

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report	1
Financial Statements:	
Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis	2
Statement of Revenues and Expenses - Modified Cash Basis	3
Statement of Changes in Fund Balances - Modified Cash Basis	4
Notes to Financial Statements	5 - 7

# Schulman Black & Katz, LLP

---

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2021, 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.

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, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Greenwood Lake Property Owners' Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Greenwood Lake Property Owners' Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Upper Greenwood Lake Property Owners' Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Greenwood Lake Property Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **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, which 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  
September 8, 2022

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Assets, Liabilities and Fund Balances**  
**Modified Cash Basis**  
**December 31, 2021**

	Total	POA Fund	Easement Fund
<b><u>ASSETS</u></b>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 1,098,513	\$ 271,637	\$ 826,876
Cash - Restricted for Barge Motors	4,500	-	4,500
Cash - Restricted for Boat Motors	15,000	-	15,000
Cash - Restricted for Bulkhead Replacement	25,850	25,850	-
Cash - Restricted for Capital Improvements	60,053	60,053	-
Cash - Restricted for Dam Expenses	129,840	-	129,840
Cash - Restricted for Dredging Expenses	497,257	-	497,257
Cash - Restricted for Encroachment Enforcement	29,670	-	29,670
Cash - Restricted for Stump Expenses	97,179	-	97,179
Interfund Receivable/(Payable)	-	262	(262)
Total Current Assets	<u>1,957,862</u>	<u>357,802</u>	<u>1,600,060</u>
Property and Equipment:			
Land	55,320	19,335	35,985
Land Improvements	1,424,822	19,611	1,405,211
Building	677,717	669,127	8,590
Building Improvements	14,000	-	14,000
Bulkhead Improvements	222,939	-	222,939
Dam Improvements	132,408	-	132,408
Equipment and Clubhouse Improvements	248,865	174,964	73,901
Total	<u>2,776,071</u>	<u>883,037</u>	<u>1,893,034</u>
Less: Accumulated Depreciation	<u>1,300,682</u>	<u>488,364</u>	<u>812,318</u>
Total Property and Equipment (Net)	<u>1,475,389</u>	<u>394,673</u>	<u>1,080,716</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,433,251</u></b>	<b><u>\$ 752,475</u></b>	<b><u>\$ 2,680,776</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Current Liabilities:			
Accrued Interest Payable	\$ 27,376	\$ -	\$ 27,376
Clubhouse Deposits Payable	1,180	1,180	-
Total Current Liabilities	<u>28,556</u>	<u>1,180</u>	<u>27,376</u>
Noncurrent Liabilities:			
Long-Term Debt (Note 4)	<u>781,990</u>	<u>-</u>	<u>781,990</u>
<b>TOTAL LIABILITIES</b>	<b><u>810,546</u></b>	<b><u>1,180</u></b>	<b><u>809,366</u></b>
<b>FUND BALANCES</b>			
Unrestricted General Fund	1,763,356	665,392	1,097,964
Restricted:			
Barge Motor Trust Fund	4,500	-	4,500
Boat Motor Trust Fund	15,000	-	15,000
Bulkhead Replacement Fund	25,850	25,850	-
Clubhouse Capital Improvement Fund	60,053	60,053	-
Dam Fund	129,840	-	129,840
Dredging Trust Fund	166,604	-	166,604
Future Dredging Fund	330,653	-	330,653
Encroachment Enforcement Fund	29,670	-	29,670
Stump Sinking Fund	97,179	-	97,179
Total Restricted Funds	<u>859,349</u>	<u>85,903</u>	<u>773,446</u>
Total Fund Balances	<u>2,622,705</u>	<u>751,295</u>	<u>1,871,410</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,433,251</u></b>	<b><u>\$ 752,475</u></b>	<b><u>\$ 2,680,776</u></b>

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, 2021**

	Total	POA Fund	Easement Fund
<b>REVENUES</b>			
Membership Dues and Assessments - Current Year	\$ 572,161	\$ 204,875	\$ 367,286
Membership Dues and Assessments - Prior Year	74,178	550	73,628
Late Fees	34,594	4,800	29,794
Storage and Rental Income	1,540	1,540	-
Other Income	4,492	4,492	-
Interest and Dividend Income	100	6	94
<b>TOTAL REVENUES</b>	<b>687,065</b>	<b>216,263</b>	<b>470,802</b>
<b>OPERATING EXPENSES</b>			
Depreciation	153,072	24,692	128,380
Payroll and Related Taxes	131,137	71,433	59,704
Weed Control	59,999	-	59,999
Real Estate Taxes	54,245	16,965	37,280
Insurance	45,356	14,124	31,232
Building and Parkland Maintenance	40,702	18,592	22,110
Contingency Fund	26,988	-	26,988
Legal - Minor Actions and Reviews	17,458	2,958	14,500
Activities, Net	16,338	16,338	-
Interest Expense	15,640	-	15,640
Utilities	14,513	7,513	7,000
Office	11,899	4,084	7,815
Beach	7,734	7,734	-
Dam Maintenance	6,500	-	6,500
Accounting	5,000	1,500	3,500
Security	3,044	-	3,044
Legal - Retainer	2,700	810	1,890
Membership	2,060	1,288	772
Web/IT Services	508	-	508
Equipment/Service	388	-	388
Barge Maintenance	54	-	54
Legal - Collections, net of property owner chargebacks	(8,578)	-	(8,578)
<b>TOTAL OPERATING EXPENSES</b>	<b>606,757</b>	<b>188,031</b>	<b>418,726</b>
Income From Operations	80,308	28,232	52,076
<b>EXPENSES FROM RESERVE FUNDS</b>			
Bulkhead Repair/Replacement Fund - Parking Lot Re-Pavement	20,500	12,150	8,350
Bulkhead Repair/Replacement Fund - Bulkhead Improvements	1,066	-	1,066
Dam Fund - Dam Repair Sluice Gate	13,680	-	13,680
Future Dredging Fund - Bathymetric Survey/Fish Stocking	10,065	-	10,065
Capital Improvement Fund - HVAC	4,005	4,005	-
<b>Excess of Revenues over Expenses</b>	<b>\$ 30,992</b>	<b>\$ 12,077</b>	<b>\$ 18,915</b>

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, 2021

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2020	\$ 2,542,397	\$ 723,063	\$ 1,819,334
Excess of Revenues over Expenses	30,992	12,077	18,915
Capitalized Improvements from Reserve Funds	<u>49,316</u>	<u>16,155</u>	<u>33,161</u>
Fund Balances, December 31, 2021	<u><u>\$ 2,622,705</u></u>	<u><u>\$ 751,295</u></u>	<u><u>\$ 1,871,410</u></u>

See accompanying notes to financial statements

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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, 2021. \$4,005 was utilized from the reserve fund during the year ended December 31, 2021 in HVAC improvements for the clubhouse. The balance of the Clubhouse Capital Improvement Fund as of December 31, 2021 was \$60,053.

**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, 2021 was \$153,072.



**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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, 2021. 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, 2021 was \$27,376.

**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 \$478,473 as of December 31, 2021.

**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, 2021 included \$20,500 for parking lot re-pavement and \$1,066 for bulkhead improvements. Dam Fund reserves utilized for the year ended December 31, 2021 included \$13,680 for a dam repair on the sluice gate. Future Dredging Fund reserve funds utilized for the year ended December 31, 2021 totaling \$10,065, included \$8,050 for a bathymetric survey and \$2,015 for fish stocking. Capital Improvement Fund reserves utilized for the year ended December 31, 2021 included \$4,005 in HVAC improvements for the clubhouse.

**Note 7 – Contingent Liability**

In August of 2020 there was an accidental drowning in the Lake. In October 2022, the Association was named as a defendant in a wrongful death claim by the decedent's estate. The Association has denied fault and the Association's insurance carrier has assigned counsel to represent 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 had been negotiating to resolve the issues regarding the height of the wall and other encroachment issues with the property owners amicably, but no agreement was reached. In April 2022, the property owners instituted legal action against the Association. The action is being covered and defended by the Association's insurance carrier. In July 2022, the Association filed a counterclaim against the property owners. The cases are in their very early stages and no resolution is anticipated in the near future.

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 8 - Subsequent Events**

The Association evaluated subsequent events through September 8, 2022, 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 2022. Other financial impact could occur though such potential is unknown at this time. As of September 8, 2022, the Association did not find any other matters that would require recognition or additional disclosure in these financial statements.