

LEISURE VILLAGE WEST ASSOCIATION, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2015

AND

INDEPENDENT AUDITOR'S REPORT

LEISURE VILLAGE WEST ASSOCIATION, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2015**

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MOHEL ELLIOTT BAUER & GASS

A PROFESSIONAL ASSOCIATION

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

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732/363-6500 FAX: 732/363-0675



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, 2015, 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, 2015, 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

Report on Summarized Comparative Information

We have previously audited Leisure Village West Association, Inc. September 30, 2014 financial statements, and we expressed unmodified opinion on those financial statements in our report dated December 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, 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 10, 2015
Lakewood, New Jersey

LEISURE VILLAGE WEST ASSOCIATION, INC.
BALANCE SHEET
SEPTEMBER 30, 2015

		<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	\$ 952,558	\$ 206,981	\$ 296,618	\$ 386,364	\$ 62,595	\$
2	Investments	4,617,036		191,497			4,425,539
3	Accrued investment income receivable	18,206					18,206
4	Assessments receivable, net of allowance for doubtful accounts of \$185,984	404,534	404,534				
5	Insurance reimbursement receivable	5,087	5,087				
6	Prepaid insurance	335,293	335,293				
7	Prepaid federal income taxes	639	639				
8	Other prepaid expenses	25,212	25,212				
9	Property and equipment, net	595,835		595,835			
10	Interfund balances	-	(56,723)				56,723
	Total assets	\$ 6,954,400	\$ 921,023	\$ 1,083,950	\$ 386,364	\$ 62,595	\$ 4,500,468

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.
BALANCE SHEET
SEPTEMBER 30, 2015

	<u>Total</u>	<u>Operating Fund</u>	<u>Properties Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Emergency Fund</u>	<u>Replacement Fund</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
11	\$ 132,817	\$ 132,817	\$	\$	\$	\$
12	21,325	21,325				
13	376,258	376,258				
14	284,618	284,618				
15	27,881	27,881				
16	<u>3,288</u>	<u>3,288</u>				
	846,187	846,187	-	-	-	-
17	<u>6,108,213</u>	<u>74,836</u>	<u>1,083,950</u>	<u>386,364</u>	<u>62,595</u>	<u>4,500,468</u>
	<u>\$ 6,954,400</u>	<u>\$ 921,023</u>	<u>\$ 1,083,950</u>	<u>\$ 386,364</u>	<u>\$ 62,595</u>	<u>\$ 4,500,468</u>
		Total liabilities and fund balances				

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, 2015

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
TOTAL REVENUES	\$ 8,570,550	\$ 7,054,127	\$ 207,791	\$ 159,917	\$ 34,982	\$ 1,113,733
EXPENSES						
1. Payroll, payroll taxes and employee benefits	3,865,077	3,865,077				
2. Other operating fund expenses	3,181,867	3,181,867				3,277
3. Federal income taxes	5,851	2,574				
4. Operating contingency	60,000	60,000				
5. Charges to the replacement fund	978,994					978,994
6. Charges to the emergency fund	57,578				57,578	
7. Charges to the deferred maintenance fund	24,674			24,674		
8. Total expenses and charges before depreciation	8,174,041	7,109,518	-	24,674	57,578	982,271
9. Excess (deficiency) of revenues over expenses before depreciation	396,509	(55,391)	207,791	135,243	(22,596)	131,462
10. Depreciation expense	207,443		207,443			
11. Excess (deficiency) of revenues over expenses after depreciation	189,066	(55,391)	348	135,243	(22,596)	131,462
12. Fund Balances - Beginning of year	5,919,147	130,227	1,083,602	251,121	85,191	4,369,006
13. Fund Balances - End of year	\$ 6,108,213	\$ 74,836	\$ 1,083,950	\$ 386,364	\$ 62,595	\$ 4,500,468

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
Cash flows from operating activities:						
Excess (deficiency) of revenues over expenses	\$ 189,066	\$ (55,391)	\$ 348	\$ 135,243	\$ (22,596)	\$ 131,462
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:						
Depreciation	207,443		207,443			
Allowance for doubtful accounts	(40,489)	(40,489)				
Changes in assets and liabilities (Increase) decrease in:						
Accrued investment income receivable	(7,875)					(7,875)
Assessments receivable	99,761	99,761				
Insurance reimbursement receivable	(5,087)	(5,087)				
Prepaid insurance	(293)	(293)				
Prepaid federal income taxes	5,851	5,851				
Other prepaid expenses	13,846	13,846				
Increase (decrease) in:						
Accounts payable and accrued expenses	(81,983)	(81,983)				
Insurance reimbursement payable	21,325	21,325				
Assessments received in advance	14,250	14,250				
Payroll, payroll taxes and employee benefits payable	601	601				
Security deposits	9,648	9,648				
Recycling funds	(9,821)	(9,821)				
Net cash provided by (used in) operating activities	416,243	(27,782)	207,791	135,243	(22,596)	123,587

The accompanying notes are an integral part of these financial statements

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015

	Total	Operating Fund	Properties Fund	Deferred Maintenance Fund	Emergency Fund	Replacement Fund
Cash flows from investing activities:						
Acquisition of property and equipment	\$ (96,918)	\$	\$ (96,918)	\$	\$	\$
(Increase) decrease in investments	<u>(64,245)</u>					<u>(64,245)</u>
Net cash provided by (used in) investing activities	<u>(161,163)</u>		<u>(96,918)</u>			<u>(64,245)</u>
Cash flows from financing activities						
Change in interfund balances	-	59,342				<u>(59,342)</u>
Net increase (decrease) in cash	255,080	31,560	110,873	135,243	(22,596)	-
Cash - beginning of year	<u>697,478</u>	<u>175,421</u>	<u>185,745</u>	<u>251,121</u>	<u>85,191</u>	<u>-</u>
Cash - end of year	<u>\$ 952,558</u>	<u>\$ 206,981</u>	<u>\$ 296,618</u>	<u>\$ 386,364</u>	<u>\$ 62,595</u>	<u>\$ -</u>
Supplemental Disclosure						
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, 2015

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, 2015

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 2014 financial statements to conform with the 2015 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, 2015

NOTE 3 - INVESTMENTS

At September 30, 2015, 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	09/21/18	200,000
Market linked certificate of deposit	Undetermined	01/03/20	200,000
FHLB	2.00%	02/15/22	620,000
Certificate of deposit	2.60%	07/18/22	120,000
Certificate of deposit	3.05%	11/05/24	150,000
Certificate of deposit	3.10%	11/05/24	130,000
Certificate of deposit	3.00%	11/05/24	200,000
Certificate of deposit	3.25%	01/17/25	225,000
Certificate of deposit	2.00%	10/26/27	200,000
Certificate of deposit	3.00%	07/31/28	50,000
Certificate of deposit	3.00%	10/09/29	50,000
AGENCY	2.25%	05/20/30	125,006
FFCB	3.23%	11/01/30	123,682
FNMA	3.25%	07/26/32	20,000
FNMA	3.00%	08/20/32	30,000
FNMA	3.25%	08/27/32	100,000
FHLB	3.29%	09/21/32	100,000
Certificate of deposit	2.30%	11/08/32	200,000
FFCB	3.18%	11/15/32	30,000
FFCB	3.25%	01/14/33	100,000
FHLB	3.25%	01/18/33	40,000
FNMA	3.25%	05/23/33	40,000
FHLB	3.73%	07/01/33	120,000
Certificate of deposit	3.25%	06/30/34	50,000
Certificate of deposit	3.25%	10/20/34	175,000
FHLB	3.30%	08/08/35	30,000
FHLB	3.30%	08/28/37	40,000
FFCB	4.01%	11/02/40	<u>164,365</u>
Total investments held to maturity			<u>\$ 4,073,053</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, 2015

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, 2015.

Total Investments held to maturity	\$ 4,073,053
Total investments available for sale	<u>543,983</u>
Total investments	<u>\$ 4,617,036</u>

NOTE 4 - PROPERTY AND EQUIPMENT, NET

At September 30, 2015, property and equipment consists of the following:

Machinery and equipment - maintenance	\$ 933,516
Motor vehicles	634,518
Building - 3 Buckingham Drive	215,400
Machinery and equipment - recreation	203,499
Furniture and fixtures	167,500
Computer equipment	60,364
Golf course equipment	<u>142,678</u>
Total property and equipment	2,357,475
Less: Accumulated depreciation	<u>1,761,640</u>
Property and equipment - net	<u>\$ 595,835</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, 2015, 2014 and 2013.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 - INCOME TAXES (Continued)

For the year ended September 30, 2015, the Association expects to be taxed as a regular corporation and therefore not taxed as a condominium management association. Income taxes of \$5,851 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	\$ 2,574
Replacement fund	<u>3,277</u>
Total	<u>\$ 5,851</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, 2015

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, 2015 has been summarized as follows:

	Components of Fund Balance at 9/30/2014	Funding Contributions Other Income & Transfers	Investment Income, Net of Bank Fees	Expenditures	Income Tax Expense	Components of Fund Balance at 9/30/2015
Roofs	\$ 1,240,673	\$ 445,000	\$ 21,199	\$ (432,838)	\$ (1,334)	\$ 1,272,700
Roads/Buckingham bridge	1,834,119	220,000	1,374	(350,944)	(138)	1,704,411
Common buildings	902,167	308,000	18,951	(86,001)	(1,193)	1,141,924
Well motors	72,139	30,000	755	(17,163)	(49)	85,682
TV/Cable	-	23,000	(4)	-	-	22,996
Exterior	118,080	49,662	6,896	(17,481)	(429)	156,728
Retaining wall	60,336	(13,234)	(3)	(47,099)	-	-
Concrete	141,492	-	2,137	(27,468)	(134)	116,027
	<u>\$ 4,369,006</u>	<u>\$ 1,062,428</u>	<u>\$ 51,305</u>	<u>\$ (978,994)</u>	<u>\$ (3,277)</u>	<u>\$ 4,500,468</u>

Funding contributions and other income consist of the following, residential assessments of \$904,428, resale administrative fees of \$98,000 and Board designated other income of \$60,000 from operating contingency. Retaining wall balance of \$13,234 has been transferred to exterior.

NOTE 7 - PROPERTIES FUND

The activity in the properties fund for the year ended September 30, 2015 has been summarized as follows:

Properties Fund Balance at October 1, 2014	\$ 1,083,602
2014 - 2015 funding and contributions	207,600
Sale of equipment	475
Investment income, net of bank fees	<u>(284)</u>
Total funding for September 30, 2015	207,791
Depreciation expense	(207,443)
Federal income tax expense	<u>-</u>
Properties Fund Balance at September 30, 2015	<u>\$ 1,083,950</u>

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - DEFERRED MAINTENANCE FUND

The activity in the deferred maintenance fund for the year ended September 30, 2015 has been summarized as follows:

Deferred maintenance fund balance at October 1, 2014		\$ 251,121
2014 - 2015 funding and contributions	\$ 160,000	
investment income, net of bank fees	<u>(83)</u>	
Total funding for September 30, 2015		159,917
Power washing and painting		<u>(24,674)</u>
Deferred maintenance fund balance at September 30, 2015		\$ <u>386,364</u>

NOTE 9 - EMERGENCY FUND

The activity in the emergency fund for the year ended September 30, 2015 has been summarized as follows:

Emergency fund balance at October 1, 2014		\$ 85,191
2014 - 2015 funding and contributions	\$ 35,000	
investment income, net of bank fees	<u>(18)</u>	
Total funding for September 30, 2015		34,982
Emergency expenditures		<u>(57,578)</u>
Emergency fund balance at September 30, 2015		\$ <u>62,595</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 \$293,750 during the year ended September 30, 2015 and \$195,750 has been recorded as revenue in the Operating Fund and \$98,000 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, 2015

NOTE 11 - TOTAL REVENUES

At September 30, 2015, total revenues consisted of the following:

Residential assessments	\$ 6,602,344
Residential assessments - allocated to funds	1,307,028
Investment income, net of bank fees - allocated to funds	50,920
Administrative fees	293,750
Rental income	105,120
Township reimbursement	65,234
Late fees	35,187
Other income	9,721
Unit services	23,899
Lease fee income	13,395
Advertising income	2,594
Printing reimbursement	581
Investment income	302
Other income - allocated to funds	60,475
	<u>\$ 8,570,550</u>

NOTE 12 - RESIDENTIAL ASSESSMENTS - ALLOCATIONS TO FUNDS

At September 30, 2015, residential assessments - allocations to funds consisted of the following:

Assessments allocated to the replacement fund	\$ 904,428
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>35,000</u>
	<u>\$ 1,307,028</u>

NOTE 13 - TOWNSHIP REIMBURSEMENT

The Township has reimbursed the Association \$65,234 for a portion of its street lighting, snow clearing and leaf pick-up expenditures. This amount consists of \$29,574 for snow clearing costs incurred for the period July 2014 through June 2015. 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 \$29,178 for street lighting costs incurred during the 2014 calendar year and \$6,482 for fall of 2014 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, 2015 will be recorded as revenue when it is received.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 14 - DONATIONS

The following summarizes all donations and related expenses for the year ended September 30, 2015:

Donations	
LVW Recycling Club - Encore Pool Bathroom Reimbursement	\$ 11,219
Business Donation for Grandkid's Day	<u>295</u>
Total Donations	<u>\$ 11,514</u>
Expenses	
Encore Pool Bathroom Refurbishment	\$ 11,219
Expenses for Grandkid's Day	<u>295</u>
Total Expenses	<u>\$ 11,514</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, 2014 through September 30, 2017.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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>	
2016	\$ 96,618
2017	55,723
2018	47,215
2019	<u>47,215</u>
Total	\$ <u>246,771</u>

Total rental income under all operating leases totaled \$105,120 for the year ended September 30, 2015.

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>	
2016	\$ 59,439
2017	59,439
2018	<u>59,439</u>
Total	\$ <u>178,317</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 \$.32 an hour for each hour worked for each employee. For the year ended September 30, 2015, the contribution was approximately \$33,000.

(Continued)

LEISURE VILLAGE WEST ASSOCIATION, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015**

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 2015 Schedule</u>		
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2014-2015 Funding</u>
Roofs	1 - 25	\$ 11,334,012	445,000
Roads/Buckingham bridge	1 - 30	6,605,675	220,000
Common buildings	1 - 50	2,970,433	150,000
Well motors	5	102,000	30,000
Concrete	0 - 30	1,735,000	-
Exterior*		-	36,428
TV/Cable		-	23,000
		<u>\$ 22,747,120</u>	<u>\$ 904,428</u>
Replacement fund balance as of September 30, 2015		<u>\$ 4,500,468</u>	
Replacement fund - as a percentage funded as of September 30, 2015			<u>19.78%</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, 2015

	2015			2014
	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)	Actual
REVENUES				
Residential assessments	\$ 6,602,344	\$ 6,595,278	\$ 7,066	\$ 6,383,426
Residential assessments - allocated to funds	1,307,028	1,307,028	-	1,307,028
Investment income, net of bank fees - allocated to funds	50,920	66,800	(15,880)	47,264
Administrative fees	293,750	149,000	144,750	236,500
Rental income	105,120	99,500	5,620	95,581
Township reimbursement	65,234	68,400	(3,166)	69,588
Late fee income	35,187	39,600	(4,413)	41,380
Other income	9,721	11,000	(1,279)	14,199
Unit services	23,899	21,600	2,299	13,855
Lease fee income	13,395	15,300	(1,905)	18,095
Advertising income	2,594	2,700	(106)	3,793
Printing reimbursement	581	1,600	(1,019)	1,251
Village fair income, net of expenses	-	-	-	20
Investment income	302	300	2	257
Other income, net - allocated to funds	60,475	-	60,475	4,700
Subtotal	8,570,550	8,378,106	192,444	8,236,937
TRANSFERS				
Residential assessments allocated to the replacement fund	904,428	904,428	-	920,428
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	-	207,600
Residential assessments allocated to the emergency fund	35,000	35,000	-	19,000
Investment income, net of bank fees, allocated to:				
Replacement fund	51,305	66,800	15,495	50,222
Properties fund	(284)	-	284	(2,887)
Deferred maintenance fund	(83)	-	83	(48)
Emergency fund	(18)	-	18	(23)
Administrative fees allocated to the replacement fund	98,000	-	(98,000)	79,000
Other income, allocated to the replacement fund	60,000	-	(60,000)	-
Other income, allocated to the properties fund	475	-	(475)	4,700
Total revenues, net of transfers to replacement, deferred maintenance properties fund and emergency fund	7,054,127	7,004,278	49,849	6,798,945

(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, 2015

	<u>2015</u>		Variance Favorable (Unfavorable)	<u>2014</u>
	<u>Actual</u>	(Unaudited) <u>Budget</u>		<u>Actual</u>
OPERATING EXPENSES				
Payroll, payroll taxes and employee benefits	3,865,077	3,867,200	2,123	3,701,872
Other operating fund expenses	3,181,867	3,189,300	7,433	3,073,926
Federal income taxes	2,574	2,800	226	1,976
Total operating expenses	<u>7,049,518</u>	<u>7,059,300</u>	<u>9,782</u>	<u>6,777,774</u>
Operating contingency (transfer to common buildings, replacement fund)	<u>60,000</u>	<u>44,150</u>	<u>(15,850)</u>	<u>-</u>
Excess (deficiency) of revenues over transfers and operating expenses	<u>\$ (55,391)</u>	(99,172)	<u>\$ 43,781</u>	<u>\$ 21,171</u>
Budgeted Surplus Carryover		<u>99,172</u>		
Excess of revenues over expenses after budgeted surplus carryover		<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, 2015

	2015		Variance Favorable (Unfavorable)	2014
	Actual	(Unaudited) Budget		Actual
PAYROLL, PAYROLL TAXES AND EMPLOYEE BENEFITS				
Fringe benefits	924,595	899,700	(24,895)	846,217
Grounds maintenance payroll - 44 employees budgeted	735,572	844,700	109,128	768,343
Snow removal payroll - regular time and over time	69,018	-	(69,018)	86,521
Administrative payroll - 8 employees budgeted	495,384	503,700	8,316	484,703
Building maintenance payroll - 11.5 employees budgeted	452,019	433,900	(18,119)	437,887
Payroll taxes	317,944	350,100	32,156	306,826
Clerical payroll - 8 employees budgeted	246,924	259,800	12,876	249,983
Lead/mechanic payroll - 5 employees budgeted	214,390	204,400	(9,990)	156,048
Janitor payroll - 5 employees budgeted	188,515	159,500	(29,015)	175,865
Appliance mechanic - 3.5 employees budgeted	141,417	143,600	2,183	127,895
Golf course payroll - 2 employees budgeted	79,299	67,800	(11,499)	61,604
Total payroll, payroll taxes and employee benefits	\$ 3,865,077	\$ 3,867,200	\$ 2,123	\$ 3,701,872

(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, 2015

	2015			2014
	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)	Actual
OTHER OPERATING FUND EXPENSES				
Insurance	\$ 989,307	\$ 1,007,900	\$ 18,593	\$ 903,730
Lawn maintenance	319,898	315,800	(4,098)	343,793
Building maintenance	269,361	254,000	(15,361)	241,613
Sanitation contract	212,357	220,600	8,243	210,001
Security services contract	162,440	194,800	32,360	186,989
Outdoor lighting and wells	121,612	145,700	24,088	128,302
Community buildings maintenance and repair	178,861	157,900	(20,961)	174,438
Building electric	112,118	133,500	21,382	123,886
Snow clearing	43,508	39,700	(3,808)	30,669
Auto and truck expense	29,831	26,500	(3,331)	27,807
Office expense	95,834	95,700	(134)	84,569
Bus expense	95,160	95,000	(160)	96,981
Bad debt expense	77,622	10,000	(67,622)	60,086
Appliance maintenance	80,530	74,800	(5,730)	79,193
Building heating	72,942	68,700	(4,242)	89,015
Exterminating	68,037	68,100	63	68,037
Community TV service	63,739	63,800	61	63,045
Professional fees	71,581	107,500	35,919	48,138
Insurance claim expense, net of proceeds	5,229	-	(5,229)	14,474
Bookkeeping and computer services	16,179	16,800	621	16,867
Golf course maintenance	25,693	28,400	2,707	18,723
Concrete repairs	30,195	19,900	(10,295)	12,191
Building water and sewer	9,779	14,000	4,221	14,154
Recreation expense, net of income	17,524	17,900	376	19,893
Bank fees	4,381	5,300	919	5,531
Road maintenance	6,723	7,000	277	9,392
Magazine expense, net of income	852	-	(852)	2,409
Village fair expenses, net of income	574	-	(574)	-
Total other operating fund expenses	\$ 3,181,867	\$ 3,189,300	\$ 7,433	\$ 3,073,926

LEISURE VILLAGE WEST ASSOCIATION, INC.

SCHEDULES OF DEFERRED MAINTENANCE FUND AND
REPLACEMENT FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Deferred Maintenance Fund Expenditures

Power washing and painting \$ 24,674

Total deferred maintenance fund expenditures \$ 24,674

Replacement Fund Expenditures

Roof replacement - units \$ 432,838

Roads 350,944

Common buildings 86,001

Well motors 17,163

Exterior 17,481

Retaining wall 47,099

Concrete 27,468

Total replacement fund expenditures \$ 978,994