

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2023**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2023**

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# MOHEL ELLIOTT BAUER & GASS

A PROFESSIONAL ASSOCIATION

FOUNDED IN 1926 BY SIDNEY MOHEL

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*

### Opinion

We have audited the accompanying financial statements of Leisure Knoll at Manchester Association which comprise the balance sheet as of September 30, 2023, 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.

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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leisure Knoll at Manchester Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of the Board of Trustees for the Financial Statements

The Board of Trustees (the "Board") is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, the Board is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Leisure Knoll at Manchester Association internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Leisure Knoll at Manchester Association ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**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 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.

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**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of revenues, expenses and allocations as compared to budget on pages 15 – 20 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*

December 13, 2023  
Toms River, New Jersey

LEISURE KNOLL AT MANCHESTER ASSOCIATION

BALANCE SHEET

SEPTEMBER 30, 2023

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents - Note 2	\$ 552,404	\$ 377,249		\$ 665,382	\$ 1,595,035
Investments, at cost - Note 3				1,718,000	1,718,000
Assessments receivable, less adjustment for probable uncollectible accounts of \$178,318 - Note 2	31,491				31,491
Accrued interest receivable				23,389	23,389
Prepaid expenses - Note 5	93,274				93,274
Operating right-of-use assets - Note 15	35,030				35,030
Property and equipment, net - Notes 2 and 6			13,647		13,647
Interfund balances - Note 2	106,082	(18,897)		(87,185)	-
<b>Total assets</b>	<b>\$ 818,281</b>	<b>\$ 358,352</b>	<b>\$ 13,647</b>	<b>\$ 2,319,586</b>	<b>\$ 3,509,866</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued expenses	\$ 34,010				\$ 54,609
Payroll and payroll taxes payable	22,241			20,599	22,241
Federal income taxes payable - Note 7	3,683				3,683
Assessments received in advance	249,089				249,089
Operating lease liability - Note 15	35,030				35,030
Deferred revenue - Note 2	163,361	181,200			344,561
<b>Total liabilities</b>	<b>507,414</b>	<b>181,200</b>		<b>20,599</b>	<b>709,213</b>
Fund balances - Notes 2 and 8	310,867	177,152	13,647	2,298,987	2,800,653
<b>Total liabilities and fund balances</b>	<b>\$ 818,281</b>	<b>\$ 358,352</b>	<b>\$ 13,647</b>	<b>\$ 2,319,586</b>	<b>\$ 3,509,866</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, 2023**

	<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	\$ 2,513,774	\$	\$	\$ 819,504	\$ 3,333,278
Adjustment for probable uncollectible accounts	(23,361)				(23,361)
<b>Net Membership Assessments</b>	<u>2,490,413</u>	<u>-</u>	<u>-</u>	<u>819,504</u>	<u>3,309,917</u>
<b>Other Revenues</b>					
Deferred revenue applied on current years budget - Note 2	207,911	144,612			352,523
Optional lawn and snow revenues - Note 2		759,452			759,452
Advertising income	20,400				20,400
Late/lien fee income/Compliance fees	25,906				25,906
Membership fee - Note 4	100,850			120,000	220,850
Township reimbursement - Note 11	22,844				22,844
Other income	58,513				58,513
Interest income - Note 2	1,047	426		56,269	57,742
<b>Total Other Revenues</b>	<u>437,471</u>	<u>904,490</u>	<u>-</u>	<u>176,269</u>	<u>1,518,230</u>
<b>Total Revenues</b>	<u>2,927,884</u>	<u>904,490</u>	<u>-</u>	<u>995,773</u>	<u>4,828,147</u>
<b>EXPENSES</b>					
Payroll	558,027				558,027
Benefits and taxes	204,197				204,197
Services	1,498,674				1,498,674
Utilities	146,704				146,704
Snow removal	326				326
Lawn maintenance	20,906				20,906
Landscaping services	119,165				119,165
Road repair and maintenance	2,754				2,754
Truck and equipment	25,994				25,994
Professional fees	69,003				69,003
Office expense	91,037				91,037
Administrative	18,430				18,430
Recreational	150,948				150,948
Community buildings	65,982				65,982
Federal Taxes/Doubtful accounts/Real estate tax/Use tax	11,126				11,126
Depreciation - Notes 2 and 6			25,015		25,015
Optional lawn and snow expenses - Note 2		678,471			678,471
Replacement fund expenditures - Note 9				875,554	875,554
<b>Total Expenses</b>	<u>2,983,273</u>	<u>678,471</u>	<u>25,015</u>	<u>875,554</u>	<u>4,562,313</u>
<b>Excess (deficiency) of revenues over expenses before transfer &amp; deferred revenue</b>	(55,389)	226,019	(25,015)	120,219	265,834
<b>Transfer equipment expenditures to Fixed Asset Fund - Note 10</b>			10,848	(10,848)	
<b>Deferred revenue applied on subsequent years budget - Note 2</b>		(181,200)			(267,029)
<b>Excess (deficiency) of revenues over expenses after transfer &amp; deferred revenue</b>	(141,218)	44,819	(14,167)	109,371	(1,195)
<b>Fund balance - beginning of year</b>	452,085	132,333	27,814	2,189,616	2,801,848
<b>Fund balance - end of year</b>	<u>\$ 310,867</u>	<u>\$ 177,152</u>	<u>\$ 13,647</u>	<u>\$ 2,298,987</u>	<u>\$ 2,800,653</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, 2023

	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	\$ (141,218)	\$ 44,819	\$ (14,167)	\$ 109,371	\$ (1,195)
Adjustment to reconcile excess (deficiency) of revenues over expenses after deferred revenue to net cash provided by (used by) operating activities:					
Depreciation	11,808		25,015		25,015
Adjustment for probable uncollectible accounts	(56,698)	7,394		49,304	11,808
Interfund balance					-
(Increase) decrease in assets:					
Assessment receivable	(13,566)				(13,566)
Accrued interest receivable	26,786			(19,816)	(19,816)
Accounts receivable - other	(5,809)				26,786
Prepaid expenses	7,443				(5,809)
Prepaid federal income taxes	8,453				7,443
Operating right-of-use assets					8,453
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(12,275)			20,599	8,324
Payroll and payroll taxes payable	(2,422)				(2,422)
Federal income taxes payable	3,683				3,683
Assessments received in advance	(2,028)				(2,028)
Operating lease liability	(8,453)				(8,453)
Deferred revenue	(122,082)	36,588			(85,494)
Net cash provided by (used by) operating activities	<u>(306,378)</u>	<u>88,801</u>	<u>10,848</u>	<u>159,458</u>	<u>(47,271)</u>
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment			(10,848)		(10,848)
Purchase of investments				(1,718,000)	(1,718,000)
Sale/maturity of investments				1,005,000	1,005,000
Net cash used by investing activities			<u>(10,848)</u>	<u>(713,000)</u>	<u>(723,848)</u>
Net increase (decrease) in cash and cash equivalents	(306,378)	88,801	-	(553,542)	(771,119)
Cash and cash equivalents at beginning of year	858,782	288,448	-	1,218,924	2,366,154
Cash and cash equivalents at end of year	<u>\$ 552,404</u>	<u>\$ 377,249</u>	<u>\$ -</u>	<u>\$ 665,382</u>	<u>\$ 1,595,035</u>
<b>Supplementary disclosure:</b>					
Income taxes paid					\$ -

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



## LEISURE KNOLL AT MANCHESTER ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

#### 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.

**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, 2023, the uninsured cash balances totaled \$422,130.

**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.

**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, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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 Board/management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the the financial statements and the reported amounts of revenues and expenses during the reported period. 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.

**Membership Assessments and Assessments Receivable** - Association members are subject to monthly assessments based upon the annual budget. The purpose of membership assessments is to provide funds for operating expenses and funding for reserves for future major repairs and replacements. The Association has adopted ASC 606 and has recognized it does have a customer relationship. Monthly membership assessments represent multiple performance obligations, which, on a standalone basis are not considered separate and distinct and therefore have been deemed to be a single performance obligation. Therefore, revenue relating to both is recognized when assessed as was done under legacy U.S. GAAP and the Association does not defer the recognition of any portion of revenue as a Contract Liability. Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for maintenance assessments is satisfied over time on a daily pro-rata basis using the input method. The Association retains excess funds at the end of the period, if any, for use in future periods or as otherwise specified by the Association's governing documents.

Membership assessments receivable at the balance sheet date is stated at the amounts expected to be collected from unit owners. The Association's policy is to retain legal counsel and place liens on the units of owners who are delinquent based on the collection policy. It is the opinion of the board that not all of the receivables will be fully collectible. As of September 30, 2023, the Association had assessments receivable of \$209,809. Twenty-nine units had receivables in excess of \$1,000 totaling \$178,318. The board has recorded an adjustment for probable uncollectible accounts in the amount of \$178,318. The Association treats uncollectible membership assessments as variable consideration since the Association estimate of variable consideration is constrained to include consideration of past experience and susceptibility to factors outside the Association's control.

**Subsequent Events** - The Association has evaluated subsequent activity through December 13, 2023, the date the financial statements were available to be issued. Based upon this evaluation, the Association determined that no subsequent events have occurred, which require adjustment to or disclosure in the financial statements.

(Continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
SEPTEMBER 30, 2023

NOTE 3 - INVESTMENTS

At September 30, 2023, investments consisted of the following:

Description	Interest Rate	Maturity Date	Carrying Value
Certificate of Deposit	4.90%	10/19/2023	175,000
Certificate of Deposit	4.90%	10/19/2023	175,000
Certificate of Deposit	5.25%	10/20/2023	175,000
Certificate of Deposit	4.60%	1/12/2024	238,000
Certificate of Deposit	5.30%	1/24/2024	175,000
Certificate of Deposit	4.80%	2/20/2024	100,000
Certificate of Deposit	5.50%	3/21/2024	40,000
Certificate of Deposit	4.20%	4/12/2024	200,000
Certificate of Deposit	5.50%	6/28/2024	200,000
Certificate of Deposit	4.45%	10/24/2024	240,000
Total			\$ <u>1,718,000</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 - 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 \$1,750, of which \$1,000 is being allocated to the replacement fund and \$ 750 is to the operating fund.

NOTE 5 - PREPAID EXPENSES

	2023
Prepaid liability insurance	\$ 30,467
Prepaid workers' compensation	3,056
Prepaid software support	848
Prepaid cable television service	39,049
Prepaid gate system maintenance	320
Prepaid trash removal	14,620
Prepaid coupon books	4,914
	\$ <u>93,274</u>

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2023	Useful Lives (Years)
Motor vehicles	\$ 252,845	3 - 5
Maintenance equipment	160,082	4 - 10
Furniture and fixtures	224,385	3 - 5
	<u>637,312</u>	
Less: accumulated depreciation	<u>623,665</u>	
	\$ <u>13,647</u>	

(Continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

SEPTEMBER 30, 2023

**NOTE 7 - 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, 2023, the Association has elected to be taxed as a regular corporation. Income taxes of \$11,126 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 prior three years federal tax returns as filed remain open for examination by the Internal Revenue Service.

**NOTE 8 - 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, 2023 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, 2023

NOTE 9 - MAJOR REPAIRS AND REPLACEMENTS

	<u>2023</u>
Replace curbing sidewalks & aprons	\$ 558,174
Road paving/infrastructure	171,448
Repairs & replacement - recreation	58,275
Back gate repairs/replacement	30,304
Community buildings - fire system repairs/improvements	20,103
Community buildings - interior work	28,649
Community buildings - exterior work	<u>8,601</u>
	<u>\$ 875,554</u>

NOTE 10 - TRANSFER PROPERTY AND EQUIPMENT EXPENDITURES TO FIXED ASSET FUND

	<u>2023</u>
Card room/lobby furniture	\$ <u>10,848</u>

NOTE 11 - 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 2022. Any reimbursement related to 2023 expenditures will be recorded when, and if, received.

NOTE 12 - 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, 2023 was \$32,188.

(continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
SEPTEMBER 30, 2023

NOTE 13 - 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, 2021 through September 30, 2024.

NOTE 14 - CONTRACTURAL AGREEMENT

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:

<u>Year Ending</u> <u>September 30,</u>	
2023	\$ 743,053
2024	743,053
2025	743,053
2026	743,053
2027	743,053
2028	743,053
2029	743,053
2030	<u>743,053</u>
Total	\$ <u>5,944,424</u>

(continued)

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)  
SEPTEMBER 30, 2023**

**NOTE 15 - LEASES**

Leisure Knoll at Manchester Association leases its office equipment under a long-term a operating lease agreement. The leases are for the term of five years expiring June, 2027 and September, 2027. We include in the determination right-of-use assets and liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is being based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the office equipment class of assets.

The right-of-use assets and lease liabilities at September 30, 2023 is as follows:

	<b>2023</b>
Operating right-of-use assets	\$ 35,030
	\$ 35,030
	<b>2023</b>
Operating lease liabilities	\$ 35,030
	\$ 35,030

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<b>2023</b>
Weighted-average remaining lease term in years:	
Operating lease	3.5
Weighted-average incremental borrowing rate:	
Operating lease	3.00%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of September 30, 2023:

<b>September 30,</b>		<b>Operating</b>
2024		\$ 9,676
2025		9,676
2026		9,676
2027		8,114
Total lease payments		37,142
Less interest		(2,112)
Present value of lease liabilities		\$ 35,030

**SUPPLEMENTARY INFORMATION**



**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
(Unaudited)  
**SEPTEMBER 30, 2023**

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
		<b>\$ 8,036,266</b>
		<b>\$ 2,298,987</b>
<b>Replacement fund balance as of September 30, 2023</b>		

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, 2023  
(WITH COMPARITIVE TOTALS FOR 2022)

	2023			2022
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
<b>Membership Assessments</b>				
Membership Assessments	\$ 2,513,774	\$ 2,478,024	\$ 35,750	\$ 2,401,979
Adjustment for probable uncollectible accounts	(23,361)	(20,000)	(3,361)	(5,356)
<b>Net Membership Assessments</b>	<b>2,490,413</b>	<b>2,458,024</b>	<b>32,389</b>	<b>2,396,623</b>
<b>Other Revenues</b>				
Membership fee	100,850	45,000	55,850	55,350
Advertising income	20,400	20,400	-	20,400
Miscellaneous income	24,256	2,500	21,756	11,491
Compliance fees	10,870	3,500	7,370	7,695
Late/Lien fee income	15,036	7,500	7,536	14,532
Town reimbursement street lights	19,498	19,250	248	18,549
Town reimbursement snow	3,346	5,500	(2,154)	4,247
Interest income	1,047	1,275	(228)	457
Document request income	34,257	25,000	9,257	32,813
Deferred revenue applied to current years budget	207,911	207,911	-	380,590
<b>Total Other Revenues</b>	<b>437,471</b>	<b>337,836</b>	<b>99,635</b>	<b>546,124</b>
<b>Total Revenues</b>	<b>2,927,884</b>	<b>2,795,860</b>	<b>132,024</b>	<b>2,942,747</b>
<b>EXPENSES</b>				
<b>Payroll</b>				
Community manager	100,464	104,750	4,286	108,062
Office & administrative	158,720	158,825	105	132,587
Buildings, grounds & janitorial	298,843	304,700	5,857	271,682
Office temp salary	-	-	-	14,664
<b>Total payroll</b>	<b>558,027</b>	<b>568,275</b>	<b>10,248</b>	<b>526,995</b>
<b>Benefits and Taxes</b>				
FICA	42,324	40,000	(2,324)	37,534
SUI	6,549	12,000	5,451	5,565
FUI	105	120	15	420
Life & health insurance	87,754	82,000	(5,754)	75,947
Workmen's comp	35,277	25,000	(10,277)	20,484
Pension plan/Union required benefits	32,188	56,500	24,312	40,030
<b>Total benefits and taxes</b>	<b>204,197</b>	<b>215,620</b>	<b>11,423</b>	<b>179,980</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, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Services</b>				
Exterminator	\$ 3,946	\$ 3,600	\$ (346)	\$ 3,786
HVAC contract/repairs	11,935	7,000	(4,935)	8,615
Goose patrol	17,150	20,600	3,450	18,200
Bus service	92,550	90,000	(2,550)	91,350
Gatehouse security	246,856	177,750	(69,106)	189,503
Refuse removal	167,229	170,000	2,771	174,210
Insurance	181,130	175,000	(6,130)	166,613
Insurance deductible	-	5,000	5,000	-
TV Service contract	777,878	775,000	(2,878)	743,053
<b>Total services</b>	<b>1,498,674</b>	<b>1,423,950</b>	<b>(74,724)</b>	<b>1,395,330</b>
<b>Utilities</b>				
Street Lighting	58,313	60,000	1,687	57,139
Gas	19,138	20,000	862	19,529
Electric	66,014	65,000	(1,014)	71,891
Water & sewer	3,239	4,000	761	3,647
<b>Total utilities</b>	<b>146,704</b>	<b>149,000</b>	<b>2,296</b>	<b>152,206</b>
<b>Snow Removal</b>				
Salt/Sand	326	10,000	9,674	6,217
Road plowing	-	30,000	30,000	58,426
Aprons	-	30,000	30,000	38,055
<b>Total snow removal</b>	<b>326</b>	<b>70,000</b>	<b>69,674</b>	<b>102,698</b>
<b>Lawn Maintenance</b>				
Lawn/snow equipment repair & maintenance	6,578	4,000	(2,578)	3,822
Front entrance restoration	2,981	-	(2,981)	3,100
In-house grounds maintenance	6,130	2,500	(3,630)	4,877
Holiday lighting	4,586	5,500	914	5,708
In-house irrigation repair	631	750	119	1,541
<b>Total lawn maintenance</b>	<b>20,906</b>	<b>12,750</b>	<b>(8,156)</b>	<b>19,048</b>
<b>Landscaping Services</b>				
Removal/replacement of trees	87,911	65,000	(22,911)	64,038
Irrigation system	1,025	1,000	(25)	2,387
Common landscaping services	30,229	18,540	(11,689)	19,933
<b>Total landscaping services</b>	<b>119,165</b>	<b>84,540</b>	<b>(34,625)</b>	<b>86,358</b>

LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES  
AND EXPENSES AS COMPARED TO BUDGET  
(Continued)  
YEAR ENDED SEPTEMBER 30, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Road Repair &amp; Maintenance</b>				
In-house minor repairs	\$ 2,754	\$ 2,500	\$ (254)	\$ 6,354
<b>Total road repair &amp; maintenance</b>	<u>2,754</u>	<u>2,500</u>	<u>(254)</u>	<u>6,354</u>
<b>Truck &amp; Equipment</b>				
Vehicle repairs & maintenance	3,228	1,500	(1,728)	4,184
Traffic control	14,930	4,000	(10,930)	4,722
Fuel & lubrication	7,212	7,500	288	6,091
Registration/license	624	725	101	818
<b>Total truck &amp; equipment</b>	<u>25,994</u>	<u>13,725</u>	<u>(12,269)</u>	<u>15,815</u>
<b>Professional Fees</b>				
Attorney fees	46,181	20,000	(26,181)	12,800
Auditor	16,180	15,000	(1,180)	15,390
Engineering	-	10,000	10,000	6,950
ADP payroll accounting	6,642	10,000	3,358	6,492
<b>Total professional fees</b>	<u>69,003</u>	<u>55,000</u>	<u>(14,003)</u>	<u>41,632</u>
<b>Office Expense</b>				
Bank fees	282	400	118	367
Office supplies	13,087	12,000	(1,087)	15,114
Postage	4,837	4,000	(837)	4,963
Telephone	35,387	20,000	(15,387)	20,073
Office equipment lease	9,055	8,000	(1,055)	9,215
Computer maintenance & software	28,389	20,000	(8,389)	37,225
<b>Total office expense</b>	<u>91,037</u>	<u>64,400</u>	<u>(26,637)</u>	<u>86,957</u>
<b>Administrative</b>				
Assessment coupon books	5,641	5,000	(641)	3,841
Education	939	2,000	1,061	1,065
Misc. expense/administrative	11,850	7,000	(4,850)	3,992
<b>Total administrative expense</b>	<u>18,430</u>	<u>14,000</u>	<u>(4,430)</u>	<u>8,898</u>
<b>Recreational</b>				
Lake maintenance	1,412	1,000	(412)	7,486
Equipment repairs	16,446	7,500	(8,946)	17,565
50th anniversary	37,191	10,000	(27,191)	-
Pool management contract	86,996	60,600	(26,396)	50,194
Pool repair/supplies	8,903	5,000	(3,903)	467
<b>Total recreational</b>	<u>150,948</u>	<u>84,100</u>	<u>(66,848)</u>	<u>75,712</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, 2023  
(WITH COMPARITIVE TOTALS FOR 2022)

	2023			2022
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Community Buildings</b>				
Building repair/supplies	\$ 34,358	\$ 15,000	\$ (19,358)	\$ 41,267
Janitorial supplies	11,232	10,000	(1,232)	5,705
Furniture & fixtures	-	500	500	1,279
Gate repair	17,253	10,000	(7,253)	27,130
Café	3,139	-	(3,139)	7,709
<b>Total community buildings</b>	<u>65,982</u>	<u>35,500</u>	<u>(30,482)</u>	<u>83,090</u>
<b>Federal Taxes/Doubtful accounts</b>				
<b>Real Estate/Use Taxes</b>				
Federal income taxes	11,126	2,500	(8,626)	935
Real estate taxes	-	-	-	342
<b>Total federal taxes/Doubtful             accounts/real estate/use taxes</b>	<u>11,126</u>	<u>2,500</u>	<u>(8,626)</u>	<u>1,277</u>
<b>Contingency</b>				
Contingency - (No expenses for 2023 or 2022)	-	-	-	-
<b>Total contingency</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenses</b>	<u>2,983,273</u>	<u>2,795,860</u>	<u>(187,413)</u>	<u>2,782,350</u>
<b>Excess (deficiency) of revenues over expenses before deferred revenue</b>	(55,389)	-	(55,389)	160,397
<b>Deferred revenue applied on subsequent years budget</b>	<u>(85,829)</u>	-	<u>(85,829)</u>	<u>(285,443)</u>
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	<u>\$ (141,218)</u>	<u>\$ -</u>	<u>\$ (141,218)</u>	<u>\$ (125,046)</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, 2023  
(WITH COMPARITIVE TOTALS FOR 2022)

	2023			2022
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
Optional lawn and snow revenues	\$ 759,452	\$ 772,800	\$ (13,348)	\$ 713,752
Interest income	426	200	226	121
Deferred revenue applied to current years budget	<u>144,612</u>	<u>144,612</u>	<u>-</u>	<u>128,580</u>
<b>Total Revenues</b>	<u>904,490</u>	<u>917,612</u>	<u>(13,122)</u>	<u>842,453</u>
<b>EXPENSES</b>				
Cutting, trimming, edging and chemicals	678,471	702,612	24,141	664,500
Snow removal driveways	-	165,000	165,000	85,837
Contingency	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>Total expenses</b>	<u>678,471</u>	<u>917,612</u>	<u>239,141</u>	<u>750,337</u>
Excess (deficiency) of revenues over expenses before deferred revenue	226,019	-	226,019	92,116
Deferred revenue applied on subsequent years budget	<u>(181,200)</u>	<u>-</u>	<u>(181,200)</u>	<u>(144,612)</u>
Excess (deficiency) of revenues over expenses after deferred revenue	<u>\$ 44,819</u>	<u>\$ -</u>	<u>\$ 44,819</u>	<u>\$ (52,496)</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, 2023  
(WITH COMPARITIVE TOTALS FOR 2022)

	2023			2022
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
Monthly Assessments	\$ 819,504	\$ 819,504	\$ -	\$ 819,504
Membership fee	120,000	100,000	20,000	123,000
Interest income	56,269	2,000	54,269	5,668
<b>Total revenues</b>	<u>995,773</u>	<u>921,504</u>	<u>74,269</u>	<u>948,172</u>
<b>EXPENSES</b>				
Replacement fund repairs and replacement expenditures	<u>886,402</u>	<u>1,587,500</u>	<u>701,098</u>	<u>658,288</u>
<b>Total expenses</b>	<u>886,402</u>	<u>1,587,500</u>	<u>701,098</u>	<u>658,288</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ 109,371</u>	<u>\$ (665,996)</u>	<u>\$ 775,367</u>	<u>\$ 289,884</u>

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