

**LEISURE VILLAGE WEST ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2014**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**LEISURE VILLAGE WEST ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2014**

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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, 2014, 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, 2014, 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

CERTIFIED PUBLIC ACCOUNTANTS

## ***Report on Summarized Comparative Information***

We have previously audited Leisure Village West Association, Inc. September 30, 2013 financial statements, and we expressed unmodified opinion on those financial statements in our report dated December 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, 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 17, 2014  
Lakewood, New Jersey

**LEISURE VILLAGE WEST ASSOCIATION, INC.**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2014**

	<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	\$ 697,478	\$ 175,421	\$ 185,745	\$ 251,121	\$ 85,191	\$
2. Investments	4,552,791		191,497			4,361,294
3. Accrued investment income receivable	10,331					10,331
4. Assessments receivable, net of allowance for doubtful accounts of \$226,473	463,806	463,806				
5. Prepaid insurance	335,000	335,000				
6. Prepaid federal income taxes	6,490	6,490				
7. Other prepaid expenses	39,058	39,058				
8. Property and equipment, net	706,360		706,360			
9. Interfund balances	-	2,619				(2,619)
<b>Total assets</b>	<u>\$ 6,811,314</u>	<u>\$ 1,022,394</u>	<u>\$ 1,083,602</u>	<u>\$ 251,121</u>	<u>\$ 85,191</u>	<u>\$ 4,369,006</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, 2014

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
<b>TOTAL REVENUES</b>	\$ 8,236,937	\$ 6,798,945	\$ 209,413	\$ 159,952	\$ 18,977	\$ 1,049,650
<b>EXPENSES</b>						
1. Payroll, payroll taxes and employee benefits	3,701,872	3,701,872				
2. Other operating fund expenses	3,073,926	3,073,926				
3. Federal income taxes	4,595	1,976				2,619
4. Charges to the replacement fund	1,160,320				64,775	1,160,320
5. Charges to the emergency fund	64,775					
6. Charges to the deferred maintenance fund	46,299			46,299		
7. Total expenses and charges before depreciation	8,051,787	6,777,774	-	46,299	64,775	1,162,939
8. Excess (deficiency) of revenues over expenses before depreciation	185,150	21,171	209,413	113,653	(45,798)	(113,289)
9. Depreciation expense	191,695		191,695			
10. Excess (deficiency) of revenues over expenses after depreciation	(6,545)	21,171	17,718	113,653	(45,798)	(113,289)
11. Fund Balances - Beginning of year	5,925,692	109,056	1,065,884	137,468	130,989	4,482,295
12. Fund Balances - End of year	\$ 5,919,147	\$ 130,227	\$ 1,083,602	\$ 251,121	\$ 85,191	\$ 4,369,006

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2014

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
<b>Cash flows from operating activities:</b>						
Excess (deficiency) of revenues over expenses	\$ (6,545)	\$ 21,171	\$ 17,718	\$ 113,653	\$ (45,798)	\$ (113,289)
<b>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:</b>						
Depreciation	191,695		191,695			
Allowance for doubtful accounts	50,407	50,407				
<b>Changes in assets and liabilities (Increase) decrease in:</b>						
Accrued investment income receivable	19,845		2,670			17,175
Assessments receivable	(36,030)	(36,030)				
Other receivables	3,600	3,600				
Prepaid insurance	(44,059)	(44,059)				
Prepaid federal income taxes	29,595	29,595				
Other prepaid expenses	(25,891)	(25,891)				
<b>Increase (decrease) in:</b>						
Accounts payable and accrued expenses	30,496	30,496				
Assessments received in advance	35,529	35,529				
Payroll, payroll taxes and employee benefits payable	26,244	26,244				
Security deposits	11,331	11,331				
Recycling funds	13,109	13,109				
<b>Net cash provided by (used in) operating activities</b>	<b>299,326</b>	<b>115,502</b>	<b>212,083</b>	<b>113,653</b>	<b>(45,798)</b>	<b>(96,114)</b>

The accompanying notes are an integral part of these financial statements



LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2014

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
<b>Cash flows from investing activities:</b>						
Acquisition of property and equipment	\$ (336,600)	\$	\$ (336,600)	\$	\$	\$
(Increase) decrease in investments	154,532	1,435	175,000			(21,903)
<b>Net cash provided by (used in) investing activities</b>	<u>(182,068)</u>	<u>1,435</u>	<u>(161,600)</u>	<u>-</u>	<u>-</u>	<u>(21,903)</u>
<b>Cash flows from financing activities</b>						
Change in interfund balances	-	(118,017)				118,017
<b>Net increase (decrease) in cash</b>	<u>117,258</u>	<u>(1,080)</u>	<u>50,483</u>	<u>113,653</u>	<u>(45,798)</u>	<u>-</u>
<b>Cash - beginning of year</b>	<u>580,220</u>	<u>176,501</u>	<u>135,262</u>	<u>137,468</u>	<u>130,989</u>	<u>-</u>
<b>Cash - end of year</b>	<u>\$ 697,478</u>	<u>\$ 175,421</u>	<u>\$ 185,745</u>	<u>\$ 251,121</u>	<u>\$ 85,191</u>	<u>\$ -</u>
<b>Supplemental Disclosure</b>						
Cash paid during the year for federal income tax	\$ -					

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**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 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, 2014

**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.

**Reclassifications** - Certain reclassifications have been made to the 2013 financial statements to conform with the 2014 presentation.

**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, 2014

NOTE 3 - INVESTMENTS

At September 30, 2014, investments consist of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>
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
Certificate of deposit	3.25%	01/17/25	225,000
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	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
FHLB	3.73%	07/01/33	117,995
Certificate of deposit	3.25%	06/30/34	50,000
TVA Bond	4.88%	01/15/48	16,655
			<u>4,013,487</u>
Total investments held to maturity			\$ <u>4,013,487</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, 2014

**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, 2014.

Total investments held to maturity	\$ 4,013,487
Total investments available for sale	<u>539,304</u>
Total investments	<u>\$ 4,552,791</u>

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

At September 30, 2014, property and equipment consists of the following:

Machinery and equipment - maintenance	\$ 896,171
Motor vehicles	634,518
Building - 3 Buckingham Drive	215,400
Machinery and equipment - recreation	199,604
Furniture and fixtures	167,500
Computer equipment	50,375
Golf course equipment	<u>142,678</u>
Total property and equipment	2,306,246
Less: Accumulated depreciation	<u>1,599,886</u>
Property and equipment - net	<u>\$ 706,360</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, 2014, 2013 and 2012.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

For the year ended September 30, 2014, the Association expects to be taxed as a regular corporation and therefore not taxed as a condominium management association. Income taxes of \$4,595 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	\$	1,976
Replacement fund		<u>2,619</u>
Total	\$	<u>4,595</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, 2014**

**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, 2014 has been summarized as follows:

	<u>Components of Fund Balance at 9/30/2013</u>	<u>Actual 2013/2014 Funding Contributions &amp; Other Income</u>	<u>Investment Income, Net of Bank Fees</u>	<u>Expenditures</u>	<u>Income Tax Expense</u>	<u>Components of Fund Balance at 9/30/2014</u>
Roofs	\$ 1,439,735	\$ 415,000	\$ 23,279	\$ (636,073)	\$ (1,268)	\$ 1,240,673
Roads/Buckingham bridge	1,895,608	220,000	10,807	(291,688)	(608)	1,834,119
Common buildings	791,716	259,000	14,825	(162,707)	(667)	902,167
Well motors	52,691	30,000	(15)	(10,537)	-	72,139
Exterior	65,679	75,428	(22)	(23,005)	-	118,080
Retaining wall	70,732	-	(15)	(10,381)	-	60,336
Concrete	<u>166,134</u>	<u>-</u>	<u>1,363</u>	<u>(25,929)</u>	<u>(76)</u>	<u>141,492</u>
	<u>\$ 4,482,295</u>	<u>\$ 999,428</u>	<u>\$ 50,222</u>	<u>\$ (1,160,320)</u>	<u>\$ (2,619)</u>	<u>\$ 4,369,006</u>

**NOTE 7 - PROPERTIES FUND**

The activity in the properties fund for the year ended September 30, 2014 has been summarized as follows:

Properties Fund Balance at October 1, 2013	\$ 1,065,884
2013 - 2014 funding and contributions	207,600
Sale of truck	4,700
Investment income, net of bank fees	<u>(2,887)</u>
Total funding for September 30, 2014	209,413
Depreciation expense	(191,695)
Federal income tax expense	<u>-</u>
Properties Fund Balance at September 30, 2014	<u>\$ 1,083,602</u>

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 8 - DEFERRED MAINTENANCE FUND**

The activity in the deferred maintenance fund for the year ended September 30, 2014 has been summarized as follows:

Deferred maintenance fund balance at October 1, 2013		\$	137,468
2013 - 2014 funding and contributions	\$	160,000	
Investment income, net of bank fees		<u>(48)</u>	
Total funding for September 30, 2014			159,952
Power washing and painting			<u>(46,299)</u>
Deferred maintenance fund balance at September 30, 2014		\$	<u>251,121</u>

**NOTE 9 - EMERGENCY FUND**

The activity in the emergency fund for the year ended September 30, 2014 has been summarized as follows:

Emergency fund balance at October 1, 2013		\$	130,989
2013 - 2014 funding and contributions	\$	19,000	
Investment income, net of bank fees		<u>(23)</u>	
Total funding for September 30, 2014			18,977
Emergency expenditures			<u>(64,775)</u>
Emergency fund balance at September 30, 2014		\$	<u>85,191</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, which includes a administrative fee for the replacement fund of \$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 \$236,500 during the year ended September 30, 2014 and \$157,500 has been recorded as revenue in the Operating Fund and \$79,000 has been recorded as revenue in the Replacement Fund in the accompanying financial statements.

(Continued)



LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 11 - TOTAL REVENUES**

At September 30, 2014, total revenues consisted of the following:

Residential assessments	\$ 6,383,426
Residential assessments - allocated to funds	1,307,028
Investment income, net of bank fees - allocated to funds	47,264
Administrative fees	236,500
Rental income	95,581
Township reimbursement	69,588
Late fees	41,380
Other income	14,199
Unit services	13,855
Lease fee income	18,095
Advertising income	3,793
Printing reimbursement	1,251
Village fair income, net of expenses	20
Investment income	257
Other income - allocated to properties fund	<u>4,700</u>
	<u>\$ 8,236,937</u>

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

At September 30, 2014, residential assessments - allocations to funds consisted of the following:

Assessments allocated to the replacement fund	\$ 920,428
Assessments allocated to the deferred maintenance fund	160,000
Assessments allocated to the properties fund	207,600
Assessments allocated to the emergency reserve fund	<u>19,000</u>
	<u>\$ 1,307,028</u>

**NOTE 13 - TOWNSHIP REIMBURSEMENT**

The Township has reimbursed the Association \$69,588 for a portion of its street lighting, snow clearing and leaf pick-up expenditures. This amount consists of \$29,460 for snow clearing costs incurred for the period July 2013 through June 2014. 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 \$32,553 for street lighting costs incurred during the 2013 calendar year and \$7,575 for fall of 2013 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, 2014 will be recorded as revenue when it is received.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**NOTE 14 - DONATIONS**

The following summarizes all donations and related expenses for the year ended September 30, 2014:

Donations	
Club Donations for Village Fair	\$ 575
Business Donations for Village Fair	<u>1,935</u>
Total Donations	<u>\$ 2,510</u>
Expenses	
Village Fair expenses	\$ <u>2,510</u>
Total Expenses	<u>\$ 2,510</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 Associations 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. The Board is currently negotiating a new agreement and the expired agreement has been extended through such date that a new agreement is reached.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 16 - COMMITMENTS

The Association derives income from occupancy leases for the commercial units under no-cancellable operating agreements expiring on various dates through September 30, 2019. The agreements call for fixed rents. Future minimum rents to be received are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2015	\$ 96,244
2016	81,249
2017	55,723
2018	47,215
2019	<u>47,215</u>
Total	\$ <u>327,646</u>

Total rental income under all operating leases totaled \$95,581 for the year ended September 30, 2014.

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:

<u>Year Ending</u> <u>September 30,</u>	
2015	\$ 59,439
2016	59,439
2017	59,439
2018	<u>59,439</u>
Total	\$ <u>237,756</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, 2014, the contribution was approximately \$30,000.

(Continued)

**LEISURE VILLAGE WEST ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**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, 2014**

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 2014 Schedule</u>		
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2013-2014 Funding</u>
Roofs	1 - 25	\$ 10,517,200	415,000
Roads/Buckingham bridge	1 - 30	6,374,911	220,000
Common buildings	1 - 50	2,584,133	180,000
Well motors	5	102,000	30,000
Retaining wall	1 - 10	59,700	-
Concrete	0 - 30	1,735,000	-
Exterior*		<u>-</u>	<u>75,428</u>
		<u>\$ 21,372,944</u>	<u>\$ 920,428</u>
<b>Replacement fund balance as of September 30, 2014</b>		<b><u>\$ 4,369,006</u></b>	
<b>Replacement fund - as a percentage funded as of September 30, 2014</b>			<b><u>20.44%</u></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, 2014

	2014			2013
	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)	Actual
<b>REVENUES</b>				
Residential assessments	\$ 6,383,426	\$ 6,369,150	\$ 14,276	\$ 6,213,633
Residential assessments - allocated to funds	1,307,028	1,307,028	-	1,296,722
Investment income, net of bank fees - allocated to funds	47,264	139,600	(92,336)	62,861
Administrative fees	236,500	129,000	107,500	333,865
Rental income	95,581	95,100	481	91,129
Township reimbursement	69,588	79,700	(10,112)	68,370
Late fee income	41,380	38,100	3,280	51,028
Other income	14,199	9,200	4,999	10,723
Unit services	13,855	15,100	(1,245)	22,215
Lease fee income	18,095	16,000	2,095	24,205
Advertising income	3,793	3,600	193	4,389
Printing reimbursement	1,251	2,400	(1,149)	1,560
Village fair income, net of expenses	20	-	20	2,273
Investment income	257	1,700	(1,443)	1,526
Other income, net - allocated to funds	4,700	-	4,700	128,073
<b>Subtotal</b>	<u>8,236,937</u>	<u>8,205,678</u>	<u>31,259</u>	<u>8,312,572</u>
<b>TRANSFERS</b>				
Residential assessments allocated to the replacement fund	920,428	920,428	-	872,916
Residential assessments allocated to the deferred maintenance fund	160,000	160,000	-	160,000
Residential assessments allocated to the properties fund	207,600	207,600	-	198,300
Residential assessments allocated to the emergency fund	19,000	19,000	-	65,506
Investment income, net of bank fees, allocated to:				
Replacement fund	50,222	139,600	89,378	65,926
Properties fund	(2,887)	-	2,887	(3,016)
Deferred maintenance fund	(48)	-	48	(28)
Emergency fund	(23)	-	23	(21)
Administrative fees allocated to the replacement fund	79,000	-	(79,000)	103,000
Other income, allocated to the replacement fund	-	-	-	120,856
Other income, allocated to the properties fund	4,700	-	(4,700)	7,217
<b>Total revenues, net of transfers to replacement, deferred maintenance properties fund and emergency fund</b>	<u>6,798,945</u>	<u>6,759,050</u>	<u>39,895</u>	<u>6,721,916</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, 2014**

	<u>2014</u>		Variance Favorable (Unfavorable)	<u>2013</u>
	<u>Actual</u>	(Unaudited) <u>Budget</u>		<u>Actual</u>
<b>OPERATING EXPENSES</b>				
Payroll, payroll taxes and employee benefits	3,701,872	3,775,100	73,228	3,613,110
Other operating fund expenses	3,073,926	3,014,200	(59,726)	2,899,049
Federal income taxes	1,976	8,400	6,424	2,704
<b>Total operating expenses</b>	<u>6,777,774</u>	<u>6,797,700</u>	<u>19,926</u>	<u>6,514,863</u>
Operating contingency (transfer to common buildings, replacement fund)	<u>-</u>	<u>44,350</u>	<u>44,350</u>	<u>120,000</u>
<b>Excess (deficiency) of revenues over transfers and operating expenses</b>	<u>\$ 21,171</u>	(83,000)	<u>\$ 104,171</u>	<u>\$ 87,053</u>
<b>Budgeted Surplus Carryover</b>		<u>83,000</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, 2014

	2014		Variance Favorable (Unfavorable)	2013
	Actual	(Unaudited) Budget		Actual
<b>PAYROLL, PAYROLL TAXES AND EMPLOYEE BENEFITS</b>				
Fringe benefits	846,217	859,700	13,483	775,393
Grounds maintenance payroll - 44 employees budgeted	768,343	824,400	56,057	751,169
Snow removal payroll - regular time and over time	86,521	-	(86,521)	19,987
Administrative payroll - 8 employees budgeted	484,703	493,800	9,097	489,819
Building maintenance payroll - 11.5 employees budgeted	437,887	424,900	(12,987)	400,137
Payroll taxes	306,826	353,600	46,774	328,278
Clerical payroll - 8 employees budgeted	249,963	254,700	4,737	255,836
Lead/mechanic payroll - 5 employees budgeted	156,048	200,500	44,452	203,420
Janitor payroll - 5 employees budgeted	175,865	156,300	(19,565)	168,830
Appliance mechanic - 3.5 employees budgeted	127,895	140,700	12,805	145,840
Golf course payroll - 2 employees budgeted	61,604	66,500	4,896	74,401
<b>Total payroll, payroll taxes and employee benefits</b>	<b>\$ 3,701,872</b>	<b>\$ 3,775,100</b>	<b>\$ 73,228</b>	<b>\$ 3,613,110</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, 2014

	2014		Variance Favorable (Unfavorable)	2013
	Actual	(Unaudited) Budget		Actual
<b>OTHER OPERATING FUND EXPENSES</b>				
Insurance	\$ 903,730	\$ 894,900	\$ (8,830)	\$ 760,088
Lawn maintenance	343,793	307,300	(36,493)	365,819
Building maintenance	241,613	264,100	22,487	269,219
Sanitation contract	210,001	213,200	3,199	201,298
Security services contract	186,989	191,800	4,811	153,553
Outdoor lighting and wells	128,302	148,000	19,698	123,284
Community buildings maintenance and repair	174,438	137,300	(37,138)	166,600
Building electric	123,886	129,500	5,614	130,497
Snow clearing	30,669	30,000	(669)	18,854
Auto and truck expense	27,807	25,800	(2,007)	37,588
Office expense	84,569	90,900	6,331	97,691
Bus expense	96,981	95,000	(1,981)	93,866
Bad debt expense	60,086	10,000	(50,086)	51,864
Appliance maintenance	79,193	83,000	3,807	67,175
Building heating	89,015	75,000	(14,015)	66,398
Exterminating	68,037	68,100	63	68,037
Community TV service	63,045	63,800	755	64,086
Professional fees	48,138	67,500	19,362	49,012
Insurance claim expense, net of proceeds	14,474	-	(14,474)	1,544
Bookkeeping and computer services	16,867	16,800	(67)	16,339
Golf course maintenance	18,723	27,600	8,877	28,230
Concrete repairs	12,191	19,900	7,709	19,179
Building water and sewer	14,154	14,000	(154)	12,776
Recreation expense, net of income	19,893	20,400	507	17,187
Bank fees	5,531	5,300	(231)	7,061
Road maintenance	9,392	15,000	5,608	7,395
Magazine expense, net of income	2,409	-	(2,409)	4,409
<b>Total other operating fund expenses</b>	<b>\$ 3,073,926</b>	<b>\$ 3,014,200</b>	<b>\$ (59,726)</b>	<b>\$ 2,899,049</b>

LEISURE VILLAGE WEST ASSOCIATION, INC.

SCHEDULES OF DEFERRED MAINTENANCE FUND AND  
REPLACEMENT FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Deferred Maintenance Fund Expenditures**

Power washing and painting \$ 46,299

**Total deferred maintenance fund expenditures** \$ 46,299

**Replacement Fund Expenditures**

Roof replacement - units \$ 636,073

Roads 291,688

Common buildings 162,707

Well motors 10,537

Exterior 23,005

Retaining wall 10,381

Concrete 25,929

**Total replacement fund expenditures** \$ 1,160,320