

LEISURE VILLAGE WEST ASSOCIATION, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2013

AND

INDEPENDENT AUDITOR'S REPORT

LEISURE VILLAGE WEST ASSOCIATION, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Leisure Village West Association, Inc. which comprise the balance sheet as of September 30, 2013, 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, 2013, 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 P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

Report on Summarized Comparative Information

We have previously audited Leisure Village West Association, Inc. September 30, 2012 financial statements, and we expressed unmodified opinion on those financial statements in our report dated December 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 19 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 20 - 24 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 18, 2013
Lakewood, New Jersey

LEISURE VILLAGE WEST ASSOCIATION, INC.
BALANCE SHEET
SEPTEMBER 30, 2013

	<u>Total</u>	<u>Operating Fund</u>	<u>Properties Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Emergency Fund</u>	<u>Replacement Fund</u>
ASSETS						
1. Cash	\$ 580,220	\$ 176,501	\$ 135,262	\$ 137,468	\$ 130,989	\$
2. Investments	4,707,323	1,435	366,497			4,339,391
3. Accrued investment income receivable	30,176		2,670			27,506
4. Assessments receivable, net of allowance for doubtful accounts of \$176,066	478,183	478,183				
5. Other receivables	3,600	3,600				
6. Prepaid insurance	290,941	290,941				
7. Prepaid federal income taxes	36,085	36,085				
8. Other prepaid expenses	13,167	13,167				
9. Property and equipment, net	561,455		561,455			
10. Interfund balances	-	(115,398)				115,398
	<u>\$ 6,701,150</u>	<u>\$ 884,514</u>	<u>\$ 1,065,884</u>	<u>\$ 137,468</u>	<u>\$ 130,989</u>	<u>\$ 4,482,295</u>
Total assets						

The accompanying notes are an integral part of these financial statements
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LEISURE VILLAGE WEST ASSOCIATION, INC.
BALANCE SHEET
SEPTEMBER 30, 2013

			Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund					
LIABILITIES AND FUND BALANCES													
Liabilities:													
11	Accounts payable and accrued expenses	\$	184,304	\$ 184,304	\$	\$	\$	\$					
12	Assessments received in advance		326,479	326,479									
13	Payroll, payroll taxes and employee benefits payable		257,773	257,773									
14	Security deposits		<u>6,902</u>	<u>6,902</u>									
	Total liabilities		775,458	775,458	-	-	-	-					
15	Fund balances		<u>5,925,692</u>	<u>109,056</u>	<u>1,065,884</u>	<u>137,468</u>	<u>130,989</u>	<u>4,482,295</u>					
	Total liabilities and fund balances	\$	<u><u>6,701,150</u></u>	\$ <u><u>884,514</u></u>	\$ <u><u>1,065,884</u></u>	\$ <u><u>137,468</u></u>	\$ <u><u>130,989</u></u>	\$ <u><u>4,482,295</u></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, 2013

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
TOTAL REVENUES	\$ 8,312,572	\$ 6,721,916	\$ 202,501	\$ 159,972	\$ 65,485	\$ 1,162,698
EXPENSES						
1. Payroll, payroll taxes and employee benefits	3,613,110	3,613,110				
2. Other operating fund expenses	2,899,049	2,899,049				
3. Federal income taxes	7,307	2,704				4,603
4. Operating contingency	120,000	120,000				
5. Charges to the replacement fund	824,409					824,409
6. Charges to the deferred maintenance fund	134,130			134,130		
7. Total expenses and charges before depreciation	7,598,005	6,634,863	-	134,130	-	829,012
8. Excess of revenues over expenses before depreciation	714,567	87,053	202,501	25,842	65,485	333,686
9. Depreciation expense	153,011		153,011			
10. Excess (deficiency) of revenues over expenses	561,556	87,053	49,490	25,842	65,485	333,686
11. Fund Balances - Beginning of year	5,364,136	22,003	1,016,394	111,626	65,504	4,148,609
12. Fund Balances - End of year	\$ 5,925,692	\$ 109,056	\$ 1,065,884	\$ 137,468	\$ 130,989	\$ 4,482,295

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2013

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
Cash flows from operating activities:						
Excess (deficiency) of revenues over expenses	\$ 561,556	\$ 87,053	\$ 49,490	\$ 25,842	\$ 65,485	\$ 333,686
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:						
Depreciation	153,011		153,011			
Allowance for doubtful accounts	35,941	35,941				
Changes in assets and liabilities						
(Increase) decrease in:						
Accrued investment income receivable	(11,448)	138	2,825			(14,411)
Assessments receivable	(221,424)	(221,424)				
Other receivables	(3,600)	(3,600)				
Prepaid insurance	(43,250)	(43,250)				
Prepaid federal income taxes	(27,193)	(27,193)				
Other prepaid expenses	21,164	21,164				
Increase (decrease) in:						
Accounts payable and accrued expenses	56,251	56,251				
Assessments received in advance	6,522	6,522				
Payroll, payroll taxes and employee benefits payable	23,932	23,932				
Security deposits	6,902	6,902				
Net cash provided by (used in) operating activities	558,364	(57,564)	205,326	25,842	65,485	319,275

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2013

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
Cash flows from investing activities:						
Acquisition of property and equipment	\$ (213,237)	\$	\$ (213,237)	\$	\$	\$
(increase) decrease in investments	(80,584)	49,190	118,503			(248,277)
Net cash provided by (used in) investing activities	(293,821)	49,190	(94,734)	-	-	(248,277)
Cash flows from financing activities						
Change in interfund balances	-	71,691	(693)			(70,998)
Net increase in cash	264,543	63,317	109,899	25,842	65,485	-
Cash - beginning of year	315,677	113,184	25,363	111,626	65,504	-
Cash - end of year	\$ 580,220	\$ 176,501	\$ 135,262	\$ 137,468	\$ 130,989	\$ -
Supplemental Disclosure						
Cash paid during the year for federal income tax	\$ 34,500					

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 painting, power washing and paneling, 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, 2013

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.

Subsequent Events - The board has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditor's report, which is the date the financial statements were available to be issued.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENT
SEPTEMBER 30, 2013**

NOTE 3 - INVESTMENTS

At September 30, 2013, investments consist of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>
Certificate of deposit	2.00%	10/07/16	\$ 225,000
Market linked certificate of deposit	Undetermined	06/02/17	240,000
Market linked certificate of deposit	Undetermined	01/31/18	200,000
Market linked certificate of deposit	Undetermined	08/31/18	100,000
Market linked certificate of deposit	Undetermined	09/21/18	200,000
Certificate of deposit	2.15%	07/11/19	175,000
Market linked certificate of deposit	Undetermined	02/28/20	75,000
Certificate of deposit	3.25%	06/24/21	53,006
FHLB	2.00%	02/15/22	620,000
Certificate of deposit	2.80%	02/15/22	55,000
Certificate of deposit	2.60%	07/18/22	120,000
U.S. Treasury Bond	2.38%	01/15/25	544,672
U.S. Treasury Note	2.38%	01/15/27	515,729
Certificate of deposit	2.00%	10/26/27	200,000
Certificate of deposit	3.00%	07/31/28	50,000
FHLMC	4.50%	02/15/30	57,747
FHLMC	4.25%	05/15/30	42,687
FHLMC	4.05%	07/15/30	31,953
FHLMC	3.85%	07/15/30	85,190
FHLMC	3.80%	07/15/30	170,240
Certificate of deposit	2.30%	11/08/32	200,000
TVA Bond	4.88%	01/15/48	16,655
			<u>\$ 3,977,879</u>
Total investments held to maturity			\$ <u>3,977,879</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, 2013

NOTE 3 - INVESTMENTS (Continued)

Investments classified as available for sale consists of money market mutual funds with Dreyfus Treasury and Agency, UBS, JP Morgan Chase, and Morgan Stanley Smith Barney. The cost approximates fair value at September 30, 2013.

Total investments held to maturity	\$ 3,977,879
Total investments available for sale	<u>729,444</u>
Total investments	<u>\$ 4,707,323</u>

NOTE 4 - PROPERTY AND EQUIPMENT, NET

At September 30, 2013, property and equipment consists of the following:

Machinery and equipment - maintenance	\$ 909,290
Motor vehicles	546,857
Building - 3 Buckingham Drive	215,400
Machinery and equipment - recreation	196,634
Furniture and fixtures	167,500
Computer equipment	38,171
Golf course equipment	<u>153,755</u>
Total property and equipment	2,227,607
Less: Accumulated depreciation	<u>1,666,152</u>
Property and equipment - net	<u>\$ 561,455</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, 2013, 2012 and 2011.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 5 - INCOME TAXES (Continued)

For the year ended September 30, 2013, the Association expects to be taxed as a regular corporation and therefore not taxed as a condominium management association. Income taxes of \$7,307 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	\$	2,704
Replacement fund		<u>4,603</u>
Total	\$	<u><u>7,307</u></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.

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.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 - REPLACEMENT FUND (Continued)

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.

The activity in the replacement fund for the year ended September 30, 2013 has been summarized as follows:

	Components of Fund Balance at 9/30/2012	Actual 2012/2013 Funding Contributions & Other Income	Investment Income, Net of Bank Fees	Expenditures	Income Tax Expense	Components of Fund Balance at 9/30/2013
Roofs	\$ 1,475,114	\$ 445,000	\$ 26,731	\$ (505,237)	\$ (1,873)	\$ 1,439,735
Roads	1,904,839	160,000	24,689	(192,024)	(1,896)	1,895,608
Common buildings	422,592	403,000	11,484	(44,743)	(617)	791,716
Well motors	53,410	30,000	(12)	(30,707)	-	52,691
Exterior	23,031	57,916	(10)	(15,258)	-	65,679
Retaining wall	76,327	855	(14)	(6,436)	-	70,732
Concrete	193,296	-	3,059	(30,004)	(217)	166,134
	<u>\$ 4,148,609</u>	<u>\$ 1,096,771</u>	<u>\$ 65,927</u>	<u>\$ (824,409)</u>	<u>\$ (4,603)</u>	<u>\$ 4,482,295</u>

NOTE 7 - PROPERTIES FUND

The activity in the properties fund for the year ended September 30, 2013 has been summarized as follows:

Properties Fund Balance at October 1, 2012	\$ 1,016,394
2012 - 2013 funding and contributions	198,300
Sale of JCB loader	6,000
Scrap vehicles	1,142
Sale of drill press	75
Investment income, net of bank fees	<u>(3,016)</u>
Total funding for September 30, 2013	202,501
Depreciation expense	(153,011)
Federal income tax expense	<u>-</u>
Properties Fund Balance at September 30, 2013	<u>\$ 1,065,884</u>

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 - DEFERRED MAINTENANCE FUND

The activity in the deferred maintenance fund for the year ended September 30, 2013 has been summarized as follows:

Deferred maintenance fund balance at October 1, 2012		\$ 111,626
2012 - 2013 funding and contributions	\$ 160,000	
Investment income, net of bank fees	<u>(28)</u>	
Total funding for September 30, 2013		159,972
Paneling		(98,214)
Power washing and painting		(35,916)
Federal income tax expense		<u>-</u>
Deferred maintenance fund balance at September 30, 2013		\$ <u>137,468</u>

NOTE 9 - EMERGENCY FUND

The activity in the emergency fund for the year ended September 30, 2013 has been summarized as follows:

Emergency fund balance at October 1, 2012		\$ 65,504
2012 - 2013 funding and contributions	\$ 65,506	
Investment income, net of bank fees	<u>(21)</u>	
Total funding for September 30, 2013		65,485
Emergency expenditures		-
Federal income tax expense		<u>-</u>
Emergency fund balance at September 30, 2013		\$ <u>130,989</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 \$1,500. 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 \$230,865 during the year ended September 30, 2013 and have been recorded as revenue in the Operating Fund in the accompanying financial statements.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 11 - TOTAL REVENUES

At September 30, 2013, total revenues consisted of the following:

Residential assessments	\$ 6,213,633
Residential assessments - allocated to funds	1,296,722
Investment income, net of bank fees - allocated to funds	62,861
Administrative fees	230,865
Rental income	91,129
Township reimbursement	68,370
Late fees	51,028
Other income	10,723
Unit services	22,215
Lease fee income	24,205
Advertising income	4,389
Printing reimbursement	1,560
Village fair income, net of expenses	2,273
Investment income	1,526
Other income, net - allocated to funds	<u>231,073</u>
	<u>\$ 8,312,572</u>

NOTE 12 - RESIDENTIAL ASSESSMENTS - ALLOCATIONS TO FUNDS

At September 30, 2013, residential assessments - allocations to funds consisted of the following:

Assessments allocated to the replacement fund	\$ 872,916
Assessments allocated to the deferred maintenance fund	160,000
Assessments allocated to the properties fund	198,300
Assessments allocated to the emergency reserve fund	<u>65,506</u>
	<u>\$ 1,296,722</u>

NOTE 13 - TOWNSHIP REIMBURSEMENT

The Township has reimbursed the Association \$68,370 for a portion of its street lighting, snow clearing and leaf pick-up expenditures. This amount consists of \$26,459 for snow clearing costs incurred for the period July 2012 through June 2013. 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 \$34,261 for street lighting costs incurred during the 2012 calendar year and \$7,650 for fall of 2012 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, 2013 will be recorded as revenue when it is received.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 14 - DONATIONS

The following summarizes all donations and related expenses for the year ended September 30, 2013:

Donations	
Recycling Club	\$ 2,883
Garden Angels	1,409
Club Donations for Village Fair	525
Business Donations for Village Fair	<u>3,095</u>
Total Donations	<u>\$ 7,912</u>
Expenses	
Encore Library Furniture & Carpet (donated by Recycling Club)	\$ 2,883
Replacement Trees for Main Roads (donated by Garden Angels)	665
Litter Caddies (donated by Garden Angels)	616
Butterfly Garden Benches (donated by Garden Angels)	128
Village Fair expenses	<u>3,620</u>
Total Expenses	<u>\$ 7,912</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 17). Additionally, under the union agreement, the Association makes a monthly contribution to a union sponsored health plan for those union employees whom have completed two months of employment with the Association. The union agreement which is in effect is for the period October 1, 2011 through September 30, 2014.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 16 - COMMITMENTS

The Association derives income from occupancy leases for the commercial units under no-cancellable operating agreements expiring on various dates through December 31, 2016. The agreements call for fixed rents. Future minimum rents to be received are as follows:

Year Ending September 30,	
2014	\$ 84,327
2015	50,305
2016	37,077
2017	<u>9,381</u>
Total	\$ <u>181,090</u>

Total rental income under all operating leases totaled \$91,129 for the year ended September 30, 2013.

The Association is a party to a no-cancellable agreement for cable television which expires on October 1, 2018. Future minimum amounts due under this agreement are as follows:

Year Ending September 30,	
2014	\$ 59,439
2015	59,439
2016	59,439
2017	59,439
2018	<u>59,439</u>
Total	\$ <u>297,195</u>

NOTE 17 - RETIREMENT BENEFIT PLAN

The Association offers a 401K plan to all employees who have been employed for six months. The Association contributes \$.27 an hour for each hour worked for each employee. For the year ended September 30, 2013, the contribution was approximately \$28,000.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 18 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Financial instruments which potentially subject the Association to concentrations of credit risk consists principally of cash, certificates of deposit and government investments. At times, cash balances may exceed federally insured limits.

SUPPLEMENTARY INFORMATION

LEISURE VILLAGE WEST ASSOCIATION, INC.

**SCHEDULE OF INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)
SEPTEMBER 30, 2013**

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>	<u>As of 2013 Schedule</u>		
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2012-2013 Funding</u>
Roofs	1 - 25	\$ 10,374,700	445,000
Roads	1 - 18	5,107,900	160,000
Common buildings	1 - 50	2,455,700	180,000
Well motors	5	102,000	30,000
Retaining wall	1 - 10	70,400	-
Concrete	0 - 30	1,735,000	-
Exterior*		-	57,916
		<u>\$ 19,845,700</u>	<u>\$ 872,916</u>
Replacement fund balance as of September 30, 2013		<u>\$ 4,482,295</u>	
Replacement fund - as a percentage funded as of September 30, 2013			<u>22.59%</u>

* 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, 2013

	2013			2012
	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)	Actual
REVENUES				
Residential assessments	\$ 6,213,633	\$ 6,217,936	\$ (4,303)	\$ 6,182,581
Residential assessments - allocated to funds	1,296,722	1,296,722	-	1,167,506
Investment income, net of bank fees - allocated to funds	62,861	139,600	(76,739)	137,349
Administrative fees	230,865	111,000	119,865	168,530
Rental income	91,129	91,900	(771)	87,995
Township reimbursement	68,370	75,800	(7,430)	79,668
Late fee income	51,028	24,000	27,028	43,336
Other income	10,723	10,300	423	4,694
Unit services	22,215	14,200	8,015	15,617
Lease fee income	24,205	13,000	11,205	18,095
Advertising income	4,389	3,600	789	5,748
Printing reimbursement	1,560	2,400	(840)	2,301
Village fair income, net of expenses	2,273	-	2,273	-
Vending machine income	-	-	-	117
Prior year surplus	-	22,339	(22,339)	-
Investment income	1,526	2,200	(674)	-
Other income, net - allocated to funds	231,073	-	231,073	97,187
Subtotal	8,312,572	8,024,997	287,575	8,010,724
TRANSFERS				
Residential assessments allocated to the replacement fund	872,916	872,916	-	815,000
Residential assessments allocated to the deferred maintenance fund	160,000	160,000	-	160,000
Residential assessments allocated to the properties fund	198,300	198,300	-	127,000
Residential assessments allocated to the emergency fund	65,506	65,506	-	65,506
Investment income, net of bank fees, allocated to:				
Replacement fund	65,926	139,600	73,674	134,599
Properties fund	(3,016)	-	3,016	2,759
Deferred maintenance fund	(28)	-	28	(7)
Emergency fund	(21)	-	21	(2)
Other income, net allocated to the replacement fund	223,856	-	(223,856)	90,000
Other income, net allocated to the properties fund	7,217	-	(7,217)	7,187
Total revenues, net of transfers to replacement, deferred maintenance properties fund and emergency fund	6,721,916	6,588,675	133,241	6,608,682

(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, 2013

	2013		Variance Favorable (Unfavorable)	2012
	Actual	(Unaudited) Budget		Actual
OPERATING EXPENSES				
Payroll, payroll taxes and employee benefits	3,613,110	3,734,700	121,590	3,657,342
Other operating fund expenses	2,899,049	2,797,633	(101,416)	2,853,689
Federal income taxes	2,704	11,900	9,196	8,303
Total operating expenses	6,514,863	6,544,233	29,370	6,519,334
Operating contingency (transfer to common buildings, replacement fund)	120,000	44,442	(75,558)	70,000
Excess (deficiency) of revenues over operating expenses	\$ 87,053	\$ -	\$ 87,053	\$ 19,348

(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, 2013

	2013		Variance Favorable (Unfavorable)	2012
	Actual	(Unaudited) Budget		Actual
PAYROLL, PAYROLL TAXES AND EMPLOYEE BENEFITS				
Fringe benefits	775,393	843,300	67,907	811,744
Grounds maintenance payroll - 44 employees budgeted	751,169	835,800	84,631	718,612
Snow removal payroll - ot/dt	19,987	-	(19,987)	2,235
Administrative payroll - 8 employees budgeted	489,819	489,000	(819)	495,922
Building maintenance payroll - 11.5 employees budgeted	400,137	423,100	22,963	427,701
Payroll taxes	328,278	338,100	9,822	363,185
Clerical payroll - 8 employees budgeted	255,836	252,200	(3,636)	267,384
Lead/mechanic payroll - 5 employees budgeted	203,420	196,600	(6,820)	194,638
Janitor payroll - 5 employees budgeted	168,830	153,500	(15,330)	172,722
Appliance mechanic - 3.5 employees budgeted	145,840	137,900	(7,940)	142,698
Golf course payroll - 2 employees budgeted	74,401	65,200	(9,201)	60,501
Total payroll, payroll taxes and employee benefits	\$ 3,613,110	\$ 3,734,700	\$ 121,590	\$ 3,657,342

(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, 2013

	2013			2012
	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)	Actual
OTHER OPERATING FUND EXPENSES				
Insurance	\$ 760,088	\$ 739,600	\$ (20,488)	\$ 647,432
Lawn maintenance	365,819	307,500	(58,319)	320,904
Building maintenance	269,219	257,000	(12,219)	264,216
Sanitation contract	201,298	207,200	5,902	195,317
Security services contract	153,553	160,300	6,747	156,700
Outdoor lighting and wells	123,284	149,200	25,916	145,676
Community buildings maintenance and repair	166,600	127,300	(39,300)	141,268
Building electric	130,497	127,700	(2,797)	120,996
Snow clearing	18,854	30,000	11,146	983
Auto and truck expense	37,588	28,700	(8,888)	85,613
Office expense	97,691	94,000	(3,691)	104,018
Bus expense	93,866	93,400	(466)	92,377
Bad debt expense	51,864	10,000	(41,864)	75,359
Appliance maintenance	67,175	80,100	12,925	80,249
Building heating	66,398	75,000	8,602	48,429
Exterminating	68,037	68,100	63	68,037
Community TV service	64,086	63,800	(286)	63,880
Professional fees	49,012	62,733	13,721	106,230
Insurance claim expense, net of proceeds	1,544	-	(1,544)	8,732
Bookkeeping and computer services	16,339	16,800	461	17,084
Golf course maintenance	28,230	27,400	(830)	30,607
Concrete repairs	19,179	17,600	(1,579)	29,641
Building water and sewer	12,776	14,000	1,224	16,316
Recreation expense, net of income	17,187	20,400	3,213	16,655
Bank fees	7,061	4,800	(2,261)	3,824
Road maintenance	7,395	15,000	7,605	9,400
Magazine expense, net of income	4,409	-	(4,409)	1,709
Village fair expenses, net of income	-	-	-	2,037
Total other operating fund expenses	\$ 2,899,049	\$ 2,797,633	\$ (101,416)	\$ 2,853,689

LEISURE VILLAGE WEST ASSOCIATION, INC.

SCHEDULES OF DEFERRED MAINTENANCE FUND AND
REPLACEMENT FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Deferred Maintenance Fund Expenditures

Paneling	\$ 98,214
Power washing and painting	<u>35,916</u>

Total deferred maintenance fund expenditures \$ 134,130

Replacement Fund Expenditures

Roof replacement - units	\$ 505,237
Roads	192,024
Common buildings	44,743
Well motors	30,707
Exterior	15,258
Retaining wall	6,436
Concrete	<u>30,004</u>

Total replacement fund expenditures \$ 824,409