

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

**Financial Statements
and Supplementary Information**

With

Independent Auditors' Reports

For the Year Ended June 30, 2010

(With Comparative Totals for June 30, 2009)

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10
Supplementary Information	
Independent Auditors' Report on Supplementary Information	11
Supplementary Information on Future Major Repairs and Replacements	12
Independent Auditors' Report on Supplementary Information	13
Schedule of Expenses	14-15

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, 2010, 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, 2010, 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, 2009 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 December 1, 2009.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.
Saddle Brook, New Jersey
November 19, 2010

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	2010			2009
	Operating Fund	Replacement Fund	Total	Total
ASSETS:				
Cash and cash equivalents	\$ 41,554	\$ 206,976	\$ 248,530	\$ 175,610
Certificate of deposit	-	78,112	78,112	77,500
Member assessments receivable, net	92,556	-	92,556	90,882
Developer assessments receivable, net	9,474	-	9,474	19,226
Prepaid insurance	21,104	-	21,104	21,061
Interfund balances	(91,958)	91,958	-	-
TOTAL ASSETS	\$ 72,730	\$ 377,046	\$ 449,776	\$ 384,279
LIABILITIES:				
Accounts payable and accrued expenses	\$ 42,474	\$ -	\$ 42,474	\$ 40,941
Member assessments received in advance	17,615	-	17,615	6,656
Income taxes payable	91	-	91	292
TOTAL LIABILITIES	60,180	-	60,180	47,889
COMMITMENT				
FUND BALANCES	12,550	377,046	389,596	336,390
TOTAL LIABILITIES AND FUND BALANCES	\$ 72,730	\$ 377,046	\$ 449,776	\$ 384,279

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, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	2010			2009
	Operating Fund	Replacement Fund	Total	Total
REVENUES:				
Member assessments	\$ 374,214	\$ 60,000	\$ 434,214	\$ 422,911
Developer assessments	112,232	-	112,232	123,181
Late fees and other income	35,182	-	35,182	18,724
Capital contributions collected at closings - resales	2,053	-	2,053	-
Interest income	-	1,573	1,573	3,241
Municipal reimbursements	-	-	-	10,182
TOTAL REVENUES	523,681	61,573	585,254	578,239
EXPENSES:				
Administrative	165,252	-	165,252	102,493
Building and grounds	150,617	-	150,617	162,284
Pool	85,231	-	85,231	122,074
Utilities	13,220	-	13,220	22,092
General	76,631	-	76,631	76,701
Exterior staining	48,283	-	48,283	-
Engineering - transition study	-	-	-	12,800
TOTAL EXPENSES	539,234	-	539,234	498,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(15,553)	61,573	46,020	79,795
FUND BALANCES, BEGINNING OF YEAR	20,917	315,473	336,390	253,515
CAPITAL CONTRIBUTIONS COLLECTED AT INITIAL CLOSINGS	7,186	-	7,186	3,080
FUND BALANCES, END OF YEAR	\$ 12,550	\$ 377,046	\$ 389,596	\$ 336,390

See Accompanying Notes to Financial Statements

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	2010		2009	
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess (deficiency) of revenues over expenses	\$ (15,553)	\$ 61,573	\$ 46,020	\$ 79,795
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:				
Increase in allowance for bad debts	73,809	-	73,809	56,990
(Increase) decrease in:				
Member assessments receivable	(83,126)	-	(83,126)	(47,639)
Developer assessments receivable	17,395	-	17,395	(328)
Prepaid insurance	(43)	-	(43)	37
Deposits	-	-	-	6,875
Interfund balances	(10,000)	10,000	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses	1,533	-	1,533	(39,122)
Member assessments received in advance	10,959	-	10,959	720
Income taxes payable	(201)	-	(201)	266
Net Cash Provided by (Used in) Operating Activities	(5,227)	71,573	66,346	57,594
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of certificates of deposit	-	(78,112)	(78,112)	(77,500)
Redemptions of certificates of deposit	-	77,500	77,500	-
Net Cash Used in Investing Activities	-	(612)	(612)	(77,500)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Capital contributions collect at closings	7,186	-	7,186	3,080
Net Cash Provided by Financing Activities	7,186	-	7,186	3,080
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,959	70,961	72,920	(16,826)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	39,595	136,015	175,610	192,436
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 41,554	\$ 206,976	\$ 248,530	\$ 175,610
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Income taxes	\$ 310	\$ -	\$ 310	\$ 30

See Accompanying Notes to Financial Statements

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 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 fund 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.

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.

Adoption of FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB ASC 105-10, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (formerly Statement of Financial Accounting Standards ("SFAS") No. 168). FASB ASC 105-10 replaces SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" and establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles ("GAAP") recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. GAAP. The Codification became the exclusive authoritative reference at September 30, 2009. Updates to the Codification Standards are issued as Accounting Standards Updates ("ASU's") by the FASB. The adoption of the Codification did not impact the financial statements except for references made to authoritative accounting literature in the notes.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Cash and Cash Equivalents

Cash and cash equivalents include checking accounts, money market 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.

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.

Subsequent Events

The Association has evaluated subsequent events through the date that the financial statements were issued on November 19, 2010.

NOTE 3 - CERTIFICATES OF DEPOSIT:

At June 30, 2010, the Association held four certificates of deposit at a cost of \$203,742 with interest rates ranging between 0.1% and 1.0%. These certificates of deposit have original maturity dates ranging between July 2010 and October 2010. The certificates of deposit are included on the balance sheet as follows:

Cash and cash equivalents	\$ 125,630
Certificate of deposit	78,112
	<u>\$ 203,742</u>

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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, 2010, 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, 2010, the Association had member assessments receivable of \$242,693. It is estimated that \$150,137 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, 2010, developer assessments receivable totaled \$9,474, all of which have been deemed collectible. The developer is responsible for member assessments on units it owns. See Note 7.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 - MEMBER ASSESSMENTS:

Monthly assessments to members were \$342 for the year ended June 30, 2010.

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.

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 they sell the unit. Mountain Creek accounted for 20.5% of assessment revenue and 21.4% of total revenues for the year ended June 30, 2010. At June 30, 2010, Mountain Creek owned 23 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, 2010, the Association collected closing assessments of \$9,239, of which \$2,053 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, 2010, 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") effective as of July 1, 2009. 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.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 - INCOME TAXES (CONTINUED):

The adoption of the ASC did not have an effect on the Association's financial position as of July 1, 2009 as the Association did not have any unrecognized tax benefits. The Association also evaluated its tax positions as of June 30, 2010 and reached the same conclusion. As of June 30, 2010 there were no uncertain tax positions and no significant temporary differences between financial statement and tax basis assets and liabilities.

The Association files U.S. income tax returns subject to varying statutes of limitations. The 2006 through 2008 tax years generally remain subject to examination by federal tax authorities.

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 management	18,250
Pool maintenance and supplies	6,889
Property repairs and maintenance	5,308
Miscellaneous	4,674
Grounds maintenance	20,907
Supplies	888
Security	27,511
Review of electric bills	7,315
Trash removal	5,835
Legal Fees	6,900
	<u>6,900</u>
	<u>\$ 104,477</u>

The Board of Trustees utilized the services of Mountain Creek to provide electric services at the site. These services consisted of the following:

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED):

Pool - electric	\$ 14,475
Electric - common	12,704
Supplies	<u>46</u>
	<u>\$ 27,225</u>

At June 30, 2010, the Association owed the management company \$11,118 and owed Mountain Creek \$7,979. Such amounts are included in accounts payable and accrued expenses on the balance sheet.

NOTE 13 - COMMITMENT:

On November 1, 2008, the Association entered into a three-year snow removal and ice control contract for the period November 15, 2008 through April 15, 2011. The minimum annual cost is \$22,735 with a cap of 48 inches of snow per season (November 15 through April 15). If snowfall exceeds the seasonal cap, the Association will be billed at a rate of \$350 per inch. The maximum cost per season is \$33,000. The future minimum payment for the year ended June 30, 2011 is \$22,735.

Snow removal expense amounted to \$26,225 for the year ended June 30, 2010

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, 2010 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 19, 2010

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2010
(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>	<u>Funding Requirements</u>
Architectural	17-22	\$ 789,828	\$ 91,079
Electrical	22	48,000	5,184
Mechanical	12-17	22,500	3,429
Site	12-27	1,043,126	120,863
Miscellaneous	12	5,000	923
		<u>\$ 1,908,454</u>	<u>\$ 221,478</u>

See Independent Auditors' Report on Supplementary Information on Page 11

**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, 2010 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, 2010 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, 2009 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 December 1, 2009.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.
Saddle Brook, New Jersey
November 19, 2010

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	2010		2009	
	Operating Fund	Replacement Fund	Total	Total
ADMINISTRATIVE:				
Audit fees	\$ 4,700	\$ -	\$ 4,700	\$ 4,600
Legal fees	9,918	-	9,918	10,240
Management fees	25,536	-	25,536	25,536
Office and miscellaneous	6,809	-	6,809	2,328
Telephone	786	-	786	2,503
Income tax	108	-	108	296
Bad debt	117,395	-	117,395	56,990
TOTAL ADMINISTRATIVE	\$ 165,252	\$ -	\$ 165,252	\$ 102,493
BUILDING AND GROUNDS:				
Grounds maintenance	\$ 51,311	\$ -	\$ 51,311	\$ 54,276
Snow removal	26,225	-	26,225	22,735
Pest control	4,935	-	4,935	5,915
Repairs and maintenance	17,668	-	17,668	30,008
Security	27,511	-	27,511	30,737
Supplies	8,035	-	8,035	7,369
Trash removal	14,932	-	14,932	11,244
TOTAL BUILDING AND GROUNDS	\$ 150,617	\$ -	\$ 150,617	\$ 162,284
POOL:				
Electric and gas	\$ 33,798	\$ -	\$ 33,798	\$ 60,428
Maintenance and supplies	27,831	-	27,831	25,176
Management and attendants	18,565	-	18,565	30,555
Telephone	404	-	404	330
Water	4,633	-	4,633	5,285
License and permits	-	-	-	300
TOTAL POOL	\$ 85,231	\$ -	\$ 85,231	\$ 122,074

See Independent Auditors' Report on Supplementary Information on Page 13

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	2010			2009
	Operating Fund	Replacement Fund	Total	Total
UTILITIES:				
Electric	\$ 12,831	\$ -	\$ 12,831	\$ 21,764
Water	389	-	389	328
TOTAL UTILITIES	<u>\$ 13,220</u>	<u>\$ -</u>	<u>\$ 13,220</u>	<u>\$ 22,092</u>
GENERAL:				
Insurance	\$ 76,631	\$ -	\$ 76,631	\$ 76,701
TOTAL GENERAL	<u>\$ 76,631</u>	<u>\$ -</u>	<u>\$ 76,631</u>	<u>\$ 76,701</u>

See Independent Auditors' Report on Supplementary Information on Page 13