there was an accidental drowning in the Lake. The Association was asked by the decedent's estate to provide information and preserve documents related to the incident. The Association has denied fault and the Association's insurance carrier has assigned counsel to represent the Association. Litigation has not yet commenced against the Association. At this stage, it is too early to quantify any amount for which the Association would potentially be liable for.

There has been an ongoing dispute between the Association and the owners of two adjacent properties. The dispute regarding the property owners' reconstruction of a bulkhead wall on the Association's property at the water line which exceeded the Association's authority granted for the project. The Association has been negotiating to resolve the issues regarding the height of the wall and other encroachment issues with the property owners amicably and no litigation has been instituted by either the Association or the property owners.

Note 8 - Subsequent Events

The Association evaluated subsequent events through August 10, 2021, which is the date the financial statements were available to be issued. As a result of the spread of the COVID19 Coronavirus, economic uncertainties have arisen which may negatively impact the collection of membership dues and assessments in 2021. Other financial impact could occur though such potential is unknown at this time. As of August 10, 2021, the Association did not find any other matters that would require recognition or additional disclosure in these financial statements.