

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2019**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2019**

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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

***To the Board of Trustees and Unit Owners of  
Leisure Knoll at Manchester Association***

We have audited the accompanying financial statements of Leisure Knoll at Manchester Association which comprise the balance sheet as of September 30, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

***The Board of Trustees' Responsibility for the Financial Statements***

The Board of Trustees' (the "Board") is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leisure Knoll at Manchester Association as of September 30, 2019, 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.

**MOHEL ELLIOTT BAUER & GASS**  
A PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on page 13 - 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*MoHEL Elliott Bauer & Gass*

**MOHEL ELLIOTT BAUER & GASS, P.A.**  
*Certified Public Accountants*

January 22, 2020  
Toms River, New Jersey

LEISURE KNOLL AT MANCHESTER ASSOCIATION

BALANCE SHEET  
SEPTEMBER 30, 2019

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents - Note 2	\$ 812,567	\$ 619,630	\$	\$ 824,824	\$ 2,257,021
Investments, at cost - Note 3				559,000	559,000
Assessments receivable, net of allowance for doubtful accounts of \$328,847 - Note 2 and 4	28,606			2,898	28,606
Accrued interest receivable					2,898
Accounts receivable - other	3,962				3,962
Prepaid expenses - Note 6	41,758		149,891		41,758
Property and equipment, net - Notes 2 and 7					149,891
Interfund balances - Note 2	291,996	(311,197)		19,201	-
<b>Total assets</b>	<u>\$ 1,178,889</u>	<u>\$ 308,433</u>	<u>\$ 149,891</u>	<u>\$ 1,405,923</u>	<u>\$ 3,043,136</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued expenses	\$ 94,879				\$ 338,438
Payroll and payroll taxes payable	29,679			243,559	29,679
Federal income taxes payable - Note 8	203				203
Assessments received in advance	146,756				146,756
Deferred revenue - Note 2	133,935	180,348			314,283
<b>Total liabilities</b>	<u>405,452</u>	<u>180,348</u>	<u>-</u>	<u>243,559</u>	<u>829,359</u>
Fund balances - Notes 2 and 9	<u>773,437</u>	<u>128,085</u>	<u>149,891</u>	<u>1,162,364</u>	<u>2,213,777</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,178,889</u>	<u>\$ 308,433</u>	<u>\$ 149,891</u>	<u>\$ 1,405,923</u>	<u>\$ 3,043,136</u>

The accompanying notes are an integral part of these financial statements.

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	<u>Operating Fund</u>	<u>Optional Lawn and Snow Fund</u>	<u>Fixed Asset Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>REVENUES</b>					
Membership assessments - Note 2	\$ 2,311,888	\$	\$	\$ 819,504	\$ 3,131,392
Deferred revenue applied on current years budget - Note 2	211,647	85,261			296,908
Optional lawn and snow revenues - Note 2		606,559			606,559
Advertising income	20,400				20,400
Late/lien fee income/Compliance fees	18,530				18,530
Rental income - Note 13	28,003				28,003
Membership fee - Note 5	65,700			146,000	211,700
Administrative fee income	36,000				36,000
Township reimbursement - Note 12	30,031			33,000	30,031
Other income	81,135			17,669	114,135
Interest income - Note 2	341	2,523			20,533
<b>Total revenues</b>	<u>2,803,675</u>	<u>694,343</u>	<u>-</u>	<u>1,016,173</u>	<u>4,514,191</u>
<b>EXPENSES</b>					
Payroll	525,796				525,796
Benefits and taxes	196,392				196,392
Services	1,095,980				1,095,980
Utilities	139,176				139,176
Snow removal	3,651				3,651
Lawn maintenance	33,258				33,258
Landscaping services	142,839				142,839
Road repair and maintenance	7,660				7,660
Truck and equipment	6,425				6,425
Professional fees	38,218				38,218
Office expense	62,103				62,103
Administrative	25,540				25,540
Recreational	65,910				65,910
Community buildings	45,924				45,924
Federal Taxes/Doubtful accounts/Real estate tax/Use tax	11,571		54,233		11,571
Depreciation - Notes 2 and 6		688,122			688,122
Optional lawn and snow expenses - Note 2				1,598,897	1,598,897
Replacement fund expenditures - Note 10				<u>1,598,897</u>	<u>4,741,695</u>
<b>Total expenses</b>	<u>2,400,443</u>	<u>688,122</u>	<u>54,233</u>	<u>1,598,897</u>	<u>4,741,695</u>
<b>Excess (deficiency) of revenues over expenses before transfer &amp; deferred revenue</b>	403,232	6,221	(54,233)	(882,724)	(227,504)
<b>Transfer equipment expenditures to Fixed Asset Fund - Note 11</b>			45,316	(45,316)	(314,283)
<b>Deferred revenue applied on subsequent years budget - Note 2</b>					
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	269,297	(174,127)	(8,917)	(628,040)	(541,787)
<b>Fund balance - beginning of year</b>	504,140	302,212	158,808	1,790,404	2,755,564
<b>Fund balance - end of year</b>	<u>\$ 773,437</u>	<u>\$ 128,085</u>	<u>\$ 149,891</u>	<u>\$ 1,162,364</u>	<u>\$ 2,213,777</u>

The accompanying notes are an integral part of these financial statements.

LEISURE KNOLL AT MANCHESTER ASSOCIATION

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2019

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
<b>Cash flows from operating activities:</b>					
Excess (deficiency) of revenues over expenses after deferred revenue	\$ 269,297	\$ (174,127)	\$ (8,917)	\$ (628,040)	\$ (541,787)
Adjustment to reconcile excess (deficiency) of revenues over expenses after deferred revenue to net cash provided by (used by) operating activities:					
Depreciation	(73,648)		54,233		54,233
Allowance for doubtful accounts	(83,761)	130,440		(46,679)	(73,648)
Interfund balance					-
(Increase) decrease in:					
Assessment receivable	57,686				57,686
Accrued interest receivable				(1,211)	(1,211)
Accounts receivable - other	(20)				(20)
Prepaid expenses	(622)				(622)
Prepaid federal income taxes					-
Increase (decrease) in:					
Accounts payable and accrued expenses	57,195			238,508	295,703
Payroll and payroll taxes payable	880				880
Federal income taxes payable	(717)				(717)
Assessments received in advance	55,794				55,794
Deferred revenue	(77,712)	95,087			17,375
Net cash provided by (used by) operating activities	<u>204,372</u>	<u>51,400</u>	<u>45,316</u>	<u>(437,422)</u>	<u>(136,334)</u>
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment			(45,316)		(45,316)
Purchase of investments				(359,000)	(359,000)
Sale/maturity of investments					-
Net cash used by investing activities				<u>(359,000)</u>	<u>(404,316)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>204,372</b>	<b>51,400</b>	<b>-</b>	<b>(796,422)</b>	<b>(540,650)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>608,195</b>	<b>568,230</b>	<b>-</b>	<b>1,621,246</b>	<b>2,797,671</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 812,567</b>	<b>\$ 619,630</b>	<b>\$ -</b>	<b>\$ 824,824</b>	<b>\$ 2,257,021</b>
<b>Supplementary disclosure:</b>					
Income taxes paid					\$ 8,000

The accompanying notes are an integral part of these financial statements.

## LEISURE KNOLL AT MANCHESTER ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

#### NOTE 1 - ORGANIZATION

Leisure Knoll at Manchester Association (the "Association"), located in Manchester Township, New Jersey, is an incorporated Association pursuant to the Corporations and Associations Not For Profit Act of the State of New Jersey under Title 15A. The purpose of the Association is to provide for the preservation of the values and amenities in the community and for the maintenance of the common facilities. The Association consists of 1,626 residential units in an area of approximately 442 acres. Recreational facilities include clubhouses, swimming pool and tennis courts.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fund Accounting** - The Association's legal documents (i.e., Certificate of Incorporation, Declaration of Covenants and Restrictions and By-laws) provide certain guidelines to govern the Association's financial activities. In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association by such documents, the accounts of the Association are maintained in accordance with the principles of fund accounting.

The assets, liabilities and fund balances of the Association are reported in the following fund groups:

**Operating Fund** - This fund represents the portion of expendable funds that are available for the general operations of the Association.

**Optional Lawn and Snow Fund** - The purpose of this fund is to segregate the revenues and expenses relating to the optional lawn and snow services which are provided to residents that choose to participate.

**Fixed Assets Fund** - This fund represents tangible personal property not an integral part of the existing facilities.

**Replacement Fund** - The purpose of the replacement fund is to accumulate funds over the lives of assets which are part of the common elements so that at the time of their replacement sufficient amounts have been accumulated.

**Property and Equipment** - Depreciation is computed on a straight-line basis over the estimated lives of the assets. Tangible personal property not an integral part of existing facilities is capitalized. All other costs of repair and replacement are expensed as incurred or charged to the replacement fund if provided for therein.

**Membership Assessments** - Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

**Financial Instruments with Off-Balance Sheet Risk** - The Association, in its normal course of business, maintains cash balances which, at times, may exceed federally insured limits. At September 30, 2019, the uninsured cash balances totaled \$435,118.

**Optional Lawn and Snow Service** - Optional lawn and snow services are provided to residents. These services include the following:

- Lawn cuttings & trimmings minimum (24) to a maximum of (28) and edging (12-14),
- Fertilization (3), treatments (5), liming of lawn (1),
- and clearing of snow from driveways and walkways to front door (as needed).

(Continued)



LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

SEPTEMBER 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

**Recognition of Assets** - The Association's property and common elements (other than that described above) are owned by the Association to the extent that they are not part of the fee simple ownership of the individual units as described in the Association documents. The Association's common elements consist of sidewalks, roads, recreational facilities and open areas.

The Association received the common elements referred to above in a nonmonetary transaction with the developer of the community. The use and disposition of these properties are restricted or governed by the Association's legal documents. Accordingly, no amounts have been reflected on the accompanying balance sheet for the common elements owned by the Association.

**Assessments Receivable** - The Association carries its assessments receivable at cost. On a periodic basis, the Board and management evaluate the assessments receivable and establish an allowance for doubtful accounts, based on a history of past write-offs and collections and current legal status of past due accounts.

**Interest Earned** - The Association's policy is to allocate to the appropriate funds interest earned on each fund's interest bearing cash accounts.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires the Association to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Deferred Revenue** - The Association derives its revenue principally from membership assessments. Excess of revenues over expenses has been deferred and used to reduce the following year's assessments and perform special projects.

**Interfund balances** - Represents future Interfund cash transfers required to balance funds.

**Subsequent Events** - The Association has evaluated subsequent events through January 22, 2020, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

At September 30, 2019, investments consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>
Certificate of Deposit	2.35%	10/25/2019	100,000
Certificate of Deposit	2.00%	1/31/2020	200,000
Certificate of Deposit	2.00%	2/3/2020	159,000
Certificate of Deposit	2.75%	7/6/2020	100,000
Total			<u>\$ 559,000</u>

The Association reports its investments under the provision of Financial Accounting Standards Board ASC 320-10 Investments - Debt and Equity Securities. In accordance with this statement the Association has classified securities as held to maturity.

Securities classified as held to maturity are stated at cost adjusted for amortization of premiums and accretion of discounts. The Association has the positive intent and ability to hold these securities to maturity. Realized gains and losses for securities classified as held to maturity are reported in the statement of revenues and expenses based on the adjusted cost of the specific security sold.

(Continued)

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)  
SEPTEMBER 30, 2019**

**NOTE 4 - ASSESSMENTS RECEIVABLE**

As of September 30, 2019, the Association had assessments receivable of \$357,452. Thirty-Four (34) unit owners had receivables in excess of \$ 1,000 totaling \$328,847. The board has recorded an allowance for delinquent accounts in the amount of \$328,847 because it believes that not all of the receivables will be fully collectible.

The Association's policy is to retain legal counsel when necessary and pursue collection of delinquent accounts through the placement of liens and seeking of personal judgments where such means are economically sound.

**NOTE 5 - MEMBERSHIP FEES**

Upon the acquisition of title to a unit, each member of the Association must contribute a one-time, non-refundable working capital contribution in the amount of \$1,450, of which \$1,000 is being allocated to the replacement fund and \$ 450 is to the operating fund.

**NOTE 6 - PREPAID EXPENSES**

	<b>2019</b>
Prepaid liability insurance	\$ 24,349
Prepaid workers' compensation	3,906
Prepaid life insurance	192
Prepaid waste removal	12,991
Prepaid gate system maintenance	320
	\$ 41,758

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment is recorded at cost and consist of the following:

	<b>2019</b>	<b>Useful Lives (Years)</b>
Motor vehicles	\$ 252,845	3 - 5
Maintenance equipment	160,082	4 - 10
Furniture and fixtures	203,230	3 - 5
	616,157	
Less: accumulated depreciation	466,266	
	\$ 149,891	

(Continued)

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**SEPTEMBER 30, 2019**

**NOTE 8 - INCOME TAXES**

Under the Internal Revenue Code, associations may be taxed as a Homeowners Association at their election, or as a regular corporation. The Association may select either method in any year and will generally select the method that results in the lowest tax due. A method selected in one year affects only that year and the Association is free to select either method in future years. By filing as a regular corporation, the Association is generally taxed at a lower rate than by filing as a Homeowners Association.

For the year ended September 30, 2019, the Association has not elected to be taxed as a Homeowners Association and will, therefore, be taxed as a regular corporation. Income taxes of \$8,203 have been provided based on the excess of non-membership income over non-membership expenses.

The Association is incorporated pursuant to Title 15 of the New Jersey Statutes and, therefore, is not liable for New Jersey corporation business income tax. The Association is subject to New Jersey sales and use tax.

The Association regularly reviews and evaluates its uncertain tax positions taken in previously filed tax returns. The Association believes that in the event of an examination by taxing authorities, the organization's positions would prevail based upon the technical merits of such positions. Therefore, the Association has concluded that no tax benefits or liabilities are required to be recognized.

The Association's federal information returns are generally subject to examination by the Internal Revenue Service for three years, including the years ended September 30, 2019, 2018 and 2017.

**NOTE 9 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for expenditures for normal operations.

FWH Associates, professional engineering consultants, conducted a update with on-site review study effective October 1, 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. The 2017 study includes those components with an estimated remaining useful life within the determined useful life guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The estimates were based on the then current estimated replacement costs. The table included in the unaudited supplementary information on future major repairs and replacements is based on the 2017 study.

During the year ended September 30, 2019 the Board funded for major repairs and replacements over the remaining useful lives of the components based on the 2017 study's estimates of the then current replacement costs, considering amounts previously accumulated in the replacement fund and utilizing the threshold methodology. Threshold funding, based upon a 30 year cash flow analysis, sets a replacement funding goal of keeping the replacement fund balance above a specified dollar amount at its lowest accumulated amount, as specified by the Board, but below the full funding determined level. The threshold level included in the 2017 study is \$763,262 which is approximately 10% of the estimated replacement cost of the common property included in the study. In addition, investment income earned on replacement fund monies and membership fees were contributed to the replacement fund.

Funds are being accumulated in the replacement fund based upon estimated costs for repairs and replacement of common property components. Actual expenditures may vary from the estimated amounts, 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. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay repairs and replacements until funds are available, if possible.

**(continued)**

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
SEPTEMBER 30, 2019

NOTE 10 - MAJOR REPAIRS AND REPLACEMENTS

	<u>2019</u>
Replace curbing sidewalks & aprons	\$ 279,349
Repairs & replacement - HVAC & mechanical systems	4,931
Repairs & replacement - Recreation	65,079
Repairs & replacement - Administrative office	11,526
Street Signs	959
Street Signs/Gate repair	955
Road resurfacing/repairs	694,360
Expansion project	84,205
Exercise room renovation	419
Community buildings - Interior work	456,586
Community buildings - exterior work	528
	<u>\$ 1,598,897</u>

NOTE 11 - TRANSFER PROPERTY AND EQUIPMENT EXPENDITURES TO FIXED ASSET FUND

	<u>2019</u>
Library furniture & fixtures	\$ 29,863
Computer equipment	15,453
	<u>\$ 45,316</u>

NOTE 12 - TOWNSHIP REIMBURSEMENT

The Association under the Municipal Services Act has entered into an agreement with the Township for snow clearing and lighting electricity reimbursement. The reimbursement recorded in the accompanying financial statements represents reimbursement of expenses for calendar year 2018. Any reimbursement related to 2019 expenditures will be recorded when, and if, received.

NOTE 13 - RENTAL INCOME

For the year ended September 30, 2019, the Association leased space in the clubhouse to one commercial tenant. The term of the lease is as follows:

The Association entered into an agreement with Ridge Realty for a three-year lease term through December 31, 2019.

Under the current terms of the agreement, the monthly rent totals \$2,500.30 for 2018 and \$2,500.30 for 2019. During the year ended September 30, 2019 rental income of \$28,003 has been recorded as revenue in the accompanying financial statements.

(continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
SEPTEMBER 30, 2019

**NOTE 14 - RETIREMENT PLANS**

The Association has a Union Retirement Plan and a 401 (k) Retirement Plan. The plans cover substantially all employees. The Association's contributions for the fiscal year ended September 30, 2019 was \$40,916.

**NOTE 15 - OPERATING LEASES**

The Association is a party to a no-cancellable agreement for bulk cable television which expires on September 30, 2030. Service fee for bulk cable television service may be increased by the Company and such increases shall not exceed 5% per year. Future minimum amounts due at the current rate under this agreement are as follows:

<b><u>Year Ending</u></b> <b><u>September 30,</u></b>	
2020	\$ 624,384
2021	624,384
2022	624,384
2023	624,384
2024	624,384
2025	624,384
2026	624,384
2027	624,384
2028	624,384
2029	624,384
2030	<u>624,384</u>
Total	\$ <u>6,868,224</u>

**SUPPLEMENTARY INFORMATION**

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
(Unaudited)  
**SEPTEMBER 30, 2019**

FWH Associates, conducted a update with on-site review study effective October 1, 2016, to estimate the useful lives and estimated replacement costs of components of common property. Replacement costs were based on the costs to repair and replace the common property components at the end of their useful lives assuming an inflation rate of 2.5 percent and a interest rate of 1 percent. A funding threshold of \$763,262 which is approximately 10% of the estimated replacement cost is being estimated.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years) As of 2017 study</u>	<u>Estimated Current Replacement Cost As of 2017 study</u>
<b>Site work</b>		
Paved surfaces	1 - 20	\$ 3,803,086
Concrete surfaces	1 - 30	1,387,725
Irrigation	2 - 24	180,335
Boathouse and lake amenities	2 - 11	53,545
Illumination	2 - 22	38,948
Front entrance sign	20	4,729
<b>Lakeside Lodge</b>		
Exterior	20 - 40	41,550
Interior	7 - 36	179,624
Mechanical/electrical	14 - 16	48,765
<b>Timberland Hall</b>		
Exterior	20 - 40	59,448
Interior	2 - 23	282,868
Mechanical/electrical	2 - 21	100,273
<b>PAC Center</b>		
Exterior	16 - 40	62,557
Interior	2 - 29	325,401
Mechanical/electrical	2 - 13	92,739
<b>Offices/Commercial</b>		
Exterior	5 - 20	18,171
Office renovation	2 - 9	46,953
Mechanical/electrical	15	7,038
New office	1	403,650
Equipment	2 - 9	93,689
Vehicles	2 - 9	206,644
<b>Gatehouse</b>		
Exterior	12 - 17	2,550
Mechanical/electrical	15 - 21	14,223
<b>Recreational Facilities</b>		
Swimming Pool	7 - 20	285,612
Tennis courts	3 - 18	140,580
Bocce courts	10 - 11	64,069
Shuffleboard courts	2	28,560
Miscellaneous	10 - 14	62,934
		<u>\$ 8,036,266</u>
<b>Replacement fund balance as of September 30, 2019</b>		<u>\$ 1,162,364</u>

The schedule of future major repairs and replacements indicates a 10% threshold funding requirement of \$819,504 for 2016-2017 and \$840,995 per annum thereafter.

See auditor's report

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**SCHEDULE OF OPERATING REVENUES  
AND EXPENSES AS COMPARED TO BUDGET**

**YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARITIVE TOTALS FOR 2018)**

	2019		Variance- Favorable (Unfavorable)	2018
	Actual	(Unaudited) Budget		Memo Total Actual
<b>REVENUES</b>				
Monthly Assessments	\$ 2,311,888	\$ 2,380,464	\$ (68,576)	\$ 1,795,104
Membership fee	65,700	67,500	(1,800)	54,000
Advertising income	20,400	20,400	-	20,400
Copy machine income	162	300	(138)	134
Guest badges/Gate pass	2,217	3,000	(783)	2,367
Miscellaneous income	7,496	7,500	(4)	5,079
Compliance fees	1,930	5,000	(3,070)	3,825
Late/Lien fee income	16,600	15,000	1,600	17,256
Real estate tax reimbursement	1,118	2,500	(1,382)	2,243
Café income	645	-	645	3,239
Rent income (Bank & Realty offices)	28,003	30,004	(2,001)	29,646
Admin fee income opt lawn/snow	36,000	36,000	-	35,000
Town reimbursement street lights	22,098	22,000	98	21,212
Town reimbursement snow	7,933	7,250	683	8,731
Vehicle tags	5,679	7,500	(1,821)	4,231
Interest income	341	3,012	(2,671)	307
Document request income	8,646	7,500	1,146	8,296
Bad debt recovery	55,172	-	55,172	5,638
Deferred revenue applied to current years budget	211,647	211,647	-	-
<b>Total revenues</b>	<b>2,803,675</b>	<b>2,826,577</b>	<b>(22,902)</b>	<b>2,016,708</b>
<b>EXPENSES</b>				
<b>Payroll</b>				
Community manager	98,288	95,838	(2,450)	100,378
Office & administrative	143,076	139,113	(3,963)	125,066
Buildings, grounds & janitorial	282,967	279,148	(3,819)	253,894
Office temp salary	1,465	12,636	11,171	9,760
<b>Total payroll</b>	<b>525,796</b>	<b>526,735</b>	<b>939</b>	<b>489,098</b>
<b>Benefits and Taxes</b>				
FICA	40,620	52,000	11,380	35,990
SUI	10,952	30,000	19,048	18,839
FUI	550	120	(430)	90
Life & health insurance	77,466	63,325	(14,141)	72,481
Workmen's comp	25,888	30,375	4,487	22,122
Pension plan/Union required benefits	40,916	32,000	(8,916)	30,379
<b>Total benefits and taxes</b>	<b>196,392</b>	<b>207,820</b>	<b>11,428</b>	<b>179,901</b>

(Continued)  
See auditor's report



LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES  
AND EXPENSES AS COMPARED TO BUDGET  
(Continued)  
YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARITIVE TOTALS FOR 2018)

	2019			2018
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Services</b>				
Exterminator	\$ 3,625	\$ 4,000	\$ 375	\$ 3,477
HVAC contract/repairs	8,728	10,250	1,522	6,880
Goose patrol	10,850	14,000	3,150	6,800
Bus service	82,296	82,000	(296)	81,391
Gatehouse security	151,668	150,000	(1,668)	146,374
Refuse removal	161,156	158,600	(2,556)	159,078
Insurance	147,245	190,000	42,755	143,727
TV Service contract	530,412	639,018	108,606	51,036
<b>Total services</b>	<u>1,095,980</u>	<u>1,247,868</u>	<u>151,888</u>	<u>598,763</u>
<b>Utilities</b>				
Street Lighting	51,834	60,000	8,166	58,485
Gas	15,946	20,000	4,054	18,947
Electric	68,104	65,000	(3,104)	68,680
Water & sewer	3,292	4,000	708	3,347
Propane	-	-	-	10,447
<b>Total utilities</b>	<u>139,176</u>	<u>149,000</u>	<u>9,824</u>	<u>159,906</u>
<b>Snow Removal</b>				
Salt/Sand	3,651	10,000	6,349	7,265
Road plowing	-	25,000	25,000	30,723
Aprons	-	25,000	25,000	21,174
<b>Total snow removal</b>	<u>3,651</u>	<u>60,000</u>	<u>56,349</u>	<u>59,162</u>
<b>Lawn Maintenance</b>				
Lawn/snow equipment repair & maintenance	5,953	5,000	(953)	10,777
Island restoration	21,691	51,000	29,309	-
Front entrance restoration	-	40,000	40,000	-
Bed maintenance	-	3,000	3,000	1,288
Holiday lighting	4,958	7,500	2,542	5,352
In-house irrigation repair	656	750	94	2,559
<b>Total lawn maintenance</b>	<u>33,258</u>	<u>107,250</u>	<u>73,992</u>	<u>19,976</u>
<b>Landscaping Services</b>				
Removal/replacement of trees	98,523	80,000	(18,523)	25,110
21 Red Hill restoration	-	-	-	1,066
Irrigation system	2,200	2,000	(200)	1,002
Common landscaping services	42,116	35,000	(7,116)	35,545
<b>Total landscaping services</b>	<u>142,839</u>	<u>117,000</u>	<u>(25,839)</u>	<u>62,723</u>

(Continued)  
See auditor's report

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**SCHEDULE OF OPERATING REVENUES  
AND EXPENSES AS COMPARED TO BUDGET**

(Continued)

**YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARITIVE TOTALS FOR 2018)**

	2019			2018
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Road Repair &amp; Maintenance</b>				
In-house minor repairs	\$ 7,660	\$ 2,500	\$ (5,160)	\$ 997
<b>Total road repair &amp; maintenance</b>	<u>7,660</u>	<u>2,500</u>	<u>(5,160)</u>	<u>997</u>
<b>Truck &amp; Equipment</b>				
Vehicle repairs & maintenance	1,504	1,500	(4)	1,633
Fuel & lubrication	3,984	4,000	16	3,644
Registration/license	937	700	(237)	572
<b>Total truck &amp; equipment</b>	<u>6,425</u>	<u>6,200</u>	<u>(225)</u>	<u>5,849</u>
<b>Professional Fees</b>				
Attorney fees	15,754	17,500	1,746	10,198
Auditor	13,835	10,000	(3,835)	11,190
Engineering	-	5,000	5,000	-
Accounting/Bookkeeping	-	3,500	3,500	1,315
ADP payroll accounting	8,629	5,000	(3,629)	5,665
<b>Total professional fees</b>	<u>38,218</u>	<u>41,000</u>	<u>2,782</u>	<u>28,368</u>
<b>Office Expense</b>				
Bank fees	563	250	(313)	-
Office supplies	9,450	8,000	(1,450)	7,456
Postage	3,971	4,000	29	3,587
Telephone	17,956	12,657	(5,299)	21,942
Office equipment lease	10,969	8,300	(2,669)	12,695
Computer maintenance & software	19,194	8,000	(11,194)	9,311
<b>Total office expense</b>	<u>62,103</u>	<u>41,207</u>	<u>(20,896)</u>	<u>54,991</u>
<b>Administrative</b>				
Assessment coupon books	4,289	4,000	(289)	3,792
Miscellaneous badges/fobs etc.	9,360	7,000	(2,360)	8,250
Education	908	3,397	2,489	284
Misc. expense/administrative	4,174	10,000	5,826	13,668
Return check fees	2,245	-	(2,245)	1,638
Association sponsored events	2,028	2,500	472	2,652
Committee expenses	2,536	500	(2,036)	556
<b>Total administrative expense</b>	<u>25,540</u>	<u>27,397</u>	<u>1,857</u>	<u>30,840</u>
<b>Recreational</b>				
Lake maintenance	698	1,000	302	791
Equipment repairs	15,944	8,000	(7,944)	8,169
Pool management contract	45,976	46,800	824	46,800
Pool repair/supplies	3,292	7,000	3,708	2,712
<b>Total recreational</b>	<u>65,910</u>	<u>62,800</u>	<u>(3,110)</u>	<u>58,472</u>

(Continued)

See auditor's report

LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES  
AND EXPENSES AS COMPARED TO BUDGET  
(Continued)  
YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARITIVE TOTALS FOR 2018)

	2019			2018
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Community Buildings</b>				
Building repair/supplies	\$ 25,673	\$ 10,000	\$ (15,673)	\$ 19,708
Janitorial supplies	7,256	6,000	(1,256)	6,874
Cable conversion	1,631	-	(1,631)	-
Swimming pool furniture & fixtures	-	1,000	1,000	-
Gate repair	11,364	5,000	(6,364)	15,551
Café	-	1,500	1,500	2,212
<b>Total community buildings</b>	<u>45,924</u>	<u>23,500</u>	<u>(22,424)</u>	<u>44,345</u>
<b>Federal Taxes/Doubtful accounts</b>				
<b>Real Estate/Use Taxes</b>				
Estimated federal taxes	8,203	3,800	(4,403)	6,021
Doubtful accounts	-	75,000	75,000	-
Real Estate Taxes	3,368	2,500	(868)	5,649
<b>Total federal taxes/Doubtful accounts/real estate/use taxes</b>	<u>11,571</u>	<u>81,300</u>	<u>69,729</u>	<u>11,670</u>
<b>Contingency</b>				
Contingency - (No expenses for 2019 or 2018)	-	125,000	125,000	-
<b>Total contingency</b>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
<b>Total expenses</b>	<u>2,400,443</u>	<u>2,826,577</u>	<u>426,134</u>	<u>1,805,061</u>
<b>Excess of revenues over expenses before deferred revenue</b>	403,232	-	403,232	211,647
<b>Deferred revenue applied on subsequent years budget</b>	<u>(133,935)</u>	<u>-</u>	<u>(133,935)</u>	<u>(211,647)</u>
<b>Excess of revenues over expenses after deferred revenue</b>	<u>\$ 269,297</u>	<u>\$ -</u>	<u>\$ 269,297</u>	<u>\$ -</u>

See auditor's report

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**SCHEDULE OF OPTIONAL LAWN AND SNOW  
OPERATING REVENUES AND EXPENSES  
AS COMPARED TO BUDGET**

**YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARITIVE TOTALS FOR 2018)**

	2019			2018
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
Optional lawn and snow revenues	\$ 606,559	\$ 615,600	\$ (9,041)	\$ 609,613
Interest income	2,523	1,200	1,323	1,900
Deferred revenue applied to current years budget	85,261	85,261	-	124,269
<b>Total revenues</b>	<b>694,343</b>	<b>702,061</b>	<b>(7,718)</b>	<b>735,782</b>
<b>EXPENSES</b>				
Cutting, trimming, edging and chemicals	651,822	461,700	(190,122)	589,546
Snow removal driveways	-	150,000	150,000	137,562
Miscellaneous expenses	300	-	(300)	-
Administration fee	36,000	36,000	-	28,000
Contingency	-	50,000	50,000	-
<b>Total expenses</b>	<b>688,122</b>	<b>697,700</b>	<b>9,578</b>	<b>755,108</b>
<b>Excess (deficiency) of revenues over expenses before deferred revenue</b>	6,221	4,361	1,860	(19,326)
<b>Deferred revenue applied on subsequent years budget</b>	<b>(180,348)</b>	<b>-</b>	<b>(180,348)</b>	<b>(85,261)</b>
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	<b>\$ (174,127)</b>	<b>\$ 4,361</b>	<b>\$ (178,488)</b>	<b>\$ (104,587)</b>

See auditor's report

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

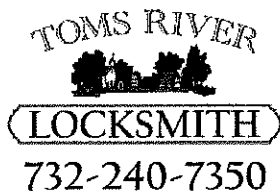
**SCHEDULE OF REPLACEMENT FUND  
REVENUES AND EXPENSES  
AS COMPARED TO BUDGET**

**YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARITIVE TOTALS FOR 2018)**

	2019			2018
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
Monthly Assessments	\$ 819,504	\$ 819,504	\$ -	\$ 819,504
Membership fee	146,000	150,000	(4,000)	120,000
Interest income	17,669	750	16,919	7,315
Other income	<u>33,000</u>	<u>-</u>	<u>33,000</u>	<u>-</u>
<b>Total revenues</b>	<u>1,016,173</u>	<u>970,254</u>	<u>45,919</u>	<u>946,819</u>
<b>EXPENSES</b>				
Replacement fund repairs and replacement expenditures	1,598,897	1,387,500	(211,397)	581,582
Purchase of fixed assets	<u>45,316</u>	<u>-</u>	<u>(45,316)</u>	<u>142,666</u>
<b>Total expenses</b>	<u>1,644,213</u>	<u>1,387,500</u>	<u>(256,713)</u>	<u>724,248</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ (628,040)</u>	<u>\$ (417,246)</u>	<u>\$ (210,794)</u>	<u>\$ 222,571</u>

See auditor's report

**Toms River Locksmith**  
P.O. Box 1607  
Toms River, NJ 08754 US  
(732) 240-7350  
Services@trlock.com  
TRLock.com



**Estimate 1237**

**ADDRESS**

Leisure Knoll Association  
3 Buckingham Dr. N  
Manchester, NJ

**DATE**  
01/13/2020

**TOTAL**  
**\$2,777.58**

**EXPIRATION DATE**  
02/29/2020

ACTIVITY	QTY	RATE	AMOUNT
<b>Service Call:S/C 2</b> Service Call	1	70.00	70.00T
<b>Schlage</b> L Series Mortise Classroom Lock with Escutcheon Plate	1	850.00	850.00T
<b>Schlage</b> L Series Mortise Escutcheon Dummy Plate	1	525.00	525.00T
<b>Labor:Hourly Rate:1 Hour</b> General Installation & Adjusting	1	100.00	100.00T
<b>Norton</b> 8500 Series Door Closer	2	300.00	600.00T
<b>Installation:Lock Installation:Overhead Door Closer</b>	2	75.00	150.00T
<b>Ives</b> By Schlage 6" Surface Bolt Satin Nickel	1	30.00	30.00T
<b>US Lock</b> 8" Surface Bolt	1	30.00	30.00T
<b>Ives</b> By Schlage Commercial Door Hinges	6	25.00	150.00T
<b>Labor:Hourly Rate:1 Hour</b> General Installation & Adjusting	1	100.00	100.00T

SUBTOTAL 2,605.00  
TAX (6.625%) 172.58

**TOTAL \$2,777.58**

THANK YOU.

Accepted By

Accepted Date

Bill must accompany claims/ returns.  
Signature authorizes works.