

LEISURE KNOLL AT MANCHESTER ASSOCIATION

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2018

AND

INDEPENDENT AUDITORS' REPORT

LEISURE KNOLL AT MANCHESTER ASSOCIATION
FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2018

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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

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

8 EXECUTIVE DRIVE, SUITE 1, TOMS RIVER, NEW JERSEY 08755
1200 RIVER AVENUE, SUITE 5A, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701
732/363-6500 FAX: 732/363-0675
WWW.MEBGCPA.COM

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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, 2018, 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, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MOHEL ELLIOTT BAUER & GASS

A PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

Disclaimer of Opinion on Required Supplementary Information

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

Report on Supplementary Information

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

MoHEL Elliott Bauer & Gass

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

January 9, 2019
Toms River, New Jersey

LEISURE KNOLL AT MANCHESTER ASSOCIATION

BALANCE SHEET
SEPTEMBER 30, 2018

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
ASSETS					
Cash and cash equivalents - Note 2	\$ 608,195	\$ 568,230	\$	\$ 1,621,246	\$ 2,797,671
Investments, at cost - Note 3				200,000	200,000
Assessments receivable, net of allowance for doubtful accounts of \$402,495 - Note 2 and 4	12,644				12,644
Accrued interest receivable				1,687	1,687
Accounts receivable - other	3,942				3,942
Prepaid expenses - Note 6	40,933				40,933
Property and equipment, net - Notes 2 and 7			158,808		158,808
Interfund balances - Note 2	208,235	(180,757)		(27,478)	-
Total assets	<u>\$ 873,949</u>	<u>\$ 387,473</u>	<u>\$ 158,808</u>	<u>\$ 1,795,455</u>	<u>\$ 3,215,685</u>
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued expenses	\$ 37,684				\$ 42,735
Payroll and payroll taxes payable	28,799			5,051	28,799
Federal income taxes payable - Note 8	717				717
Assessments received in advance	90,962				90,962
Deferred revenue - Note 2	211,647	85,261			296,908
Total liabilities	<u>369,809</u>	<u>85,261</u>	<u>-</u>	<u>5,051</u>	<u>460,121</u>
Fund balances - Notes 2 and 9	504,140	302,212	158,808	1,790,404	2,755,564
Total liabilities and fund balances	<u>\$ 873,949</u>	<u>\$ 387,473</u>	<u>\$ 158,808</u>	<u>\$ 1,795,455</u>	<u>\$ 3,215,685</u>

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

LEISURE KNOLL AT MANCHESTER ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2018

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
REVENUES					
Membership assessments - Note 2	\$ 1,795,104	\$	\$	\$ 819,504	\$ 2,614,608
Deferred revenue applied on current years budget - Note 2		124,269			124,269
Optional lawn and snow revenues - Note 2		609,613			609,613
Advertising income	20,400				20,400
Late/lien fee income/Compliance fees	21,081				21,081
Rental income - Note 13	29,646				29,646
Membership fee - Note 5	54,000			120,000	174,000
Administrative fee income	35,000				35,000
Township reimbursement - Note 12	29,943				29,943
Other income	31,227				31,227
Interest income - Note 2	307	1,900		7,315	9,522
Total revenues	<u>2,016,708</u>	<u>735,782</u>	<u>-</u>	<u>946,819</u>	<u>3,699,309</u>
EXPENSES					
Payroll	489,098				489,098
Benefits and taxes	179,901				179,901
Services	598,763				598,763
Utilities	159,906				159,906
Snow removal	59,162				59,162
Lawn maintenance	19,976				19,976
Landscaping services	62,723				62,723
Road repair and maintenance	997				997
Truck and equipment	5,849				5,849
Professional fees	28,368				28,368
Office expense	54,991				54,991
Administrative	30,840				30,840
Recreational	58,472				58,472
Community buildings	44,345				44,345
Federal Taxes/Doubtful accounts/Real estate tax/Use tax	11,670				11,670
Depreciation - Notes 2 and 6		755,108	45,083		45,083
Optional lawn and snow expenses - Note 2		755,108			755,108
Replacement fund expenditures - Note 10		755,108		581,582	581,582
Total expenses	<u>1,805,061</u>	<u>755,108</u>	<u>45,083</u>	<u>581,582</u>	<u>3,186,834</u>
Excess (deficiency) of revenues over expenses before transfer & deferred revenue	211,647	(19,326)	(45,083)	365,237	512,475
Transfer equipment expenditures to Fixed Asset Fund - Note 11			142,666	(142,666)	
Deferred revenue applied on subsequent years budget - Note 2					
Excess (deficiency) of revenues over expenses after deferred revenue	-	(104,587)	97,583	222,571	215,567
Fund balance - beginning of year	504,140	406,799	61,225	1,567,833	2,539,997
Fund balance - end of year	<u>\$ 504,140</u>	<u>\$ 302,212</u>	<u>\$ 158,808</u>	<u>\$ 1,790,404</u>	<u>\$ 2,755,564</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, 2018

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses after deferred revenue	\$ -	\$ (104,587)	\$ 97,583	\$ 222,571	\$ 215,567
Adjustment to reconcile excess (deficiency) of revenues over expenses after deferred revenue to net cash provided by (used by) operating activities:					
Depreciation	(30,871)		45,083		45,083
Allowance for doubtful accounts	(189,225)	108,254		80,971	(30,871)
Interfund balance					-
(Increase) decrease in:					
Assessment receivable	35,219				35,219
Accrued interest receivable				(1,623)	(1,623)
Accounts receivable - other	5,325				5,325
Prepaid expenses	1,242				1,242
Prepaid federal income taxes	5,304				5,304
Increase (decrease) in:					
Accounts payable and accrued expenses	(4,970)			(172,169)	(177,139)
Payroll and payroll taxes payable	(9,172)				(9,172)
Federal income taxes payable	717				717
Assessments received in advance	(34,772)				(34,772)
Deferred revenue	211,647	(39,008)			172,639
Net cash provided by (used by) operating activities	<u>(9,556)</u>	<u>(35,341)</u>	<u>142,666</u>	<u>129,750</u>	<u>227,519</u>
Cash flows from investing activities:					
Purchase of property and equipment			(142,666)		(142,666)
Purchase of investments				(200,000)	(200,000)
Sale/maturity of investments				200,000	200,000
Net cash used by investing activities			<u>(142,666)</u>		<u>(142,666)</u>
Net increase (decrease) in cash and cash equivalents	(9,556)	(35,341)	-	129,750	84,853
Cash and cash equivalents at beginning of year	617,751	603,571	-	1,491,496	2,712,818
Cash and cash equivalents at end of year	<u>\$ 608,195</u>	<u>\$ 568,230</u>	<u>\$ -</u>	<u>\$ 1,621,246</u>	<u>\$ 2,797,671</u>
Supplementary disclosure:					
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, 2018

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, 2018, the uninsured cash balances totaled \$190,201.

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, 2018

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

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

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

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

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

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

Subsequent Events - The Association has evaluated subsequent events through January 9, 2019, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

At September 30, 2018, investments consisted of the following:

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

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

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

(Continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

SEPTEMBER 30, 2018

NOTE 4 - ASSESSMENTS RECEIVABLE

As of September 30, 2018, the Association had assessments receivable of \$415,139. Forty-Five (45) unit owners had receivables in excess of \$ 1,000 totaling \$402,495. The board has recorded an allowance for delinquent accounts in the amount of \$402,495 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

	2018
Prepaid liability insurance	\$ 23,892
Prepaid workers' compensation	3,673
Prepaid life insurance	377
Prepaid waste removal	12,991
	\$ 40,933

NOTE 7 - PROPERTY AND EQUIPMENT

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

	2018	Useful Lives (Years)
Motor vehicles	\$ 252,845	3 - 5
Maintenance equipment	160,082	4 - 10
Furniture and fixtures	157,915	3 - 5
	570,842	
Less: accumulated depreciation	412,034	
	\$ 158,808	

(Continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (Continued) SEPTEMBER 30, 2018

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, 2018, the Association has not elected to be taxed as a Homeowners Association and will, therefore, be taxed as a regular corporation. Income taxes of \$6,021 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, 2018, 2017 and 2016.

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 2016 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 2016 study.

During the year ended September 30, 2018 the Board funded for major repairs and replacements over the remaining useful lives of the components based on the 2016 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 2016 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, 2018

NOTE 10 - MAJOR REPAIRS AND REPLACEMENTS

	<u>2018</u>
Replace curbing sidewalks & aprons	\$ 180,276
Timberland Hall renovations	137,406
Repairs & replacement - HVAC & mechanical systems	121,916
Repairs & replacement - Recreation	47,624
Repairs & replacement - Administrative office	36,569
Community buildings - interior work	28,239
Road repairs & storm water drainage system	22,197
Well replacements	3,711
Community buildings - exterior work	3,644
	<u>\$ 581,582</u>

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

	<u>2018</u>
2018 Chevy Silverado	\$ 57,783
Exercise equipment	36,244
Top game table & game chair	36,037
Library furniture & fixtures	9,316
Computer equipment	3,286
	<u>\$ 142,666</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 2017. Any reimbursement related to 2018 expenditures will be recorded when, and if, received.

NOTE 13 - RENTAL INCOME

For the year ended September 30, 2018, the Association leased space in the clubhouse to one commercial tenant. The term of the lease is as follows:

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

Under the current terms of the agreement, the monthly rent totals \$2,381.24 for 2017 and \$2,500.30 for 2018. During the year ended September 30, 2018 rental income of \$29,646 has been recorded as revenue in the accompanying financial statements.

(continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

SEPTEMBER 30, 2018

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, 2018 was \$30,379.

NOTE 15 - OPERATING LEASES

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

<u>Year Ending</u> <u>September 30,</u>	
2019	\$ 624,384
2020	624,384
2021	624,384
2022	624,384
2023	624,384
2024	624,384
2025	624,384
2026	624,384
2027	624,384
2028	624,384
2029	624,384
2030	<u>624,384</u>
Total	\$ <u>7,492,608</u>

SUPPLEMENTARY INFORMATION

LEISURE KNOLL AT MANCHESTER ASSOCIATION
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)
SEPTEMBER 30, 2018

FWH Associates, conducted a update with on-site review study effective October 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 2016 study</u>	<u>Estimated Current Replacement Cost As of 2016 study</u>
Site work		
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
Lakeside Lodge		
Exterior	20 - 40	41,550
Interior	7 - 36	179,624
Mechanical/electrical	14 - 16	48,765
Timberland Hall		
Exterior	20 - 40	59,448
Interior	2 - 23	282,868
Mechanical/electrical	2 - 21	100,273
PAC Center		
Exterior	16 - 40	62,557
Interior	2 - 29	325,401
Mechanical/electrical	2 - 13	92,739
Offices/Commercial		
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
Gatehouse		
Exterior	12 - 17	2,550
Mechanical/electrical	15 - 21	14,223
Recreational Facilities		
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>
Replacement fund balance as of September 30, 2018		<u>\$ 1,790,404</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, 2018
(WITH COMPARITIVE TOTALS FOR 2017)

	2018			2017
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
REVENUES				
Monthly Assessments	\$ 1,795,104	\$ 1,795,104	\$ -	\$ 1,825,802
Membership fee	54,000	60,750	(6,750)	74,250
Advertising income	20,400	20,400	-	20,400
Copy machine income	134	300	(166)	185
Guest badges/Gate pass	2,367	3,000	(633)	3,789
Miscellaneous income	5,079	7,500	(2,421)	9,609
Compliance fees	3,825	6,000	(2,175)	3,725
Late/Lien fee income	17,256	26,000	(8,744)	18,912
Real estate tax reimbursement	2,243	2,500	(257)	2,237
Café income	3,239	750	2,489	1,172
Rent income (Bank & Realty offices)	29,646	28,572	1,074	33,391
Admin fee income opt lawn/snow	35,000	35,000	-	35,000
Town reimbursement street lights	21,212	22,000	(788)	21,004
Town reimbursement snow	8,731	5,000	3,731	7,942
Vehicle tags	4,231	10,000	(5,769)	5,718
Interest income	307	1,100	(793)	251
Document request income	8,296	7,500	796	10,598
Bad debt recovery	5,638	-	5,638	-
Total revenues	<u>2,016,708</u>	<u>2,031,476</u>	<u>(14,768)</u>	<u>2,073,985</u>
EXPENSES				
Payroll				
Community manager	100,378	93,500	(6,878)	97,308
Office & administrative	125,066	133,805	8,739	137,811
Buildings, grounds & janitorial	253,894	299,930	46,036	269,619
Office temp salary	9,760	-	(9,760)	-
Total payroll	<u>489,098</u>	<u>527,235</u>	<u>38,137</u>	<u>504,738</u>
Benefits and Taxes				
FICA	35,990	52,000	16,010	41,486
SUI	18,839	30,000	11,161	21,315
FUI	90	120	30	98
Life & health insurance	72,481	55,620	(16,861)	77,824
Workmen's comp	22,122	30,376	8,254	23,001
Pension plan/Union required benefits	30,379	32,000	1,621	31,588
Total benefits and taxes	<u>179,901</u>	<u>200,116</u>	<u>20,215</u>	<u>195,312</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, 2018
(WITH COMPARITIVE TOTALS FOR 2017)

	2018			2017
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
EXPENSES (Continued)				
Services				
Exterminator	\$ 3,477	\$ 4,000	\$ 523	\$ 3,523
HVAC contract/repairs	6,880	10,250	3,370	3,883
Goose patrol	6,800	14,000	7,200	16,800
Bus service	81,391	82,000	609	76,186
Gatehouse security	146,374	150,000	3,626	153,526
Refuse removal	159,078	158,600	(478)	157,467
Insurance	143,727	185,000	41,273	142,263
TV Service contract	51,036	48,000	(3,036)	49,677
Misc. service expenses	-	500	500	-
Total services	<u>598,763</u>	<u>652,350</u>	<u>53,587</u>	<u>603,325</u>
Utilities				
Street Lighting	58,485	50,000	(8,485)	59,447
Gas	18,947	25,000	6,053	6,534
Electric	68,680	65,000	(3,680)	67,233
Water & sewer	3,347	4,000	653	3,370
Propane	10,447	-	(10,447)	29,367
Misc. expense	-	-	-	416
Total utilities	<u>159,906</u>	<u>144,000</u>	<u>(15,906)</u>	<u>166,367</u>
Snow Removal				
Salt/Sand	7,265	10,000	2,735	8,025
Road plowing	30,723	25,000	(5,723)	8,689
Aprons	21,174	25,000	3,826	8,115
Total snow removal	<u>59,162</u>	<u>60,000</u>	<u>838</u>	<u>24,829</u>
Lawn Maintenance				
Lawn/snow equipment repair & maintenance	10,777	3,500	(7,277)	4,074
Island restoration	-	7,500	7,500	-
Bed maintenance	1,288	3,000	1,712	2,580
Holiday lighting	5,352	15,000	9,648	10,541
In-house irrigation repair	2,559	400	(2,159)	574
Total lawn maintenance	<u>19,976</u>	<u>29,400</u>	<u>9,424</u>	<u>17,769</u>
Landscaping Services				
Removal/replacement of trees	25,110	40,000	14,890	45,296
21 Red Hill restoration	1,066	-	(1,066)	723
Irrigation system	1,002	2,000	998	1,003
Common landscaping services	35,545	35,000	(545)	35,230
Total landscaping services	<u>62,723</u>	<u>77,000</u>	<u>14,277</u>	<u>82,252</u>

(Continued)
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LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES
AND EXPENSES AS COMPARED TO BUDGET

(Continued)

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARITIVE TOTALS FOR 2017)

	2018		Variance- Favorable (Unfavorable)	2017
	Actual	(Unaudited) Budget		Memo Total Actual
EXPENSES (Continued)				
Road Repair & Maintenance				
In-house minor repairs	\$ 997	\$ 2,000	\$ 1,003	\$ 6,292
Total road repair & maintenance	<u>997</u>	<u>2,000</u>	<u>1,003</u>	<u>6,292</u>
Truck & Equipment				
Vehicle repairs & maintenance	1,633	1,500	(133)	5,223
Fuel & lubrication	3,644	4,000	356	4,575
Registration/license	572	700	128	579
Total truck & equipment	<u>5,849</u>	<u>6,200</u>	<u>351</u>	<u>10,377</u>
Professional Fees				
Attorney fees	10,198	16,000	5,802	7,878
Auditor	11,190	10,000	(1,190)	9,845
Engineering	-	5,000	5,000	72
Accounting/Bookkeeping	1,315	3,500	2,185	1,551
ADP payroll accounting	5,665	5,000	(665)	5,293
Total professional fees	<u>28,368</u>	<u>39,500</u>	<u>11,132</u>	<u>24,639</u>
Office Expense				
Office supplies	7,456	8,000	544	8,566
Postage	3,587	4,000	413	2,500
Telephone	21,942	15,000	(6,942)	18,207
Office equipment lease	12,695	8,300	(4,395)	10,058
Computer maintenance & software	9,311	8,000	(1,311)	7,318
Total office expense	<u>54,991</u>	<u>43,300</u>	<u>(11,691)</u>	<u>46,649</u>
Administrative				
Assessment coupon books	3,792	3,000	(792)	2,629
Miscellaneous badges/fobs etc.	8,250	7,000	(1,250)	9,851
Education	284	1,500	1,216	885
Misc. expense/administrative	13,668	13,250	(418)	9,946
Return check fees	1,638	-	(1,638)	-
Association sponsored events	2,652	-	(2,652)	-
Committee expenses	556	500	(56)	426
Total administrative expense	<u>30,840</u>	<u>25,250</u>	<u>(5,590)</u>	<u>23,737</u>
Recreational				
Lake maintenance	791	1,000	209	721
Equipment repairs	8,169	8,000	(169)	28,705
Pool management contract	46,800	46,125	(675)	46,751
Pool repair/supplies	2,712	7,000	4,288	2,145
Fitness equipment lease	-	18,000	18,000	-
Total recreational	<u>58,472</u>	<u>80,125</u>	<u>21,653</u>	<u>78,322</u>

(Continued)

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LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES
AND EXPENSES AS COMPARED TO BUDGET
(Continued)
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARITIVE TOTALS FOR 2017)

	2018			2017
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
EXPENSES (Continued)				
Community Buildings				
Building repair/supplies	\$ 19,708	\$ 10,000	\$ (9,708)	\$ 22,265
Janitorial supplies	6,874	6,000	(874)	5,393
Swimming pool furniture & fixtures	-	1,000	1,000	472
Gate repair	15,551	5,000	(10,551)	13,433
Café	2,212	1,250	(962)	3,092
Total community buildings	<u>44,345</u>	<u>23,250</u>	<u>(21,095)</u>	<u>44,655</u>
Federal Taxes/Doubtful accounts				
Real Estate/Use Taxes				
Estimated federal taxes	6,021	3,800	(2,221)	4,164
Doubtful accounts	-	80,000	80,000	55,821
Real Estate Taxes	5,649	2,200	(3,449)	9,064
Total federal taxes/Doubtful accounts/real estate/use taxes	<u>11,670</u>	<u>86,000</u>	<u>74,330</u>	<u>69,049</u>
Contingency				
Contingency - (No expenses for 2018 or 2017)	-	35,750	35,750	-
Total contingency	<u>-</u>	<u>35,750</u>	<u>35,750</u>	<u>-</u>
Total expenses	<u>1,805,061</u>	<u>2,031,476</u>	<u>226,415</u>	<u>1,898,312</u>
Excess of revenues over expenses before deferred revenue	211,647	-	211,647	175,673
Deferred revenue applied on subsequent years budget	<u>(211,647)</u>	<u>-</u>	<u>(211,647)</u>	<u>-</u>
Excess of revenues over expenses after deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,673</u>

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LEISURE KNOLL AT MANCHESTER ASSOCIATION

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

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		Variance- Favorable (Unfavorable)	2017
	Actual	(Unaudited) Budget		Memo Total Actual
REVENUES				
Optional lawn and snow revenues	\$ 609,613	\$ 615,600	\$ (5,987)	\$ 614,677
Interest income	1,900	25	1,875	199
Deferred revenue applied to current years budget	<u>124,269</u>	<u>124,269</u>	<u>-</u>	<u>37,500</u>
Total revenues	<u>735,782</u>	<u>739,894</u>	<u>(4,112)</u>	<u>652,376</u>
EXPENSES				
Cutting, trimming, edging and chemicals	589,546	473,653	(115,893)	513,143
Snow removal driveways	137,562	142,197	4,635	27,219
Contingency - (Administrative fee for 2018 and no expenses for 2017)	<u>28,000</u>	<u>50,000</u>	<u>22,000</u>	<u>-</u>
Total expenses	<u>755,108</u>	<u>665,850</u>	<u>(89,258)</u>	<u>540,362</u>
Excess (deficiency) of revenues over expenses before deferred revenue	(19,326)	74,044	(93,370)	112,014
Deferred revenue applied on subsequent years budget	<u>(85,261)</u>	<u>-</u>	<u>(85,261)</u>	<u>(124,269)</u>
Excess (deficiency) of revenues over expenses after deferred revenue	<u>\$ (104,587)</u>	<u>\$ 74,044</u>	<u>\$ (178,631)</u>	<u>\$ (12,255)</u>

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LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF REPLACEMENT FUND
REVENUES AND EXPENSES
AS COMPARED TO BUDGET

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARITIVE TOTALS FOR 2017)

	2018			2017
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
REVENUES				
Monthly Assessments	\$ 819,504	\$ 819,504	\$ -	\$ 819,504
Membership fee	120,000	135,000	(15,000)	165,000
Interest income	7,315	750	6,565	1,818
Total revenues	<u>946,819</u>	<u>955,254</u>	<u>(8,435)</u>	<u>986,322</u>
EXPENSES				
Replacement fund repairs and replacement expenditures	581,582	1,525,000	943,418	882,527
Purchase of fixed assets	142,666	-	(142,666)	-
Total expenses	<u>724,248</u>	<u>1,525,000</u>	<u>800,752</u>	<u>882,527</u>
Excess (deficiency) of revenues over expenses	<u>\$ 222,571</u>	<u>\$ (569,746)</u>	<u>\$ 792,317</u>	<u>\$ 103,795</u>

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