

**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 17, 2018 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 9:30 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.**

Immediately following presentation of the Annual Financial Report, the newly elected Board of Trustees will be introduced.

Board of Trustees  
Mary Ann Riotto, Secretary

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

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

CRESTWOOD VILLAGE CO-OP, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018

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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*

We have audited the accompanying financial statements of Crestwood Village Co-Op, Inc. which comprise the balance sheet as of June 30, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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*

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

September 6, 2018  
Toms River, New Jersey

CRESTWOOD VILLAGE CO-OP, INC.

BALANCE SHEET

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

	Operating Fund	Replacement Fund	Plant Fund	Total	
				2018	2017
<b>ASSETS</b>					
Cash, including interest bearing deposits	\$ 823,998	\$ 621,048	\$	\$ 1,445,046	\$ 1,187,866
Investments – Note 11	100,000	464,073		564,073	821,780
Assessments receivable	88,451			88,451	172,745
Accounts receivable - other	18,637			18,637	23,224
Accrued interest receivable		3,162		3,162	6,346
Prepaid expenses – Note 10	28,962	(4,048)		28,962	30,152
Interfund balances	4,048				-
Other assets	30,000		5,841,640	30,000	107,558
Property and equipment, net – Notes 2 and 3	54,159			5,895,799	5,339,452
<b>Total assets</b>	<b>\$ 1,148,255</b>	<b>\$ 1,084,235</b>	<b>\$ 5,841,640</b>	<b>\$ 8,074,130</b>	<b>\$ 7,689,123</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 23,486	\$ 48,182	\$	\$ 71,668	\$ 19,803
Payroll and payroll taxes payable	2,909			2,909	2,669
Assessments received in advance	62,418			62,418	61,273
Real estate tax and tax deductions payable	40,991			40,991	46,665
Estate escrow liability	60,429			60,429	73,383
<b>Total liabilities</b>	<b>190,233</b>	<b>48,182</b>	<b>-</b>	<b>238,415</b>	<b>203,793</b>
<b>Members' equity:</b>					
Membership certificates – authorized, issued and outstanding – 1,016 certificates			14,686,900	14,686,900	14,686,900
Additional paid-in capital	252,400			252,400	252,400
Fund balance – Note 2	705,622	1,036,053	(8,845,260)	(7,103,585)	(7,453,970)
<b>Total members' equity</b>	<b>958,022</b>	<b>1,036,053</b>	<b>5,841,640</b>	<b>7,835,715</b>	<b>7,485,330</b>
<b>Total liabilities and members' equity</b>	<b>\$ 1,148,255</b>	<b>\$ 1,084,235</b>	<b>\$ 5,841,640</b>	<b>\$ 8,074,130</b>	<b>\$ 7,689,123</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, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	Operating Fund	Replacement Fund	Plant Fund	Total	
				2018	2017
<b>REVENUES</b>					
Memberships assessments – Note 2				\$ 3,111,948	\$ 3,050,988
Investment income - Note 11	\$ 2,640,068	\$ 471,880	\$	17,271	14,873
Clubhouse rental income	687	16,584		1,275	1,600
Other income - Note 9	1,275	12,421		95,379	89,352
Capital depreciation assessment	82,958	123,552		123,552	82,680
<b>Total revenues</b>	<u>2,724,988</u>	<u>624,437</u>	<u>-</u>	<u>3,349,425</u>	<u>3,239,493</u>
<b>EXPENSES</b>					
Real estate taxes	\$ 708,557	\$	\$	708,557	705,650
Insurance	224,660			224,660	222,582
Street lighting	17,682			17,682	17,646
Legal expense	14,053			14,053	16,995
Auditing and accounting expense	11,650			11,650	11,600
Clubhouse expense	71,695			71,695	75,324
Office and administration	284,978			284,978	270,047
Bad debt expense	29,549			29,549	
Depreciation	14,545		284,320	298,865	266,191
Maintenance costs – Note 6	1,312,502			1,312,502	1,243,733
Replacement fund expenditures – Note 8		24,849		24,849	7,500
<b>Total expenses</b>	<u>2,689,871</u>	<u>24,849</u>	<u>284,320</u>	<u>2,999,040</u>	<u>2,837,268</u>
Excess (deficiency) of revenues over expenses before transfers	35,117	599,588	(284,320)	350,385	402,225
Transfers - Note 7	10,220	(859,257)	849,037	-	
Excess (deficiency) of revenues over expenses after transfers	45,337	(259,669)	564,717	350,385	402,225
Fund balance – beginning of year	660,285	1,295,722	(9,409,977)	(7,453,970)	(7,856,195)
Fund balance – end of year	\$ <u>705,622</u>	\$ <u>1,036,053</u>	\$ <u>(8,845,260)</u>	\$ <u>(7,103,585)</u>	\$ <u>(7,453,970)</u>

The accompanying notes are an integral part of these financial statements

CRESTWOOD VILLAGE CO-OP, INC.

STATEMENT OF CASH FLOWS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

	Operating Fund	Replacement Fund	Plant Fund	Total
	2018	2018	2018	2017
<b>Cash flows from operating activities:</b>				
Excess (deficiency) of revenues over expenses after transfers	\$ 45,337	\$ (259,669)	\$ 564,717	\$ 402,225
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation and amortization	18,590	2,707	284,320	279,439
(Increase) decrease in:				
Assessments receivable	84,294		84,294	49,584
Accounts receivable – other	4,587		4,587	(3,506)
Accrued interest receivable		3,184	3,184	2,372
Prepaid expenses	1,190		1,190	330
Other assets	77,558		77,558	(107,558)
Interfund balances	-	-	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses	3,683	48,182		(31,063)
Payroll and payroll taxes payable	240		240	2,669
Assessments received in advance	1,145		1,145	(73,342)
Estate escrow account	(12,954)		(12,954)	(5,331)
Real estate tax and tax deductions payable	(5,674)		(5,674)	(2,214)
<b>Net cash provided (used) by operating activities</b>	<u>217,996</u>	<u>(205,596)</u>	<u>849,037</u>	<u>513,605</u>
<b>Cash flows from investing activities:</b>				
Purchase of property and equipment	(10,220)		(849,037)	(644,315)
Purchase of investments	(100,000)			(200,000)
Maturity/sale of investments		355,000		120,450
<b>Net cash provided (used) by investing activities</b>	<u>(110,220)</u>	<u>355,000</u>	<u>(849,037)</u>	<u>(723,865)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	107,776	149,404	-	(210,260)
Cash and cash equivalents at beginning of year	716,222	471,644	-	1,398,126
Cash and cash equivalents at end of year	<u>\$ 823,998</u>	<u>\$ 621,048</u>	<u>\$ -</u>	<u>\$ 1,187,866</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, 2018 AND 2017**

**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 2017 financial statements to conform with the 2018 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 6, 2018, the date the financial statements were available to be issued.

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2018 AND 2017**

**NOTE 3 – PROPERTY AND EQUIPMENT**

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

	2018	2017	Estimated Useful Life (Years)
Land	\$ 544,400	\$ 544,400	-
Buildings – dwelling units	14,142,500	14,142,500	40
Dwelling unit improvements	4,415,188	4,069,660	27.5
Clubhouse renovations/improvements	457,495	372,279	20
Roads, driveways and parking lots	2,395,255	1,976,961	20
Maintenance building and improvements	148,098	148,098	10-40
Furniture and equipment	264,434	254,215	5
	22,367,370	21,508,113	
Less: accumulated depreciation	(16,471,571)	(16,168,661)	
	\$ 5,895,799	\$ 5,339,452	

**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 July 2018 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, 2018 AND 2017

NOTE 6 – MAINTENANCE COSTS

	2018	2017
Insurance	\$ 21,600	\$ 21,600
Materials, service and other costs	1,255,191	1,185,551
Depreciation of maintenance building	4,044	4,319
Bus operation	85,386	85,386
	1,366,221	1,296,856
Less fees billed to members	(53,719)	(53,123)
	\$ 1,312,502	\$ 1,243,733

NOTE 7 - TRANSFERS

	Operating Fund	Replacement Fund	Plant Fund
Replacement fund expenditures	\$ 10,220	\$ (859,257)	\$ 849,037
	\$ 10,220	\$ (859,257)	\$ 849,037

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2018 AND 2017**

**NOTE 8 – REPLACEMENT FUND EXPENDITURES**

	<u>2018</u>	<u>2017</u>
Roof replacement	\$ 11,500	\$ 20,660
Vinyl siding, soffits, fascias, rakes and gutters	1,850	176,250
Gutter helmets	68,670	
Roads, driveways and parking lot	385,974	199,263
Alarm system		24,034
Crawlspace repairs	65,342	90,994
Dryer vents	127,901	34,618
Sidewalk replacement and concrete work	32,320	66,895
Electrical panels	14,259	
Engineering costs	18,334	
Apartment repairs	49,705	
Furniture and fixtures	10,219	9,748
Survey		7,500
Replacement fund study	5,500	
Bathroom renovation - waterproofing	21,447	
Coating system - friendship hall	37,440	
Marquee/signage	8,851	
Lighting	12,051	
Other	<u>12,743</u>	<u>2,314</u>
	<u>884,106</u>	<u>632,276</u>
Transfer to plant fund	(849,037)	(615,028)
Transfer to operating fund	<u>(10,220)</u>	<u>(9,748)</u>
	<u>(859,257)</u>	<u>(624,776)</u>
	<u>\$ 24,849</u>	<u>\$ 7,500</u>

**NOTE 9 – OTHER INCOME**

	<u>2018</u>	<u>2017</u>
Municipal service agreement	\$ 13,406	\$ 12,260
Certificate change fees	1,200	2,125
Crestwood residents club - bingo	12,421	19,539
Other	16,042	15,905
Late fee income	7,060	7,773
Document preparation fees-resales	<u>45,250</u>	<u>31,750</u>
	<u>\$ 95,379</u>	<u>\$ 89,352</u>

**NOTE 10 – PREPAID EXPENSES**

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ 20,740	\$ 20,368
Prepaid health insurance	5,460	4,938
Prepaid other	<u>2,762</u>	<u>4,846</u>
	<u>\$ 28,962</u>	<u>\$ 30,152</u>

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2018 AND 2017**

**NOTE 11 – INVESTMENTS**

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Operating fund	\$ 100,000	\$ 100,000	\$ -	\$ -
Replacement fund	464,073	464,651	821,780	820,715
	\$ 564,073	\$ 564,651	\$ 821,780	\$ 820,715

Investments are composed of the following:

	Cost		Fair Value		Cost		Fair Value	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 306,334	\$ 303,200	\$ 201,763	\$ 191,250				
Municipal bonds	257,739	261,451	470,267	479,465				
Preferred/Fixed rate cap securities			149,750	150,000				
	\$ 564,073	\$ 564,651	\$ 821,780	\$ 820,715				

Investment income is composed of the following:

	2018	2017
Interest income	\$ 19,979	\$ 23,802
Amortization of premium	(2,708)	(8,929)
Total investment income	\$ 17,271	\$ 14,873

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.

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**JUNE 30, 2018 AND 2017**

**NOTE 12 - 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>2018</u> <u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
<b>June 30, 2018:</b>			
Certificates of deposit	\$ 306,334	\$ 306,334	\$
Municipal bonds	257,739	257,739	
Preferred/Fixed rate cap securities	<u>-</u>	<u>-</u>	
	<u>\$ 564,073</u>	<u>\$ 564,073</u>	<u>\$ -</u>
	<u>2017</u> <u>Totals</u>		
<b>June 30, 2017:</b>			
Certificates of deposit	\$ 201,763	\$ 201,763	\$
Municipal bonds	470,267	470,267	
Preferred/Fixed rate cap securities	<u>149,750</u>	<u>149,750</u>	
	<u>\$ 821,780</u>	<u>\$ 821,780</u>	<u>\$ -</u>

(Continued)

**CRESTWOOD VILLAGE CO-OP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**  
**JUNE 30, 2018 AND 2017**

**NOTE 13 - 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, 2018, 2017 and 2016.

**NOTE 14 - 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, 2018	\$ 997,146
June 30, 2019	1,009,059
June 30, 2020	1,021,089
June 30, 2021	<u>1,033,330</u>
	<u>\$ 4,060,624</u>

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

**NOTE 15 - 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 2018 and 2017 amounted to \$3,241 and \$3,058, respectively.

**SUPPLEMENTARY INFORMATION**



**CRESTWOOD VILLAGE CO-OP, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
(Unaudited)  
**JUNE 30, 2018**

FWH Associates, PA, conducted a study dated July 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair the common property components at the end of their useful lives assuming an inflation rate of 3 percent and an interest rate of 4.0 percent. A 5 percent funding threshold of \$633,792 is being estimated.

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	0 to 0	\$ 2,297,140
Fencing	0 to 25	50,370
Storm water management	0 to 32	109,980
Recreational: shuffle board, bocce, etc.	0 to 15	32,430
Miscellaneous	0 to 25	69,500
Residential buildings	0 to 41	9,544,149
Friendship hall: exterior	0 to 44	69,892
Friendship hall: interior	1 to 27	115,349
Friendship hall: mechanical	0 to 16	175,975
Maintenance: exterior	3 to 9	171,884
Maintenance: interior	15 to 29	17,377
Maintenance: mechanical	0 to 46	21,788
		<u>\$ 12,675,834</u>

The study presents a reserve study funding plan projected thirty year cash flow. The required annual contribution is as follows:

<u>Fiscal Year</u>	<u>Annual Contribution</u>
2018	\$ 471,900
2019	\$ 495,481
2020	\$ 520,241
2021	\$ 546,238
2022	\$ 573,534
2023 - 2047	\$ 602,194 - 1,125,448

The Board of Trustees has funded \$471,880 in the 2017 - 2018 budget, which represents 99.99% of the amount recommended by the study. In addition, \$123,552 was collected in capital depreciation assessments (resale revenue), investment income of \$16,584 and other income of \$12,421 which represents an additional 32.33% or a total of \$624,437 or 132.32% 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, 2018**

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Membership assessments	\$ 3,111,948	\$ 3,111,948	\$ -
Investment income	687		687
Clubhouse and recreation income	1,275		1,275
Other income	<u>82,958</u>		<u>82,958</u>
<b>Total revenues</b>	<u>3,196,868</u>	<u>3,111,948</u>	<u>84,920</u>
<b>EXPENSES</b>			
Real estate taxes	708,557	746,609	38,052
Insurance	224,660	255,000	30,340
Street lighting	17,682	20,000	2,318
Legal expense	14,053	16,000	1,947
Audit and accounting expense	11,650	11,600	(50)
Clubhouse expenses	71,695	106,200	34,505
Office and administration	284,978	248,020	(36,958)
Bad debt expense	29,549		(29,549)
Replacement fund assessment	471,880	471,880	-
Depreciation	14,545		(14,545)
Maintenance costs	<u>1,312,502</u>	<u>1,235,632</u>	<u>(76,870)</u>
<b>Total expenses</b>	<u>3,161,751</u>	<u>3,110,941</u>	<u>(50,810)</u>
<b>Excess of revenues over expenses</b>	<u>\$ 35,117</u>	<u>\$ 1,007</u>	<u>\$ 34,110</u>