

**UPPER GREENWOOD LAKE
PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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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, 2012, 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.

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.

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, 2012, and the results of its operations and its fund balances for the year then ended, in accordance with the basis of accounting as described in Note 2.

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 AND BLACK, LLP
Certified Public Accountants

July 27, 2013

Upper Greenwood Lake Property Owners' Association Inc.
Statement of Assets, Liabilities and Fund Balances
(Cash Basis)
December 31, 2012

	Total	POA Fund	Easement Fund
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 419,550	\$ 168,222	\$ 251,328
Cash - Restricted for Dredging Expenses (Note 3)	77,362	-	77,362
Cash - Restricted for Dam Expenses (Note 3)	161,541	-	161,541
Cash - Restricted (Note 3)	49,707	49,707	-
Total Current Assets	<u>708,160</u>	<u>217,929</u>	<u>490,231</u>
Property and Equipment:			
Land	55,320	19,335	35,985
Land Improvements (Note 2)	558,905	7,461	551,444
Building (Note 2)	616,495	607,905	8,590
Building Improvements (Note 2)	14,000	-	14,000
Equipment (Note 2)	170,046	105,134	64,912
Total	<u>1,414,766</u>	<u>739,835</u>	<u>674,931</u>
Less: Accumulated Depreciation	<u>(736,405)</u>	<u>(299,145)</u>	<u>(437,260)</u>
Total Property and Equipment (Net)	<u>678,361</u>	<u>440,690</u>	<u>237,671</u>
 TOTAL ASSETS	 <u><u>\$ 1,386,521</u></u>	 <u><u>\$ 658,619</u></u>	 <u><u>\$ 727,902</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Clubhouse Deposits Payable	\$ 1,269	\$ 1,269	\$ -
 FUND BALANCES			
Unrestricted	1,223,178	632,350	590,828
Restricted	162,074	25,000	137,074
Total Fund Balances	<u>1,385,252</u>	<u>657,350</u>	<u>727,902</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 1,386,521</u></u>	 <u><u>\$ 658,619</u></u>	 <u><u>\$ 727,902</u></u>

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, 2012

	Total	POA Fund	Easement Fund
REVENUES			
Membership Dues and Assessment - Current Year	\$ 398,261	\$ 142,650	\$ 255,611
Membership Dues and Assessment - Prior Year	36,409	450	35,959
Late Fees	16,476	6,529	9,947
Storage and Rental Income	11,010	9,660	1,350
Interest and Dividend Income	328	18	310
Capital Improvements	21,675	-	21,675
Other Income	68	68	-
TOTAL REVENUES	484,227	159,375	324,852
EXPENSES			
Payroll and Related Taxes	90,539	51,233	39,306
Weed Control	50,820	-	50,820
Insurance	35,635	10,601	25,034
Depreciation (Note 2)	51,827	22,366	29,461
Real Estate Taxes	47,887	14,746	33,141
Building and Parkland Maintenance	32,956	6,852	26,104
Activities Expense, Net	10,232	10,232	-
Beach	12,954	12,954	-
Interest	5,395	-	5,395
Legal (Note 5)	34,764	730	34,034
Office	17,800	4,740	13,060
Utilities	12,416	6,952	5,464
Security	5,762	-	5,762
Accounting	4,000	1,200	2,800
Membership	1,638	1,164	474
Dam Maintenance	803	-	803
TOTAL EXPENSES	415,428	143,770	271,658
Excess Revenues over Expenses	\$ 68,799	\$ 15,605	\$ 53,194

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, 2012

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2011	\$ 1,316,453	\$ 641,745	\$ 674,708
Excess Revenues over Expenses	<u>68,799</u>	<u>15,605</u>	<u>53,194</u>
Fund Balances, December 31, 2012	<u><u>\$ 1,385,252</u></u>	<u><u>\$ 657,350</u></u>	<u><u>\$ 727,902</u></u>

See accompanying notes to financial statements

UPPER GREENWOOD LAKE
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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 building 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, 2012 is \$51,713.

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 dredging and dam expenses.

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Note 4 – Dredging Loan

In 2003, 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 cosigned the loan for this plan. The terms of the loan were as follows: 2% interest, payable in thirty eight installments at six month intervals beginning January 29, 2003 and ending July 29, 2021. The loan was paid off in full during the year ended December 31, 2012.

Note 5 – 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.

Funding for the grits matter legal fees was approved by the easement holders during the 2009 easement budget meeting as follows: \$5.72 to be collected annually from easement holders for a period of five years, with collections beginning in 2009.

Note 6 - 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 7 - 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 did not exceed federally insured limits as of December 31, 2012.

Note 8 - Subsequent Events

The Association has evaluated subsequent events through July 24, 2013 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.