

**Black Creek Sanctuary Condominium
Association, Inc.**

**Financial Statements
and Supplementary Information**

With

Independent Auditors' Reports

For the Year Ended June 30, 2011

(With Comparative Totals for June 30, 2010)

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Members
Black Creek Sanctuary Condominium Association, Inc.

We have audited the accompanying balance sheet of Black Creek Sanctuary Condominium Association, Inc. (the "Association") as of June 30, 2011, and the related statements of revenues, expenses and changes in fund balances and cash flows 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 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Black Creek Sanctuary Condominium Association, Inc. as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Information for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which we expressed an unqualified opinion on our report dated November 19, 2010.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.
Saddle Brook, New Jersey
November 15, 2011

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	2011			2010	
	Operating Fund	Deferred Maintenance Fund	Replacement Fund	Total	Total
ASSETS:					
Cash and cash equivalents	\$ 42,272	\$ 28,001	\$ 239,299	\$ 309,572	\$ 248,530
Certificate of deposit	-	-	78,112	78,112	78,112
Member assessments receivable, net	115,425	-	-	115,425	92,556
Developer assessments receivable, net	16,173	-	-	16,173	9,474
Prepaid expenses	20,994	-	-	20,994	21,104
Interfund receivable	-	-	113,047	113,047	91,958
TOTAL ASSETS	\$ 194,864	\$ 28,001	\$ 430,458	\$ 653,323	\$ 541,734
LIABILITIES:					
Accounts payable and accrued expenses	\$ 42,528	\$ -	\$ -	\$ 42,528	\$ 42,474
Member assessments received in advance	25,003	-	-	25,003	17,615
Interfund payable	75,207	37,840	-	113,047	91,958
Income taxes payable	-	-	-	-	91
TOTAL LIABILITIES	142,738	37,840	-	180,578	152,138
FUND BALANCES (DEFICIT)	52,126	(9,839)	430,458	472,745	389,596
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 194,864	\$ 28,001	\$ 430,458	\$ 653,323	\$ 541,734

See Accompanying Notes to Financial Statements

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	2011			2010	
	Operating Fund	Deferred Maintenance Fund	Replacement Fund	Total	Total
REVENUES:					
Member assessments	\$ 392,064	\$ 28,000	\$ 60,000	\$ 480,064	\$ 434,214
Developer assessments	66,039	-	-	66,039	112,232
Late fees and other income	60,914	-	-	60,914	35,182
Capital contributions					
collected at closings - resales	13,345	-	-	13,345	2,053
Interest income	-	1	704	705	1,573
Municipal reimbursement	4,303	-	-	4,303	-
TOTAL REVENUES	536,665	28,001	60,704	625,370	585,254
EXPENSES:					
Administrative	98,012	-	-	98,012	165,252
Building and grounds	207,530	-	-	207,530	150,617
Pool	95,639	-	-	95,639	85,231
Utilities	29,367	-	-	29,367	13,220
General	76,806	-	-	76,806	76,631
Exterior staining	-	37,840	-	37,840	48,283
Roofing	-	-	7,292	7,292	-
TOTAL EXPENSES	507,354	37,840	7,292	552,486	539,234
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	29,311	(9,839)	53,412	72,884	46,020
FUND BALANCES, BEGINNING OF YEAR	12,550	-	377,046	389,596	336,390
CAPITAL CONTRIBUTIONS COLLECTED AT INITIAL CLOSINGS	10,265	-	-	10,265	7,186
FUND BALANCES (DEFICIT), END OF YEAR	\$ 52,126	\$ (9,839)	\$ 430,458	\$ 472,745	\$ 389,596

See Accompanying Notes to Financial Statements

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	2011			2010	
	Operating Fund	Dererred Maintenance Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Excess (deficiency) of revenues over expenses	\$ 29,311	\$ (9,839)	\$ 53,412	\$ 72,884	\$ 46,020
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:					
Increase in allowance for bad debts	34,254	-	-	34,254	73,809
(Increase) decrease in:					
Member assessments receivable	(57,123)	-	-	(57,123)	(83,126)
Developer assessments receivable	(6,699)	-	-	(6,699)	17,395
Prepaid expenses	110	-	-	110	(43)
Interfund balances	(16,751)	37,840	(21,089)	-	-
Increase (decrease) in:					
Accounts payable and accrued expenses	54	-	-	54	1,533
Member assessments received in advance	7,388	-	-	7,388	10,959
Income taxes payable	(91)	-	-	(91)	(201)
Net Cash Provided by (Used in) Operating Activities	<u>(9,547)</u>	<u>28,001</u>	<u>32,323</u>	<u>50,777</u>	<u>66,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of certificates of deposit	-	-	(78,112)	(78,112)	(78,112)
Redemptions of certificates of deposit	-	-	78,112	78,112	77,500
Net Cash Used in Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(612)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Capital contributions collect at closings	10,265	-	-	10,265	7,186
Net Cash Provided by Financing Activities	<u>10,265</u>	<u>-</u>	<u>-</u>	<u>10,265</u>	<u>7,186</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	718	28,001	32,323	61,042	72,920
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,554	-	206,976	248,530	175,610
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 42,272</u>	<u>\$ 28,001</u>	<u>\$ 239,299</u>	<u>\$ 309,572</u>	<u>\$ 248,530</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid during the year for:					
Income taxes	\$ 100	\$ -	\$ -	\$ 100	\$ 310

See Accompanying Notes to Financial Statements

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - ORGANIZATION:

Black Creek Sanctuary Condominium Association, Inc. (the "Association") is a not-for-profit association, incorporated in the State of New Jersey in January 2002. The purpose of the Association is to maintain and preserve its common property. Black Creek Sanctuary Condominium Association, Inc. consists of 133 residential units, recreational facilities and amenities. It is located in Vernon, New Jersey and is a part of a larger planned development known as "Mountain Creek."

As a member of Black Creek Sanctuary Condominium Association, Inc., each unit owner is automatically a member of Mountain Creek Association, Inc. and, as such, is entitled to use the common property and facilities which are a part of Mountain Creek. These financial statements only reflect the activity of the Black Creek Sanctuary Condominium Association, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Funds

The Association uses the fund method of accounting, which requires that funds, such as operating funds, deferred maintenance funds and funds for future major repairs and replacements be classified separately for accounting and reporting purposes. Fund accounting segregates funds having restrictions on their use. Disbursements from the operating fund are at the discretion of the Board of Trustees. Disbursements from the replacement and deferred maintenance funds may be made only for their designated purposes.

Operating Fund - This represents the portion of expendable funds that are available for the general operations of the Association's activities.

Deferred Maintenance Fund - The purpose of the Deferred Maintenance Fund is to accumulate sufficient funds which allow the Association to have the necessary resources to perform painting, staining, power washing, and other maintenance services which occur less frequently than annually.

Replacement Fund - The purpose of the replacement fund is to accumulate funds over the estimated lives of certain components, which are part of the common elements, so that sufficient amounts are available to pay for their eventual repair and/or replacement.

Cash and Cash Equivalents

Cash and cash equivalents include checking accounts, savings accounts and certificates of deposit and highly liquid debt instruments purchased with an original maturity of three months or less.

Interest Income

It is the Association's policy to allocate to the fund the interest earned on all cash and investment accounts in that fund.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Real Property

The values of real and common areas acquired from the developer are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to the June 30, 2010 financial statements to conform to the June 30, 2011 presentation. These classifications have no effect on previously reported excess of revenues over expenses.

Subsequent Events

The Association has evaluated subsequent events through November 15, 2011, the date that the financial statements were available to be issued.

NOTE 3 - CERTIFICATE OF DEPOSIT:

At June 30, 2011, the Association held one certificate of deposit at a cost of \$78,112 with an interest rate of 0.4%. The certificate of deposit matures in October 2011.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements. However, the Association is accumulating amounts for future major repairs and replacements in accordance with budgeted amounts. Accumulated funds are held in a separate account and generally are not available for expenditures for normal operations.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED):

The Association engaged an independent engineer who conducted a study in January 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information of future major repairs and replacements is based on that study. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. In addition, the Association makes no representation as to the adequacy of budgeted contributions or accuracy of any expert opinions it has obtained. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

During the year ended June 30, 2011, the Association budgeted \$60,000 of member assessments to be contributed to the replacement fund.

NOTE 5 - MEMBER ASSESSMENTS RECEIVABLE, NET:

The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are in arrears.

As of June 30, 2011, the Association had member assessments receivable of \$299,816. It is estimated that \$184,391 of these receivables may not be collected, and, accordingly, an allowance for bad debts has been established for that amount. If and when a portion of this amount is collected, it will be recognized as income in the year received.

NOTE 6 - DEVELOPER ASSESSMENTS RECEIVABLE, NET:

As of June 30, 2011, Developer assessments receivable totaled \$16,173, all of which have been deemed collectible. The Developer is responsible for member assessments on units it owns. See Note 8.

NOTE 7 - MEMBER ASSESSMENTS:

Monthly assessments to members were \$342 for the year ended June 30, 2011.

The annual budget and member assessments are determined by the Board of Trustees. These assessments are for the Association's operating and replacement funds. Any excess assessments at the end of the operating year are retained by the Association for use in future periods.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 - DEVELOPER ASSESSMENTS:

In accordance with the Association's governing documents, Mountain Creek, the developer, is responsible for member assessments on units it owns. A unit is considered to be owned by Mountain Creek beginning on the date it obtains the certificate of occupancy for that unit and ending on the date it sells the unit. Mountain Creek accounted for 12.1% of assessment revenue and 10.6% of total revenues for the year ended June 30, 2011. At June 30, 2011, Mountain Creek owned 12 of the Association's 133 units.

NOTE 9 - CAPITAL CONTRIBUTIONS COLLECTED AT CLOSINGS:

In accordance with the Association's governing documents, at the time a new owner closes title on their unit, they are assessed a non-refundable amount equivalent to three months' current member assessments, to be used as working capital. During the year ended June 30, 2011, the Association collected closing assessments of \$23,610, of which \$13,345 were from resales.

NOTE 10 - INCOME TAXES:

The Association has the option of being taxed as a regular corporation on the amount by which total non-membership revenues exceeds total non-membership expenses pursuant to Internal Revenue Code Section 277, or it can elect to file as a homeowners association under Section 528 of the Internal Revenue Code, which provides that the Association is exempt from taxation on amounts received as exempt function income, which generally consists of uniform assessments to members.

For the year ended June 30, 2011, the Association has elected to file as a regular corporation under Internal Revenue Code Section 277.

The Association adopted FASB ASC 740-10-05, "Accounting for Uncertainty in Income Taxes" ("ASC"). The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2011 there were no uncertain tax positions and no significant temporary differences between financial statement and tax basis assets and liabilities.

The Association files federal income tax returns subject to a statute of limitations. The 2007 through 2009 tax years generally remain subject to examination by federal tax authorities.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 - CONCENTRATION OF CREDIT RISK:

The Association maintained its cash and cash equivalents and certificates of deposit in financial institutions subject to the insurance limits established by the Federal Deposit Insurance Corporation. At times, the balances at these financial institutions may exceed insured limits. The Association has not experienced any losses in these accounts.

NOTE 12 - RELATED PARTY TRANSACTIONS:

The Association utilized the services of its management company to perform various repair and maintenance services at the site. These services consisted of the following:

Pool	\$ 23,479
Repairs and maintenance	20,121
Grounds maintenance	24,963
Security	24,607
Trash removal	8,196
Miscellaneous administrative	<u>1,812</u>
	<u>\$ 103,178</u>

At June 30, 2011, the Association owed the management company \$13,241. Such amount is included in accounts payable and accrued expenses on the balance sheet.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees and Members
Black Creek Sanctuary Condominium Association, Inc.

Our report on our audit to the basic financial statements of Black Creek Sanctuary Condominium Association, Inc. for the year ended June 30, 2011 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements of Black Creek Sanctuary Condominium Association, Inc., but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.
Saddle Brook, New Jersey
November 15, 2011

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2011
(UNAUDITED)

The Association engaged an independent engineer who conducted a study in January 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following table is based on the 2009 study and presents significant information about the components of common property.

	Estimated Remaining Useful <u>Lives (Years)</u>	Estimated Current Replacement <u>Cost</u>	Funding <u>Requirements</u>
Architectural	16-21	\$ 789,828	\$ 91,079
Electrical	21	48,000	5,184
Mechanical	11-16	22,500	3,429
Site	11-26	1,043,126	120,863
Miscellaneous	11	5,000	923
		<u>\$ 1,908,454</u>	<u>\$ 221,478</u>

See Independent Auditors' Report on Supplementary Information on Page 10

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees and Members
Black Creek Sanctuary Condominium Association, Inc.

Our report on our audit to the basic financial statements of Black Creek Sanctuary Condominium Association, Inc. for the year ended June 30, 2011 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The schedule of Operating Expenses for the year ended June 30, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Schedule of Operating Expenses for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year on which we expressed an unqualified opinion on our report dated November 19, 2010.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.
Saddle Brook, New Jersey
November 15, 2011

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	2011			2010	
	Operating Fund	Deferred Maintenance Fund	Replacement Fund	Total	Total
ADMINISTRATIVE:					
Audit fees	\$ 4,800	\$ -	\$ -	\$ 4,800	\$ 4,700
Legal fees	11,655	-	-	11,655	9,918
Management fees	25,536	-	-	25,536	25,536
Office and miscellaneous	3,652	-	-	3,652	6,809
Telephone	720	-	-	720	786
Income tax	-	-	-	-	108
Bad debt	51,649	-	-	51,649	117,395
TOTAL ADMINISTRATIVE	\$ 98,012	\$ -	\$ -	\$ 98,012	\$ 165,252
BUILDING AND GROUNDS:					
Grounds maintenance	\$ 58,465	\$ -	\$ -	\$ 58,465	\$ 51,311
Snow removal	33,783	-	-	33,783	26,225
Pest control	3,672	-	-	3,672	4,935
Repairs and maintenance	34,698	-	-	34,698	17,668
Security	24,736	-	-	24,736	27,511
Communications	21,873	-	-	21,873	-
Supplies	9,625	-	-	9,625	8,035
Trash removal	20,678	-	-	20,678	14,932
TOTAL BUILDING AND GROUNDS	\$ 207,530	\$ -	\$ -	\$ 207,530	\$ 150,617
POOL:					
Electric and gas	\$ 40,643	\$ -	\$ -	\$ 40,643	\$ 33,798
Maintenance and supplies	28,924	-	-	28,924	27,831
Management and attendants	16,829	-	-	16,829	18,565
Telephone	1,136	-	-	1,136	404
Water	7,807	-	-	7,807	4,633
License and permits	300	-	-	300	-
TOTAL POOL	\$ 95,639	\$ -	\$ -	\$ 95,639	\$ 85,231

See Independent Auditors' Report on Supplementary Information on Page 12

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	2011			2010	
	Operating Fund	Deferred Maintenance Fund	Replacement Fund	Total	Total
UTILITIES:					
Electric	\$ 28,312	\$ -	\$ -	\$ 28,312	\$ 12,831
Water	1,055	-	-	1,055	389
TOTAL UTILITIES	<u>\$ 29,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,367</u>	<u>\$ 13,220</u>
GENERAL:					
Insurance	\$ 76,806	\$ -	\$ -	\$ 76,806	\$ 76,631
TOTAL GENERAL	<u>\$ 76,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,806</u>	<u>\$ 76,631</u>

See Independent Auditors' Report on Supplementary Information on Page 12