

LEISURE KNOLL AT MANCHESTER ASSOCIATION

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2025

AND

INDEPENDENT AUDITORS' REPORT

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LEISURE KNOLL AT MANCHESTER ASSOCIATION
FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2025

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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, 2025, 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, 2025, 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.

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.

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.

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VENNING & COMPANY, LLC
Certified Public Accountants

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Pending Board Review & Approval
Toms River, New Jersey

LEISURE KNOLL AT MANCHESTER ASSOCIATION

BALANCE SHEET
SEPTEMBER 30, 2025

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
ASSETS					
Cash and cash equivalents - Note 2	\$ 488,063	\$ 349,639	\$ -	\$ 1,392,483	\$ 2,230,205
Investments, at cost - Note 3		236,000		1,275,000	1,511,000
Assessments receivable, less adjustment for probable uncollectible accounts of \$124,193 - Note 2	23,857	328		17,455	23,857
Accrued interest receivable					17,783
Accounts receivable - other	28,348				28,348
Prepaid expenses - Note 5	41,259				41,259
Operating right-of-use assets - Note 15	17,280		102,463		17,280
Property and equipment, net - Notes 2 and 6				(103,960)	102,463
Interfund balances - Note 2	154,249	(50,289)			-
Total assets	\$ 753,056	\$ 535,698	\$ 102,463	\$ 2,580,978	\$ 3,972,195
LIABILITIES AND FUND BALANCES					
Accounts payable and accrued expenses	\$ 111,058	\$ -	\$ -	\$ 714,656	\$ 825,714
Payroll and payroll taxes payable	39,850				39,850
Federal income taxes payable - Note 7	22,475				22,475
Assessments received in advance	265,058				265,058
Operating lease liability - Note 15	17,280				17,280
Deferred revenue - Note 2	84,187	228,712			312,899
Total liabilities	539,908	228,712	-	714,656	1,483,276
Fund balances - Notes 2 and 8	213,148	306,986	102,463	1,866,322	2,488,919
Total liabilities and fund balances	\$ 753,056	\$ 535,698	\$ 102,463	\$ 2,580,978	\$ 3,972,195

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, 2025.

	Operating Fund	Optional Lawn and Snow Fund	Fixed Asset Fund	Replacement Fund	Total
REVENUES					
Membership Assessments					
Membership assessments - Note 2	\$ 2,683,963	\$ -	\$ -	\$ 858,528	\$ 3,542,491
Adjustment for probable uncollectible accounts	(34,102)				(34,102)
Net Membership Assessments	<u>2,649,861</u>			<u>858,528</u>	<u>3,508,389</u>
Other Revenues					
Deferred revenue applied on current years budget - Note 2	83,438	181,100			264,538
Optional lawn and snow revenues - Note 2		782,082			782,082
Advertising income	20,400				20,400
Late/lien fee income/Compliance fees	17,581				17,581
Membership fee - Note 4	181,484			6,000	193,434
Township reimbursement - Note 11	28,348				28,348
Other income	73,696				73,696
Interest income - Note 2		8,443		73,550	81,993
Total Other Revenues	<u>410,877</u>	<u>971,625</u>		<u>79,550</u>	<u>1,462,052</u>
Total Revenues	<u>3,060,738</u>	<u>971,625</u>		<u>938,078</u>	<u>4,970,441</u>
EXPENSES					
Payroll	598,588				598,588
Benefits and taxes	184,636				184,636
Services	1,646,952				1,646,952
Utilities	153,970				153,970
Snow removal	5,640				5,640
Lawn maintenance	18,126				18,126
Landscaping services	48,475				48,475
Road repair and maintenance	2,446				2,446
Truck and equipment	9,639				9,639
Professional fees	40,086				40,086
Office expense	103,932				103,932
Administrative	43,727				43,727
Recreational	118,350				118,350
Community buildings	99,956			22,475	99,956
Federal income taxes			8,669		8,669
Depreciation - Notes 2 and 6		745,387			745,387
Optional lawn and snow expenses - Note 2				1,097,944	1,097,944
Replacement fund expenditures - Note 9				1,120,419	1,120,419
Total Expenses	<u>3,070,193</u>	<u>745,387</u>	<u>8,669</u>	<u>1,120,419</u>	<u>4,944,668</u>
Excess (deficiency) of revenues over expenses before transfer & deferred revenue	(9,456)	226,238	(8,669)	(182,341)	25,773
Transfer equipment expenditures to Fixed Asset Fund - Note 10	(6,234)		99,830	(93,596)	-
Deferred revenue applied on subsequent years budget - Note 2	(84,187)	(228,712)			(312,899)
Excess (deficiency) of revenues over expenses after transfer & deferred revenue	(99,876)	(2,474)	91,161	(275,937)	(287,126)
Fund balance - beginning of year	313,024	309,460	11,302	2,142,259	2,776,045
Fund balance - end of year	<u>\$ 213,148</u>	<u>\$ 306,986</u>	<u>\$ 102,463</u>	<u>\$ 1,866,322</u>	<u>\$ 2,488,919</u>

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

LEISURE KNOLL AT MANCHESTER ASSOCIATION

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2025

	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	\$ (99,876)	\$ (2,474)	\$ 91,161	\$ (275,937)	\$ (287,126)
Adjustment to reconcile excess (deficiency) of revenues over expenses after deferred revenue to net cash provided by (used by) operating activities:					
Depreciation	8,669				8,669
Adjustment for probable uncollectible accounts Interfund balance	(4,526)	25,442		14,533	(4,526)
(Increase) decrease in assets:					
Assessment receivable	11,825				11,825
Accrued interest receivable	5,400			2,621	5,400
Accounts receivable - other	6,330				6,330
Prepaid expenses	43,944				43,944
Operating right-of-use assets	9,088				9,088
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	50,508	(67,464)		713,370	696,414
Payroll and payroll taxes payable	11,936				11,936
Federal income taxes payable	13,774				13,774
Assessments received in advance	9,939				9,939
Operating lease liability	(9,008)				(9,008)
Deferred revenue	749	47,612			48,361
Net cash provided by (used by) operating activities	4,628	5,895	99,830	454,587	564,940
Cash flows from investing activities:					
Purchase of property and equipment		(236,000)	(99,830)	(1,275,000)	(99,830)
Purchase of investments		200,000		1,800,000	(1,511,000)
Sale/maturity of investments		(36,000)	(99,830)	525,000	2,000,000
Net cash used by investing activities		(30,105)		979,587	389,170
Net increase (decrease) in cash and cash equivalents	4,628			412,896	954,110
Cash and cash equivalents at beginning of year	483,435	379,764			1,276,095
Cash and cash equivalents at end of year	\$ 488,063	\$ 349,659	\$ -	\$ 1,392,483	\$ 2,230,205
Supplementary disclosure:					
Income taxes paid					\$ -

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

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

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, 2025, the uninsured cash balances totaled \$1,449,025.

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).

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LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2025

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 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 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, 2025, the Association had assessments receivable of \$148,050. Thirty units had receivables in excess of \$1,000 totaling \$124,193. The board has recorded an adjustment for probable uncollectible accounts in the amount of \$124,193. 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 January 5, 2026, 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, 2025

NOTE 3 - INVESTMENTS

At September 30, 2025, investments consisted of the following:

Description	Interest Rate	Maturity Date	Carrying Value
Certificate of Deposit	4.10%	10/22/2025	210,000
Certificate of Deposit	4.05%	10/24/2025	210,000
Certificate of Deposit	4.05%	10/30/2025	140,000
Certificate of Deposit	4.25%	11/28/2025	100,000
Certificate of Deposit	3.90%	12/18/2025	236,000
Certificate of Deposit	4.40%	12/22/2025	200,000
Certificate of Deposit	3.85%	2/12/2026	225,000
Certificate of Deposit	3.90%	3/17/2026	190,000
Total			\$ 1,511,000

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

	2025
Prepaid liability insurance	\$ 35,570
Prepaid workers' compensation	2,069
Prepaid holiday lighting	3,300
Prepaid gate system maintenance	320
	\$ 41,259

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2025	Useful Lives (Years)
Motor vehicles	\$ 304,857	3 - 5
Maintenance equipment	171,924	4 - 10
Furniture and fixtures	264,367	3 - 5
	741,148	
Less: accumulated depreciation	638,685	
	\$ 102,463	

(Continued)

LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2025

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, 2025, the Association has elected to be taxed as a Homeowners Association. Income taxes of \$22,475 have been provided based on the excess of non-membership income over non-membership expenses.

The Association is incorporated pursuant to Title 15A 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.

An engineering study was conducted by The Falcon Group dated February 2023 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the unaudited supplementary information on future replacements is based on this study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of those lives and current replacement costs, considering amounts previously accumulated in 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, 2025

NOTE 9 - MAJOR REPAIRS AND REPLACEMENTS

	<u>2025</u>
Paving repairs & resurfacing	\$ 674,191
Pool renovations	204,839
Engineering costs -paving repairs & resurfacing	83,255
Scoping/repair of sewer systems	33,845
Engineering costs - pool renovations	28,401
Roofing	27,110
Concrete repairs & replacement	26,167
Tennis court lights	15,994
Engineering costs - concrete repairs & replacements	2,165
Billiard room renovations	1,085
Building amenities	892

\$ 1,097,944

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

	<u>2025</u>
New tractor	\$ 52,011
Outdoor pool area tables	16,947
Outdoor music & internet system	9,648
New kiln	9,253
Pool area umbrellas & poles	5,736
New office computers	4,662
New copier	1,573
	<u>\$ 99,830</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 2024. Any reimbursement related to 2025 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, 2025 was \$35,859.

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LEISURE KNOLL AT MANCHESTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2025

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. Awaiting the Union to send final contract for signing for the period October 1, 2024 through September 30, 2027.

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:

**Year Ending
September 30,**

2026
2027
2028
2029
2030

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\$ 862,898
862,898
862,898
862,898
862,898
\$ 4,314,490

Total

LEISURE KNOLL AT MANCHESTER ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2025**

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, 2025 is as follows:

		<u>2025</u>
Operating right-of-use assets	\$	<u>17,280</u>
	\$	<u>17,280</u>
		<u>2025</u>
Operating lease liabilities	\$	<u>17,280</u>
	\$	<u>17,280</u>

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

	<u>2025</u>
Weighted-average remaining lease term in years:	
Operating lease	1.92
Weighted-average incremental borrowing rate:	
Operating lease	3.07%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of September 30, 2025:

<u>September 30,</u>	<u>Operating</u>
2026	\$ 9,676
2027	<u>8,114</u>
Total lease payments	17,790
Less interest	<u>(510)</u>
Present value of lease liabilities	\$ <u>17,280</u>

SUPPLEMENTARY INFORMATION

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LEISURE KNOLL AT MANCHESTER ASSOCIATION
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)
SEPTEMBER 30, 2025

The Falcon Group, professional engineering consultants, prepared a report dated February 2023 to estimate the remaining useful lives and the replacement costs of the components of common property. The study estimates investment rate of return equals or exceeds the rate of inflation.

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 2023 study</u>	<u>Estimated Current Replacement Cost As of 2023 study</u>
Building - Front gatehouse	1 - 16	\$ 27,250
Building - Rear gatehouse	1 - 11	14,050
Building - Lakeside lodge	3 - 31	419,900
Building - Performing arts center	0 - 34	611,019
Building - T/H and PAC - generator & two switch gears	27	125,000
Building - Timberland hall	2 - 31	794,334
Maintenance - Building	2 - 15	59,765
Maintenance - Machinery	0 - 3	43,200
Maintenance - Vehicle	0 - 8	263,000
Recreation - Benches	25	25,000
Recreation - Bocce	4 - 25	66,640
Recreation - Horseshoe pit	19	4,000
Recreation - Putting green	8	38,000
Recreation - Shuffleboard	5 - 10	120,200
Recreation - Sidewalk	2	196,326
Recreation - swimming pool	1 - 15	406,072
Recreation - Tennis court	9 - 29	236,976
Site Work - Access road	1	22,560
Site Work - Benches	4 - 14	42,500
Site Work - Driveway aprons	1	479,820
Site Work - Entrance gates	7 - 17	64,000
Site Work - Fence	20	7,056
Site Work - Flagpole	20	12,000
Site Work - Gazebo	20	5,500
Site Work - Irrigation	0 - 18	41,000
Site Work - Lake	0 - 28	337,600
Site Work - Lighting	8 - 21	32,200
Site Work - Pavement	0 - 19	8,665,561
Site Work - Recycling area	10	5,680
Site Work - Security	9	30,000
Site Work - Sidewalks	2	1,325,363
Site Work - Signage	14 - 15	18,000
		<u>\$ 14,539,572</u>
Replacement fund balance as of September 30, 2025		<u>\$ 1,866,322</u>

See auditor's report

LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES
AND EXPENSES AS COMPARED TO BUDGET

YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARITIVE TOTALS FOR 2024)

	2025		Variance- Favorable (Unfavorable)	2024
	Actual	(Unaudited) Budget		Memo Total Actual
REVENUES				
Membership Assessments				
Membership Assessments	\$ 2,683,963	\$ 2,634,120	\$ 49,843	\$ 2,558,864
Adjustment for probable uncollectible accounts	(34,102)	(15,000)	(19,102)	13,021
Net Membership Assessments	2,649,861	2,619,120	30,741	2,571,885
Other Revenues				
Membership fee	187,434	190,000	(2,566)	114,450
Advertising income	20,400	20,400	-	20,400
Miscellaneous income	36,516	21,600	14,916	20,453
Compliance fees	13,572	13,000	572	10,575
Late/Lien fee income	17,561	14,000	3,561	20,815
Town reimbursement street lights	25,436	19,250	6,186	22,516
Town reimbursement snow	2,912	-	2,912	2,508
Interest income	-	1,800	(1,800)	391
Document request income	23,608	30,000	(6,392)	27,998
Deferred revenue applied to current years budget	83,438	83,438	-	163,361
Total Other Revenues	410,877	393,488	17,389	403,467
Total Revenues	3,060,738	3,012,608	48,130	2,975,352
EXPENSES				
Payroll				
Community manager	110,027	107,893	(2,134)	104,623
Office & administrative	158,784	164,612	5,828	165,216
Buildings, grounds & janitorial	330,777	314,245	(16,532)	304,619
Total payroll	599,588	586,750	(12,838)	574,458
Benefits and Taxes				
FICA	43,894	40,000	(3,894)	42,351
SUI	6,210	9,000	2,790	7,239
FUI	488	120	(368)	482
Life & health insurance	79,416	85,000	5,584	71,220
Workmen's comp	18,769	21,000	2,231	14,706
Pension plan/Union required benefits	35,859	60,000	24,141	48,647
Total benefits and taxes	184,636	215,120	30,484	184,645

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See auditor's report

LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES
AND EXPENSES AS COMPARED TO BUDGET
(Continued)
YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARITIVE TOTALS FOR 2024)

	2025			2024
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
EXPENSES (Continued)				
Services				
Exterminator	\$ 4,580	\$ 3,600	\$ (980)	\$ 3,321
HVAC contract/repairs	9,280	8,000	(1,280)	11,158
Goose patrol	9,619	20,600	10,981	21,000
Bus service	41,686	65,000	23,314	67,692
Gatehouse security ¹	275,243	226,600	(48,643)	280,069
Refuse removal	231,660	182,000	(49,660)	219,235
Insurance	211,986	205,000	(6,986)	203,471
Insurance deductible	-	5,000	5,000	-
TV Service contract	862,898	838,163	(24,735)	815,946
Total services	<u>1,646,952</u>	<u>1,553,963</u>	<u>(92,989)</u>	<u>1,601,892</u>
Utilities				
Street Lighting	51,873	62,000	10,127	65,143
Gas	20,709	22,000	1,291	17,933
Electric	77,406	75,000	(2,406)	77,070
Water & sewer	3,982	3,500	(482)	3,663
Total utilities	<u>153,970</u>	<u>162,500</u>	<u>8,530</u>	<u>163,809</u>
Snow Removal				
Salt/Sand	5,640	7,500	1,860	4,792
Road plowing	-	25,000	25,000	-
Aprons	-	25,000	25,000	-
Total snow removal	<u>5,640</u>	<u>57,500</u>	<u>51,860</u>	<u>4,792</u>
Lawn Maintenance				
Lawn/snow equipment repair & maintenance	857	7,500	6,643	5,222
In-house grounds maintenance	2,378	2,500	122	409
Holiday lighting	6,931	10,000	3,069	9,269
In-house irrigation repair	2,960	1,000	(1,960)	5,087
Total lawn maintenance	<u>13,126</u>	<u>21,000</u>	<u>7,874</u>	<u>19,987</u>
Landscaping Services				
Removal/replacement of trees	23,725	20,000	(3,725)	39,645
Irrigation system	240	1,500	1,260	2,214
Common landscaping services	24,210	22,000	(2,210)	22,725
Total landscaping services	<u>48,175</u>	<u>43,500</u>	<u>(4,675)</u>	<u>64,584</u>

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See auditor's report

LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES
AND EXPENSES AS COMPARED TO BUDGET
(Continued)
YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARITIVE TOTALS FOR 2024)

	2025		Variance- Favorable (Unfavorable)	2024
	Actual	(Unaudited) Budget		Memo Total Actual
EXPENSES (Continued)				
Road Repair & Maintenance				
In-house minor repairs	\$ 504	\$ 1,000	\$ 496	\$ 1,799
Traffic control	1,912	15,000	13,088	-
Total road repair & maintenance	<u>2,416</u>	<u>16,000</u>	<u>13,584</u>	<u>1,799</u>
Truck & Equipment				
Vehicle repairs & maintenance	4,275	3,000	(1,275)	5,909
Fuel & lubrication	5,211	8,500	3,289	7,206
Registration/license	153	725	572	857
Total truck & equipment	<u>9,639</u>	<u>12,225</u>	<u>2,586</u>	<u>13,972</u>
Professional Fees				
Attorney fees	14,519	20,000	5,481	9,296
Auditor	18,170	15,000	(3,170)	18,150
Engineering	-	5,000	5,000	-
ADP payroll accounting	7,397	7,500	103	6,937
Total professional fees	<u>40,086</u>	<u>47,500</u>	<u>7,414</u>	<u>34,383</u>
Office Expense				
Bank fees	356	400	44	180
Office supplies	12,841	15,000	2,159	13,686
Postage	5,037	4,000	(1,037)	3,713
Telephone	43,126	37,500	(5,626)	37,821
Office equipment lease	11,227	8,000	(3,227)	10,615
Computer maintenance & software	31,345	25,000	(6,345)	32,629
Total office expense	<u>103,932</u>	<u>89,900</u>	<u>(14,032)</u>	<u>98,644</u>
Administrative				
Assessment coupon books	3,625	2,500	(1,125)	8,761
Education	2,727	1,500	(1,227)	600
Misc expense/administrative	37,375	8,150	(29,225)	15,176
Total administrative expense	<u>43,727</u>	<u>12,150</u>	<u>(31,577)</u>	<u>24,537</u>
Recreational				
Lake maintenance	5,725	4,000	(1,725)	3,891
Recreation repairs	10,786	7,500	(3,286)	5,867
50th anniversary	-	-	-	4,415
Pool management contract	100,777	90,000	(10,777)	-
Pool repair/supplies	1,062	2,500	1,438	823
Total recreational	<u>118,350</u>	<u>104,000</u>	<u>(14,350)</u>	<u>14,996</u>

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See auditor's report

LEISURE KNOLL AT MANCHESTER ASSOCIATION

SCHEDULE OF OPERATING REVENUES
AND EXPENSES AS COMPARED TO BUDGET
(Continued)
YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARITIVE TOTALS FOR 2024)

	2025		Variance- Favorable (Unfavorable)	2024
	Actual	(Unaudited) Budget		Memo Total Actual
EXPENSES (Continued)				
Community Buildings				
Building repair/supplies	\$ 43,750	\$ 25,000	\$ (18,750)	\$ 26,084
Janitorial supplies	11,192	15,000	3,808	10,874
Furniture & fixtures	1,523	500	(1,023)	1,085
Gate repair	28,398	7,500	(20,898)	16,783
Café	15,093	10,000	(5,093)	3,927
Total community buildings	<u>99,956</u>	<u>58,000</u>	<u>(41,956)</u>	<u>58,553</u>
Federal Taxes/Doubtful accounts				
Real Estate/Use Taxes				
Federal income taxes	-	2,500	2,500	24,701
Total federal income taxes	<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>24,701</u>
Contingency				
Contingency	-	30,000	30,000	-
Total contingency	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total expenses	<u>1,070,193</u>	<u>3,012,608</u>	<u>(57,585)</u>	<u>2,885,752</u>
Excess (deficiency) of revenues over expenses before deferred revenue	(9,455)	-	(9,455)	89,600
Deferred revenue applied on subsequent years budget	<u>(84,187)</u>	<u>-</u>	<u>(84,187)</u>	<u>(83,438)</u>
Excess (deficiency) of revenues over expenses after deferred revenue	<u>\$ (93,642)</u>	<u>\$ -</u>	<u>\$ (93,642)</u>	<u>\$ 6,162</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, 2025
(WITH COMPARITIVE TOTALS FOR 2024)

	2025			2024
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
REVENUES				
Optional lawn and snow revenues	\$ 782,082	\$ 840,000	\$ (57,918)	\$ 814,801
Interest income	8,443	300	8,143	3,486
Deferred revenue applied to current years budget	<u>181,100</u>	<u>181,100</u>	<u>-</u>	<u>181,200</u>
Total Revenues	<u>971,625</u>	<u>1,021,400</u>	<u>(49,775)</u>	<u>999,487</u>
EXPENSES				
Cutting, trimming, edging and chemicals	686,032	806,400	120,368	686,079
Snow removal driveways	59,355	65,000	105,645	-
Contingency	-	50,000	50,000	-
Total expenses	<u>745,387</u>	<u>1,021,400</u>	<u>276,013</u>	<u>686,079</u>
Excess of revenues over expenses before deferred revenue	226,238	-	226,238	313,408
Deferred revenue applied on subsequent years budget	<u>(228,712)</u>	<u>-</u>	<u>(228,712)</u>	<u>(181,100)</u>
Excess (deficiency) of revenues over expenses after deferred revenue	<u>\$ (2,474)</u>	<u>\$ -</u>	<u>\$ (2,474)</u>	<u>\$ 132,308</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, 2025
(WITH COMPARITIVE TOTALS FOR 2024)

	2025			2024
	Actual	(Unaudited) Budget	Variance- Favorable (Unfavorable)	Memo Total Actual
REVENUES				
Monthly Assessments	\$ 858,528	\$ 858,528	\$ -	\$ 819,504
Membership fee	6,000	-	6,000	85,500
Interest income	73,550	50,000	23,550	85,157
Total revenues	<u>938,078</u>	<u>908,528</u>	<u>29,550</u>	<u>990,161</u>
EXPENSES				
Replacement fund repairs and replacement expenditures	1,214,015	1,227,889	13,874	1,146,889
Total expenses	<u>1,214,015</u>	<u>1,227,889</u>	<u>13,874</u>	<u>1,146,889</u>
Excess (deficiency) of revenues over expenses	\$ <u>(275,937)</u>	\$ <u>(319,361)</u>	\$ <u>43,424</u>	\$ <u>(156,728)</u>

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See auditor's report

January 5, 2026

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

We have audited the financial statements of Leisure Knoll at Manchester Association (the "Association") for the year ended September 30, 2025, and have issued our report on these financial statements. This letter accompanying the financial statements includes the following information:

1. **Part I** - Our comments and recommendations specific to the Association, all of which have been discussed with the Board of Trustees (the "Board") and appropriate members of management, which are intended to improve the internal control or result in other operating efficiencies.
2. **Part II** - Communication of information related to the audit as required by professional standards.

We will be pleased to discuss this letter in further detail at your convenience. Additionally, with respect to Part I, if requested by you, we would be happy to perform any additional study of the matters noted or assist you in implementing our recommendations. We will review the status of these comments during our next audit engagement.

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

PART I - COMMENTS AND RECOMMENDATIONS

A. Interfund Balances

As of September 30, 2025, Interfund balances existed between the various fund balances as detailed in the audited financial statements.

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

B. Credit Cards, Venmo and ACH Payments

Associations may receive many benefits when issuing credit cards to employees or authorizing Venmo payments and ACH payments, including convenience and efficiencies when making purchases, improved expense tracking. However, Associations need to stay vigilant, have proper insurance coverage including cyber insurance and make certain that adequate internal controls and protocols exist and stay in place to ensure sound financial management.

C. Cyber Risk Management

The modern cyber threat landscape continues to evolve rapidly. Email phishing and ransomware are representative of some of the cyberattacks that could cause serious problems for the Board and management. We recommend that the Board and management continually review their cyber risk management that is in place to help reduce the risks and costs associated with cyber attacks. We understand that your managing agent may already have controls in place to defend against attacks. However, these controls may not fully protect the Board's personal devices and/or communications. It is important to be vigilant:

1. Only transmit sensitive information through secure email
2. Don't click on a link unless you trust the source
3. Update your systems regularly, including security software
4. If something doesn't "seem right", trust your instincts!
5. Only store important data in a location where it is backed up

PART II - COMMUNICATION OF INFORMATION AS REQUIRED BY PROFESSIONAL STANDARDS

A. Our Responsibilities under Auditing Standards Generally Accepted in the United States of America

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

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

B. Other Information in Documents Containing Audited Financial Statements

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

C. Planned Scope and Timing of the Audit

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

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

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

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

E. Difficulties Encountered in Performing the Audit

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

F. Audit Adjustments

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

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

G. Disagreements with the Board and/or Managing Agent

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

H. Supplementary Information Accompanying the Audited Financial Statements

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

I. Required Supplementary Information

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

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

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

Very truly yours,
Mohel Elliott Bauer & Gass
A Venning Firm



Gerwin K. Bauer, CPA
For the Firm