

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

**Financial Statements
and Supplementary Information**

With

Independent Auditors' Reports

For the Year Ended June 30, 2009

(With Comparative Totals for June 30, 2008)

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
JUNE 30, 2009

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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, 2009, 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 present fairly the financial position of the Association as of June 30, 2009, 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.

As discussed in Note 9, the Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented estimates of future costs of major repairs and replacements that will be required in the future, which the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Information for the year ended June 30, 2008 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unqualified opinion on our report dated January 14, 2009.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.
Saddle Brook, New Jersey
December 1, 2009

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

	2009			2008
	Operating Fund	Replacement Fund	Total	Total
ASSETS:				
Cash and cash equivalents	\$ 39,595	\$ 136,015	\$ 175,610	\$ 192,436
Certificate of deposit	-	77,500	77,500	-
Member assessments receivable, net	90,882	-	90,882	94,746
Developer assessments receivable, net	19,226	-	19,226	24,385
Prepaid insurance	21,061	-	21,061	21,098
Deposits	-	-	-	6,875
Interfund balances	(101,958)	101,958	-	-
TOTAL ASSETS	\$ 68,806	\$ 315,473	\$ 384,279	\$ 339,540
LIABILITIES:				
Accounts payable and accrued expenses	\$ 40,941	\$ -	\$ 40,941	\$ 80,063
Member assessments received in advance	6,656	-	6,656	5,936
Income taxes payable	292	-	292	26
TOTAL LIABILITIES	47,889	-	47,889	86,025
FUND BALANCES	20,917	315,473	336,390	253,515
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,806	\$ 315,473	\$ 384,279	\$ 339,540

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, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

	2009			2008
	Operating Fund	Replacement Fund	Total	Total
REVENUES:				
Member assessments	\$ 362,911	\$ 60,000	\$ 422,911	\$ 409,312
Developer assessments	123,181	-	123,181	119,243
Municipal reimbursements	10,182	-	10,182	-
Late fees and other income	18,724	-	18,724	34,913
Interest income	-	3,241	3,241	918
TOTAL REVENUES	514,998	63,241	578,239	564,386
EXPENSES:				
Administrative	102,493	-	102,493	63,144
Building and grounds	162,284	-	162,284	155,660
Pool	122,074	-	122,074	131,660
Utilities	22,092	-	22,092	45,245
General	76,701	-	76,701	73,491
Engineering - transition study	12,800	-	12,800	-
Exterior staining	-	-	-	21,400
TOTAL EXPENSES	498,444	-	498,444	490,600
EXCESS OF REVENUES OVER EXPENSES	16,554	63,241	79,795	73,786
FUND BALANCES, BEGINNING OF YEAR	1,283	252,232	253,515	179,729
CAPITAL CONTRIBUTIONS COLLECTED AT CLOSINGS	3,080	-	3,080	-
FUND BALANCES, END OF YEAR	\$ 20,917	\$ 315,473	\$ 336,390	\$ 253,515

See Accompanying Notes to Financial Statements

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

	2009		2008	
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess of revenues over expenses	\$ 16,554	\$ 63,241	\$ 79,795	\$ 73,786
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:				
(Increase) decrease in:				
Member assessments receivable, net	3,864	-	3,864	(62,111)
Developer assessments receivable, net	5,159	-	5,159	8,664
Prepaid insurance	37	-	37	(4,770)
Deposits	-	6,875	6,875	5,117
Interfund balances	34,136	(34,136)	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses	(39,122)	-	(39,122)	(32,594)
Member assessments received in advance	720	-	720	3,548
Income taxes payable	266	-	266	(2)
Net Cash Provided by (Used in) Operating Activities	<u>21,614</u>	<u>35,980</u>	<u>57,594</u>	<u>(8,362)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Capital contributions collect at closings	3,080	-	3,080	-
Net Cash Provided by Financing Activities	<u>3,080</u>	<u>-</u>	<u>3,080</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,694	35,980	60,674	(8,362)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,901</u>	<u>177,535</u>	<u>192,436</u>	<u>200,798</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 39,595</u>	<u>\$ 213,515</u>	<u>\$ 253,110</u>	<u>\$ 192,436</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Income taxes	\$ 30	\$ -	\$ 30	\$ 30

See Accompanying Notes to Financial Statements

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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. ("Mountain Creek") 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:

Fund Accounting

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. Disbursements from the operating fund are at the discretion of the Board of Directors. Disbursements from the replacement fund should be made only for their designated purposes.

Cash and Cash Equivalents

Cash and cash equivalents include all money market accounts 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.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Subsequent Events

We have evaluated subsequent events, as defined by Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events," through the date of our report which is December 1, 2009.

NOTE 3 - CERTIFICATES OF DEPOSIT:

At June 30, 2009, the Association held one certificate of deposit at a cost of \$77,500 which bears at a rate of 3.68% and matures in September 2009.

NOTE 4 - 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, 2009, the Association had member assessments receivable of \$159,568. It is estimated that \$68,686 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 5 - DEVELOPER ASSESSMENTS RECEIVABLE, NET:

As of June 30, 2009, the Association had developer assessments receivable of \$26,869. The developer is responsible for member assessments on units owned by the developer (see Note 7). It is estimated that \$7,643 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 - MEMBER ASSESSMENTS:

Monthly assessments to members were \$342 for the year ended June 30, 2009.

The annual budget and member assessments are determined by the Board of Trustees. The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 - 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 22.5% of the assessments and 21.3% of total revenues for the year ended June 30, 2009. At June 30, 2009, Mountain Creek owned 30 of the Association's 133 units.

NOTE 8 - 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, 2009, the Association collected closing assessments of \$3,080.

NOTE 9 - FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association's governing documents require that funds be accumulated for future major repairs and replacements of the common property. Accumulated funds are held in a separate account, and generally are not available for normal operations.

The Association has not conducted a study to determine the remaining useful lives and replacement costs of the components of common property. However, funds are being accumulated based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Association is funding for future major repairs and replacements based on its budget. For the year ended June 30, 2009, the budgeted contribution was \$60,000.

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 homeowner 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, 2009, the Association has elected to be taxed under Internal Revenue Code Section 277 and will file as a regular corporation.

NOTE 11 - CONCENTRATION OF CREDIT RISK:

The Association maintained its cash and cash equivalents in a bank which, at times, exceeded federally insured limits, which was \$250,000 as of June 30, 2009. At June 30, 2009, the Association had uninsured balances of approximately \$17,000. However, the Association has not experienced any losses in these accounts.

NOTE 12 - RELATED PARTY TRANSACTIONS:

The Board of Trustees utilized the services of its management company to perform various repair and maintenance services at the site. At June 30, 2009, these services cost and consisted of the following:

Pool repairs	\$ 2,680
Pool management	29,400
Pool attendants	1,000
Maintenance and supplies	7,466
Property maintenance services	5,365
Miscellaneous	1,157
Grounds maintenance	24,965
Supplies	1,188
Building repairs	8,345
Security	30,320
Review of electric bills	7,980
Trash	3,325
Telephone	1,842
Legal Fees	3,250
	<hr/>
	\$ 128,283

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED):

The Board of Trustees utilized the services of Mountain Creek to provide electric services at the site. At June 30, 2009, these services consisted of the following:

Pool - electric	\$ 23,192
Electric - common	<u>21,468</u>
	<u>\$ 44,660</u>

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. Future minimum payments are as follows:

<u>Year ending June 30,</u>	
2010	\$ 22,735
2011	<u>22,735</u>
	<u>\$ 45,470</u>

Snow removal expense amounted to \$22,735 for the year ended June 30, 2009.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

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

The supplementary information on the Schedule of Expenses for the year ended June 30, 2009 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information on the Schedule of Expenses for the year ended June 30, 2008 is presented for comparative purposes only and was extracted from the financial statements presented for that year from our report dated January 14, 2009, in which we expressed an unqualified opinion on those statements.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

Rotenberg Meril Solomon Bertiger & Guttilla, P.C.
Saddle Brook, New Jersey
December 1, 2009

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

	2009			2008
	Operating Fund	Replacement Fund	Total	Total
ADMINISTRATIVE:				
Audit fees	\$ 4,600	\$ -	\$ 4,600	\$ 4,710
Legal fees	10,240	-	10,240	8,009
Management fees	25,536	-	25,536	25,406
Office and miscellaneous	2,328	-	2,328	3,667
Telephone	2,503	-	2,503	1,985
Income tax	296	-	296	28
Bad debt	56,990	-	56,990	19,339
TOTAL ADMINISTRATIVE	\$ 102,493	\$ -	\$ 102,493	\$ 63,144
BUILDING AND GROUNDS:				
Grounds maintenance	\$ 54,276	\$ -	\$ 54,276	\$ 54,923
Snow removal	22,735	-	22,735	22,736
Pest control	5,915	-	5,915	2,831
Repairs and maintenance	30,008	-	30,008	18,851
Security	30,737	-	30,737	40,495
Supplies	7,369	-	7,369	5,270
Trash removal	11,244	-	11,244	7,521
Window washing	-	-	-	3,033
TOTAL BUILDING AND GROUNDS	\$ 162,284	\$ -	\$ 162,284	\$ 155,660
POOL:				
Electric and gas	\$ 60,428	\$ -	\$ 60,428	\$ 69,668
Maintenance and supplies	25,176	-	25,176	26,692
Management and attendants	30,555	-	30,555	26,485
Telephone	330	-	330	330
Water	5,285	-	5,285	7,025
License and permits	300	-	300	1,460
TOTAL POOL	\$ 122,074	\$ -	\$ 122,074	\$ 131,660

See Independent Auditors' Report on Supplementary Information on Page 10

BLACK CREEK SANCTUARY CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

	2009			2008
	Operating Fund	Replacement Fund	Total	Total
UTILITIES:				
Electric	\$ 21,764	\$ -	\$ 21,764	\$ 44,916
Water	328	-	328	329
TOTAL UTILITIES	<u>\$ 22,092</u>	<u>\$ -</u>	<u>\$ 22,092</u>	<u>\$ 45,245</u>
GENERAL:				
Insurance	\$ 76,701	\$ -	\$ 76,701	\$ 73,491
TOTAL GENERAL	<u>\$ 76,701</u>	<u>\$ -</u>	<u>\$ 76,701</u>	<u>\$ 73,491</u>

See Independent Auditors' Report on Supplementary Information on Page 10