

**CRESTWOOD VILLAGE CO-OP, INC.**  
**92 Fairway Lane**  
**Whiting, NJ 08759**

TO: ALL MEMBERSHIP CERTIFICATE HOLDERS

FROM: THE BOARD OF TRUSTEES

SUBJECT: ANNUAL MEETING

In accordance with the By-Laws of Crestwood Village Co-Op, Inc. this will serve as the Official Notice of the Annual Meeting of the Membership Certificate Holders of Crestwood Village Co-Op, Inc.

DATE: Monday, September 15, 2014 at 10:00 AM

PLACE: Friendship Hall

PURPOSE: Presentation of the Annual Financial Report.  
Introduction of Trustees and Representatives  
and such other business as may properly come  
before it.

Buses will transport residents to Friendship Hall for the meeting. Pick-up will begin at 9:00 AM.

**ONLY MEMBERSHIP CERTIFICATE HOLDERS MAY ADDRESS  
QUESTIONS AT THIS MEETING**

**Bring your copy of the attached financial statement with you when you come  
to the meeting, so that you can follow the presentation when it is reviewed.**

Board of Trustees  
Mary Ann Eilert, Secretary

**CRESTWOOD VILLAGE CO-OP, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

CRESTWOOD VILLAGE CO-OP, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

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# 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

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

1339 RIVER AVENUE, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701-5615  
732/363-6500 FAX: 732/363-0675



## INDEPENDENT AUDITOR'S REPORT

*To the Board of Trustees of  
Crestwood Village Co-Op, Inc.  
92 Fairway Lane  
Whiting, New Jersey 08759*

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Crestwood Village Co-Op, Inc. which comprise the balance sheet as of June 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.

### ***Management's Responsibility for the Financial Statements***

Management 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.

# MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N  
C E R T I F I E D P U B L I C A C C O U N T A N T S

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crestwood Village Co-Op, Inc. as of June 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.

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

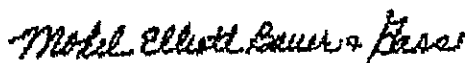
We have previously audited Crestwood Village Co-Op, Inc.'s June 30, 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 5, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***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 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Co-Op'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.

## ***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 13 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.



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

**August 28, 2014**  
Lakewood, New Jersey

CRESTWOOD VILLAGE CO-OP, INC.

BALANCE SHEET

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

	Operating Fund	Replacement Fund	Plant Fund	Total
	2014	2014	2014	2013
<b>ASSETS</b>				
Cash, including interest bearing deposits	\$ 851,482	\$ 174,421	\$ -	\$ 1,025,903
Investments -- Note 11	246,793	520,744	-	767,537
Assessments receivable	66,736	-	-	66,736
Accounts receivable - other	7,380	-	-	7,380
Accrued interest receivable	1,588	5,668	-	7,256
Note receivable - Note 12	53,368	-	-	53,368
Prepaid expenses -- Note 10	109,466	-	-	109,466
Property and equipment, net -- Notes 2 and 3	72,681	-	4,337,326	4,410,007
Interfund balances	51,805	(51,805)	-	-
Other assets	-	-	-	15,000
<b>Total assets</b>	<b>\$ 1,461,299</b>	<b>\$ 649,028</b>	<b>\$ 4,337,326</b>	<b>\$ 6,447,653</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 12,413	\$ -	\$ -	\$ 12,413
Payroll and payroll taxes payable	2,321	-	-	2,321
Assessments received in advance	34,086	-	-	34,086
Real estate tax and tax deductions payable	79,263	-	-	79,263
Estate escrow liability	63,429	-	-	63,429
<b>Total liabilities</b>	<b>191,512</b>	<b>-</b>	<b>-</b>	<b>191,512</b>
<b>Members' equity:</b>				
Membership certificates -- authorized, issued and outstanding -- 1,016 certificates	252,400	-	14,686,900	14,686,900
Additional paid-in capital	1,017,387	649,028	(10,349,574)	252,400
Fund balance -- Note 2	1,269,787	649,028	4,337,326	(9,037,358)
<b>Total members' equity</b>	<b>\$ 1,461,299</b>	<b>\$ 649,028</b>	<b>\$ 4,337,326</b>	<b>\$ 5,901,942</b>
<b>Total liabilities and members' equity</b>	<b>\$ 1,461,299</b>	<b>\$ 649,028</b>	<b>\$ 4,337,326</b>	<b>\$ 6,281,027</b>

The accompanying notes are an integral part of these financial statements

CRESTWOOD VILLAGE CO-OP, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	Operating Fund	Replacement Fund	Plant Fund	Total
	2014	2014	2014	2013
<b>REVENUES</b>				
Memberships assessments – Note 2	\$ 2,392,532	\$ 376,576	\$ -	\$ 2,769,108
Investment income - Note 11	6,058	10,366	-	16,424
Clubhouse rental income	1,470	-	-	1,470
Other income - Note 9	75,770	89,071	-	164,841
Capital depreciation assessment	-	-	-	-
<b>Total revenues</b>	<u>2,475,830</u>	<u>476,013</u>	<u>-</u>	<u>2,951,843</u>
<b>EXPENSES</b>				
Real estate taxes	\$ 662,723	\$ -	\$ -	\$ 662,723
Insurance	243,725	-	-	243,725
Street lighting	18,496	-	-	18,496
Legal expense	12,737	-	-	12,737
Auditing and accounting expense	10,800	-	-	10,800
Clubhouse expense	72,951	-	-	72,951
Office and administration	184,163	-	182,801	367,064
Depreciation	13,417	-	-	13,417
Maintenance costs – Note 6	1,172,288	23,543	-	1,195,831
Replacement fund expenditures – Note 8	-	-	-	-
<b>Total expenses</b>	<u>2,391,300</u>	<u>23,543</u>	<u>182,801</u>	<u>2,597,644</u>
Excess (deficiency) of revenues over expenses before deferred revenue and transfers	84,530	452,470	(182,801)	354,199
Transfer replacement fund expenditures to plant fund	-	(511,359)	511,359	-
Excess (deficiency) of revenues over expenses after deferred revenue and transfers	84,530	(58,889)	328,558	354,199
<b>Fund balance – beginning of year</b>	<u>932,857</u>	<u>707,917</u>	<u>(10,678,132)</u>	<u>(9,037,358)</u>
<b>Fund balance – end of year</b>	<u>\$ 1,017,387</u>	<u>\$ 649,028</u>	<u>\$ (10,349,574)</u>	<u>\$ (9,037,358)</u>

The accompanying notes are an integral part of these financial statements

CRESTWOOD VILLAGE CO-OP, INC.  
STATEMENT OF CASH FLOWS  
JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Plant Fund</u>	<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>				
Excess (deficiency) of revenues over expenses after transfers	\$ 84,530	\$ (58,889)	\$ 328,558	\$ 528,633
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	17,737		182,801	177,131
(Increase) decrease in:				
Assessments receivable	15,637		15,637	(26,631)
Accounts receivable -- other	22,054		22,054	(18,511)
Accrued interest receivable	(56)	(142)	(198)	(7,058)
Prepaid expenses	(31,116)		(31,116)	(34,496)
Interfund balances	(75,457)	75,457	-	-
Other assets	15,000		15,000	(8,002)
Increase (decrease) in:				
Accounts payable and accrued expenses	(203,397)	(10,735)	(214,132)	118,791
Payroll and payroll taxes payable	228		228	(88)
Assessments received in advance	8,431		8,431	(28,587)
Estate escrow account	6,137		6,137	(7,376)
Real estate tax and tax deductions payable	11,763		11,763	-
<b>Net cash provided (used) by operating activities</b>	<u>(128,509)</u>	<u>5,691</u>	<u>511,359</u>	<u>693,806</u>
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment	(22,719)		(511,359)	(424,716)
(Increase) decrease in investments	3,633	7,845	11,478	(529,265)
Reduction of notes receivable	25,818		25,818	25,256
<b>Net cash provided (used) by investing activities</b>	<u>6,732</u>	<u>7,845</u>	<u>(511,359)</u>	<u>(928,725)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(121,777)</u>	<u>13,536</u>	<u>-</u>	<u>(234,919)</u>
Cash and cash equivalents at beginning of year	973,259	160,885	1,134,144	1,369,063
Cash and cash equivalents at end of year	<u>\$ 851,482</u>	<u>\$ 174,421</u>	<u>\$ -</u>	<u>\$ 1,134,144</u>
<b>Supplemental disclosure:</b>				
Income taxes paid	-	-	-	-

The accompanying notes are in integral part of these financial statements



**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 – ORGANIZATION**

Crestwood Village Co-Op, Inc., was incorporated on May 10, 1965, in the State of New Jersey. The Co-Op is responsible for the operation and maintenance of the common property within the development. The development consists of 1,016 residential units located on approximately 189.6 acres in Manchester Township, New Jersey.

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

**Fund Accounting** – The Co-Op's legal documents provide certain guidelines to govern the Co-Op's financial activities. In order to ensure observance of limitations and restrictions placed on the use of resources available to the Co-Op by such documents, the accounts of the Co-Op are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various functions are classified for accounting and reporting purposes into funds established according to their nature and purpose.

The assets, liabilities and fund balances of the Co-Op are reported in the following fund groups:

**Operating Fund** - The operating fund represents the portion of expendable funds that are available for the general operations of the Co-Op.

**Replacement Fund** – The purpose of the replacement fund is to accumulate funds over the lives of the assets which are part of the common elements so that at the time of their replacement sufficient amounts have been accumulated.

**Plant Fund** – The plant fund represents the Corporation's investment in land and buildings – dwelling units. The maintenance building, maintenance equipment and office furniture and equipment are reflected in the operating fund.

**Property and Equipment** – Depreciation is computed on a straight-line basis over the estimated lives of the assets.

**Membership Assessments** - Members are subject to monthly assessments to provide funds for the operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners.

**Cash and Cash Equivalents** – For purposes of reporting cash flows, the Co-Op considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

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

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events** - The Co-Op has evaluated subsequent events through August 28, 2014, the date the financial statements were available to be issued.

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2014 AND 2013**

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment is carried at cost and consists of the following:

	2014	2013	Estimated Useful Life (Years)
Land	\$ 544,400	\$ 544,400	-
Buildings – dwelling units	14,142,500	14,142,500	40
Dwelling unit improvements	3,262,812	3,177,538	27.5
Clubhouse renovations/improvements	107,036	62,961	20
Roads, driveways and parking lots	1,420,072	1,038,063	20
Maintenance building and improvements	148,098	148,098	10-40
Furniture and equipment	210,166	187,446	5
	19,835,084	19,301,006	
Less: accumulated depreciation	(15,425,077)	(15,224,539)	
	\$ 4,410,007	\$ 4,076,467	

**NOTE 4 – INCOME TAXES**

The Corporation is qualified to prepare its tax returns pursuant to the provisions of subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant cooperators), are deductible only to the extent of patronage income.

The Cooperative is incorporated pursuant to Title 15 of the New Jersey Statutes and, therefore, is not liable for New Jersey corporation business income tax.

**NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Co-Op'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. FWH Associates, PA, conducted a study dated March 2014 to estimate the remaining useful lives and the replacement costs of the common property components. The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimate of replacement costs considering amounts previously accumulated in the replacement fund. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

Funds are being accumulated in the replacement fund based upon estimated costs for repairs and replacement of common property components. However, actual expenditures may vary from the estimated amounts and the variations may be material. 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 Co-Op may be required to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JUNE 30, 2014 AND 2013

**NOTE 6 – MAINTENANCE COSTS**

	2014	2013
Insurance	\$ 22,202	\$ 22,229
Materials, service and other costs	1,203,168	1,271,055
Depreciation of maintenance building and equipment	4,319	4,319
	1,229,689	1,297,603
Less fees billed to members and appliance sales	(57,401)	(46,293)
	\$ 1,172,288	\$ 1,251,310

**NOTE 7 – REPLACEMENT OF MAINTENANCE BUILDING AND EQUIPMENT CASH AND INVESTMENTS**

	2014	2013
<b>Balance -- beginning of year</b>	<b>\$ 416,000</b>	<b>\$ 392,441</b>
Funds provided:		
Members' assessment for replacement of maintenance building and equipment	44,637	37,313
Investment income	3,622	1,179
<b>Total funds provided</b>	<b>48,259</b>	<b>38,492</b>
Funds expended:		
Acquisition of machinery and equipment	22,719	14,633
Other expenditures	1,283	300
<b>Total funds expended</b>	<b>24,002</b>	<b>14,933</b>
<b>Balance – end of year</b>	<b>\$ 440,257</b>	<b>\$ 416,000</b>

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**  
**JUNE 30, 2014 AND 2013**

**NOTE 8 – REPLACEMENT FUND EXPENDITURES**

	<u>2014</u>	<u>2013</u>
Roof replacement	\$ 3,895	\$ -
Vinyl siding, soffits, fascias, rakes and gutters	75,900	-
Road, driveway repairs and parking lot	<u>344,878</u>	<u>240,978</u>
	424,673	240,978
Clubhouse renovation		60,687
Crawlspace repairs		3,300
Investment fees		300
Sidewalk replacement and concrete work	37,131	102,843
Underground heating - oil tank	5,343	-
Drainage field	12,700	-
Condensers	44,075	-
Dehumidifiers	4,280	-
Attic insulation	1,200	-
Other	<u>5,500</u>	<u>2,274</u>
	534,902	410,382
Transfer to plant fund	<u>(511,359)</u>	<u>(410,082)</u>
	<u>\$ 23,543</u>	<u>\$ 300</u>

**NOTE 9 – OTHER INCOME**

	<u>2014</u>	<u>2013</u>
Municipal service agreement	\$ 14,102	\$ 15,569
Certificate change fees	4,325	3,370
Other	3,611	10,253
Late fee income	9,982	12,676
Document preparation fees-resales	<u>43,750</u>	<u>49,500</u>
	<u>\$ 75,770</u>	<u>\$ 91,368</u>

**NOTE 10 – PREPAID EXPENSES**

	<u>2014</u>	<u>2013</u>
Prepaid insurance	\$ 27,083	\$ 25,367
Prepaid health insurance	2,528	2,191
Prepaid property tax		50,792
Prepaid maintenance fees	78,892	
Prepaid other	<u>963</u>	<u>-</u>
	<u>\$ 109,466</u>	<u>\$ 78,350</u>

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2014 AND 2013**

**NOTE 11 – INVESTMENTS**

Investments in securities are presented in the financial statements at cost.

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Operating fund	\$ 246,793	\$ 248,321	\$ 250,426	\$ 241,451
Replacement fund	520,744	513,512	528,590	501,909
	\$ 767,537	\$ 761,833	\$ 779,016	\$ 743,360

Investments are composed of the following:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Municipal obligations	\$ 517,787	\$ 517,013	\$ 529,266	\$ 505,335
Certificates of deposit	100,000	101,000		
Preferred stock	149,750	143,820	249,750	238,025
	\$ 767,537	\$ 761,833	\$ 779,016	\$ 743,360

Investment income is composed of the following:

	2014	2013
Interest income	\$ 16,424	\$ 7,295

The Co-Op 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 Co-op 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 Co-op 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.

**NOTE 12 - NOTE RECEIVABLE - STANLEY CONTRACTING CO., INC.**

As part of the contract for maintenance services with Stanley Contracting Co., Inc. contractor has purchased all maintenance equipment presently owned by Crestwood Village Co-Op, Inc. for \$150,150.00 payable in sixty six (66) equal monthly payments of \$2,275.00 commencing January 1, 2011.

The following schedule reflects the present value of future note payments:

	2014	2013
Note receivable - Stanley Contracting Co., Inc.	\$ 150,150	\$ 150,150
Amount representing interest discounted at 2.20%	(8,600)	(8,600)
Selling price of equipment	141,550	141,550
Principal payments	(88,182)	(62,364)
Balance	\$ 53,368	\$ 79,186

No gain or loss has been recognized on the sale of equipment.

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2014 AND 2013**

**NOTE 13 - FAIR VALUE MEASUREMENTS**

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1. Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value.

The following table summarizes the levels in the fair value hierarchy of the organization's investments at June 30:

	<u>2014</u> <u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
<b>March 31, 2014:</b>			
Municipal obligations	\$ 517,013	\$	\$ 517,013
Certificates of deposit	101,000		101,000
Preferred stock	143,820		143,820
	<u>\$ 761,833</u>	<u>\$ -</u>	<u>\$ 761,833</u>
	<u>2013</u> <u>Totals</u>		
<b>March 31, 2013:</b>			
Municipal obligations	\$ 505,335	\$	\$ 505,335
Certificates of deposit	-		
Preferred stock	238,025		238,025
	<u>\$ 743,360</u>	<u>\$ -</u>	<u>\$ 743,360</u>

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**  
**JUNE 30, 2014 AND 2013**

**NOTE 14 - UNCERTAINTY IN INCOME TAXES**

The Co-Op regularly reviews and evaluates its uncertain tax positions taken in previously filed tax returns. The Co-Op 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 Co-Op has concluded that no tax benefits or liabilities are required to be recognized in accordance with FIN 48.

The Co-Op's federal information returns are generally subject to examination by the Internal Revenue Service for three years, including the years ended June 30, 2014, 2013 and 2012.

**NOTE 15 - COMMITMENT - MAINTENANCE SERVICES**

Crestwood Village Co-Op, Inc. has entered into a contract with Stanley Contracting Co., Inc. to provide maintenance services for the period January 1, 2011 until June 30, 2016. Compensation for these services shall be \$974,000 per annum payable in twelve (12) equal monthly payments of \$81,166.66.

**NOTE 16 - RETIREMENT PLAN**

Effective July 1, 2001, Crestwood Village Co-Op, Inc. established a 401(k) defined contribution pension plan that covers its eligible employees. The Corporation makes annual contributions to the plan based on employee compensation. The Corporation's contributions for 2014 and 2013 amounted to \$2,003 and \$2,440, respectively.

**SUPPLEMENTARY INFORMATION**



**CRESTWOOD VILLAGE CO-OP, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**(Unaudited)**  
**JUNE 30, 2014**

FWH Associates, PA, conducted a study dated March 2014 to estimate the remaining useful lives and the replacement costs of the components of common property.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>
Site work	1 to 32	\$ 1,630,660
Recreational: shuffle board, bocce, etc.	15	44,196
Miscellaneous	2 to 25	28,250
Friendship hall: exterior	12 to 14	61,292
Friendship hall: interior	1 to 30	96,642
Friendship hall: mechanical	1 to 9	165,630
Maintenance: exterior	14	29,350
Maintenance: interior	6 to 14	11,450
Maintenance: mechanical	8 to 9	2,925
Residential buildings	1 to 40	<u>7,635,382</u>
		<u>\$ 9,705,777</u>

The study presents a reserve study funding plan projected thirty year cash flow. The required average annual contribution per year utilizing the full funding analysis is as follows:

<u>Fiscal Year</u>	<u>Average Annual Contribution</u>
2013	\$ 390,444
2014	\$ 409,380
2015	\$ 429,235
2016	\$ 450,053
2017	\$ 471,880
2018 - 2042	\$ 494,766 - 1,106,779

The Board of Trustees has decided to fund \$376,576 in the 2013 - 2014 budget, which represents 96% of the amount recommended by the study. In addition, \$89,071 was collected in capital depreciation assessments (resale revenue) and interest income of \$10,366 which represents an additional 26% or a total of \$476,013 or 122% of the amount recommended by the study.

**CRESTWOOD VILLAGE CO-OP, INC.**  
**SCHEDULE OF OPERATING REVENUES AND EXPENSES**  
**AS COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2014**

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Membership assessments	\$ 2,769,108	\$ 2,769,108	\$ -
Investment income	6,058		6,058
Clubhouse and recreation income	1,470		1,470
Other income	<u>75,770</u>		<u>75,770</u>
<b>Total revenues</b>	<u>2,852,406</u>	<u>2,769,108</u>	<u>83,298</u>
<b>EXPENSES</b>			
Real estate taxes	662,723	622,175	(40,548)
Insurance	243,725	275,000	31,275
Street lighting	18,496	23,000	4,504
Legal expense	12,737	12,000	(737)
Audit and accounting expense	10,800	11,000	200
Clubhouse expenses	72,951	77,360	4,409
Office and administration	184,163	159,700	(24,463)
Replacement fund assessment	376,576	376,576	-
Depreciation	13,417	14,000	583
Maintenance costs	<u>1,172,288</u>	<u>1,178,100</u>	<u>5,812</u>
<b>Total expenses</b>	<u>2,767,876</u>	<u>2,748,911</u>	<u>(18,965)</u>
<b>Excess of revenues over expenses</b>	<u>\$ 84,530</u>	<u>\$ 20,197</u>	<u>\$ 64,333</u>