

**LEISURE VILLAGE WEST ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2018**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

LEISURE VILLAGE WEST ASSOCIATION, INC.

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2018

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**CERTIFIED PUBLIC ACCOUNTANTS**

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

**INDEPENDENT AUDITOR'S REPORT**

***To the Board of Trustees and Unit Owners of  
Leisure Village West Association, Inc.***

We have audited the accompanying financial statements of Leisure Village West Association, Inc. which comprise the balance sheet as of September 30, 2018, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

***The Board of Trustees' Responsibility for the Financial Statements***

The Board of Trustees' (the "Board") is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leisure Village West Association, Inc. as of September 30, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**MOHEL ELLIOTT BAUER & GASS**  
A PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on page 19 - 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*MoHEL Elliott Bauer & Gass*

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

**December 19, 2018**  
Toms River, New Jersey

**LEISURE VILLAGE WEST ASSOCIATION, INC.  
BALANCE SHEET  
SEPTEMBER 30, 2018**

	<u>Total</u>	<u>Operating Fund</u>	<u>Properties Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Emergency Fund</u>	<u>Replacement Fund</u>
<b>ASSETS</b>						
1	Cash	\$ 524,351	\$ 128,871	\$ 197,797	\$ 195,694	\$ 1,989
2	Investments	4,514,637		126,288		140,000
3	Accrued investment income receivable	29,052		86		1,449
4	Assessments receivable, net of allowance for doubtful accounts of \$99,915	391,512	391,512			
5	Other receivable	35,675	35,675			
6	Prepaid insurance	244,467	244,467			
7	Prepaid federal income tax	8,496	8,496			
8	Other prepaid expenses	19,136	19,136			
9	Property and equipment, net	541,947		541,947		
10	Interfund balances	-	6,988			(6,988)
	<b>Total assets</b>	<b>\$ 6,309,273</b>	<b>\$ 835,145</b>	<b>\$ 866,118</b>	<b>\$ 195,694</b>	<b>\$ 143,438</b>
					<b>\$ 4,268,878</b>	

The accompanying notes are an integral part of these financial statements

**LEISURE VILLAGE WEST ASSOCIATION, INC.  
BALANCE SHEET  
SEPTEMBER 30, 2018**

	<u>Total</u>	<u>Operating Fund</u>	<u>Properties Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Emergency Fund</u>	<u>Replacement Fund</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
11	Accounts payable and accrued expenses	\$ 143,687	\$ 143,687	\$	\$	\$
12	Assessments received in advance	352,057	352,057			
13	Payroll, payroll taxes and employee benefits payable	261,493	261,493			
14	Security deposits	12,490	12,490			
15	Recycling funds	11,004	11,004			
	<b>Total liabilities</b>	780,731	780,731	-	-	-
16	<b>Fund balances</b>	5,528,542	54,414	866,118	195,694	4,268,878
	<b>Total liabilities and fund balances</b>	<u>\$ 6,309,273</u>	<u>\$ 835,145</u>	<u>\$ 866,118</u>	<u>\$ 195,694</u>	<u>\$ 4,268,878</u>

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Total</u>	<u>Operating Fund</u>	<u>Properties Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Emergency Fund</u>	<u>Replacement Fund</u>
<b>TOTAL REVENUES</b>	\$ 9,114,840	\$ 7,594,775	\$ 185,188	\$ 336,076	\$ 1,447	\$ 997,354
<b>EXPENSES</b>						
1. Payroll, payroll taxes and employee benefits	4,129,848	4,129,848				
2. Other operating fund expenses	3,378,678	3,378,678				
3. Federal income taxes	9,195	2,207				6,988
4. Operating contingency	41,348	41,348				
5. Charges to the replacement fund	851,791					851,791
6. Charges to the emergency reserve fund	7,943				7,943	
7. Charges to the deferred maintenance fund	263,552			263,552		
8. <b>Total expenses and charges before depreciation</b>	<u>8,682,355</u>	<u>7,552,081</u>	-	<u>263,552</u>	<u>7,943</u>	<u>858,779</u>
9. <b>Excess (deficiency) of revenues over expenses before depreciation</b>	432,485	42,694	185,188	72,524	(6,496)	138,575
10. <b>Depreciation expense</b>	<u>254,045</u>		<u>254,045</u>			
11. <b>Excess (deficiency) of revenues over expenses after depreciation</b>	178,440	42,694	(68,857)	72,524	(6,496)	138,575
12. <b>Fund Balances - Beginning of year</b>	<u>5,350,102</u>	<u>11,720</u>	<u>934,975</u>	<u>123,170</u>	<u>149,934</u>	<u>4,130,303</u>
13. <b>Fund Balances - End of year</b>	<u>\$ 5,528,542</u>	<u>\$ 54,414</u>	<u>\$ 866,118</u>	<u>\$ 195,694</u>	<u>\$ 143,438</u>	<u>\$ 4,268,878</u>

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Total</u>	<u>Operating Fund</u>	<u>Properties Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Emergency Fund</u>	<u>Replacement Fund</u>
<b>Cash flows from operating activities:</b>						
Excess (deficiency) of revenues over expenses	\$ 178,440	\$ 42,694	\$ (68,857)	\$ 72,524	\$ (6,496)	\$ 138,575
<b>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:</b>						
Depreciation	254,045		254,045			
Allowance for doubtful accounts	(6,331)	(6,331)				
<b>Changes in assets and liabilities</b>						
<b>(Increase) decrease in:</b>						
Accrued investment income receivable	(6,987)		(86)		(1,449)	(5,452)
Assessments receivable	22,029	22,029				
Other receivable	(34,755)	(34,755)				
Prepaid insurance	111,075	111,075				
Prepaid federal income taxes	9,194	9,194				
Other prepaid expenses	17,477	17,477				
<b>Increase (decrease) in:</b>						
Accounts payable and accrued expenses	9,875	9,875				
Assessments received in advance	(88,600)	(88,600)				
Payroll, payroll taxes and employee benefits payable	2,211	2,211				
Security deposits	(4,014)	(4,014)				
Recycling funds	2,702	2,702				
<b>Net cash provided by (used in) operating activities</b>	<u>466,361</u>	<u>83,557</u>	<u>185,102</u>	<u>72,524</u>	<u>(7,945)</u>	<u>133,123</u>

The accompanying notes are an integral part of these financial statements



LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Total</u>	<u>Operating Fund</u>	<u>Properties Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Emergency Fund</u>	<u>Replacement Fund</u>
<b>Cash flows from investing activities:</b>						
Acquisition of property and equipment	\$ (118,770)	\$	\$ (118,770)	\$	\$	\$
Purchase of investments	(1,752,753)		(126,288)		(140,000)	(1,486,465)
Sale/maturity of investments	<u>1,347,833</u>					<u>1,347,833</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(523,690)</u>	<u>-</u>	<u>(245,058)</u>	<u>-</u>	<u>(140,000)</u>	<u>(138,632)</u>
<b>Cash flows from financing activities</b>						
Change in interfund balances	<u>-</u>	<u>(5,509)</u>				<u>5,509</u>
<b>Net increase (decrease) in cash</b>	(57,329)	78,048	(59,956)	72,524	(147,945)	-
<b>Cash - beginning of year</b>	<u>581,680</u>	<u>50,823</u>	<u>257,753</u>	<u>123,170</u>	<u>149,934</u>	<u>-</u>
<b>Cash - end of year</b>	<u>\$ 524,351</u>	<u>\$ 128,871</u>	<u>\$ 197,797</u>	<u>\$ 195,694</u>	<u>\$ 1,989</u>	<u>\$ -</u>
<b>Supplemental Disclosure</b>						
Cash paid during the year for federal income tax	<u>\$ -</u>					

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 1 - NATURE OF ORGANIZATION**

Leisure Village West Association, Inc. (the "Association"), located in Manchester, New Jersey is a New Jersey corporation and is subject to the provisions of the Condominium Act of the State of New Jersey. The purposes of the Association are to provide condominium management services for the owners and provide for the preservation of the values and amenities in the community and for the maintenance of the common facilities. The Association is an age restricted community and consists of 2,692 residential units. Recreational facilities include three recreation buildings, two pools, two golf courses and other various recreational facilities. In addition, there is an Association office located at 959 Buckingham Drive, and a building located at 3 Buckingham Drive which was received from the Sponsor and is rented as commercial units.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the board 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 reporting period. Actual results could differ from those estimates.

**Fund Accounting** - The Association's legal documents (i.e., Master Deed 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. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund group.

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 is available for the general operations of the Association.

**Properties Fund** - This fund represents all activities associated with the purchase, depreciation and sale of the Association's tangible personal property and the building located at 3 Buckingham Drive, which are recorded as fixed assets in the accompanying financial statements.

**Deferred Maintenance Fund** - The purpose of this fund is to accumulate sufficient amounts which will allow the Association to have the necessary resources to perform maintenance services including, but not limited to unit trim replacement, painting and power washing, which occur less frequently than annually.

**Emergency Fund** - The purpose of this fund is to accumulate funds so that the Association will have the necessary resources to pay for extraordinary expenses (i.e. snow removal) in excess of budgeted amounts. The fund is capped at not to exceed \$150,000.

**Replacement Fund** - The purpose of the replacement fund is to accumulate funds for future major repairs and replacements of the Association's common property as determined by the board.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents, except those held for long term investments in the replacement fund.

**Investments** - The Association has classified securities as held to maturity and available for sale. 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. Securities classified as available for sale may be sold in response to changes in interest rates, liquidity needs and for other purposes. Available for sale securities are carried at fair value and include all debt and equity securities not classified as held to maturity. Any resulting unrealized gains and losses are reflected as comprehensive income. Realized gains and losses for securities classified as either available for sale or held to maturity that are sold are reported in the statement of revenues and expenses based on the adjusted cost of the specific security sold. Fair value is measured on a recurring basis based on quoted prices in an active market (all Level 1 measurements).

**Property and Equipment** – Property and equipment are stated at cost. Depreciation is computed using the straight-line or accelerated basis over the estimated useful life of the assets: 3-31.5 years. 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 operating, deferred maintenance, properties or replacement fund, if provided for therein.

**Recognition of Assets** - The Association's property and other common elements, other than that described above, are owned by the unit owners in condominium form pursuant to the Master Deed wherein each of the individual unit owners hold legal title to an undivided interest in property constituting the common elements. The use and disposition of these properties are restricted or governed by the Association's legal documents. Accordingly, no amounts related to these common elements are included on the accompanying balance sheet of the Association. The common elements generally consist of sidewalks, roadways, recreational facilities and open areas, and portions of the buildings not comprising the individual units.

**Maintenance Assessments and Assessments Receivable** - The Association's members are subject to monthly assessments based upon the annual budget and as determined by the board. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods, or as otherwise specified by the Association's governing documents. A portion of the monthly assessments to owners are allocated to the replacement fund, deferred maintenance fund and properties fund.

On a periodic basis, the board and management evaluate the assessments receivable and estimate an allowance for doubtful accounts, based on history of past write-offs and collections and the current legal status of past due accounts.

**Investment Income Earned** - The board's policy is to retain investment income earned on interest bearing cash accounts and investments in the respective fund that the investment income is earned.

**Financial Instruments with Off-Balance Sheet Risk** - The Association, in its normal course of business, maintains cash balances which, at times, may exceed FDIC federally insured limits. At September 30, 2018, balances in excess of the \$250,000 are collateralized by US Government and/or Federal Agency securities pledged under a Master Repurchase Agreement executed with OceanFirst Bank.

**Subsequent Events** - The Association has evaluated subsequent activity through December 19, 2018, the date the financial statements were available to be issued.

(Continued)

**LEISURE VILLAGE WEST ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENT  
SEPTEMBER 30, 2018**

**NOTE 3 - INVESTMENTS**

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>
Certificate of deposit	2.25%	10/28/20	\$ 200,000
Certificate of deposit	1.75%	10/26/21	250,000
FHLB	1.50%	11/09/21	425,000
Certificate of deposit	2.15%	11/17/21	30,000
FFCB	1.92%	04/19/22	70,000
Certificate of deposit	2.70%	02/16/23	200,000
Certificate of deposit	2.75%	02/22/23	200,000
Certificate of deposit	3.35%	10/04/23	20,000
FFCB	2.44%	02/12/25	100,000
Certificate of deposit	3.00%	04/17/25	150,000
Certificate of deposit	3.15%	05/09/25	22,000
FFCB	2.00%	09/08/25	50,000
FHLB	2.38%	03/13/26	35,000
FNMA	2.13%	04/24/26	100,000
FNMA	2.13%	04/24/26	180,000
FHLB	2.10%	09/21/26	75,000
FHLB	2.18%	10/13/26	145,000
FHLB	2.30%	10/20/26	85,000
FFCB	2.20%	10/20/26	65,000
FFCB	2.79%	04/18/28	35,000
FFCB	2.65%	11/27/28	187,892
FFCB	2.93%	04/22/30	386,995
FHLB	2.63%	08/04/31	50,000
Certificate of deposit	3.25%	06/30/34	50,000
Certificate of deposit	2.25%	07/25/34	50,000
FFCB	3.07%	04/25/35	199,000
FFCB	3.12%	11/20/35	202,766
FHLMC	3.50%	06/15/45	208,987
GNMA	3.00%	02/20/46	129,454
			<u>3,902,094</u>
Total investments held to maturity			\$ <u><u>3,902,094</u></u>

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

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

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 3 - INVESTMENTS (Continued)**

Investments classified as available for sale consists of money market mutual funds with Dreyfus Treasury and Agency, UBS, Oceanfirst Bank, and Morgan Stanley Smith Barney. The cost approximates fair value at September 30, 2018.

Total investments held to maturity	\$ 3,902,094
Total investments available for sale	<u>612,543</u>
Total investments	<u>\$ 4,514,637</u>

**NOTE 4 - PROPERTY AND EQUIPMENT, NET**

At September 30, 2018, property and equipment consists of the following:

Machinery and equipment - maintenance	\$ 962,582
Motor vehicles	803,226
Building - 3 Buckingham Drive	215,400
Machinery and equipment - recreation	259,864
Furniture and fixtures	129,083
Computer equipment	75,046
Golf course equipment	<u>140,056</u>
Total property and equipment	2,585,257
Less: Accumulated depreciation	<u>2,043,310</u>
Property and equipment - net	<u>\$ 541,947</u>

**NOTE 5 - INCOME TAXES**

Under the Internal Revenue Code, associations may be taxed as a condominium management association or as a regular corporation, which is based on an annual election. 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.

The Association regularly reviews and evaluates its uncertain tax positions taken in previously filed tax returns. The Association believes that in the event of an examination by taxing authorities, the organization's positions would prevail based upon the technical merits of such positions. Therefore, the Association has concluded that no tax benefits or liabilities are required to be recognized.

The Association's federal information returns are generally subject to examination by the Internal Revenue Service for three years, including the years ended September 30, 2018, 2017 and 2016.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

**NOTE 5 - INCOME TAXES (Continued)**

For the year ended September 30, 2018, the Association expects to be taxed as a regular corporation and therefore not taxed as a condominium management association. Income taxes of \$9,195 have been provided based on the excess of non-membership income over non-membership expenses. The Association evaluates its tax provisions and accruals and believes that they are appropriate based on current facts and circumstances. The prior three years federal tax returns as filed remain open for examination by the Internal Revenue Service. Income tax expense has been allocated as follows:

Operating fund	\$	2,207
Replacement fund		<u>6,988</u>
Total	\$	<u>9,195</u>

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.

**NOTE 6 - REPLACEMENT FUND**

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.

The board and management prepare, and annually revise, a schedule to estimate the remaining useful lives and replacement costs of the components of the common property. The schedule includes those components with an estimated remaining useful life within the board determined useful guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The estimates were obtained from various sources and were compiled by the Association's staff. 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 estimates.

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the schedule's estimates of the then current replacement costs, considering amounts previously accumulated in the replacement fund. In addition, investment income net of bank fees and federal income taxes has been allocated to all the replacement fund components based upon investments allocated to each component.

Funds are being accumulated in the replacement fund based upon the estimates of future needs for repairs and replacement of common property components. Actual expenditures may vary from the estimated amounts, and the variations may be material. Additionally, replacement fund cash and investment balances may, at times, be less than or more than the fund balance, resulting in an interfund balance. 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 major repairs and replacements until funds are available, if possible.

(Continued)

**LEISURE VILLAGE WEST ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - REPLACEMENT FUND (Continued)**

The activity in the replacement fund for the year ended September 30, 2018 has been summarized as follows:

	Components of Fund Balance at 9/30/2017	Funding Contributions Other Income & Transfers	Investment Income, Net of Bank Fees	Expenditures	Income Tax Expense	Components of Fund Balance at 9/30/2018
Roofs	\$ 866,322	\$ 490,000	\$ 29,898	\$ (504,574)	\$ (2,537)	\$ 879,109
Roads/Buckingham bridge	1,483,833	220,000	16,058	(5,000)	(1,363)	1,713,528
Common buildings	1,267,246	117,800	21,682	(214,197)	(2,361)	1,190,170
Well motors	113,241	30,000	2,113	(12,519)	(182)	132,653
TV/Cable	123,328	-	1,946	-	-	125,274
Exterior	196,832	36,428	4,806	(76,226)	(405)	161,435
Concrete	79,501	25,000	1,623	(39,275)	(140)	66,709
	<u>\$ 4,130,303</u>	<u>\$ 919,228</u>	<u>\$ 78,126</u>	<u>\$ (851,791)</u>	<u>\$ (6,988)</u>	<u>\$ 4,268,878</u>

Funding contributions and other income consist of the following, residential assessments of \$906,428 and resale administrative fees of \$12,800.

**NOTE 7 - PROPERTIES FUND**

The activity in the properties fund for the year ended September 30, 2018 has been summarized as follows:

Properties Fund Balance at September 30, 2017	\$ 934,975
Assessments allocated to the properties fund	\$ 182,500
Investment income, net of bank fees	<u>2,688</u>
Total funding for September 30, 2018	185,188
Depreciation expense	(254,045)
Federal income tax expense	<u>-</u>
Properties Fund Balance at September 30, 2018	<u>\$ 866,118</u>

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 8 - DEFERRED MAINTENANCE FUND**

The activity in the deferred maintenance fund for the year ended September 30, 2018 has been summarized as follows:

Deferred maintenance fund balance at September 30, 2017		\$ 123,170
Assessments allocated to the deferred maintenance fund	\$ 185,000	
Resale administrative fees allocated to the deferred maintenance fund	151,000	
Investment income, net of bank fees	<u>76</u>	
Total funding for September 30, 2018		336,076
PVC trim project		(206,571)
Painting/siding project		<u>(56,981)</u>
Deferred maintenance fund balance at September 30, 2018		<u>\$ 195,694</u>

**NOTE 9 - EMERGENCY FUND**

The activity in the emergency fund for the year ended September 30, 2018 has been summarized as follows:

Emergency fund balance at September 30, 2017		\$ 149,934
Assessments allocated to the emergency reserve fund	\$ -	
Investment income, net of bank fees	<u>1,447</u>	
Total funding for September 30, 2018		1,447
Emergency expenditures		<u>(7,943)</u>
Emergency fund balance at September 30, 2018		<u>\$ 143,438</u>

**NOTE 10 - ADMINISTRATIVE FEES**

Upon acquisition of title of a unit, each new member of the Association must contribute a one-time, non-refundable administrative fee of \$1,700, which includes a administrative fee for the deferred maintenance fund of \$500 and replacement fund of \$200 . Beginning March 1, 2018, the administrative fee for the deferred maintenance fund was \$700 and the replacement fund was \$0. If a member leases a unit and subsequently purchases a unit, the member is only required to pay the difference between the administrative fee and the lease fee that they had previously paid. Administrative fees totaled \$398,050 during the year ended September 30, 2018 and \$234,250 has been recorded as revenue in the operating fund, \$12,800 has been recorded as revenue in the replacement fund and \$151,000 has been recorded as revenue in the deferred maintenance fund in the accompanying financial statements.

(Continued)



LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 11 - TOTAL REVENUES**

At September 30, 2018, total revenues consisted of the following:

Residential assessments	\$ 7,113,619
Residential assessments - allocated to funds	1,273,928
Investment income, net of bank fees - allocated to funds	82,337
Administrative fees	398,050
Rental income	97,091
Township reimbursement	61,697
Late fees	22,349
Other income	32,933
Unit services	16,807
Lease fee income	12,900
Advertising income	2,338
Printing reimbursement	658
Investment income	133
	<u>133</u>
	<u>\$ 9,114,840</u>

**NOTE 12 - RESIDENTIAL ASSESSMENTS - ALLOCATIONS TO FUNDS**

At September 30, 2018, residential assessments - allocations to funds consisted of the following:

Assessments allocated to the replacement fund	\$ 906,428
Assessments allocated to the properties fund	182,500
Assessments allocated to the deferred maintenance fund	185,000
	<u>185,000</u>
	<u>\$ 1,273,928</u>

**NOTE 13 - TOWNSHIP REIMBURSEMENT**

The Township has reimbursed the Association \$61,697 for a portion of its street lighting, snow clearing and leaf pick-up expenditures. This amount consists of \$21,244 for snow clearing costs incurred for the period July 2017 through June 2018. The snow clearing reimbursement is based on 120% of the Township's actual cost per mile using a five year average. The balance of the reimbursement consists of \$30,477 for street lighting costs incurred during the 2017 calendar year and \$9,976 for fall of 2017 leaf pick up. The street lighting and leaf pick up reimbursement are based on the Association's actual costs. These amounts have been recorded as revenue on the accompanying financial statements. The remainder of township reimbursement relating to the year ended September 30, 2018 will be recorded as revenue when it is received.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

NOTE 14 - DONATIONS

The following summarizes all donations and related expenses for the year ended September 30, 2018:

Donations	
Donation of Generator from S. Duma - Fair Market Value	\$ 600
Business Donations for Grandkid's Day	1,000
Music License Donation - Bingo Club of LVW	1,300
Music License Donation - West Village Players	300
Music License Donation - Caritas Guild	100
Music License Donation - LVW Bocce Club	100
Music License Donation - LVW Golf Club	100
Music License Donation - LVW Italian American Social Club	100
Music License Donation - LVW Pet Club	100
Music License Donation - Recycling Club	100
Music License Donation - Westernaires of LVW	100
Music License Donation - ORT America - Village West Chapter	75
Music License Donation - Knights of Columbus	50
Music License Donation - LVW Service Club	50
Music License Donation - LVW 1st Aid Aux of Manchester	25
Music License Donation - LVW Computer Club	25
Music License Donation - Rummy Q	25
Total Donations	<u>\$ 4,150</u>
Expenses	
Expenses for Grandkid's Day	\$ 843
Expenses for Music Licenses	<u>3,065</u>
Total Expenses	<u>\$ 3,908</u>

NOTE 15 - UNION AGREEMENT

Approximately 70% of the Association's employees are covered by a collectively bargained union agreement. None of these employees are covered by a multiemployer defined benefit pension plan; however they are covered by the Association's 401k plan (see Note 16). Additionally, under the union agreement, the Association makes a monthly contribution to a union sponsored health plan for those union employees who have completed two months of employment with the Association. The union agreement which is in effect is for the period October 1, 2017 through September 30, 2020.

NOTE 16 - RETIREMENT BENEFIT PLAN

The Association offers a 401K plan to all non-seasonal employees who have been employed for six months, with open enrollment on January 1 and July 1. The Association contributes \$.37 an hour for each hour worked for each employee. For the year ended September 30, 2018, the contribution was approximately \$40,400.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**NOTE 17 - OPERATING LEASES**

The Association is a party to a no-cancellable agreement for bulk cable television which expires on October 2, 2025. Future minimum amounts due under this agreement are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 960,696
2020	960,696
2021	960,696
2022	960,696
2023	960,696
2024	960,696
2025	<u>960,696</u>
Total	<u>\$ 6,724,872</u>

The Association leases its solar equipment under a long-term lease agreement. The lease is for the term of seven years expiring May, 2024. Future minimum amounts due under this agreement are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 22,474
2020	22,474
2021	22,474
2022	22,474
2023	22,474
2024	<u>14,982</u>
Total	<u>\$ 127,352</u>

The rental expense under all operating leases totaled \$85,698 for the year ended September 30, 2018.

**NOTE 18 - RENTAL INCOME**

The Association derives income from occupancy leases for the commercial units under no-cancellable operating agreements expiring on various dates through November 30, 2020. The agreements call for fixed rents. Future minimum rents to be received are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 105,231
2020	15,096
2021	<u>2,516</u>
Total	<u>\$ 122,843</u>

Total rental income under all operating leases totaled \$97,091 for the year ended September 30, 2018.

## **SUPPLEMENTARY INFORMATION**

**LEISURE VILLAGE WEST ASSOCIATION, INC.**

**SCHEDULE OF INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
(Unaudited)  
SEPTEMBER 30, 2018**

The board and management prepare, and annually revise, a schedule to estimate the remaining useful lives and replacement costs of the components of the common property. The schedule includes those components with an estimated remaining useful life within the board determined useful guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The estimates were obtained from various sources and were coordinated by the Association's staff. The estimates were based on the then current estimated replacement costs.

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

<u>Components</u>	<b>As of 2018 Schedule</b>		
	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Replacement Costs</b>	<b>2017-2018 Funding</b>
Roofs	1 - 25	\$ 11,969,084	490,000
Roads/Buckingham bridge	1 - 30	6,449,778	220,000
Common buildings	1 - 50	3,207,273	105,000
Well motors	5	102,000	30,000
Concrete	0 - 30	1,735,000	25,000
Exterior*		-	36,428
		\$ 23,463,135	\$ 906,428
<b>Replacement fund balance as of September 30, 2018</b>		<b>\$ 4,268,878</b>	
<b>Replacement fund - as a percentage funded as of September 30, 2018</b>		<b>18.19%</b>	

\* The board is funding for miscellaneous exterior elements and various repairs and maintenance of the units based on average expenditures incurred for these components in prior years.

**LEISURE VILLAGE WEST ASSOCIATION, INC.**  
**SCHEDULE OF REVENUES, TRANSFERS AND OPERATING EXPENSES**  
**AS COMPARED TO BUDGET AND PRIOR YEAR**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>			<u>2017</u>
	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Memo Total Actual</u>
<b>REVENUES</b>				
Residential assessments	\$ 7,113,619	\$ 7,112,804	\$ 815	\$ 6,856,430
Residential assessments - allocated to funds	1,273,928	1,273,928	-	1,299,794
Investment income, net of bank fees - allocated to funds	82,337	87,600	(5,263)	55,671
Administrative fees	398,050	198,000	200,050	390,665
Rental income	97,091	111,500	(14,409)	86,144
Township reimbursement	61,697	59,100	2,597	58,631
Late fee income	22,349	33,600	(11,251)	19,285
Other income	32,933	11,100	21,833	14,061
Unit services	16,807	33,600	(16,793)	27,636
Lease fee income	12,900	17,700	(4,800)	12,900
Advertising income	2,338	2,700	(362)	2,267
Printing reimbursement	658	1,300	(642)	706
Investment income	133	300	(167)	-
<b>Subtotal</b>	<u>9,114,840</u>	<u>8,943,232</u>	<u>171,608</u>	<u>8,824,190</u>
<b>TRANSFERS</b>				
Residential assessments allocated to the replacement fund	906,428	906,428	-	950,594
Residential assessments allocated to the deferred maintenance fund	185,000	185,000	-	171,700
Residential assessments allocated to the properties fund	182,500	182,500	-	177,500
Investment income, net of bank fees, allocated to:				
Replacement fund	78,126	87,600	9,474	55,951
Properties fund	2,688	-	(2,688)	(210)
Deferred maintenance fund	76	-	(76)	(38)
Emergency fund	1,447	-	(1,447)	(32)
Administrative fees allocated to the replacement fund	12,800	-	(12,800)	46,000
Administrative fees allocated to the deferred maintenance fund	151,000	-	(151,000)	115,200
<b>Total revenues, net of transfers to replacement, deferred maintenance properties fund and emergency fund</b>	<u>7,594,775</u>	<u>7,581,704</u>	<u>13,071</u>	<u>7,307,525</u>

(Continued)

**LEISURE VILLAGE WEST ASSOCIATION, INC.**  
**SCHEDULE OF REVENUES, TRANSFERS AND OPERATING EXPENSES**  
**AS COMPARED TO BUDGET AND PRIOR YEAR**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>		<b>Variance Favorable (Unfavorable)</b>	<u>2017</u>
	<u>Actual</u>	<u>(Unaudited) Budget</u>		<u>Memo Total Actual</u>
<b>OPERATING EXPENSES</b>				
Payroll, payroll taxes and employee benefits	4,129,848	4,192,400	62,552	4,024,727
Other operating fund expenses	3,378,678	3,383,100	4,422	3,292,488
Federal income taxes	<u>2,207</u>	<u>3,900</u>	<u>1,693</u>	<u>442</u>
<b>Total operating expenses</b>	<u>7,510,733</u>	<u>7,579,400</u>	<u>68,667</u>	<u>7,317,657</u>
Operating contingency (transfer to common buildings, replacement fund)	<u>41,348</u>	<u>44,072</u>	<u>2,724</u>	<u>-</u>
<b>Excess (deficiency) of revenues over transfers and operating expenses</b>	<u>\$ 42,694</u>	<u>(41,768)</u>	<u>\$ 84,462</u>	<u>\$ (10,132)</u>
<b>Budgeted Surplus Carryover</b>		<u>41,768</u>		
<b>Excess of revenues over expenses after budgeted surplus carryover</b>		<u>\$ -</u>		

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

SCHEDULE OF PAYROLL, PAYROLL TAXES AND EMPLOYEE BENEFITS  
AS COMPARED TO BUDGET AND PRIOR YEAR  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018		Variance	2017
	Actual	(Unaudited) Budget	Favorable (Unfavorable)	Memo Total Actual
<b>PAYROLL, PAYROLL TAXES AND EMPLOYEE BENEFITS</b>				
Grounds maintenance payroll	\$ 861,221	\$ 908,700	\$ 47,479	\$ 863,688
Administrative payroll	506,740	516,200	9,460	505,114
Building maintenance payroll	407,809	429,800	21,991	376,384
Clerical payroll	270,018	264,600	(5,418)	271,175
Lead/mechanic payroll	196,731	211,500	14,769	208,708
Janitor payroll	181,233	190,300	9,067	193,300
Appliance mechanic	145,273	148,300	3,027	149,952
Golf course payroll	78,379	70,900	(7,479)	76,557
Snow removal payroll - regular time and over time	71,154	-	(71,154)	18,790
Payroll taxes	317,939	347,600	29,661	310,541
Fringe benefits	1,093,351	1,104,500	11,149	1,050,518
<b>Total payroll, payroll taxes and employee benefits</b>	<b>\$ 4,129,848</b>	<b>\$ 4,192,400</b>	<b>\$ 62,552</b>	<b>\$ 4,024,727</b>

(Continued)



LEISURE VILLAGE WEST ASSOCIATION, INC.

SCHEDULES OF OTHER OPERATING FUND EXPENSES  
AS COMPARED TO BUDGET AND PRIOR YEAR  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018		Variance Favorable (Unfavorable)	2017 Memo Total Actual
	Actual	(Unaudited) Budget		
<b>OTHER OPERATING FUND EXPENSES</b>				
Insurance	\$ 1,124,817	\$ 1,162,500	\$ 37,683	\$ 1,094,760
Lawn maintenance	342,856	318,500	(24,356)	307,625
Building maintenance	206,875	214,000	7,125	206,028
Sanitation contract	263,069	262,800	(269)	249,491
Gatehouse entry contract	197,033	197,200	167	190,637
Outdoor lighting and wells	117,521	137,400	19,879	120,067
Community buildings maintenance and repair	226,082	189,000	(37,082)	218,702
Building electric	100,525	117,900	17,375	110,424
Snow clearing	45,936	45,000	(936)	44,773
Auto and truck expense	29,280	29,500	220	29,810
Office expense	102,495	122,100	19,605	104,247
Bus expense	92,000	92,000	-	93,178
Bad debt expense	55,048	10,000	(45,048)	29,197
Appliance maintenance	82,374	90,200	7,826	76,357
Building heating	68,592	65,700	(2,892)	64,226
Exterminating	67,955	68,100	145	68,007
Community TV service	63,224	63,800	576	63,695
Professional fees	83,232	81,700	(1,532)	88,133
Insurance claim expense, net of proceeds	13,698	-	(13,698)	11,567
Bookkeeping and computer services	19,174	18,200	(974)	18,275
Golf course maintenance	18,108	27,400	9,292	24,094
Concrete repairs	16,903	23,000	6,097	22,375
Building water and sewer	15,634	15,000	(634)	17,075
Recreation expense, net of income	13,325	18,000	4,675	19,585
Bank fees	8,283	5,300	(2,983)	7,299
Road maintenance	3,974	8,800	4,826	11,915
Village fair expenses, net of income	665	-	(665)	946
<b>Total other operating fund expenses</b>	<b>\$ 3,378,678</b>	<b>\$ 3,383,100</b>	<b>\$ 4,422</b>	<b>\$ 3,292,488</b>

LEISURE VILLAGE WEST ASSOCIATION, INC.

SCHEDULES OF DEFERRED MAINTENANCE FUND, EMERGENCY RESERVE FUND AND  
REPLACEMENT FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**Deferred Maintenance Fund Expenditures**

PVC trim project	\$ 206,571
Painting/Siding project	<u>56,981</u>
<b>Total deferred maintenance fund expenditures</b>	<b>\$ <u>263,552</u></b>

**Emergency Reserve Fund Expenditures**

Snow costs	\$ <u>7,943</u>
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**Replacement Fund Expenditures**

Roof replacement - units	\$ 504,574
Common buildings	214,197
Roads	5,000
Driveway replacements	39,275
Exterior	76,226
Well motors	<u>12,519</u>
<b>Total replacement fund expenditures</b>	<b>\$ <u>851,791</u></b>