

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2022**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2022**

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CERTIFIED PUBLIC ACCOUNTANTS

8 EXECUTIVE DRIVE, SUITE 1, TOMS RIVER, NEW JERSEY 08755  
732/363-6500 FAX: 732/363-0675  
WWW.MEBGCPA.COM

**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, 2022, 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, 2022, 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 Management for the Financial Statements**

Management 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, management is required to evaluate whether 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 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.

**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

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 13 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.

**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

**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 14 – 19 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*

**February 22, 2023**  
Toms River, New Jersey

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2022**

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents - Note 2	\$ 858,782	\$ 288,448	\$	\$ 1,218,924	\$ 2,366,154
Investments, at cost - Note 3				1,005,000	1,005,000
Assessments receivable, less adjustment for probable uncollectible accounts of \$166,510 - Note 2	29,733				29,733
Accrued interest receivable					3,573
Accounts receivable - other	26,786			3,573	26,786
Prepaid expenses - Note 5	87,465				87,465
Prepaid federal income taxes - Note 7	7,443				7,443
Property and equipment, net - Notes 2 and 6			27,814		27,814
Interfund balances - Note 2	49,384	(11,503)		(37,881)	-
<b>Total assets</b>	<b>\$ 1,059,593</b>	<b>\$ 276,945</b>	<b>\$ 27,814</b>	<b>\$ 2,189,616</b>	<b>\$ 3,553,968</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued expenses	\$ 46,285				\$ 46,285
Payroll and payroll taxes payable	24,663				24,663
Assessments received in advance	251,117				251,117
Deferred revenue - Note 2	285,443	144,612			430,055
<b>Total liabilities</b>	607,508	144,612	-	-	752,120
Fund balances - Notes 2 and 8	452,085	132,333	27,814	2,189,616	2,801,848
<b>Total liabilities and fund balances</b>	<b>\$ 1,059,593</b>	<b>\$ 276,945</b>	<b>\$ 27,814</b>	<b>\$ 2,189,616</b>	<b>\$ 3,553,968</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, 2022**

	<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	\$ 2,401,979	\$ -	\$ -	\$ 819,504	\$ 3,221,483
Adjustment for probable uncollectible accounts	(5,356)				(5,356)
<b>Net Membership Assessments</b>	<u>2,396,623</u>			<u>819,504</u>	<u>3,216,127</u>
<b>Other Revenues</b>					
Deferred revenue applied on current years budget - Note 2					
Optional lawn and snow revenues - Note 2	380,590	128,580			509,170
Advertising income		713,752			713,752
Later/lien fee income/Compliance fees	20,400				20,400
Membership fee - Note 4	22,227				22,227
Township reimbursement - Note 10	55,350				55,350
Other income	22,796			123,000	178,350
Interest income - Note 2	44,304				44,304
	457	121			6,246
<b>Total Other Revenues</b>	<u>546,124</u>	<u>842,453</u>		<u>5,668</u>	<u>1,517,245</u>
<b>Total Revenues</b>	<u>2,942,747</u>	<u>842,453</u>		<u>948,172</u>	<u>4,733,372</u>
<b>EXPENSES</b>					
Payroll	526,995				526,995
Benefits and taxes	179,980				179,980
Services	1,395,330				1,395,330
Utilities	152,206				152,206
Snow removal	102,698				102,698
Lawn maintenance	19,048				19,048
Landscaping services	86,358				86,358
Road repair and maintenance	6,354				6,354
Truck and equipment	15,815				15,815
Professional fees	41,632				41,632
Office expense	86,957				86,957
Administrative	8,898				8,898
Recreational	75,712				75,712
Community buildings	83,090				83,090
Federal Taxes/Doubtful accounts/Real estate tax/Use tax	1,277				1,277
Depreciation - Notes 2 and 6					
Optional lawn and snow expenses - Note 2		750,337	40,299		40,299
Replacement fund expenditures - Note 9				658,288	658,288
<b>Total Expenses</b>	<u>2,782,350</u>	<u>750,337</u>	<u>40,299</u>	<u>658,288</u>	<u>4,231,274</u>
<b>Excess (deficiency) of revenues over expenses before deferred revenue</b>	160,397	92,116	(40,299)	289,884	502,098
Deferred revenue applied on subsequent years budget - Note 2	(285,443)	(144,612)			(430,055)
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	(125,046)	(52,496)	(40,299)	289,884	72,043
Fund balance - beginning of year	577,131	184,829	68,113	1,899,732	2,729,805
Fund balance - end of year	\$ 452,085	\$ 132,333	\$ 27,814	\$ 2,189,616	\$ 2,801,848

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

LEISURE KNOLL AT MANCHESTER ASSOCIATION

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2022

	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	\$ (125,046)	\$ (52,496)	\$ (40,299)	\$ 289,884	\$ 72,043
Adjustment to reconcile excess (deficiency) of revenues over expenses after deferred revenue to net cash provided by (used by) operating activities:					
Depreciation	(12,568)		40,299		40,299
Adjustment for probable uncollectible accounts	374,326	(468,194)		93,868	(12,568)
Interfund balance					
(Increase) decrease in assets:					
Assessment receivable	17,894				17,894
Accrued interest receivable					(3,520)
Accounts receivable - other	(4,052)				(4,052)
Prepaid expenses	(56,513)				(56,513)
Prepaid federal income taxes	935				935
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(36,764)				(36,764)
Payroll and payroll taxes payable	12,288				12,288
Insurance recovery	(17,086)				(17,086)
Assessments received in advance	11,244				11,244
Deferred revenue	(95,147)	16,032			(79,115)
Net cash provided by (used by) operating activities	69,511	(504,658)		380,232	(54,915)
<b>Cash flows from investing activities:</b>					
Purchase of investments				(1,005,000)	(1,005,000)
Sale/maturity of investments				700,000	700,000
Net cash used by investing activities				(305,000)	(305,000)
<b>Net increase (decrease) in cash and cash equivalents</b>	69,511	(504,658)		75,232	(359,915)
<b>Cash and cash equivalents at beginning of year</b>	789,271	793,106		1,143,692	2,726,069
<b>Cash and cash equivalents at end of year</b>	\$ 858,782	\$ 288,448	\$	\$ 1,218,924	\$ 2,366,154
<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, 2022

#### 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, 2022, the uninsured cash balances totaled \$1,202,609.

**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, 2022

**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. 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. Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for membership 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, 2022, the Association had assessments receivable of \$196,243. Thirty-four units had receivables in excess of \$1,000 totaling \$166,510. The board has recorded an adjustment for probable uncollectible accounts in the amount of \$166,510. 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 February 22, 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, 2022**

**NOTE 3 - INVESTMENTS**

At September 30, 2022, investments consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>
Certificate of Deposit	1.75%	10/6/2022	200,000
Certificate of Deposit	0.85%	10/17/2022	245,000
Certificate of Deposit	0.40%	11/16/2022	75,000
Certificate of Deposit	2.25%	1/3/2023	245,000
Certificate of Deposit	3.25%	9/20/2023	240,000
Total			<u>\$ 1,005,000</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 \$1,450, of which \$1,000 is being allocated to the replacement fund and \$ 450 is to the operating fund.

**NOTE 5 - PREPAID EXPENSES**

	<u>2022</u>
Prepaid liability insurance	\$ 27,991
Prepaid workers' compensation	3,158
Prepaid cable television service	36,977
Prepaid gate system maintenance	320
Prepaid trash removal	14,058
Prepaid coupon books	4,961
	<u>\$ 87,465</u>

**NOTE 6 - PROPERTY AND EQUIPMENT**

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

	<u>2022</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	<u>598,650</u>	
	<u>\$ 27,814</u>	

(Continued)

## LEISURE KNOLL AT MANCHESTER ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

(Continued)

SEPTEMBER 30, 2022

#### 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, 2022, the Association has elected to be taxed as a Homeowners Association. Income taxes of \$935 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, 2022, 2021 and 2020.

#### 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, 2022 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, 2022**

**NOTE 9 - MAJOR REPAIRS AND REPLACEMENTS**

	<u>2022</u>
Replace curbing sidewalks & aprons	\$ 246,191
Repairs & replacement - recreation	34,076
Community buildings - interior work	22,774
Clubhouse expansion project	3,233
Road paving/infrastructure	<u>352,014</u>
	<u>\$ 658,288</u>

**NOTE 10 - 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 2021. Any reimbursement related to 2022 expenditures will be recorded when, and if, received.

**NOTE 11 - 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, 2022 was \$40,030.

**NOTE 12 - 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.

(continued)

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**SEPTEMBER 30, 2022**

**NOTE 13 - OPERATING LEASES**

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

<b><u>Year Ending</u></b> <b><u>September 30,</u></b>	
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>

**NOTE 14 - OTHER MATTER**

In late 2019, a novel strain of coronavirus, COVID-19, emerged globally. As the impact of the spread of the COVID-19 coronavirus continues to spread in the United States and around the world, the Association may experience disruptions that could impact its ability to carry out its activities. As of the date of the issuance of these financial statements, the Association cannot reasonably estimate the impact to the Association's future activities, revenues, financial condition or results of operations; however, such impact could be significantly negative.

## **SUPPLEMENTARY INFORMATION**

**LEISURE KNOLL AT MANCHESTER ASSOCIATION**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
(Unaudited)  
**SEPTEMBER 30, 2022**

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

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years) As of 2017 study</u>	<u>Estimated Current Replacement Cost As of 2017 study</u>
<b>Site work</b>		
Paved surfaces	1 - 20	\$ 3,803,086
Concrete surfaces	1 - 30	1,387,725
Irrigation	2 - 24	180,335
Boathouse and lake amenities	2 - 11	53,545
Illumination	2 - 22	38,948
Front entrance sign	20	4,729
<b>Lakeside Lodge</b>		
Exterior	20 - 40	41,550
Interior	7 - 36	1,79,624
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>Replacement fund balance as of September 30, 2022</b>		<b>\$ 2,189,616</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.

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**LEISURE KNOLL AT MANCHESTER ASSOCIATION**

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

**YEAR ENDED SEPTEMBER 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	<u>2022</u>		<u>Variance-</u>	<u>2021</u>
	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Favorable</u>	<u>Memo</u>
<b>REVENUES</b>			<u>(Unfavorable)</u>	<u>Total</u>
				<u>Actual</u>
<b>Membership Assessments</b>				
Membership Assessments	\$ 2,401,979	\$ 2,380,464	\$ 21,515	\$ 2,409,212
Adjustment for probable uncollectible accounts	(5,356)	(25,000)	19,644	(38,311)
<b>Net Membership Assessments</b>	<u>2,396,623</u>	<u>2,355,464</u>	<u>41,159</u>	<u>2,370,901</u>
<b>Other Revenues</b>				
Membership fee	55,350	54,000	1,350	60,300
Advertising income	20,400	20,400	-	20,400
Miscellaneous income	11,491	1,000	10,491	10,125
Compliance fees	7,695	2,750	4,945	2,818
Late/Lien fee income	14,532	7,000	7,532	12,728
Town reimbursement street lights	18,549	18,735	(186)	18,819
Town reimbursement snow	4,247	5,500	(1,253)	3,915
Interest income	457	5,225	(4,768)	314
Document request income	32,813	20,000	12,813	32,524
Deferred revenue applied to current years budget	<u>380,590</u>	<u>380,590</u>	<u>-</u>	<u>123,937</u>
<b>Total Other Revenues</b>	<u>546,124</u>	<u>515,200</u>	<u>30,924</u>	<u>285,880</u>
<b>Total Revenues</b>	<u>2,942,747</u>	<u>2,870,664</u>	<u>72,083</u>	<u>2,656,781</u>
<b>EXPENSES</b>				
<b>Payroll</b>				
Community manager	108,062	102,202	(5,860)	98,299
Office & administrative	132,587	154,960	22,373	129,149
Buildings, grounds & janitorial	271,682	297,291	25,609	295,681
Office temp salary	14,664	-	(14,664)	24,215
<b>Total payroll</b>	<u>526,995</u>	<u>554,453</u>	<u>27,458</u>	<u>547,344</u>
<b>Benefits and Taxes</b>				
FICA	37,534	45,000	7,466	39,082
SUI	5,565	25,000	19,435	6,051
FUI	420	120	(300)	420
Life & health insurance	75,947	80,000	4,053	70,623
Workmen's comp	20,484	32,000	11,516	27,507
Pension plan/Union required benefits	40,030	55,000	14,970	44,445
<b>Total benefits and taxes</b>	<u>179,980</u>	<u>237,120</u>	<u>57,140</u>	<u>188,128</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, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021 Memo Total Actual
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	
<b>EXPENSES (Continued)</b>				
<b>Services</b>				
Exterminator	\$ 3,786	\$ 3,500	\$ (286)	\$ 3,738
HVAC contract/repairs	8,615	7,000	(1,615)	6,655
Goose patrol	18,200	20,000	1,800	18,200
Bus service	91,350	90,000	(1,350)	89,758
Gatehouse security	189,503	172,500	(17,003)	181,252
Refuse removal	174,210	166,600	(7,610)	166,648
Insurance	166,613	175,000	8,387	154,954
Insurance deductible	-	5,000	5,000	-
TV Service contract	743,053	737,100	(5,953)	700,554
<b>Total services</b>	<u>1,395,330</u>	<u>1,376,700</u>	<u>(18,630)</u>	<u>1,321,759</u>
<b>Utilities</b>				
Street Lighting	57,139	60,000	2,861	54,949
Gas	19,529	20,000	471	16,524
Electric	71,891	65,000	(6,891)	50,679
Water & sewer	3,647	4,000	353	3,468
<b>Total utilities</b>	<u>152,206</u>	<u>149,000</u>	<u>(3,206)</u>	<u>125,620</u>
<b>Snow Removal</b>				
Salt/Sand	6,217	10,000	3,783	2,214
Road plowing	58,426	25,000	(33,426)	32,941
Aprons	38,055	25,000	(13,055)	41,609
<b>Total snow removal</b>	<u>102,698</u>	<u>60,000</u>	<u>(42,698)</u>	<u>76,764</u>
<b>Lawn Maintenance</b>				
Lawn/snow equipment repair & maintenance	3,822	5,000	1,178	3,685
Front entrance restoration	3,100	-	(3,100)	-
In-house grounds maintenance	4,877	2,000	(2,877)	2,987
Holiday lighting	5,708	5,000	(708)	6,851
In-house irrigation repair	1,541	750	(791)	955
<b>Total lawn maintenance</b>	<u>19,048</u>	<u>12,750</u>	<u>(6,298)</u>	<u>14,478</u>
<b>Landscaping Services</b>				
Removal/replacement of trees	64,038	65,000	962	40,893
Irrigation system	2,387	1,000	(1,387)	1,000
Common landscaping services	19,933	18,000	(1,933)	20,465
<b>Total landscaping services</b>	<u>86,358</u>	<u>84,000</u>	<u>(2,358)</u>	<u>62,358</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, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

	2022		Variance- Favorable (Unfavorable)	2021
	Actual	(Unaudited) Budget		Memo Total Actual
<b>EXPENSES (Continued)</b>				
<b>Road Repair &amp; Maintenance</b>				
In-house minor repairs	\$ 6,354	\$ 2,500	\$ (3,854)	\$ 1,575
<b>Total road repair &amp; maintenance</b>	<u>6,354</u>	<u>2,500</u>	<u>(3,854)</u>	<u>1,575</u>
<b>Truck &amp; Equipment</b>				
Vehicle repairs & maintenance	4,184	1,500	(2,684)	2,672
Traffic control	4,722	-	(4,722)	-
Fuel & lubrication	6,091	5,000	(1,091)	5,590
Registration/license	818	700	(118)	609
<b>Total truck &amp; equipment</b>	<u>15,815</u>	<u>7,200</u>	<u>(8,615)</u>	<u>8,871</u>
<b>Professional Fees</b>				
Attorney fees	12,800	30,000	17,200	13,583
Auditor	15,390	15,000	(390)	12,907
Engineering	6,950	15,000	8,050	-
ADP payroll accounting	6,492	5,000	(1,492)	5,856
<b>Total professional fees</b>	<u>41,632</u>	<u>65,000</u>	<u>23,368</u>	<u>32,346</u>
<b>Office Expense</b>				
Bank fees	367	350	(17)	353
Office supplies	15,114	10,000	(5,114)	11,683
Postage	4,963	4,000	(963)	2,902
Telephone	20,073	20,000	(73)	26,803
Office equipment lease	9,215	10,000	785	12,331
Computer maintenance & software	37,225	20,000	(17,225)	30,786
<b>Total office expense</b>	<u>86,957</u>	<u>64,350</u>	<u>(22,607)</u>	<u>84,858</u>
<b>Administrative</b>				
Assessment coupon books	3,841	5,000	1,159	757
Education	1,065	3,000	1,935	890
Misc. expense/administrative	3,992	3,000	(992)	1,182
Committee expenses	-	-	-	193
<b>Total administrative expense</b>	<u>8,898</u>	<u>11,000</u>	<u>2,102</u>	<u>3,022</u>
<b>Recreational</b>				
Lake maintenance	7,486	1,500	(5,986)	1,178
Equipment repairs	17,565	7,500	(10,065)	18,935
Pool management contract	50,194	86,291	36,097	59,655
Pool repair/supplies	467	7,000	6,533	9,867
<b>Total recreational</b>	<u>75,712</u>	<u>102,291</u>	<u>26,579</u>	<u>89,635</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, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	<u>2022</u>			<u>2021</u>
	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Memo Total Actual</u>
<b>EXPENSES (Continued)</b>				
<b>Community Buildings</b>				
Building repair/supplies	\$ 41,267	\$ 15,000	\$ (26,267)	\$ 18,741
Janitorial supplies	5,705	15,000	9,295	7,323
Furniture & fixtures	1,279	500	(779)	-
Gate repair	27,130	10,000	(17,130)	15,754
Café	7,709	-	(7,709)	289
<b>Total community buildings</b>	<u>83,090</u>	<u>40,500</u>	<u>(42,590)</u>	<u>42,107</u>
<b>Federal Taxes/Doubtful accounts</b>				
<b>Real Estate/Use Taxes</b>				
Estimated federal taxes	935	3,800	2,865	-
Real estate taxes	342	-	(342)	4,927
<b>Total federal taxes/Doubtful         accounts/real estate/use taxes</b>	<u>1,277</u>	<u>3,800</u>	<u>2,523</u>	<u>4,927</u>
<b>Contingency</b>				
Contingency - (No expenses for 2022 or 2021)	-	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>2,782,350</u>	<u>2,870,664</u>	<u>88,314</u>	<u>2,603,792</u>
<b>Excess (deficiency) of revenues over expenses before deferred revenue</b>	160,397	-	160,397	52,989
<b>Deferred revenue applied on subsequent years budget</b>	<u>(285,443)</u>	<u>-</u>	<u>(285,443)</u>	<u>(380,590)</u>
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	<u>\$ (125,046)</u>	<u>\$ -</u>	<u>\$ (125,046)</u>	<u>\$ (327,601)</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, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	<b>2022</b>			<b>2021</b>
	<b>Actual</b>	<b>(Unaudited) Budget</b>	<b>Variance- Favorable (Unfavorable)</b>	<b>Memo Total Actual</b>
<b>REVENUES</b>				
Optional lawn and snow revenues	\$ 713,752	\$ 753,360	\$ (39,608)	\$ 717,493
Interest income	121	208	(87)	74
Deferred revenue applied to current years budget	<u>128,580</u>	<u>128,580</u>	<u>-</u>	<u>128,085</u>
<b>Total Revenues</b>	<u>842,453</u>	<u>882,148</u>	<u>(39,695)</u>	<u>845,652</u>
<b>EXPENSES</b>				
Cutting, trimming, edging and chemicals	664,500	682,148	17,648	670,436
Snow removal driveways	85,837	150,000	64,163	61,640
Contingency	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>Total expenses</b>	<u>750,337</u>	<u>882,148</u>	<u>131,811</u>	<u>732,076</u>
<b>Excess (deficiency) of revenues over expenses before deferred revenue</b>	92,116	-	92,116	113,576
<b>Deferred revenue applied on subsequent years budget</b>	<u>(144,612)</u>	<u>-</u>	<u>(144,612)</u>	<u>(128,580)</u>
<b>Excess (deficiency) of revenues over expenses after deferred revenue</b>	<u>\$ (52,496)</u>	<u>\$ -</u>	<u>\$ (52,496)</u>	<u>\$ (15,004)</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, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	2022			2021
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
<b>REVENUES</b>				
Monthly Assessments	\$ 819,504	\$ 819,504	\$ -	\$ 819,504
Membership fee	123,000	120,000	3,000	134,000
Interest income	5,668	7,500	(1,832)	1,111
<b>Total revenues</b>	<b>948,172</b>	<b>947,004</b>	<b>1,168</b>	<b>954,615</b>
<b>EXPENSES</b>				
Replacement fund repairs and replacement expenditures	658,288	1,391,292	733,004	438,584
<b>Total expenses</b>	<b>658,288</b>	<b>1,391,292</b>	<b>733,004</b>	<b>438,584</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 289,884</b>	<b>\$ (444,288)</b>	<b>\$ 734,172</b>	<b>\$ 516,031</b>

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