

**UPPER GREENWOOD LAKE
PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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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, 2007, 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, 2007, 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

SCHULMAN AND BLACK, LLP
Certified Public Accountants

May 2, 2008

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Assets, Liabilities and Fund Balances
(Cash Basis)
December 31, 2007

	Total	POA Fund	Easement Fund
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$327,769	\$183,638	\$144,131
Cash (Restricted for Dredging Expenses)	\$193,710	0	193,710
Cash (Restricted for Dam Expenses)	78,217	0	78,217
Cash (Restricted)	47,978	47,978	0
Total Current Assets	647,674	231,616	416,058
Property & Equipment:			
Land	40,665	4,680	35,985
Land Improvements (Note 1)	433,113	7,461	425,652
Building	568,647	560,057	8,590
Building Improvements (Note 1)	14,000	0	14,000
Equipment (Note 1)	103,584	67,865	35,719
Total	1,160,009	640,063	519,946
Less: Accumulated Depreciation	(444,104)	(175,693)	(268,411)
Total Property & Equipment (Net)	715,905	464,370	251,535
TOTAL ASSETS	\$1,363,579	\$695,986	\$667,593
-			
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Long Term Debt-Current (Note 3)	\$41,945	\$24,876	\$17,069
Total Current Liabilities	41,945	24,876	17,069
Noncurrent Liabilities:			
Long Term Debt (Note 3)	373,749	101,196	272,553
Total Noncurrent Liabilities	373,749	101,196	272,553
TOTAL LIABILITIES	415,694	126,072	289,622
FUND BALANCES			
Unrestricted	735,197	544,914	190,283
Restricted	212,688	25,000	187,688
Total Fund Balances	947,885	569,914	377,971
TOTAL LIABILITIES AND FUND BALANCES	\$1,363,579	\$695,986	\$667,593

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, 2007

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
REVENUES			
Membership Dues & Assessment - Current Year	\$413,605	\$159,750	\$253,855
Membership Dues & Assessment - Prior Year	23,454	2,025	21,429
Late Fees	15,541	7,315	8,226
Storage & Rental Income	11,735	9,210	2,525
Interest & Dividend Income	20,392	8,226	12,166
Capital Improvements	24,151	0	24,151
Other Income	980	32	948
TOTAL REVENUES	<u>509,858</u>	<u>186,558</u>	<u>323,300</u>
EXPENSES			
Payroll & Taxes	\$93,884	\$49,401	\$44,483
Weed Control Expenses	62,592	0	62,592
Insurance	52,677	15,803	36,874
Depreciation (Note 1)	51,764	22,711	29,053
Real Estate Taxes	45,371	12,752	32,619
Building & Parkland Maintenance	33,840	8,987	24,853
Activities Expense, Net	27,260	27,260	0
Beach Expense	17,164	17,164	0
Interest Expenses	14,532	8,473	6,059
Legal Expenses	12,827	3,868	8,959
Office Expenses	12,588	3,215	9,373
Utilities	12,147	6,225	5,922
Security Expenses	5,875	0	5,875
Environmental Expenses	3,469	0	3,469
Accounting	3,300	990	2,310
Membership Expenses	2,912	1,722	1,190
Dam Maintenance	1,668	0	1,668
Federal Income Tax (Note 1)	2,839	956	1,883
TOTAL EXPENSES	<u>456,709</u>	<u>179,527</u>	<u>277,182</u>
Excess Revenues over Expenses	<u>\$53,149</u>	<u>\$7,031</u>	<u>\$46,118</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, 2007

	Total	POA Fund	Easement Fund
Fund Balances, December 31, 2006	\$894,736	\$562,883	\$331,853
Excess Revenues over Expenses	53,149	7,031	46,118
Fund Balances, December 31, 2007	\$947,885	\$569,914	\$377,971

See Accompanying Notes to Financial Statement

**UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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, 2007 is \$51,764.

UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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. The Association has made additional payments towards the principal. Currently the final payment will be June 2012. Annual principal payments as of December 31, 2007 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2008	\$ 25,409
2009	27,007
2010	28,706
2011	30,511
2012	16,705

UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007, the loan payable was \$289,622.

Annual principal payments as of December 31, 2007 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2008	\$18,118
2009	18,483
2010	18,855
2011	19,233
2012	19,620
Later Years	195,313

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.