

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2020**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2020**

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# MOHEL ELLIOTT BAUER & GASS

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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, 2020, 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, 2020, 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 P R O F E S S I O N A L A S S O C I A T I O N

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.

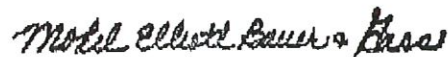
## ***Report on Supplementary Information***

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.

## **Emphasis of Matter**

### *Adoption of New Revenue Recognition Standards*

As discussed in the notes to the financial statements, during the year ended September 30, 2020 the Association adopted Financial Accounting Standards Board (FASB) ASC 606, Revenue Recognition Standards. Our opinion is not modified with respect to this matter.



MOHEL ELLIOTT BAUER & GASS, P.A.  
Certified Public Accountant

February 8, 2021  
Toms River, New Jersey

LEISURE KNOLL AT MANCHESTER ASSOCIATION

BALANCE SHEET  
SEPTEMBER 30, 2020

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents - Note 2	\$ 807,078	\$ 701,684	\$	\$ 827,029	\$ 2,335,791
Investments, at cost - Note 3				600,000	600,000
Assessments receivable, less adjustment for probable uncollectible accounts of \$175,261 - Note 2 and 4	32,553			2,177	32,553
Accrued interest receivable					2,177
Accounts receivable - other	60,688				60,688
Prepaid expenses - Note 6	42,607				42,607
Prepaid federal income taxes - Note 8	8,378		112,880		8,378
Property and equipment, net - Notes 2 and 7		(373,766)		5,643	112,880
Interfund balances - Note 2	368,123				
<b>Total assets</b>	<b>\$ 1,319,427</b>	<b>\$ 327,918</b>	<b>\$ 112,880</b>	<b>\$ 1,434,849</b>	<b>\$ 3,195,074</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued expenses	\$ 72,363	\$	\$	\$ 51,148	\$ 123,511
Payroll and payroll taxes payable	11,699				11,699
Assessments received in advance	206,696				206,696
Deferred revenue - Note 2	123,937	128,085			252,022
<b>Total liabilities</b>	<b>414,695</b>	<b>128,085</b>	<b>-</b>	<b>51,148</b>	<b>593,928</b>
Fund balances - Notes 2 and 9	904,732	199,833	112,880	1,383,701	2,601,146
<b>Total liabilities and fund balances</b>	<b>\$ 1,319,427</b>	<b>\$ 327,918</b>	<b>\$ 112,880</b>	<b>\$ 1,434,849</b>	<b>\$ 3,195,074</b>

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, 2020**

	<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>					
<b>Membership Assessments</b>					
Membership assessments - Note 2	\$ 2,411,016	\$	\$	\$ 819,504	\$ 3,230,520
Adjustment for probable uncollectible accounts	8,943				8,943
<b>Net Membership Assessments</b>	<u>2,419,959</u>	<u>-</u>	<u>-</u>	<u>819,504</u>	<u>3,239,463</u>
<b>Other Revenues</b>					
Deferred revenue applied on current years budget - Note 2	133,935	180,348			314,283
Optional lawn and snow revenues - Note 2		731,860			731,860
Advertising income	20,400				20,400
Late/lien fee income/Compliance fees	2,053				2,053
Rental income - Note 13	4,500				4,500
Membership fee - Note 5	59,400			132,000	191,400
Administrative fee income	36,000				36,000
Township reimbursement - Note 12	24,262				24,262
Other income	30,666				30,666
Interest income - Note 2	360	218		10,029	10,607
<b>Total Other Revenues</b>	<u>311,576</u>	<u>912,426</u>	<u>-</u>	<u>142,029</u>	<u>1,366,031</u>
<b>Total Revenues</b>	<u>2,731,535</u>	<u>912,426</u>	<u>-</u>	<u>961,533</u>	<u>4,605,494</u>
<b>EXPENSES</b>					
Payroll	510,026				510,026
Benefits and taxes	191,884				191,884
Services	1,264,497				1,264,497
Utilities	128,068				128,068
Lawn maintenance	57,164				57,164
Road repair and maintenance	70,230				70,230
Truck and equipment	353				353
Professional fees	6,957				6,957
Office expense	55,786				55,786
Administrative	73,317				73,317
Recreational	16,962				16,962
Community buildings	47,529				47,529
Federal Taxes/Doubtful accounts/Real estate tax/Use tax	45,722				45,722
Depreciation - Notes 2 and 6	7,808		47,318		7,808
Optional lawn and snow expenses - Note 2		712,593			712,593
Replacement fund expenditures - Note 10				729,889	729,889
<b>Total Expenses</b>	<u>2,476,303</u>	<u>712,593</u>	<u>47,318</u>	<u>729,889</u>	<u>3,966,103</u>
<b>Excess (deficiency) of revenues over expenses before transfer &amp; deferred revenue</b>	255,232	199,833	(47,318)	231,644	639,391
<b>Transfer equipment expenditures to Fixed Asset Fund - Note 11</b>			10,307	(10,307)	(252,022)
<b>Deferred revenue applied on subsequent years budget - Note 2</b>					
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	131,295	71,748	(37,011)	221,337	387,369
<b>Fund balance - beginning of year</b>	773,437	128,085	149,891	1,162,364	2,213,777
<b>Fund balance - end of year</b>	<u>\$ 904,732</u>	<u>\$ 199,833</u>	<u>\$ 112,880</u>	<u>\$ 1,383,701</u>	<u>\$ 2,601,146</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, 2020

	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	\$ 131,295	\$ 71,748	\$ (37,011)	\$ 221,337	\$ 387,369
Adjustment to reconcile excess (deficiency) of revenues over expenses after deferred revenue to net cash provided by (used by) operating activities:					
Depreciation	(153,586)		47,318		47,318
Adjustment for probable uncollectible accounts	(76,127)	62,569		13,558	(153,586)
Interfund balance					-
(Increase) decrease in:					
Assessment receivable	149,639			721	149,639
Accrued interest receivable	(56,726)				(56,726)
Accounts receivable - other	(849)				(849)
Prepaid expenses	(8,378)				(8,378)
Prepaid federal income taxes					
Increase (decrease) in:					
Accounts payable and accrued expenses	(22,516)			(192,411)	(214,927)
Payroll and payroll taxes payable	(17,980)				(17,980)
Federal income taxes payable	(203)				(203)
Assessments received in advance	59,940				59,940
Deferred revenue	(9,998)	(52,263)			(62,261)
Net cash provided by (used by) operating activities	<u>(5,489)</u>	<u>82,054</u>	<u>10,307</u>	<u>43,205</u>	<u>130,077</u>
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment			(10,307)		(10,307)
Purchase of investments				(600,000)	(600,000)
Sale/maturity of investments				559,000	559,000
Net cash used by investing activities				<u>(41,000)</u>	<u>(51,307)</u>
Net increase (decrease) in cash and cash equivalents	(5,489)	82,054	-	2,205	78,770
Cash and cash equivalents at beginning of year	812,567	619,630	-	824,824	2,257,021
Cash and cash equivalents at end of year	<u>\$ 807,078</u>	<u>\$ 701,684</u>	<u>\$ -</u>	<u>\$ 827,029</u>	<u>\$ 2,335,791</u>
Supplementary disclosure:					
Income taxes paid					\$ 11,000

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

## LEISURE KNOLL AT MANCHESTER ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

#### 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, 2020, the uninsured cash balances totaled \$610,061.

**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, 2020

#### 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.

**Recently Adopted Accounting Pronouncements** - ASC 606 - *Revenue from Contracts with Customers* In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09 "Revenue from Contracts with Customers" which became effective for non-public entities for years beginning after December 15, 2018. This standard requires revenue to be recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Association adopted the standard effective October 1, 2019 using the modified retrospective transition method. The Association applied ASU No. 2014-09 only to contracts that were not completed prior to October 1, 2019. The adoption of the new revenue standard had no effect to the opening fund balance of any of the funds. We expect the impact of the adoption to be immaterial to our financial position, results of operations, and cash flows on an ongoing basis.

**Subsequent Events** - The Association has evaluated subsequent events through February 8, 2021, the date the financial statements were available to be issued.

(Continued)

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**SEPTEMBER 30, 2020**

**NOTE 3 - INVESTMENTS**

At September 30, 2020, investments consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>
Certificate of Deposit	1.60%	11/5/2020	200,000
Certificate of Deposit	0.10%	11/19/2020	150,000
Certificate of Deposit	0.10%	2/17/2021	150,000
Certificate of Deposit	0.20%	2/17/2021	100,000
Total			\$ <u>600,000</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.

**NOTE 4 - ASSESSMENTS RECEIVABLE**

As of September 30, 2020, the Association had assessments receivable of \$207,814. Thirty-Seven (37) unit owners had receivables in excess of \$ 1,000 totaling \$175,261. The board has recorded an adjustment for probable uncollectible accounts in the amount of \$175,261 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**

	<u>2020</u>
Prepaid liability insurance	\$ 24,871
Prepaid workers' compensation	4,101
Prepaid waste removal	13,315
Prepaid gate system maintenance	320
	<u>\$ 42,607</u>

**NOTE 7 - PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>Useful Lives (Years)</u>
Motor vehicles	\$ 252,845	3 - 5
Maintenance equipment	160,082	4 - 10
Furniture and fixtures	213,537	3 - 5
	<u>626,464</u>	
Less: accumulated depreciation	513,584	
	<u>\$ 112,880</u>	

(Continued)

## LEISURE KNOLL AT MANCHESTER ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

(Continued)

SEPTEMBER 30, 2020

#### 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, 2020, the Association has not elected to be taxed as a Homeowners Association and will, therefore, be taxed as a regular corporation. Income taxes of \$2,622 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, 2020, 2019 and 2018.

#### 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, 2020 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, 2020

NOTE 10 - MAJOR REPAIRS AND REPLACEMENTS

	<u>2020</u>
Replace curbing sidewalks & aprons	\$ 167,489
Repairs & replacement - Recreation	164,027
Retainage paving project	25,585
Street signs/gate repair	8,341
Road paving/Infrastructure	259,369
Expansion project	30,127
Community room renovation	9,166
Community buildings - interior work	58,201
Community buildings - exterior work	<u>7,584</u>
	<u>\$ 729,889</u>

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

	<u>2020</u>
Computer equipment	<u>\$ 10,307</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 2019. Any reimbursement related to 2020 expenditures will be recorded when, and if, received.

NOTE 13 - RENTAL INCOME

For the year ended September 30, 2020, 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 \$1,500 for 2020 and \$2,500.30 for 2019. During the year ended September 30, 2020 rental income of \$4,500 has been recorded as revenue in the accompanying financial statements.

(continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
SEPTEMBER 30, 2020

**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, 2020 was \$37,323.

**NOTE 15 - UNION AGREEMENT**

Approximately 77% of the Association's employees are covered by a collectively bargained union agreement. The union agreement which is in effect is for the period October 1, 2018 through September 30, 2021.

**NOTE 16 - 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:

**Year Ending  
September 30,**

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>6,243,840</u>

**SUPPLEMENTARY INFORMATION**

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
(Unaudited)  
**SEPTEMBER 30, 2020**

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 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, 2020</b>		<u>\$ 1,383,701</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, 2020  
(WITH COMPARITIVE TOTALS FOR 2019)

	2020		Variance- Favorable (Unfavorable)	2019
	Actual	(Unaudited) Budget		Memo Total Actual
<b>REVENUES</b>				
<b>Monthly Assessments</b>				
Monthly Assessments	\$ 2,411,016	\$ 2,380,464	\$ 30,552	\$ 2,311,888
Adjustment for probable uncollectible accounts	8,943	(50,000)	58,943	55,172
<b>Net Monthly Assessments</b>	<b>2,419,959</b>	<b>2,330,464</b>	<b>89,495</b>	<b>2,367,060</b>
<b>Other Revenues</b>				
Membership fee	59,400	54,000	5,400	65,700
Advertising income	20,400	20,400	-	20,400
Copy machine income	-	-	-	162
Guest badges/Gate pass	-	-	-	2,217
Miscellaneous income	2,719	100	2,619	7,496
Compliance fees	-	2,500	(2,500)	1,930
Late/Lien fee income	2,053	12,500	(10,447)	16,600
Real estate tax reimbursement	-	-	-	1,118
Café income	610	-	610	645
Rent income (Bank & Realty offices)	4,500	7,500	(3,000)	28,003
Admin fee income opt lawn/snow	36,000	36,000	-	36,000
Town reimbursement street lights	18,735	22,000	(3,265)	22,098
Town reimbursement snow	5,527	7,250	(1,723)	7,933
Vehicle tags	-	7,500	(7,500)	5,679
Interest income	360	11,502	(11,142)	341
Document request income	27,337	7,500	19,837	8,646
Deferred revenue applied to current years budget	133,935	133,935	-	211,647
<b>Total Other Revenues</b>	<b>311,576</b>	<b>322,687</b>	<b>(11,111)</b>	<b>436,615</b>
<b>Total Revenues</b>	<b>2,731,535</b>	<b>2,653,151</b>	<b>78,384</b>	<b>2,803,675</b>
<b>EXPENSES</b>				
<b>Payroll</b>				
Community manager	93,284	97,755	4,471	98,288
Office & administrative	123,425	141,896	18,471	143,076
Buildings, grounds & janitorial	277,782	284,723	6,941	282,967
Office temp salary	15,535	12,636	(2,899)	1,465
<b>Total payroll</b>	<b>510,026</b>	<b>537,010</b>	<b>26,984</b>	<b>525,796</b>
<b>Benefits and Taxes</b>				
FICA	39,035	41,081	2,046	40,620
SUI	7,592	20,000	12,408	10,952
FUI	406	120	(286)	550
Life & health insurance	79,529	70,000	(9,529)	77,466
Workmen's comp	27,999	33,780	5,781	25,888
Pension plan/Union required benefits	37,323	49,437	12,114	40,916
<b>Total benefits and taxes</b>	<b>191,884</b>	<b>214,418</b>	<b>22,534</b>	<b>196,392</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, 2020  
(WITH COMPARITIVE TOTALS FOR 2019)

	2020		Variance- Favorable (Unfavorable)	2019
	Actual	(Unaudited) Budget		Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Services</b>				
Exterminator	\$ 2,292	\$ 4,000	\$ 1,708	\$ 3,625
HVAC contract/repairs	4,778	10,250	5,472	8,728
Goose patrol	21,000	14,000	(7,000)	10,850
Bus service	84,184	82,000	(2,184)	82,296
Gatehouse security	170,242	150,000	(20,242)	151,668
Refuse removal	164,757	161,772	(2,985)	161,156
Insurance	148,708	175,000	26,292	147,245
TV Service contract	668,536	675,115	6,579	530,412
<b>Total services</b>	<u>1,264,497</u>	<u>1,272,137</u>	<u>7,640</u>	<u>1,095,980</u>
<b>Utilities</b>				
Street Lighting	50,992	60,000	9,008	51,834
Gas	15,356	20,000	4,644	15,946
Electric	58,340	65,000	6,660	68,104
Water & sewer	3,380	4,000	620	3,292
<b>Total utilities</b>	<u>128,068</u>	<u>149,000</u>	<u>20,932</u>	<u>139,176</u>
<b>Snow Removal</b>				
Salt/Sand	-	10,000	10,000	3,651
Road plowing	-	25,000	25,000	-
Aprons	-	25,000	25,000	-
<b>Total snow removal</b>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>3,651</u>
<b>Lawn Maintenance</b>				
Lawn/snow equipment repair & maintenance	6,057	5,000	(1,057)	5,953
Island restoration	41,757	-	(41,757)	21,691
Bed maintenance	3,227	3,000	(227)	-
Holiday lighting	4,958	7,500	2,542	4,958
In-house irrigation repair	1,165	750	(415)	656
<b>Total lawn maintenance</b>	<u>57,164</u>	<u>16,250</u>	<u>(40,914)</u>	<u>33,258</u>
<b>Landscaping Services</b>				
Removal/replacement of trees	45,481	65,000	19,519	98,523
Irrigation system	950	2,000	1,050	2,200
Common landscaping services	23,799	20,000	(3,799)	42,116
<b>Total landscaping services</b>	<u>70,230</u>	<u>87,000</u>	<u>16,770</u>	<u>142,839</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, 2020  
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		Variance- Favorable (Unfavorable)	2019
	Actual	(Unaudited) Budget		Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Road Repair &amp; Maintenance</b>				
In-house minor repairs	\$ 353	\$ 2,500	\$ 2,147	\$ 7,660
<b>Total road repair &amp; maintenance</b>	<u>353</u>	<u>2,500</u>	<u>2,147</u>	<u>7,660</u>
<b>Truck &amp; Equipment</b>				
Vehicle repairs & maintenance	2,967	1,000	(1,967)	1,504
Fuel & lubrication	3,608	3,000	(608)	3,984
Registration/license	382	700	318	937
<b>Total truck &amp; equipment</b>	<u>6,957</u>	<u>4,700</u>	<u>(2,257)</u>	<u>6,425</u>
<b>Professional Fees</b>				
Attorney fees	37,942	15,000	(22,942)	15,754
Auditor	11,265	15,000	3,735	13,835
Engineering	910	5,000	4,090	-
ADP payroll accounting	5,669	5,000	(669)	8,629
<b>Total professional fees</b>	<u>55,786</u>	<u>40,000</u>	<u>(15,786)</u>	<u>38,218</u>
<b>Office Expense</b>				
Bank fees	404	250	(154)	563
Office supplies	10,366	10,000	(366)	9,450
Postage	3,662	4,000	338	3,971
Telephone	24,807	20,000	(4,807)	17,956
Office equipment lease	9,434	10,000	566	10,969
Computer maintenance & software	24,644	8,000	(16,644)	19,194
<b>Total office expense</b>	<u>73,317</u>	<u>52,250</u>	<u>(21,067)</u>	<u>62,103</u>
<b>Administrative</b>				
Assessment coupon books	6,810	5,000	(1,810)	4,289
Miscellaneous badges/fobs etc.	-	1,100	1,100	9,360
Education	608	3,000	2,392	908
Misc. expense/administrative	8,164	5,000	(3,164)	4,174
Return check fees	1,380	-	(1,380)	2,245
Association sponsored events	-	2,500	2,500	2,028
Committee expenses	-	500	500	2,536
<b>Total administrative expense</b>	<u>16,962</u>	<u>17,100</u>	<u>138</u>	<u>25,540</u>
<b>Recreational</b>				
Lake maintenance	2,599	750	(1,849)	698
Equipment repairs	13,579	7,500	(6,079)	15,944
Pool management contract	28,974	47,736	18,762	45,976
Pool repair/supplies	2,377	7,000	4,623	3,292
<b>Total recreational</b>	<u>47,529</u>	<u>62,986</u>	<u>15,457</u>	<u>65,910</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, 2020  
(WITH COMPARITIVE TOTALS FOR 2019)

	2020			2019
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Community Buildings</b>				
Building repair/supplies	\$ 27,902	\$ 15,000	\$ (12,902)	\$ 25,673
Janitorial supplies	7,080	6,000	(1,080)	7,256
Cable conversion	-	-	-	1,631
Swimming pool furniture & fixtures	-	500	500	-
Gate repair	10,740	10,000	(740)	11,364
<b>Total community buildings</b>	<u>45,722</u>	<u>31,500</u>	<u>(14,222)</u>	<u>45,924</u>
<b>Federal Taxes/Doubtful accounts</b>				
<b>Real Estate/Use Taxes</b>				
Estimated federal taxes	2,622	3,800	1,178	8,203
Real Estate Taxes	5,186	2,500	(2,686)	3,368
<b>Total federal taxes/Doubtful accounts/real estate/use taxes</b>	<u>7,808</u>	<u>6,300</u>	<u>(1,508)</u>	<u>11,571</u>
<b>Contingency</b>				
Contingency - (No expenses for 2020 or 2019)	-	100,000	100,000	-
<b>Total contingency</b>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Total expenses</b>	<u>2,476,303</u>	<u>2,653,151</u>	<u>176,848</u>	<u>2,400,443</u>
<b>Excess of revenues over expenses before deferred revenue</b>	255,232	-	255,232	403,232
<b>Deferred revenue applied on subsequent years budget</b>	<u>(123,937)</u>	<u>-</u>	<u>(123,937)</u>	<u>(133,935)</u>
<b>Excess of revenues over expenses after deferred revenue</b>	<u>\$ 131,295</u>	<u>\$ -</u>	<u>\$ 131,295</u>	<u>\$ 269,297</u>

LEISURE KNOLL AT MANCHESTER ASSOCIATION

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

YEAR ENDED SEPTEMBER 30, 2020  
(WITH COMPARITIVE TOTALS FOR 2019)

	2020			2019
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
Optional lawn and snow revenues	\$ 731,860	\$ 735,300	\$ (3,440)	\$ 606,559
Interest income	218	2,500	(2,282)	2,523
Deferred revenue applied to current years budget	<u>180,348</u>	<u>180,348</u>	<u>-</u>	<u>85,261</u>
<b>Total Revenues</b>	<u>912,426</u>	<u>918,148</u>	<u>(5,722)</u>	<u>694,343</u>
<b>EXPENSES</b>				
Cutting, trimming, edging and chemicals	676,593	682,148	5,555	651,822
Snow removal driveways	-	150,000	150,000	-
Miscellaneous expenses	-	-	-	300
Administration fee	36,000	36,000	-	36,000
Contingency	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>Total expenses</b>	<u>712,593</u>	<u>918,148</u>	<u>205,555</u>	<u>688,122</u>
<b>Excess (deficiency) of revenues over expenses before deferred revenue</b>	199,833	-	199,833	6,221
<b>Deferred revenue applied on subsequent years budget</b>	<u>(128,085)</u>	<u>-</u>	<u>(128,085)</u>	<u>(180,348)</u>
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	<u>\$ 71,748</u>	<u>\$ -</u>	<u>\$ 71,748</u>	<u>\$ (174,127)</u>

See auditor's report

LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF REPLACEMENT FUND  
REVENUES AND EXPENSES  
AS COMPARED TO BUDGET

YEAR ENDED SEPTEMBER 30, 2020  
(WITH COMPARITIVE TOTALS FOR 2019)

	2020			2019
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
Monthly Assessments	\$ 819,504	\$ 819,504	\$ -	\$ 819,504
Membership fee	132,000	120,000	12,000	146,000
Interest income	10,029	11,000	(971)	17,669
Other income	-	-	-	33,000
<b>Total revenues</b>	<u>961,533</u>	<u>950,504</u>	<u>11,029</u>	<u>1,016,173</u>
<b>EXPENSES</b>				
Replacement fund repairs and replacement expenditures	729,889	1,483,500	753,611	1,598,897
Purchase of fixed assets	10,307	-	(10,307)	45,316
<b>Total expenses</b>	<u>740,196</u>	<u>1,483,500</u>	<u>743,304</u>	<u>1,644,213</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ 221,337</u>	<u>\$ (532,996)</u>	<u>\$ 754,333</u>	<u>\$ (628,040)</u>

See auditor's report

**MOHEL ELLIOTT BAUER & GASS**  
A PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

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FOUNDED IN 1926 BY SIDNEY MOHEL  
ARNOLD D MOHEL CPA  
(1925-2018)

February 8, 2021

**To the Board of  
Leisure Knoll at Manchester Association**

We have audited the financial statements of Leisure Knoll at Manchester Association (the "Association") for the year ended September 30, 2020, and have issued our report on these financial statements. Professional standards require that we provide you with certain information related to our audit. Part I of this letter relays this required information. Part II details our comments and recommendations, all of which have been discussed with the Board of Directors (the "Board") and appropriate members of management, which are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this letter as well as the comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. We will review the status of these comments during our next audit engagement.

This letter does not affect our report on the above referenced financial statements of the Association.

**PART I – COMMUNICATION OF INFORMATION AS REQUIRED BY PROFESSIONAL STANDARDS**

**A. Our Responsibilities under Generally Accepted Auditing Standards**

Our responsibilities under generally accepted auditing standards are as stated in our engagement letter which has been accepted by you.

As part of our audit, we considered the Association's internal control to plan our auditing procedures and not to provide assurance on the internal control.

**B. Other Information in Documents Containing Audited Financial Statements**

We have not been informed of any documents that contain your audited financial statements. If there were such documents, we will communicate with those charged with governance our responsibility with respect to such other information, any procedures performed, as requested by you, relating to the other information and the results of the procedures.

**C. Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing as previously communicated.

# MOHEL ELLIOTT BAUER & GASS

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C E R T I F I E D   P U B L I C   A C C O U N T A N T S

## Leisure Knoll at Manchester Association Page 2

### D. Significant Accounting Policies, Accounting Estimates and Financial Statement Disclosures

The Board has the responsibility for the selection and use of appropriate accounting policies and procedures. In accordance with the terms of our engagement letter, we will advise the Board about the appropriateness of accounting policies and their application. The significant accounting policies used by the Association are described in Note 2 to the financial statements and are considered to be appropriate. New accounting policies, if adopted and/or changes in application of existing policies, if any, during the year are described in the notes to the financial statements. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Financial statement disclosures included in the audited financial statements are also considered to be appropriate in nature. Accounting estimates are an integral part of the preparation of financial statements and are based upon the Board's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. All such estimates have been disclosed in the financial statements and/or in the notes to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### E. Difficulties Encountered in Performing the Audit

The Board and the managing agent were very cooperative in the course of our audit and no difficulties were encountered.

### F. Audit Adjustments

For purpose of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Association's financial reporting process (that is, cause future financial statements to be materially misstated).

Audit adjustments proposed by us related to various accounts. These adjustments have been included as an attachment to the representation letter. We have been advised all audit adjustments will be approved and recorded by the Association. The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

# MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N  
C E R T I F I E D P U B L I C A C C O U N T A N T S

## Leisure Knoll at Manchester Association

Page 3

### G. Disagreements with the Board and/or Management

For purposes of this letter, professional standards define a disagreement as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### H. Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of the Board and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### I. Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of the Board about their methods of preparing the information; comparing the information for consistency with their responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from the Board, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

## PART II – COMMENTS AND RECOMMENDATIONS

### A. Interfund Balances

As of September 30, 2020, Interfund balances existed between the various fund balances as detailed in the audited financial statements.

We recommend that the Association transfer the required cash, when available, to the appropriate funds so that the Board is able to accurately assess its future funding requirements. This will also help ensure that the Association is following industry guidelines based on interpretations of the sections of the Internal Revenue Code that serve as a basis for classifying replacement fund contributions as capital contributions and therefore excluded from taxable income.



# MOHEL ELLIOTT BAUER & GASS

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CERTIFIED PUBLIC ACCOUNTANTS

## Leisure Knoll at Manchester Association

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### B. Surplus Resolution

For the year ended September 30, 2020, the Board should pass a resolution deferring excess revenues over expenses to the next fiscal year. This should be done in order to avoid taxation of those funds for federal income tax purposes. Such resolution should be documented in the Board minutes.

### C. Lake Side Lodge Expansion

The total estimate for lake side lodge expansion is now \$662,247 vs reserve budget estimate of \$525,000. This exceeds the budget estimate by \$137,247. However, the reserve fund estimated contribution was \$819,504 for 2020 and the Association actually added \$961,533 to the Replacement fund for 2020. This is an additional \$142,029 added for 2020 which exceeds the estimated increase by \$4,782. The Association should have enough funds to continue with the project.

We recommend the reserve study be updated when the expansion project is completed.

This information is intended solely for the use of the Board and management of the Association and is not intended to be and should not be used by anyone other than those specified parties.

We would like to thank all Management and Association officials for the cooperation and courtesy extended to us during our audit.

Very truly yours,  
Mohel Elliott Bauer & Gass



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Gerwin K. Bauer, CPA  
For the Firm