

**UPPER GREENWOOD LAKE  
PROPERTY OWNERS' ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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## INDEPENDENT AUDITORS' REPORT

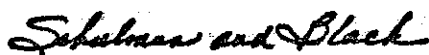
Board of Trustees  
Upper Greenwood Lake Property Owners' Association, Inc.  
Hewitt, New Jersey

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, 2008, 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, 2008, 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, 2009

**Upper Greenwood Lake Property Owners' Association, Inc.**  
**Statement of Assets, Liabilities and Fund Balances**  
**(Cash Basis)**  
**December 31, 2008**

	Total	POA Fund	Easement Fund
<b><u>ASSETS</u></b>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$332,603	\$140,195	\$192,408
Cash (Restricted for Dredging Expenses)	\$202,053	0	202,053
Cash (Restricted for Dam Expenses)	78,666	0	78,666
Cash (Restricted)	49,364	49,364	0
Total Current Assets	662,686	189,559	473,127
Property & Equipment:			
Land	40,665	4,680	35,985
Land Improvements (Note 1)	439,046	7,461	431,585
Building	607,555	598,965	8,590
Building Improvements (Note 1)	14,000	0	14,000
Equipment (Note 1)	131,358	83,013	48,345
Total	1,232,624	694,119	538,505
Less: Accumulated Depreciation	(498,706)	(200,570)	(298,136)
Total Property & Equipment (Net)	733,918	493,549	240,369
 TOTAL ASSETS	 \$1,396,604	 \$683,108	 \$713,496
 -			
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Current Liabilities:			
Long Term Debt-Current (Note 3)	\$45,631	\$27,148	\$18,483
Total Current Liabilities	45,631	27,148	18,483
Noncurrent Liabilities:			
Long Term Debt (Note 3)	326,560	73,539	253,021
Total Noncurrent Liabilities	326,560	73,539	253,021
 TOTAL LIABILITIES	 372,191	 100,687	 271,504
 FUND BALANCES			
Unrestricted	804,167	557,421	246,746
Restricted	220,246	25,000	195,246
Total Fund Balances	1,024,413	582,421	441,992
 TOTAL LIABILITIES AND FUND BALANCES	 \$1,396,604	 \$683,108	 \$713,496

*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, 2008**

	Total	POA Fund	Easement Fund
<b>REVENUES</b>			
Membership Dues & Assessment - Current Year	\$418,279	\$161,325	\$256,954
Membership Dues & Assessment - Prior Year	20,221	450	19,771
Late Fees	14,543	6,400	8,143
Storage & Rental Income	16,850	14,800	2,050
Interest & Dividend Income	12,311	4,651	7,660
Capital Improvements	23,732	0	23,732
Other Income	245	245	0
<b>TOTAL REVENUES</b>	<b>506,181</b>	<b>187,871</b>	<b>318,310</b>
<b>EXPENSES</b>			
Payroll & Taxes	\$99,441	\$58,806	\$40,635
Weed Control Expenses	57,230	0	57,230
Insurance	39,579	11,874	27,705
Depreciation (Note 1)	54,602	24,877	29,725
Real Estate Taxes	43,886	13,220	30,666
Building & Parkland Maintenance	19,534	8,074	11,460
Activities Expense, Net	18,361	18,361	0
Beach Expense	13,511	13,511	0
Interest Expenses	15,406	9,704	5,702
Legal Expenses	23,527	2,440	21,087
Office Expenses	17,165	3,835	13,330
Utilities	13,197	6,868	6,329
Security Expenses	3,446	0	3,446
Environmental Expenses	815	0	815
Accounting	3,600	1,080	2,520
Membership Expenses	2,882	1,754	1,128
Dam Maintenance	271	0	271
Federal Income Tax (Note 1)	3,200	960	2,240
<b>TOTAL EXPENSES</b>	<b>429,653</b>	<b>175,364</b>	<b>254,289</b>
<b>Excess Revenues over Expenses</b>	<b>\$76,528</b>	<b>\$12,507</b>	<b>\$64,021</b>

*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, 2008**

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2007	\$947,885	\$569,914	\$377,971
Excess Revenues over Expenses	<u>76,528</u>	<u>12,507</u>	<u>64,021</u>
Fund Balances, December 31, 2008	<u>\$1,024,413</u>	<u>\$582,421</u>	<u>\$441,992</u>

*See Accompanying Notes to Financial Statement*

**UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

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, 2008 is \$54,602.

**UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, 2008 are as follows:

<u>Year Ending December 31,</u>	
2009	\$ 27,148
2010	28,856
2011	30,671
2012	14,012

**UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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, 2008, the loan payable was \$271,503.

Annual principal payments as of December 31, 2008 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2009	\$18,483
2010	18,855
2011	19,233
2012	19,620
2013	20,014
Later Years	175,298

**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.