

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

TO: ALL MEMBERSHIP CERTIFICATE HOLDERS
FROM: THE BOARD OF TRUSTEES
SUBJECT: ANNUAL REPORT

Attached, please find our Annual Report for fiscal year 7/1/19-6/30/20. Due to Covid, we were unable to have a meeting this year.

Our Auditor attached a cover sheet explaining some pertinent information about the Report. If you have any further questions, please put them in writing along with your name, address and telephone number and send to our office at the above address. We will contact you with those answers.

Unfortunately, at this time, we are forced to keep the Clubhouse closed. Meetings and club activities cannot be conducted with the restrictions placed on us.

We wish everyone a Blessed and Joyous Holiday Season.

Board of Trustees

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

CERTIFIED PUBLIC ACCOUNTANTS

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SHERRY LYNN MACKIN CPA

FOUNDED IN 1926 BY SIDNEY MOHEL
ARNOLD D MOHEL CPA
(1925-2018)

October 28, 2020

Board of Trustees and Certificate Holders
Crestwood Village Co-Op Inc.
92 Fairway Lane
Whiting, NJ 08759

Re: Financial Statements Year Ended June 30, 2020

Dear Ladies and Gentlemen:

As the auditor for Crestwood Village Co-Op Inc., I have been asked to make a few comments on the year ended June 30, 2020 Financial Statements with Supplementary Information.

As reflected on page 4, there was a loss of \$63,903 in the operating fund. The primary reason the loss was a significant and unanticipated increase in real estate taxes. Real estate taxes increased \$115,538 from 2019 to 2020 (\$708,557 vs. \$824,095).

As you are probably aware, Manchester Township reassessed property values. The assessed value of Crestwood Village Co-Op Inc. increased \$16,781,000 from \$27,678,000 to \$44,459,000 or 60.63%.

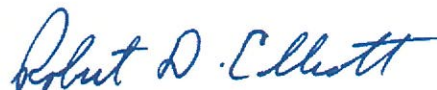
The tax rate only decreased \$.455 from \$2.565 per \$100 of assessed valuation to \$2.11 per \$100 of assessed valuation or 17.74%.

Your Board of Trustees has no control over the tax rate. This is set by the Township. In preparing the budget, the Board of Trustees could not have anticipated the amount of this increase.

Another significant increase was in maintenance costs. Please refer to page 8, Note 6 – Maintenance Costs. Net maintenance costs have increased \$102,262 from \$1,280,824 to \$1,383,086. There were significant increases in Trees and Shrubs \$35,799 and Exterior Cleaning \$45,497.

Please stay safe and healthy in these difficult times.

Very truly yours,
Mohel Elliott Bauer & Gass



Robert D. Elliott

CRESTWOOD VILLAGE CO-OP, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

AND

INDEPENDENT AUDITOR'S REPORT

CRESTWOOD VILLAGE CO-OP, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

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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, 2020, 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.

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, 2020, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Report on Summarized Comparative Information

We have previously audited Crestwood Village Co-Op, Inc.'s June 30, 2019 financial statements and our report dated August 29, 2019 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, 2020, 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, which 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.

Emphasis of Matter

Adoption of New Revenue Recognition Standards

As discussed in the notes to the financial statements, during the year ended June 30, 2020 the Co-Op adopted Financial Accounting Standards Board (FASB) ASC 606, Revenue Recognition Standards. Our opinion is not modified with respect to this matter.

MoHEL Elliott Bauer & Gass

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

October 9, 2020
Toms River, New Jersey

CRESTWOOD VILLAGE CO-OP, INC.

BALANCE SHEET

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	Operating Fund			Replacement Fund			Plant Fund			Total	
	2020	2019		2020	2019		2020	2019	2020	2019	
ASSETS											
Cash, including interest bearing deposits	\$ 775,610	\$ 1,280,666									
Investments – Note 11	303,257	404,988									
Assessments receivable	32,704	121,272									
Accounts receivable - other	36,819	19,324									
Accrued interest receivable	2,008	2,752									
Prepaid expenses – Note 9	11,267	9,049									
Interfund balances	4,048	-									
Other assets		-									
Property and equipment, net – Notes 2 and 3	25,963	6,674,402									
Total assets	\$ 1,189,668	\$ 8,939,885							\$ 8,512,453		
LIABILITIES AND MEMBERS' EQUITY											
Liabilities:											
Accounts payable and accrued expenses	\$ 28,308	\$ 80,838									
Payroll and payroll taxes payable	3,992	2,949									
Assessments received in advance	83,189	77,118									
Real estate tax and tax deductions payable	156,447	43,759									
Estate escrow liability	36,623	64,854									
Total liabilities	308,559	269,518									
Members' equity:											
Membership certificates – authorized, issued and outstanding – 1,016 certificates		14,686,900									
Additional paid-in capital	252,400	252,400									
Fund balance – Note 2	628,709	(6,696,365)									
Total members' equity	881,109	8,631,326							8,242,935		
Total liabilities and members' equity	\$ 1,189,668	\$ 8,939,885							\$ 8,512,453		

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, 2020
 (WITH COMPARATIVE TOTALS FOR 2019)

	Operating Fund	Replacement Fund	Plant Fund	Total	
				2020	2019
REVENUES					
Member assessments					
Membership assessments – Note 2	\$ 2,679,328	\$ 676,880	\$ -	\$ 3,356,208	\$ 3,173,100
Adjustment for probable uncollectible accounts	(22,029)			(22,029)	(25,122)
Net membership assessments	<u>2,657,299</u>	<u>676,880</u>	<u>-</u>	<u>3,334,179</u>	<u>3,147,978</u>
Other revenues					
Investment income - Note 11	3,940	9,332		13,272	14,109
Clubhouse rental income	925	2,526		925	1,125
Other income - Note 8	80,572	32,400		83,098	102,074
Membership fee		103,908		32,400	
Capital depreciation assessment		148,166		103,908	88,865
Total other revenues	<u>85,437</u>	<u>148,166</u>	<u>-</u>	<u>233,603</u>	<u>206,173</u>
Total revenues	<u>2,742,736</u>	<u>825,046</u>	<u>-</u>	<u>3,567,782</u>	<u>3,354,151</u>
EXPENSES					
Real estate taxes	\$ 824,095	\$ -	\$ -	\$ 824,095	\$ 708,557
Insurance	214,299			214,299	228,057
Street lighting	15,746			15,746	16,611
Legal expense	5,332			5,332	9,754
Auditing and accounting expense	12,700			12,700	11,950
Clubhouse expense	70,609			70,609	73,496
Office and administration	268,427		364,679	268,427	275,151
Depreciation	13,001			377,680	341,156
Maintenance costs – Note 6	1,383,086	7,417		1,383,086	1,280,824
Replacement fund expenditures – Note 7		7,417		7,417	1,375
Total expenses	<u>2,807,295</u>	<u>7,417</u>	<u>364,679</u>	<u>3,179,391</u>	<u>2,946,931</u>
Excess (deficiency) of revenues over expenses before transfers	(64,559)	817,629	(364,679)	388,391	407,220
Transfers - Note 10	656	(748,343)	747,687	-	
Excess (deficiency) of revenues over expenses after transfers	(63,903)	69,286	383,008	388,391	407,220
Fund balance – beginning of year	692,612	662,700	(8,051,677)	(6,696,365)	(7,103,585)
Fund balance – end of year	<u>\$ 628,709</u>	<u>\$ 731,986</u>	<u>\$ (7,668,669)</u>	<u>\$ (6,307,974)</u>	<u>\$ (6,696,365)</u>

The accompanying notes are an integral part of these financial statements

CRESTWOOD VILLAGE CO-OP, INC.

STATEMENT OF CASH FLOWS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	Operating Fund			Replacement Fund			Plant Fund			Total	
	2020	2019		2020	2019		2020	2019			
Cash flows from operating activities:											
Excess (deficiency) of revenues over expenses after transfers	\$ (63,903)	\$ 69,286	\$ 383,008	\$ 376,834	\$ 388,391	\$ 407,220					
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:											
Depreciation and amortization	14,511	(2,356)	364,679	376,834	388,391	407,220					
(Increase) decrease in:											
Assessments receivable	88,568			88,568	(17,495)	(32,821)					
Accounts receivable – other	(17,495)	744		(17,495)	744	(687)					
Accrued interest receivable				744		410					
Prepaid expenses	(2,218)	(50,000)		(2,218)	(50,000)	19,913					
Other assets				(50,000)		30,000					
Increase (decrease) in:											
Accounts payable and accrued expenses	230	(52,760)		(52,530)	1,043	9,170					
Payroll and payroll taxes payable	1,043			1,043		40					
Assessments received in advance	6,071			6,071		14,700					
Estate escrow account	(28,231)			(28,231)		4,425					
Real estate tax and tax deductions payable	112,688			112,688		2,768					
Net cash provided (used) by operating activities	111,264	(35,086)	747,687	823,865	823,865	799,147					
Cash flows from investing activities:											
Purchase of property and equipment	(1,295)			(748,982)		(1,123,527)					
Purchase of investments	(303,257)	75,000		(303,257)	75,000	-					
Maturity/sale of investments				75,000		160,000					
Net cash provided (used) by investing activities	(304,552)	75,000	(747,687)	(977,239)	(977,239)	(963,527)					
Net increase (decrease) in cash and cash equivalents	(193,288)	39,914	-	(153,374)	(164,380)						
Cash and cash equivalents at beginning of year	968,898	311,768	-	1,280,666	1,445,046						
Cash and cash equivalents at end of year	<u>\$ 775,610</u>	<u>\$ 351,682</u>	<u>\$ -</u>	<u>\$ 1,127,292</u>	<u>\$ 1,280,666</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, 2020 AND 2019

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 2019 financial statements to conform with the 2020 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.

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events - The Co-Op has evaluated subsequent events through October 9, 2020, the date the financial statements were available to be issued.

Recently Adopted Accounting Pronouncements-ASC 606-*Revenue from Contracts with Customers*
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09 "Revenue from Contracts with Customers" which became effective for non-public entities for years beginning after December 15, 2018. This standard requires revenue to be recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Co-Op adopted the standard effective January 1, 2019 using the modified retrospective transition method. The Co-Op applied ASU No. 2014-09 only to contracts that were not completed prior to January 1, 2019. The adoption of the new revenue standard had no effect to the opening fund balance of any of the funds. We expect the impact of the adoption to be immaterial to our financial position, results of operations, and cash flows on an ongoing basis.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life (Years)</u>
Land	\$ 544,400	\$ 544,400	-
Buildings – dwelling units	14,142,500	14,142,500	40
Dwelling unit improvements	5,705,534	5,064,031	27.5
Clubhouse renovations/improvements	499,872	467,295	20
Roads, driveways and parking lots	2,930,576	2,856,969	20
Maintenance building and improvements	148,098	148,098	10-40
Furniture and equipment	268,898	267,604	5
	<u>24,239,878</u>	<u>23,490,897</u>	
Less: accumulated depreciation	<u>(17,195,684)</u>	<u>(16,816,495)</u>	
	<u>\$ 7,044,194</u>	<u>\$ 6,674,402</u>	

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2020 AND 2019

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.

NOTE 6 – MAINTENANCE COSTS

	2020	2019
Insurance	\$ 22,000	\$ 21,600
Maintenance contract	1,021,089	1,009,059
Golf course maintenance	9,991	8,549
Apartment maintenance	68,457	64,029
Garbage cans	27,526	9,758
Exterminating	29,340	39,249
Trees and shrubs	106,438	70,639
Snow clearing	2,669	2,168
Exterior cleaning	50,135	4,638
Other costs	853	16,155
Depreciation of maintenance building	1,510	3,769
Bus operation	90,000	85,386
	1,430,008	1,334,999
Less fees billed to members	(46,922)	(54,175)
	\$ 1,383,086	\$ 1,280,824

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2020 AND 2019

NOTE 7 – REPLACEMENT FUND EXPENDITURES

	<u>2020</u>	<u>2019</u>
Roof replacement	\$ 206,964	\$ 180,298
Vinyl, siding, soffits, fascias, rakes and gutters	35,850	
Gutter helmets	4,137	4,193
Roads, driveways and parking lot	38,457	204,128
Crawlspace repairs	235,658	187,316
Dryer vents	131,326	124,661
Sidewalk replacement and concrete work	35,150	48,620
Electrical panels	15,167	5,700
Engineering costs		1,517
Apartment repairs	12,400	114,377
Furniture and office equipment		3,169
Storm drains		207,449
Bathroom renovation - waterproofing		32,299
Condenser/air handler	25,800	
Clubhouse improvements	6,777	
Other	8,074	11,175
	<u>755,760</u>	<u>1,124,902</u>
Transfer to plant fund	(747,687)	(1,120,358)
Transfer to operating fund	(656)	(3,169)
	<u>(748,343)</u>	<u>(1,123,527)</u>
	<u>\$ 7,417</u>	<u>\$ 1,375</u>

NOTE 8 – OTHER INCOME

	<u>2020</u>	<u>2019</u>
Municipal service agreement	\$ 10,834	\$ 13,359
Certificate change fees	1,650	2,300
Other	16,747	16,081
Refund of prior years insurance premiums		19,992
Credit report processing	6,585	5,732
Court ordered fees	2,526	5,718
Late fee income	2,506	4,892
Document preparation fees-resales	42,250	34,000
	<u>\$ 83,098</u>	<u>\$ 102,074</u>

NOTE 9 – PREPAID EXPENSES

	<u>2020</u>	<u>2019</u>
Prepaid insurance	\$ 3,488	\$
Prepaid health insurance	3,503	4,875
Prepaid other	4,276	4,174
	<u>\$ 11,267</u>	<u>\$ 9,049</u>

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2020 AND 2019

NOTE 10 - TRANSFERS

	Operating Fund	Replacement Fund	Plant Fund
Replacement fund expenditures	\$ <u>656</u>	\$ <u>(748,343)</u>	\$ <u>747,687</u>
	\$ <u><u>656</u></u>	\$ <u><u>(748,343)</u></u>	\$ <u><u>747,687</u></u>

NOTE 11 – INVESTMENTS

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Operating fund	\$ 303,257	\$ 303,257	\$	\$
Replacement fund	<u>332,344</u>	<u>352,353</u>	<u>404,988</u>	<u>425,444</u>
	\$ <u><u>635,601</u></u>	\$ <u><u>655,610</u></u>	\$ <u><u>404,988</u></u>	\$ <u><u>425,444</u></u>

Investments are composed of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 515,789	\$ 537,297	\$ 211,002	\$ 228,360
Municipal bonds	<u>116,555</u>	<u>118,313</u>	<u>193,986</u>	<u>197,084</u>
	\$ <u><u>632,344</u></u>	\$ <u><u>655,610</u></u>	\$ <u><u>404,988</u></u>	\$ <u><u>425,444</u></u>

Investment income is composed of the following:

	2020	2019
Interest income	\$ 10,916	\$ 13,194
Amortization of premium	<u>2,356</u>	<u>915</u>
Total investment income	\$ <u><u>13,272</u></u>	\$ <u><u>14,109</u></u>

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, 2020 AND 2019

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>2020</u> <u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
June 30, 2020:			
Certificates of deposit	\$ 515,789	\$ 515,789	\$
Municipal bonds	116,555	116,555	
	<u>\$ 632,344</u>	<u>\$ 632,344</u>	<u>\$ -</u>
	<u>2019</u> <u>Totals</u>		
June 30, 2019:			
Certificates of deposit	\$ 211,002	\$ 211,002	\$
Municipal bonds	193,986	193,986	
	<u>\$ 404,988</u>	<u>\$ 404,988</u>	<u>\$ -</u>

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2020 AND 2019

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, 2020, 2019 and 2018.

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, 2020	\$ 1,021,089
June 30, 2021	<u>1,021,089</u>
	<u>\$ 2,042,178</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 2020 and 2019 amounted to \$2,874 and \$3,445, respectively.

NOTE 16 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Co-Op, in its normal course of business, maintains cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation. At June 30, 2020 and 2019, the uninsured cash balances totaled \$930,449 and \$780,566, respectively.

SUPPLEMENTARY INFORMATION

CRESTWOOD VILLAGE CO-OP, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)
JUNE 30, 2020

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 \$676,880 in the 2019 - 2020 budget, which represents 130.11% of the amount recommended by the study. In addition, \$103,908 was collected in capital depreciation assessments (resale revenue), membership fees of \$32,400, investment income of \$9,332 and other income of \$2,526 which represents an additional 28.48% or a total of \$825,046 or 158.59% 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, 2020

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Member assessments			
Membership assessments	\$ 3,356,208	\$ 3,356,208	\$ -
Adjustment for probable uncollectible accounts	<u>(22,029)</u>	<u> </u>	<u>(22,029)</u>
Net membership assessments	<u>3,334,179</u>	<u>3,356,208</u>	<u>(22,029)</u>
Other revenues			
Investment income	3,940		3,940
Clubhouse and recreation income	925		925
Other income	<u>80,572</u>	<u> </u>	<u>80,572</u>
Total other revenues	<u>85,437</u>	<u>-</u>	<u>85,437</u>
TOTAL REVENUES	<u>3,419,616</u>	<u>3,356,208</u>	<u>63,408</u>
EXPENSES			
Real estate taxes	824,095	718,957	(105,138)
Insurance	214,299	230,000	15,701
Street lighting	15,746	20,000	4,254
Legal expense	5,332	16,000	10,668
Audit and accounting expense	12,700	11,650	(1,050)
Clubhouse expenses	70,609	68,200	(2,409)
Office and administration	268,427	277,070	8,643
Replacement fund assessment	676,880	676,880	-
Depreciation	13,001		(13,001)
Maintenance costs	<u>1,383,086</u>	<u>1,306,089</u>	<u>(76,997)</u>
TOTAL EXPENSES	<u>3,484,175</u>	<u>3,324,846</u>	<u>(159,329)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (64,559)</u>	<u>\$ 31,362</u>	<u>\$ (95,921)</u>