

**UPPER GREENWOOD LAKE
PROPERTY OWNERS' ASSOCIATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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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 not for profit organization) as of December 31, 2009, 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, 2009, 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, 2010

Upper Greenwood Lake Property Owners' Association, Inc.
Statement of Assets, Liabilities and Fund Balances
(Cash Basis)
December 31, 2009

	Total	POA Fund	Easement Fund
<u>ASSETS</u>			
Current Assets:			
Cash In Banks and Cash Equivalents	\$283,171	\$133,379	\$149,792
Cash (Restricted for Dredging Expenses)	\$209,330	0	209,330
Cash (Restricted for Dam Expenses)	78,696	0	78,696
Cash (Restricted)	49,664	49,664	0
Total Current Assets	620,861	183,043	437,818
Property & Equipment:			
Land	40,665	4,680	35,985
Land Improvements (Note 1)	551,663	7,461	544,202
Building	616,495	607,905	8,590
Building Improvements (Note 1)	14,000	0	14,000
Equipment (Note 1)	148,312	99,967	48,345
Total	1,371,135	720,013	651,122
Less: Accumulated Depreciation	(555,903)	(225,614)	(330,289)
Total Property & Equipment (Net)	815,232	494,399	320,833
TOTAL ASSETS	\$1,436,093	\$677,442	\$758,651
<u>LIABILITIES AND FUND BALANCES</u>			
Current Liabilities:			
Long Term Debt-Current (Note 3)	\$38,706	\$25,190	\$13,516
Total Current Liabilities	38,706	25,190	13,516
Noncurrent Liabilities:			
Long Term Debt (Note 3)	283,123	43,619	239,504
Total Noncurrent Liabilities	283,123	43,619	239,504
TOTAL LIABILITIES	321,829	68,809	253,020
FUND BALANCES			
Unrestricted	904,456	583,633	320,823
Restricted	209,808	25,000	184,808
Total Fund Balances	1,114,264	608,633	505,631
TOTAL LIABILITIES AND FUND BALANCES	\$1,436,093	\$677,442	\$758,651

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, 2009

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
REVENUES			
Membership Dues & Assessment - Current Year	\$421,988	\$157,500	\$264,488
Membership Dues & Assessment - Prior Year	33,713	1,350	32,363
Late Fees	22,132	9,403	12,729
Storage & Rental Income	15,720	13,720	2,000
Interest & Dividend Income	5,440	739	4,701
Capital Improvements	24,097	0	24,097
Other Income	410	410	0
TOTAL REVENUES	<u>523,500</u>	<u>183,122</u>	<u>340,378</u>
EXPENSES			
Payroll & Taxes	\$96,229	\$54,529	\$41,700
Weed Control Expenses	63,045	0	63,045
Insurance	40,531	12,159	28,372
Depreciation (Note 1)	57,197	25,044	32,153
Real Estate Taxes	46,146	14,302	31,844
Building & Parkland Maintenance	22,485	8,378	14,107
Activities Expense, Net	14,170	14,170	0
Beach Expense	12,705	12,705	0
Interest Expenses	8,549	3,211	5,338
Legal Expenses	29,577	630	28,947
Office Expenses	11,924	2,224	9,700
Utilities	12,579	6,866	5,713
Security Expenses	1,736	0	1,736
Environmental Expenses	2,154	0	2,154
Accounting	3,600	1,080	2,520
Membership Expenses	2,270	1,531	739
Dam Maintenance	8,482	0	8,482
Federal Income Tax (Note 1)	270	81	189
TOTAL EXPENSES	<u>433,649</u>	<u>156,910</u>	<u>276,739</u>
Excess Revenues over Expenses	<u>\$89,851</u>	<u>\$26,212</u>	<u>\$63,639</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, 2009

	<u>Total</u>	<u>POA Fund</u>	<u>Easement Fund</u>
Fund Balances, December 31, 2008	\$1,024,413	\$582,421	\$441,992
Excess Revenues over Expenses	<u>89,851</u>	<u>26,212</u>	<u>63,639</u>
Fund Balances, December 31, 2009	<u>\$1,114,264</u>	<u>\$608,633</u>	<u>\$505,631</u>

See Accompanying Notes to Financial Statement

UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009 is \$56,478.

UPPER GREENWOOD PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 currently payable in monthly installments of \$2,417. The note, which was refinanced in 2003 currently incurs interest at 6.52% 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, 2009 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2010	\$ 25,190
2011	26,915
2012	16,704

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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, 2009, the loan payable was \$253,020.

Annual principal payments as of December 31, 2009 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2010	\$18,855
2011	19,233
2012	19,620
2013	20,014
2014	20,417
Later Years	154,881

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 cash positions are all within federally insured limits.