UPPER GREENWOOD LAKE PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

Schulman Black & Katz, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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 – modified cash basis as of December 31, 2018, 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, 2018, 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 13, 2019

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Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Assets, Liabilities and Fund Balances
Modified Cash Basis
December 31, 2018

	Total	POA Fund	Easement Fund
ASSETS			
Current Assets:			
Cash In Banks and Cash Equivalents	$ 925,927	$ 235,603	$ 690,324
Cash - Restricted for Barge Motors	2,500	-	2,500
Cash - Restricted for Boat Motors	12,000	-	12,000
Cash - Restricted for Bulkhead Replacement	225,000	30,000	195,000
Cash - Restricted for Capital Improvements	32,060	32,060	-
Cash - Restricted for Dam Expenses	26,739	-	26,739
Cash - Restricted for Dredging Expenses	348,924	-	348,924
Cash - Restricted for Stump Expenses	67,156	-	67,156
Interfund Receivable/(Payable)	-	262	(262)
Total Current Assets	1,640,306	297,925	1,342,381
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	118,728	-	118,728
Equipment and Clubhouse Improvements	236,292	162,391	73,901
Total	1,638,261	820,152	818,109
Less: Accumulated Depreciation	1,018,440	420,037	598,403
Total Property and Equipment (Net)	619,821	400,115	219,706
TOTAL ASSETS	$ 2,260,127	$ 698,040	$ 1,562,087
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Clubhouse Deposits Payable	$ 1,630	$ 1,630	$ -
FUND BALANCES			
Unrestricted General Fund	1,544,118	634,350	909,768
Restricted:			
Barge Motor Trust Fund	2,500	-	2,500
Boat Motor Trust Fund	12,000	-	12,000
Bulkhead Replacement Fund	225,000	30,000	195,000
Clubhouse Capital Improvement Fund	15,081	15,081	-
General Capital Improvement Fund	16,979	16,979	-
Dam Fund	26,739	-	26,739
Dredging Trust Fund	65,207	-	65,207
Future Dredging Fund	283,717	-	283,717
Stump Sinking Fund	67,156	-	67,156
Total Restricted Funds	714,379	62,060	652,319
Total Fund Balances	2,258,497	696,410	1,562,087
TOTAL LIABILITIES AND FUND BALANCES	$ 2,260,127	$ 698,040	$ 1,562,087

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, 2018

	Total	POA Fund	Easement Fund
REVENUES			
Membership Dues and Assessments - Current Year	$ 478,910	$ 164,500	$ 314,410
Membership Dues and Assessments - Prior Year	73,453	2,650	70,803
Late Fees	30,659	3,625	27,034
Storage and Rental Income	12,490	10,970	1,520
Interest and Dividend Income	4,396	6	4,390
Other Income	3,378	3,378	-
TOTAL REVENUES	603,286	185,129	418,157
OPERATING EXPENSES			
Payroll and Related Taxes	132,110	72,078	60,032
Real Estate Taxes	52,537	16,373	36,164
Dredging Costs - Engineer, Surveys, Samples and Permits	45,120	-	45,120
Insurance	41,944	12,511	29,433
Depreciation	40,866	20,644	20,222
Building and Parkland Maintenance	33,442	12,490	20,952
Weed Control	23,773	-	23,773
Office	16,358	6,492	9,866
Legal - Collections, net of property owner chargebacks	15,102	988	14,114
Beach	14,498	14,498	-
Utilities	12,562	7,153	5,409
Activities, Net	10,493	10,493	-
Legal - Minor Actions and Reviews	7,728	-	7,728
Dam Maintenance	7,686	-	7,686
Environmental Lake Study	7,296	-	7,296
Accounting	4,500	1,350	3,150
Security	2,929	-	2,929
Membership	1,908	1,274	634
Legal - Retainer	1,890	-	1,890
Barge Maintenance	1,674	-	1,674
Contingency Fund	915	-	915
TOTAL OPERATING EXPENSES	475,331	176,344	298,987
Income From Operations	127,955	8,785	119,170
EXPENSES FROM RESERVE FUNDS			
Capital Improvement Fund - Bathroom Renovations	33,785	33,785	-
Dam Fund - Trash Rack, Leak Repairs	85,863	-	85,863
Excess/(Deficiency) of Revenues over Expenses	$ 8,307	$ (25,000)	$ 33,307

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, 2018

	Total	POA Fund	Easement Fund
Fund Balances, December 31, 2017	$ 2,130,542	$ 687,625	$ 1,442,917
Excess/(Deficiency) of Revenues over Expenses	8,307	(25,000)	33,307
Capitalized Improvements from Reserve Funds	119,648	33,785	85,863
Fund Balances, December 31, 2018	$ 2,258,497	$ 696,410	$ 1,562,087

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 has been allocated to the Clubhouse Capital Improvement Fund annually since inception. $33,785 was utilized from the reserve fund during the year ended December 31, 2018 to renovate to the bathrooms. The balance of the Clubhouse Capital Improvement Fund as of December 31, 2018 was $15,081.

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, 2018 was $40,866.

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 is scheduled to start in the fall of 2019.

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 $226,840 as of December 31, 2018.

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, 2018 included $30,705 for the installation of a trash rack and $54,858 for leak and wall repairs. Capital improvement reserves utilized for the year ended December 31, 2018 included $33,785 for bathroom renovations.

Note 6 - Subsequent Events

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 upon the initial drawdown of the loan. The dredging project is expected to beginning during 2019 and the initial drawdown will take place at that time.

The Association has entered into a contract to inspect and repair the Rodney Hunt low level gate of the dam. The total contract price for the inspection and repair work is $22,848. The project is expected to take place during 2019.

The Association and its Trustees are defendants in a civil action brought by a property owner of the association on June 13, 2019. The civil action was brought to determine if the property owner should be considered a member in good standing and have the rights and privileges to use the facilities, lake and other amenities of the Association granted to members in good standing. The civil action is seeking monetary damages in addition to being granted the rights of a member in good standing. The outcome of the civil action could not be determined at this time.

The Association has evaluated subsequent events through August 13, 2019, which is the date the financial statements were available to be issued.