

**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 16, 2019 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, 2019

AND

INDEPENDENT AUDITOR'S REPORT

CRESTWOOD VILLAGE CO-OP, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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

August 29, 2019
Toms River, New Jersey

CRESTWOOD VILLAGE CO-OP, INC.
BALANCE SHEET

JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

	Operating Fund	Replacement Fund	Plant Fund	Total
	2019	2019	2019	2018
ASSETS				
Cash, including interest bearing deposits	\$ 968,898	\$ 311,768	\$	\$ 1,280,666
Investments – Note 11	-	404,988		404,988
Assessments receivable	121,272			121,272
Accounts receivable - other	19,324			19,324
Accrued interest receivable		2,752		2,752
Prepaid expenses – Note 10	9,049			9,049
Interfund balances	4,048	(4,048)		-
Other assets				30,000
Property and equipment, net – Notes 2 and 3	39,179		6,635,223	6,674,402
Total assets	\$ 1,161,770	\$ 715,460	\$ 6,635,223	\$ 8,512,453
LIABILITIES AND MEMBERS' EQUITY				
Liabilities:				
Accounts payable and accrued expenses	\$ 28,078	\$ 52,760	\$	\$ 80,838
Payroll and payroll taxes payable	2,949			2,949
Assessments received in advance	77,118			77,118
Real estate tax and tax deductions payable	43,759			43,759
Estate escrow liability	64,854			64,854
Total liabilities	216,758	52,760	-	269,518
Members' equity:				
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	692,612	662,700	(8,051,677)	(6,696,365)
Total members' equity	945,012	662,700	6,635,223	7,835,715
Total liabilities and members' equity	\$ 1,161,770	\$ 715,460	\$ 6,635,223	\$ 8,074,130

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Plant Fund</u>	<u>Total</u>
	<u>2019</u>			<u>2018</u>
REVENUES				
Membership assessments – Note 2	\$ 2,678,334	\$ 494,766		\$ 3,173,100
Investment income - Note 11	1,909	12,200		14,109
Clubhouse rental income	1,125			1,275
Other income - Note 9	96,356	5,718		102,074
Capital depreciation assessment		88,865		88,865
Total revenues	<u>2,777,724</u>	<u>601,549</u>	-	<u>3,379,273</u>
EXPENSES				
Real estate taxes	\$ 708,557	\$		\$ 708,557
Insurance	228,057	\$		224,660
Street lighting	16,611			17,682
Legal expense	9,754			14,053
Auditing and accounting expense	11,950			11,650
Clubhouse expense	73,496			71,695
Office and administration	275,151			284,978
Bad debt expense	25,122			29,549
Depreciation	14,381		326,775	298,865
Maintenance costs – Note 6	1,280,824	1,375		1,312,502
Replacement fund expenditures – Note 8				24,849
Total expenses	<u>2,643,903</u>	<u>1,375</u>	<u>326,775</u>	<u>2,972,053</u>
Excess (deficiency) of revenues over expenses before transfers	133,821	600,174	(326,775)	407,220
Transfers - Note 7	<u>(146,831)</u>	<u>(973,527)</u>	<u>1,120,358</u>	-
Excess (deficiency) of revenues over expenses after transfers	(13,010)	(373,353)	793,583	350,385
Fund balance – beginning of year	705,622	1,036,053	(8,845,260)	(7,103,585)
Fund balance – end of year	<u>\$ 692,612</u>	<u>\$ 662,700</u>	<u>\$ (8,051,677)</u>	<u>\$ (7,103,585)</u>

The accompanying notes are an integral part of these financial statements

CRESTWOOD VILLAGE CO-OP, INC.

STATEMENT OF CASH FLOWS

JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

	Operating Fund	Replacement Fund	Plant Fund	Total
	2019	2019	2019	2018
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses after transfers	\$ (13,010)	\$ (373,353)	\$ 793,583	\$ 350,385
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation and amortization	18,149	(915)	326,775	305,617
(Increase) decrease in:				
Assessments receivable	(32,821)			84,294
Accounts receivable -- other	(687)			4,587
Accrued interest receivable	410			3,184
Prepaid expenses	19,913			1,190
Other assets	30,000			77,558
Increase (decrease) in:				
Accounts payable and accrued expenses	4,592	4,578		51,865
Payroll and payroll taxes payable	40			240
Assessments received in advance	14,700			1,145
Estate escrow account	4,425			(12,954)
Real estate tax and tax deductions payable	2,768			(5,674)
Net cash provided (used) by operating activities	<u>48,069</u>	<u>(369,280)</u>	<u>1,120,358</u>	<u>861,437</u>
Cash flows from investing activities:				
Purchase of property and equipment	(3,169)		(1,120,358)	(859,257)
Purchase of investments			-	(100,000)
Maturity/sale of investments	100,000	60,000		355,000
Net cash provided (used) by investing activities	<u>96,831</u>	<u>60,000</u>	<u>(1,120,358)</u>	<u>(604,257)</u>
Net increase (decrease) in cash and cash equivalents	<u>144,900</u>	<u>(309,280)</u>	<u>-</u>	<u>257,180</u>
Cash and cash equivalents at beginning of year	823,998	621,048	-	1,187,866
Cash and cash equivalents at end of year	<u>\$ 968,898</u>	<u>\$ 311,768</u>	<u>\$ -</u>	<u>\$ 1,445,046</u>
Supplemental disclosure:				
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, 2019 AND 2018

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 2018 financial statements to conform with the 2019 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 29, 2019, the date the financial statements were available to be issued.

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2019 AND 2018

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2019	2018	Estimated Useful Life (Years)
Land	\$ 544,400	\$ 544,400	-
Buildings – dwelling units	14,142,500	14,142,500	40
Dwelling unit improvements	5,064,031	4,415,188	27.5
Clubhouse renovations/improvements	467,295	457,495	20
Roads, driveways and parking lots	2,856,969	2,395,255	20
Maintenance building and improvements	148,098	148,098	10-40
Furniture and equipment	267,604	264,434	5
	23,490,897	22,367,370	
Less: accumulated depreciation	(16,816,495)	(16,471,571)	
	\$ 6,674,402	\$ 5,895,799	

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, 2019 AND 2018

NOTE 6 – MAINTENANCE COSTS

	2019	2018
Insurance	\$ 21,600	\$ 21,600
Maintenance contract	1,009,059	997,145
Golf course maintenance	8,549	9,869
Apartment maintenance	64,029	64,469
Garbage cans	9,758	
Exterminating	39,249	38,344
Trees and shrubs	70,639	67,092
Snow clearing	2,168	19,041
Exterior cleaning	4,638	39,154
Other costs	16,155	20,077
Depreciation of maintenance building	3,769	4,044
Bus operation	85,386	85,386
	1,334,999	1,366,221
Less fees billed to members	(54,175)	(53,719)
	\$ 1,280,824	\$ 1,312,502

NOTE 7 - TRANSFERS

	Operating Fund	Replacement Fund	Plant Fund
Resolution August 30, 2018	\$ (50,000)	\$ 50,000	\$
Resolution March 21, 2019	(100,000)	100,000	
Replacement fund expenditures	3,169	(1,123,527)	1,120,358
	\$ (146,831)	\$ (973,527)	\$ 1,120,358

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2019 AND 2018

NOTE 8 – REPLACEMENT FUND EXPENDITURES

	<u>2019</u>	<u>2018</u>
Roof replacement	\$ 180,298	\$ 11,500
Vinyl siding, soffits, fascias, rakes and gutters		1,850
Gutter helmets	4,193	68,670
Roads, driveways and parking lot	204,128	385,974
Crawlspace repairs	187,316	65,342
Dryer vents	124,661	127,901
Sidewalk replacement and concrete work	48,620	32,320
Electrical panels	5,700	14,259
Engineering costs	1,517	18,334
Apartment repairs	114,377	49,705
Furniture and office equipment	3,169	10,219
Storm drains	207,449	
Replacement fund study		5,500
Bathroom renovation - waterproofing	32,299	21,447
Coating system - friendship hall		37,440
Marquee/signage		8,851
Lighting		12,051
Other	11,175	12,743
	<u>1,124,902</u>	<u>884,106</u>
Transfer to plant fund	(1,120,358)	(849,037)
Transfer to operating fund	(3,169)	(10,220)
	<u>(1,123,527)</u>	<u>(859,257)</u>
	<u>\$ 1,375</u>	<u>\$ 24,849</u>

NOTE 9 – OTHER INCOME

	<u>2019</u>	<u>2018</u>
Municipal service agreement	\$ 13,359	\$ 13,406
Certificate change fees	2,300	1,200
Crestwood residents club - bingo		12,421
Other	16,081	12,015
Refund of prior years insurance premiums	19,992	
Credit report processing	5,732	4,027
Court ordered fees	5,718	
Late fee income	4,892	7,060
Document preparation fees-resales	34,000	45,250
	<u>\$ 102,074</u>	<u>\$ 95,379</u>

NOTE 10 – PREPAID EXPENSES

	<u>2019</u>	<u>2018</u>
Prepaid insurance	\$	\$ 20,740
Prepaid health insurance	4,875	5,460
Prepaid other	4,174	2,762
	<u>\$ 9,049</u>	<u>\$ 28,962</u>

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2019 AND 2018

NOTE 11 – INVESTMENTS

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

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Operating fund	\$	\$	\$ 100,000	\$ 100,000
Replacement fund	404,988	425,444	464,073	464,651
	\$ 404,988	\$ 425,444	\$ 564,073	\$ 564,651

Investments are composed of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 211,002	\$ 228,360	\$ 306,334	\$ 303,200
Municipal bonds	193,986	197,084	257,739	261,451
	\$ 404,988	\$ 425,444	\$ 564,073	\$ 564,651

Investment income is composed of the following:

	2019	2018
Interest income	\$ 13,194	\$ 19,979
Amortization of premium	915	(2,708)
Total investment income	\$ 14,109	\$ 17,271

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.

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CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2019 AND 2018

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>2019</u> <u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
June 30, 2019:			
Certificates of deposit	\$ 211,002	\$ 211,002	\$
Municipal bonds	<u>193,986</u>	<u>193,986</u>	<u> </u>
	<u>\$ 404,988</u>	<u>\$ 404,988</u>	<u>\$ -</u>
	<u>2018</u> <u>Totals</u>		
June 30, 2018:			
Certificates of deposit	\$ 306,334	\$ 306,334	\$
Municipal bonds	<u>257,739</u>	<u>257,739</u>	<u> </u>
	<u>\$ 564,073</u>	<u>\$ 564,073</u>	<u>\$ -</u>

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2019 AND 2018

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, 2019, 2018 and 2017.

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, 2019	\$ 1,009,059
June 30, 2020	1,021,089
June 30, 2021	<u>1,033,330</u>
	<u>\$ 3,063,478</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 2019 and 2018 amounted to \$3,445 and \$3,241, respectively.

SUPPLEMENTARY INFORMATION

CRESTWOOD VILLAGE CO-OP, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)
JUNE 30, 2019

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 \$494,766 in the 2018 - 2019 budget, which represents 99.86% of the amount recommended by the study. In addition, \$88,865 was collected in capital depreciation assessments (resale revenue), investment income of \$12,200 and other income of \$5,718 which represents an additional 21.55% or a total of \$601,549 or 121.41% of the amount recommended by the study. As indicated in Note 7, the Board of Trustees has also transferred \$150,000 into the replacement fund from the operating fund.

CRESTWOOD VILLAGE CO-OP, INC.
SCHEDULE OF OPERATING REVENUES AND EXPENSES
AS COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2019

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Membership assessments	\$ 3,173,100	\$ 3,173,100	\$ -
Investment income	1,909		1,909
Clubhouse and recreation income	1,125		1,125
Other income	<u>96,356</u>		<u>96,356</u>
Total revenues	<u>3,272,490</u>	<u>3,173,100</u>	<u>99,390</u>
EXPENSES			
Real estate taxes	708,557	760,436	51,879
Insurance	228,057	255,000	26,943
Street lighting	16,611	20,000	3,389
Legal expense	9,754	16,000	6,246
Audit and accounting expense	11,950	11,650	(300)
Clubhouse expenses	73,496	87,200	13,704
Office and administration	275,151	272,050	(3,101)
Bad debt expense	25,122		(25,122)
Replacement fund assessment	494,766	494,766	-
Depreciation	14,381		(14,381)
Maintenance costs	<u>1,280,824</u>	<u>1,261,045</u>	<u>(19,779)</u>
Total expenses	<u>3,138,669</u>	<u>3,178,147</u>	<u>39,478</u>
Excess of revenues over expenses	<u>\$ 133,821</u>	<u>\$ (5,047)</u>	<u>\$ 138,868</u>