

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

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

CRESTWOOD VILLAGE CO-OP, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016

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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

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## INDEPENDENT AUDITOR'S REPORT

*To the Board of Trustees  
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, 2016, 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, 2016, 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***

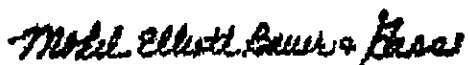
We have previously audited Crestwood Village Co-Op, Inc.'s June 30, 2015 financial statements, and our report dated September 8, 2015 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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

September 2, 2016  
Lakewood, New Jersey

CRESTWOOD VILLAGE CO-OP, INC.

BALANCE SHEET

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	Operating Fund	Replacement Fund	Plant Fund	Total
	2016	2016	2016	2015
<b>ASSETS</b>				
Cash, including interest bearing deposits	\$ 774,519	\$ 623,607	\$ -	\$ 1,398,126
Investments – Note 11	-	751,159	-	751,159
Assessments receivable	222,329	-	-	222,329
Accounts receivable - other	19,718	8,718	-	19,718
Accrued interest receivable	-	-	-	8,718
Note receivable - Note 12	30,482	-	-	30,482
Prepaid expenses – Note 10	(5,905)	5,905	-	-
Interfund balances	68,483	-	4,897,164	4,965,647
Property and equipment, net – Notes 2 and 3				
<b>Total assets</b>	<b>\$ 1,109,626</b>	<b>\$ 1,389,389</b>	<b>\$ 4,897,164</b>	<b>\$ 7,396,179</b>

**LIABILITIES AND MEMBERS' EQUITY**

<b>Liabilities:</b>	\$ 50,866	\$ 50,866	\$ -	\$ 24,514
Accounts payable and accrued expenses				3,408
Payroll and payroll taxes payable	134,615	-	-	68,300
Assessments received in advance	48,879	-	-	74,558
Real estate tax and tax deductions payable	78,714	-	-	59,079
Estate escrow liability				
<b>Total liabilities</b>	<b>313,074</b>	<b>-</b>	<b>-</b>	<b>229,859</b>
<b>Members' equity:</b>				
Membership certificates – authorized, issued and outstanding – 1,016 certificates			14,686,900	14,686,900
Additional paid-in capital	252,400	-	-	252,400
Fund balance – Note 2	544,152	1,389,389	(9,789,736)	(8,256,008)
<b>Total members' equity</b>	<b>796,552</b>	<b>1,389,389</b>	<b>4,897,164</b>	<b>6,683,292</b>
<b>Total liabilities and members' equity</b>	<b>\$ 1,109,626</b>	<b>\$ 1,389,389</b>	<b>\$ 4,897,164</b>	<b>\$ 6,913,151</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, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)

	Operating Fund	Replacement Fund	Plant Fund	Total
				2016
				2015
<b>REVENUES</b>				
Membership assessments – Note 2	\$ 2,506,528	\$ 425,576	\$	\$ 2,932,104
Investment income - Note 11	804	15,551		16,355
Clubhouse rental income	1,175			1,175
Other income - Note 9	77,471	220		77,691
Capital depreciation assessment		97,161		97,161
<b>Total revenues</b>	<u>2,585,978</u>	<u>538,508</u>	<u>-</u>	<u>3,124,486</u>
				<u>3,077,901</u>
<b>EXPENSES</b>				
Real estate taxes	\$ 695,118	\$	\$	\$ 695,118
Insurance	247,096			247,096
Street lighting	16,838			16,838
Legal expense	13,461			13,461
Auditing and accounting expense	11,350			11,350
Clubhouse expense	74,192			74,192
Office and administration	206,838		229,578	206,838
Depreciation	13,501			243,079
Maintenance costs – Note 6	1,216,701			1,216,701
Replacement fund expenditures – Note 8				-
<b>Total expenses</b>	<u>2,495,095</u>	<u>-</u>	<u>229,578</u>	<u>2,724,673</u>
				<u>2,650,750</u>
Excess (deficiency) of revenues over expenses before transfers	90,883	538,508	(229,578)	399,813
Transfers - Note 7	(26,880)	(412,580)	439,460	-
Excess (deficiency) of revenues over expenses after transfers	64,003	125,928	209,882	399,813
Fund balance -- beginning of year	480,149	1,263,461	(9,999,618)	(8,256,008)
Fund balance -- end of year	\$ 544,152	\$ 1,389,389	\$ (9,789,736)	\$ (8,256,008)

The accompanying notes are an integral part of these financial statements

**CRESTWOOD VILLAGE CO-OP, INC.**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	Operating Fund	Replacement Fund	Plant Fund	Total
	2016	2016	2016	2015
<b>Cash flows from operating activities:</b>				
Excess (deficiency) of revenues over expenses after transfers	\$ 64,003	\$ 125,928	\$ 209,882	\$ 427,151
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation and amortization	17,820	13,476	229,578	238,308
(Increase) decrease in:				
Assessments receivable	(119,842)		(119,842)	(35,751)
Accounts receivable -- other	4,428		4,428	(16,766)
Accrued interest receivable	1,022		-	(1,462)
Prepaid expenses	5,905	(5,905)	1,022	77,962
Interfund balances			-	-
Increase (decrease) in:				
Accounts payable and accrued expenses	26,352		26,352	12,101
Payroll and payroll taxes payable	(3,408)		(3,408)	1,087
Assessments received in advance	66,315		66,315	34,214
Estate escrow account	19,635		19,635	(4,350)
Real estate tax and tax deductions payable	(25,679)		(25,679)	(4,705)
<b>Net cash provided (used) by operating activities</b>	<b>56,551</b>	<b>133,499</b>	<b>439,460</b>	<b>727,789</b>
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment	(13,120)		(439,460)	(576,134)
Purchase of investments				(136,855)
Maturity/sale of investments	26,977			127,125
Reduction of note receivable			26,977	26,391
<b>Net cash provided (used) by investing activities</b>	<b>13,857</b>	<b>-</b>	<b>(439,460)</b>	<b>(559,473)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>70,408</b>	<b>133,499</b>	<b>-</b>	<b>168,316</b>
Cash and cash equivalents at beginning of year	704,111	490,108	-	1,025,903
Cash and cash equivalents at end of year	<b>\$ 774,519</b>	<b>\$ 623,607</b>	<b>\$ -</b>	<b>\$ 1,194,219</b>
<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, 2016 AND 2015**

**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 and 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 2015 financial statements to conform with the 2016 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 September 2, 2016, the date the financial statements were available to be issued.

(Continued)



**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2016 AND 2015**

**NOTE 3 – PROPERTY AND EQUIPMENT**

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

	2016	2015	Estimated Useful Life (Years)
Land	\$ 544,400	\$ 544,400	-
Buildings – dwelling units	14,142,500	14,142,500	40
Dwelling unit improvements	3,747,138	3,410,064	27.5
Clubhouse renovations/improvements	329,342	329,342	20
Roads, driveways and parking lots	1,710,803	1,608,417	20
Maintenance building and improvements	148,098	148,098	10-40
Furniture and equipment	241,517	228,396	5
	20,863,798	20,411,217	
Less: accumulated depreciation	(15,898,151)	(15,650,752)	
	\$ 4,965,647	\$ 4,760,465	

**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, 2016 AND 2015

NOTE 6 – MAINTENANCE COSTS

	2016	2015
Insurance	\$ 26,207	\$ 23,578
Materials, service and other costs	1,146,102	1,119,673
Depreciation of maintenance building	4,319	4,319
Bus operation	85,386	85,386
	1,262,014	1,232,956
Less fees billed to members and appliance sales	(45,313)	(54,974)
	\$ 1,216,701	\$ 1,177,982

NOTE 7 - TRANSFERS

	Operating Fund	Replacement Fund	Plant Fund
Replacement fund expenditures	\$ 13,120	\$ (452,580)	\$ 439,460
Transfer to the replacement fund	(40,000)	40,000	
	\$ (26,880)	\$ (412,580)	\$ 439,460

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2016 AND 2015**

**NOTE 8 – REPLACEMENT FUND EXPENDITURES**

	<u>2016</u>	<u>2015</u>
Roof replacement	\$ 11,080	\$ 15,640
Vinyl siding, soffits, fascias, rakes and gutters	248,530	45,096
Road, driveway repairs and parking lot	83,286	175,812
Clubhouse roof replacement		19,570
Crawlspace repairs	28,422	76,331
Dryer vents	10,925	8,560
Sidewalk replacement and concrete work	19,100	12,533
Removal of retaining wall	1,000	-
Building repairs - 30D Flood	10,444	-
Building repairs - Unit 115B	26,673	-
Furniture and fixtures	13,120	
Other		6,375
	<u>452,580</u>	<u>359,917</u>
Transfer to plant fund	(439,460)	(359,917)
Transfer to operating fund	<u>(13,120)</u>	
	<u>\$ -</u>	<u>\$ -</u>

**NOTE 9 – OTHER INCOME**

	<u>2016</u>	<u>2015</u>
Municipal service agreement	\$ 12,472	\$ 13,938
Certificate change fees	4,125	3,575
Crestwood residents club - bingo		18,000
Other	7,289	5,886
Late fee income	8,055	7,913
Document preparation fees-resales	45,750	43,250
	<u>\$ 77,691</u>	<u>\$ 92,562</u>

**NOTE 10 – PREPAID EXPENSES**

	<u>2016</u>	<u>2015</u>
Prepaid insurance	\$ 23,760	\$ 22,331
Prepaid health insurance	3,416	2,049
Prepaid other	<u>3,306</u>	<u>7,124</u>
	<u>\$ 30,482</u>	<u>\$ 31,504</u>

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2016 AND 2015**

**NOTE 11 – INVESTMENTS**

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Operating fund	\$ -	\$ -	\$ -	\$ -
Replacement fund	751,159	764,361	764,635	761,846
	\$ 751,159	\$ 764,361	\$ 764,635	\$ 761,846

Investments are composed of the following:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Municipal bonds	\$ 601,409	\$ 616,521	\$ 614,885	\$ 616,601
Preferred/Fixed rate cap securities	149,750	147,840	149,750	145,245
	\$ 751,159	\$ 764,361	\$ 764,635	\$ 761,846

Investment income is composed of the following:

	2016	2015
Interest income	\$ 29,830	\$ 32,700
Realized gains (losses)		(1,423)
Amortization of premium	(13,475)	(12,632)
Total investment income	\$ 16,355	\$ 18,645

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:

	2016	2015
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	(141,550)	(114,573)
Balance	\$ -	\$ 26,977

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

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2016 AND 2015**

**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>2016</u> <u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
<b>June 30, 2016:</b>			
Municipal bonds	\$ 601,409	\$	\$ 601,409
Preferred/Fixed rate cap securities	<u>149,750</u>	<u>                    </u>	<u>149,750</u>
	<u>\$ 751,159</u>	<u>\$ -</u>	<u>\$ 751,159</u>
	<u>2015</u> <u>Totals</u>		
<b>June 30, 2015:</b>			
Municipal bonds	\$ 614,885	\$	\$ 614,885
Preferred/Fixed rate cap securities	<u>149,750</u>	<u>                    </u>	<u>149,750</u>
	<u>\$ 764,635</u>	<u>\$ -</u>	<u>\$ 764,635</u>

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2016 AND 2015**

**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, 2016, 2015 and 2014.

**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 was \$974,000 per annum payable in twelve (12) equal monthly payments of \$81,166.66. The contract was renewed for an additional five years for the period July 1, 2016 until June 30, 2021. Compensation for these services will be as follows:

Fiscal year ended:

June 30, 2017	\$ 985,440
June 30, 2018	997,146
June 30, 2019	1,009,059
June 30, 2020	1,021,089
June 30, 2021	<u>1,033,330</u>
	<u>\$ 5,046,064</u>

These annual amounts are payable in twelve (12) equal monthly payments.

**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 2016 and 2015 amounted to \$2,712 and \$2,164, respectively.

**SUPPLEMENTARY INFORMATION**

**CRESTWOOD VILLAGE CO-OP, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
(Unaudited)  
**JUNE 30, 2016**

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 funded \$425,576 in the 2015 - 2016 budget, which represents 94.56% of the amount recommended by the study. In addition, \$97,161 was collected in capital depreciation assessments (resale revenue), investment income of \$15,551 and other income of \$220 which represents an additional 25.09% or a total of \$538,508 or 119.65% 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, 2016**

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Membership assessments	\$ 2,932,104	\$ 2,932,227	\$ (123)
Investment income	804		804
Clubhouse and recreation income	1,175		1,175
Other income	<u>77,471</u>		<u>77,471</u>
<b>Total revenues</b>	<u>3,011,554</u>	<u>2,932,227</u>	<u>79,327</u>
<b>EXPENSES</b>			
Real estate taxes	695,118	691,305	(3,813)
Insurance	247,096	285,000	37,904
Street lighting	16,838	20,000	3,162
Legal expense	13,461	13,000	(461)
Audit and accounting expense	11,350	11,000	(350)
Clubhouse expenses	74,192	84,360	10,168
Office and administration	206,838	202,300	(4,538)
Replacement fund assessment	425,576	425,576	-
Depreciation	13,501		(13,501)
Maintenance costs	<u>1,216,701</u>	<u>1,199,686</u>	<u>(17,015)</u>
<b>Total expenses</b>	<u>2,920,671</u>	<u>2,932,227</u>	<u>11,556</u>
<b>Excess of revenues over expenses</b>	<u>\$ 90,883</u>	<u>\$ -</u>	<u>\$ 90,883</u>