

**Upper Greenwood Lake  
Property Owners' Association, Inc.  
FINANCIAL STATEMENTS  
For the Year Ended December 31, 2006**

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Schulman and

Black, LLP CERTIFIED PUBLIC ACCOUNTANTS

475 Route 304  
New City, NY 10956  
Tel: (845) 638-4600  
Fax: (845) 638-4757  
Email: info@sbcpa.net

Saul Schulman, CPA  
Joel Black, CPA  
Eric Lafazan, CPA  
Melvin M. Grill, CPA  
Liza Katz, CPA

Ellen M. McLiverty, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of assets, liabilities, and fund balances (cash basis) of Upper Greenwood Lake Property Owners' Association, Inc. (a non-profit organization) as of December 31, 2006, and the related statement of revenue and expenses (cash basis) and change in fund balances (cash basis) for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2006, the results of its operations and its fund balances for the year then ended on the basis of accounting described in Note 1.



SCHULMAN AND BLACK, LLP  
Certified Public Accountants

May 2, 2007

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Assets, Liabilities and Fund Balances**  
**(Cash Basis)**  
**December 31, 2006**

	Total	POA Fund	Easement Fund
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$302,939	\$205,620	\$97,319
Cash (Restricted for Dredging Expenses)	\$181,876	0	181,876
Cash (Restricted for Dam Expenses)	94,744	0	94,744
Cash (Restricted)	45,668	45,668	0
Total Current Assets	625,227	251,288	373,939
Property & Equipment:			
Land	40,665	4,680	35,985
Land Improvements (Note 1)	417,823	7,461	410,362
Building	560,976	552,386	8,590
Building Improvements (Note 1)	14,000	0	14,000
Equipment (Note 1)	88,458	52,739	35,719
Total	1,121,922	617,266	504,656
Less: Accumulated Depreciation	(392,340)	(152,982)	(239,358)
Total Property & Equipment (Net)	729,582	464,284	265,298
TOTAL ASSETS	\$1,354,809	\$715,572	\$639,237
-			
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Long Term Debt-Current (Note 3)	\$38,927	\$21,858	\$17,069
Total Current Liabilities	38,927	21,858	17,069
Noncurrent Liabilities:			
Long Term Debt (Note 3)	421,146	130,831	290,315
Total Noncurrent Liabilities	421,146	130,831	290,315
TOTAL LIABILITIES	460,073	152,689	307,384
FUND BALANCES			
Unrestricted	679,979	537,883	142,096
Restricted	214,757	25,000	189,757
Total Fund Balances	894,736	562,883	331,853
TOTAL LIABILITIES AND FUND BALANCES	\$1,354,809	\$715,572	\$639,237

*See Accompanying Notes to Financial Statements*

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Revenue and Expenses**  
**(Cash Basis)**  
**For the Year Ended December 31, 2006**

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
<b>REVENUES</b>			
Membership Dues & Assessment - Current Year	\$388,902	\$160,200	\$228,702
Membership Dues & Assessment - Prior Year	23,431	700	22,731
Late Fees	14,175	4,950	9,225
Storage & Rental Income	13,778	12,428	1,350
Interest & Dividend Income	20,202	8,354	11,848
Capital Improvements	24,755	0	24,755
Other Income	128	128	0
<b>TOTAL REVENUES</b>	<u>485,371</u>	<u>186,760</u>	<u>298,611</u>
<b>EXPENSES</b>			
Payroll & Taxes	\$84,002	\$48,020	\$35,982
Weed Control Expenses	64,905	0	64,905
Depreciation (Note 1)	51,609	20,722	30,887
Real Estate Taxes	40,331	12,150	28,181
Insurance	39,124	11,738	27,386
Building & Parkland Maintenance	19,155	6,739	12,416
Interest Expenses	16,411	10,002	6,409
Beach Expense	15,552	15,552	0
Legal Expenses	13,606	1,100	12,506
Utilities	10,526	5,524	5,002
Office Expenses	9,675	2,436	7,239
Activities Expense, Net	9,449	9,449	0
Dam Maintenance	4,413	0	4,413
Accounting	3,300	990	2,310
Membership Expenses	3,142	2,215	927
Federal Income Tax (Note 1)	2,587	776	1,811
<b>TOTAL EXPENSES</b>	<u>387,787</u>	<u>147,413</u>	<u>240,374</u>
<b>Excess Revenues over Expenses</b>	<u>\$97,584</u>	<u>\$39,347</u>	<u>\$58,237</u>

*See Accompanying Notes to Financial Statement*

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Change in Fund Balance**  
**(Cash Basis)**  
**For the Year Ended December 31, 2006**

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2005	\$797,152	\$523,536	\$273,616
Excess Revenues over Expenses	<u>97,584</u>	<u>39,347</u>	<u>58,237</u>
Fund Balances, December 31, 2006	<u>\$894,736</u>	<u>\$562,883</u>	<u>\$331,853</u>

*See Accompanying Notes to Financial Statement*

**Upper Greenwood Property Owners' Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Property & Equipment

Property and equipment is stated at cost. Additions and improvements, which 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 or accelerated 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, 2006 is \$51,609.

**Upper Greenwood Property Owners' Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Association is incorporated under New Jersey law to operate as a non-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 2 - 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.

NOTE 3 - LONG TERM DEBT

Long-term debt consists of the following:

A) Mortgage note payable, secured by the clubhouse land and building, is payable in monthly installments of \$2,713. The note, which was refinanced in 2003, incurs interest at 6% per annum and matures February 1, 2013. Annual principal payments as of December 31, 2006 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2007	\$ 23,307
2008	24,638
2009	26,158
2010	27,883
Later Years	50,703

**Upper Greenwood Property Owners' Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

B) 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 has cosigned the loan for this plan. The terms of the loan are as follows: 2% interest, payable in thirty eight installments at six month intervals beginning January 29, 2003 and ending July 29, 2021. As of December 31, 2006, the loan payable was \$307,384.

Annual principal payments as of December 31, 2006 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2007	\$17,762
2008	18,118
2009	18,483
2010	18,863
Later Years	234,158

**NOTE 4 - 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 5 - CONTINGENCY**

The Association is a party to various legal actions normally associated with property owner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

**NOTE 6 - CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Corporation to credit risk consist principally of cash. The Corporation places its cash with high credit quality institutions. The balance exceeds federally insured limits.