

LEISURE VILLAGE WEST

ASSOCIATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES AND UNIT OWNERS OF LEISURE VILLAGE WEST ASSOCIATION, INC.

We have audited the accompanying balance sheet of Leisure Village West Association, Inc. (the "Association") as of September 30, 2009 and the related statements of revenues and expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's board of trustees. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

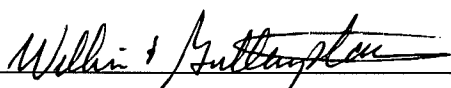
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2009, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on Future Major Repairs and Replacements on page 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of the board regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on pages 18 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been summarized from Association records and, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



WILKIN & GUTTENPLAN, P.C.
Certified Public Accountants

East Brunswick, New Jersey

November 30, 2009

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LEISURE VILLAGE WEST ASSOCIATION, INC.

BALANCE SHEET

SEPTEMBER 30, 2009

	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>PROPERTIES FUND</u>	<u>DEFERRED MAINTENANCE FUND</u>	<u>REPLACEMENT FUND</u>
ASSETS					
1. Cash	\$ 338,459	\$ 80,230	\$ 211,377	\$ 46,852	\$ -
2. Investments	4,015,209	177,951	500,000	-	3,337,258
3. Accrued investment income receivable	20,344	-	-	-	20,344
4. Assessments receivable	165,832	165,832	-	-	-
5. Other receivables	21,485	21,485	-	-	-
6. Prepaid insurance	141,199	141,199	-	-	-
7. Prepaid Federal income taxes	15,718	15,718	-	-	-
8. Other prepaid expenses	19,488	19,488	-	-	-
9. Property and equipment, net	313,839	-	313,839	-	-
10. Interfund balances	-	30,614	(12,580)	(4)	(18,030)
TOTAL ASSETS	<u>\$ 5,051,573</u>	<u>\$ 652,517</u>	<u>\$ 1,012,636</u>	<u>\$ 46,848</u>	<u>\$ 3,339,572</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
11. Accounts payable and accrued expenses	\$ 67,147	\$ 67,147	\$ -	\$ -	\$ -
12. Assessments received in advance	250,449	250,449	-	-	-
13. Payroll, payroll taxes and employee benefits payable	272,076	272,076	-	-	-
TOTAL LIABILITIES	589,672	589,672	-	-	-
COMMITMENTS					
14. FUND BALANCES	4,461,901	62,845	1,012,636	46,848	3,339,572
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,051,573</u>	<u>\$ 652,517</u>	<u>\$ 1,012,636</u>	<u>\$ 46,848</u>	<u>\$ 3,339,572</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

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>PROPERTIES FUND</u>	<u>DEFERRED MAINTENANCE FUND</u>	<u>REPLACEMENT FUND</u>
TOTAL REVENUES	\$ 7,346,563	\$ 6,271,594	\$ 144,656	\$ 159,958	\$ 770,355
EXPENSES:					
1. Payroll, payroll taxes and employee benefits	3,586,905	3,586,905	-	-	-
2. Other operating expenses	2,642,619	2,642,619	-	-	-
3. Federal income taxes	48,198	17,582	2,672	1	27,943
4. Charges to the replacement fund, net of recycling club contribution	627,667	-	-	-	627,667
5. Charges to the deferred maintenance fund	149,274	-	-	149,274	-
6. TOTAL EXPENSES AND CHARGES BEFORE DEPRECIATION	7,054,663	6,247,106	2,672	149,275	655,610
7. EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	291,900	24,488	141,984	10,683	114,745
8. DEPRECIATION EXPENSE	150,058	-	150,058	-	-
9. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	141,842	24,488	(8,074)	10,683	114,745
10. FUND BALANCES - BEGINNING OF YEAR	4,320,059	38,357	1,020,710	36,165	3,224,827
11. FUND BALANCES - END OF YEAR	\$ 4,461,901	\$ 62,845	\$ 1,012,636	\$ 46,848	\$ 3,339,572

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

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>PROPERTIES FUND</u>	<u>DEFERRED MAINTENANCE FUND</u>	<u>REPLACEMENT FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Excess (deficiency) of revenues over expenses	\$ 141,842	\$ 24,488	\$ (8,074)	\$ 10,683	\$ 114,745
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:					
Accretion of investments	(165)	-	-	-	(165)
Change in interfund balances	-	21,289	6,707	(32)	(27,964)
Depreciation	150,058	-	150,058	-	-
Changes in assets and liabilities:					
Accrued investment income receivable	2,570	-	5,944	-	(3,374)
Assessments receivable	(65,066)	(65,066)	-	-	-
Other receivables	(2,728)	(2,728)	-	-	-
Prepaid insurance	52,469	52,469	-	-	-
Prepaid Federal income taxes	(15,718)	(15,718)	-	-	-
Other prepaid expenses	4,984	4,984	-	-	-
Accounts payable and accrued expenses	(42,662)	(26,831)	-	-	(15,831)
Assessments received in advance	(56,656)	(56,656)	-	-	-
Payroll, payroll taxes and employee benefits payable	23,277	23,277	-	-	-
Federal income taxes payable	(10,084)	(10,084)	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	182,121	(50,576)	154,635	10,651	67,411

(CONTINUED)

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

LEISURE VILLAGE WEST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>PROPERTIES FUND</u>	<u>DEFERRED MAINTENANCE FUND</u>	<u>REPLACEMENT FUND</u>
(CONTINUED)					
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property and equipment	(30,011)	-	(30,011)	-	-
Purchase of investments	(1,589,054)	(881)	(500,000)	-	(1,088,173)
Maturity of investments	1,716,716	73,000	586,753	36,201	1,020,762
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>97,651</u>	<u>72,119</u>	<u>56,742</u>	<u>36,201</u>	<u>(67,411)</u>
NET INCREASE IN CASH	279,772	21,543	211,377	46,852	-
CASH - BEGINNING OF YEAR	<u>58,687</u>	<u>58,687</u>	-	-	-
CASH - END OF YEAR	<u>\$ 338,459</u>	<u>\$ 80,230</u>	<u>\$ 211,377</u>	<u>\$ 46,852</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE:					
CASH PAID DURING THE YEAR FOR:					
Federal income taxes	<u>\$ 74,000</u>				

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

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1 - NATURE OF ORGANIZATION:

Leisure Village West Association, Inc. (the "Association"), located in Manchester, New Jersey is an incorporated association pursuant to the Condominium Act of the State of New Jersey. The purposes of the Association are to provide condominium management services for the owners of the 2,692 condominium units in the Association and to provide for the preservation and maintenance of the common elements in the condominiums and the remainder of the common areas and facilities in the Association. Recreational facilities include three recreation buildings, two pools, two golf courses and other various recreational facilities.

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., Public Offering Statement, 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 was received from the Sponsor.

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, which occur less frequently than annually.

(CONTINUED)

LEISURE VILLAGE WEST ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

Cash - Cash is held in bank deposit accounts which, at times, may exceed federally insured limits.

Investments - The Association has classified securities as held to maturity and available for sale. Securities classified as held to maturity are stated at cost and 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 are reported in the statement of revenues and expenses based on the adjusted cost of the specific security sold.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed on a 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.

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