

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report	1
Financial Statements:	
Statement of Assets, Liabilities and Fund Balances - Cash Basis	2
Statement of Revenues and Expenses - Cash Basis	3
Statement of Changes in Fund Balances - Cash Basis	4
Notes to Financial Statements	5 - 6

# 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, 2016, 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; 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, 2016, 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  
April 26, 2017

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Assets, Liabilities and Fund Balances**  
**Cash Basis**  
**December 31, 2016**

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$ 701,537	\$ 217,274	\$ 484,263
Cash - Restricted for Barge Motors	1,500	-	1,500
Cash - Restricted for Boat Motors	10,000	-	10,000
Cash - Restricted for Bulkhead Replacement	225,000	30,000	195,000
Cash - Restricted for Capital Improvements	16,979	16,979	-
Cash - Restricted for Dam Expenses	88,085	-	88,085
Cash - Restricted for Dredging Expenses	239,029	-	239,029
Cash - Restricted for Stump Expenses	47,145	-	47,145
Total Current Assets	<u>1,329,275</u>	<u>264,253</u>	<u>1,065,022</u>
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	202,507	128,606	73,901
Total	<u>1,500,054</u>	<u>786,367</u>	<u>713,687</u>
Less: Accumulated Depreciation	<u>934,036</u>	<u>379,175</u>	<u>554,861</u>
Total Property and Equipment (Net)	<u>566,018</u>	<u>407,192</u>	<u>158,826</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,895,293</u></b>	<b><u>\$ 671,445</u></b>	<b><u>\$ 1,223,848</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Current Liabilities:			
Clubhouse Deposits Payable	\$ 2,290	\$ 2,290	\$ -
<b>FUND BALANCES</b>			
Unrestricted General Fund	1,265,265	622,176	643,089
Restricted:			
Barge Motor Trust Fund	1,500	-	1,500
Boat Motor Trust Fund	10,000	-	10,000
Bulkhead Replacement Fund	225,000	30,000	195,000
Capital Improvement Fund	14,330	14,330	-
General Capital Improvement Fund	2,649	2,649	-
Dam Fund	88,085	-	88,085
Future Dredging Fund	239,029	-	239,029
Stump Sinking Fund	47,145	-	47,145
Total Restricted Funds	<u>627,738</u>	<u>46,979</u>	<u>580,759</u>
Total Fund Balances	<u>1,893,003</u>	<u>669,155</u>	<u>1,223,848</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,895,293</u></b>	<b><u>\$ 671,445</u></b>	<b><u>\$ 1,223,848</u></b>

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, 2016**

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
<b>REVENUES</b>			
Membership Dues and Assessment - Current Year	\$ 432,178	\$ 145,350	\$ 286,828
Membership Dues and Assessment - Prior Year	107,500	1,350	106,150
Late Fees	62,869	5,875	56,994
Storage and Rental Income	16,245	14,485	1,760
Interest and Dividend Income	250	6	244
Other Income	3,235	3,235	-
	<u>622,277</u>	<u>170,301</u>	<u>451,976</u>
<b>TOTAL REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Payroll and Related Taxes	121,808	65,776	56,032
Real Estate Taxes	51,896	16,171	35,725
Depreciation	50,376	20,054	30,322
Insurance	39,468	11,840	27,628
Building and Parkland Maintenance	32,681	13,521	19,160
Weed Control	32,316	-	32,316
Utilities	13,179	7,171	6,008
Beach	11,944	11,944	-
Office	14,052	4,181	9,871
Activities Expense, Net	8,815	8,815	-
Contingency Fund	8,438	-	8,438
Dam Maintenance	5,917	-	5,917
Legal	12,943	2,547	10,396
Accounting	4,000	1,200	2,800
Security	2,324	-	2,324
Membership	1,986	1,301	685
Barge Maintenance	564	-	564
	<u>412,707</u>	<u>164,521</u>	<u>248,186</u>
<b>TOTAL OPERATING EXPENSES</b>			
Income From Operations	209,570	5,780	203,790
<b>EXPENSES FROM RESERVE FUNDS</b>			
Dam Fund - Trash Rack	8,500	-	8,500
	<u>8,500</u>	<u>-</u>	<u>8,500</u>
<b>Excess of Revenues over Expenses</b>	<u><u>\$ 201,070</u></u>	<u><u>\$ 5,780</u></u>	<u><u>\$ 195,290</u></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, 2016

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2015	\$ 1,691,933	\$ 663,375	\$ 1,028,558
Excess of Revenues over Expenses	<u>201,070</u>	<u>5,780</u>	<u>195,290</u>
Fund Balances, December 31, 2016	<u>\$ 1,893,003</u>	<u>\$ 669,155</u>	<u>\$ 1,223,848</u>

See accompanying notes to financial statements

**UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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, 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 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 during the year ended December 31, 2016. The association has adopted a program to begin accumulating funds for estimated future major repairs of the clubhouse beginning in 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, 2016 is \$50,376.

**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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**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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 \$54,703 as of December 31, 2016.

**Note 5 – Reserve Fund Expenses**

The Association has set aside funds to be used for projects outside of normal year to year operating activities. \$8,500 of dam fund reserves were utilized for design and engineering fees of a trash rack for the year ended December 31, 2016.

**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 26, 2017, which is the date the financial statements were available to be issued.