

**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 13, 2021 at 10:00 AM
PLACE: Friendship Hall
PURPOSE: Presentation of the Annual Financial Report

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.

Board of Trustees
Mary Ann Riotto, Secretary

CRESTWOOD VILLAGE CO-OP, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

AND

INDEPENDENT AUDITOR'S REPORT

CRESTWOOD VILLAGE CO-OP, INC.

**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

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MOHEL ELLIOTT BAUER & GASS

A PROFESSIONAL ASSOCIATION

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees and Stockholders
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, 2021, and the related statements of revenues, expenses, and changes in fund balances 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, 2021, 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 PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

Report on Summarized Comparative Information

We have previously audited Crestwood Village Co-Op, Inc.'s June 30, 2020 financial statements and our report dated October 9, 2020 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, 2021, 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 15 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 14 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.

MoHEL Elliott Bauer & Gass

MOHEL ELLIOTT BAUER & GASS, P.A.

Certified Public Accountants

August 30, 2021

Toms River, New Jersey

CRESTWOOD VILLAGE CO-OP, INC.

BALANCE SHEET

JUNE 30, 2021

(WITH COMPARATIVE TOTALS FOR 2020)

| | Operating Fund | Replacement Fund | Plant Fund | Total |
|---|---------------------|-------------------|---------------------|---------------------|
| | 2021 | 2021 | 2021 | 2020 |
| ASSETS | | | | |
| Cash, including interest bearing deposits | \$ 992,002 | \$ 348,396 | \$ - | \$ 1,340,398 |
| Investments - Note 4 | 102,458 | 285,851 | - | 388,309 |
| Assessments receivable - Note 2 | 29,369 | - | - | 29,369 |
| Accounts receivable - other | 19,073 | 1,137 | - | 19,073 |
| Accrued interest receivable | 12,691 | 52,374 | - | 1,137 |
| Prepaid expenses - Note 5 | (52,374) | - | - | 12,691 |
| Interfund balances | - | - | - | - |
| Other assets | - | - | - | 50,000 |
| Property and equipment, net - Notes 2 and 3 | 16,153 | - | 7,721,707 | 7,044,194 |
| Total assets | \$ 1,119,372 | \$ 687,758 | \$ 7,721,707 | \$ 9,528,837 |
| LIABILITIES AND MEMBERS' EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses - Note 6 | \$ 147,288 | \$ - | \$ - | \$ 28,308 |
| Payroll and payroll taxes payable | 4,978 | - | - | 3,992 |
| Assessments received in advance | 89,891 | - | - | 83,189 |
| Real estate tax and tax deductions payable | 55,033 | - | - | 156,447 |
| Estate escrow liability | 78,008 | - | - | 36,623 |
| Total liabilities | 375,198 | - | - | 308,559 |
| 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 | 491,774 | 687,758 | (6,965,193) | (6,307,974) |
| Total members' equity | 744,174 | 687,758 | 7,721,707 | 8,631,326 |
| Total liabilities and members' equity | \$ 1,119,372 | \$ 687,758 | \$ 7,721,707 | \$ 8,939,885 |

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
 (WITH COMPARATIVE TOTALS FOR 2020)

JUNE 30, 2021

| | Operating Fund | Replacement Fund | Plant Fund | Total |
|--|------------------|------------------|----------------|------------------|
| | 2021 | 2021 | 2021 | 2020 |
| REVENUES | | | | |
| Member assessments | | | | |
| Membership assessments -- Note 2 | \$ 2,837,368 | \$ 676,880 | \$ | \$ 3,514,248 |
| Adjustment for probable uncollectible accounts | (130) | | | (22,029) |
| Net membership assessments | <u>2,837,238</u> | <u>676,880</u> | - | <u>3,514,118</u> |
| Other revenues | | | | |
| Investment income - Note 4 | 1,645 | 7,175 | | 8,820 |
| Clubhouse rental income | | | | 13,272 |
| Other income - Note 7 | 92,256 | | | 925 |
| Membership fee | | 34,400 | | 83,098 |
| Capital depreciation assessment | | 142,895 | | 32,400 |
| Total other revenues | <u>93,901</u> | <u>184,470</u> | - | <u>103,908</u> |
| Total revenues | <u>2,931,139</u> | <u>861,350</u> | - | <u>3,567,782</u> |
| EXPENSES | | | | |
| Real estate taxes | \$ 949,351 | \$ | \$ | \$ 824,095 |
| Insurance | 220,812 | | | 214,299 |
| Street lighting | 15,487 | | | 15,746 |
| Legal expense | 2,392 | | | 5,332 |
| Auditing and accounting expense | 12,420 | | | 12,700 |
| Clubhouse expense | 74,542 | | | 70,609 |
| Office and administration | 275,488 | | | 268,427 |
| Depreciation | 10,992 | | 400,919 | 379,190 |
| Maintenance costs -- Note 8 | 1,307,773 | | | 1,381,576 |
| Replacement fund expenditures -- Note 10 | | | | 7,417 |
| Total expenses | <u>2,869,257</u> | <u>-</u> | <u>400,919</u> | <u>3,179,391</u> |
| Excess (deficiency) of revenues over expenses before transfers | 61,882 | 861,350 | (400,919) | 388,391 |
| Transfers - Note 12 | (198,817) | (905,578) | 1,104,395 | |
| Excess (deficiency) of revenues over expenses after transfers | (136,935) | (44,228) | 703,476 | 388,391 |
| Fund balance -- beginning of year | 528,709 | 731,986 | (7,668,669) | (6,696,365) |
| Fund balance -- end of year | \$ 491,774 | \$ 687,758 | \$ (6,965,193) | \$ (6,307,974) |

The accompanying notes are an integral part of these financial statements

CRESTWOOD VILLAGE CO-OP, INC.

STATEMENT OF CASH FLOWS

JUNE 30, 2021

(WITH COMPARATIVE TOTALS FOR 2020)

| | Operating Fund | Replacement Fund | Plant Fund | Total |
|---|----------------|------------------|-------------|--------------|
| | 2021 | 2021 | 2021 | 2020 |
| Cash flows from operating activities: | | | | |
| Excess (deficiency) of revenues over expenses after transfers | \$ (136,935) | \$ (44,228) | \$ 703,476 | \$ 522,313 |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 10,992 | (3,507) | 400,919 | 376,834 |
| (Increase) decrease in: | | | | |
| Assessments receivable | 3,335 | | 3,335 | 88,568 |
| Accounts receivable – other | 17,746 | | 17,746 | (17,495) |
| Accrued interest receivable | | 871 | 871 | 744 |
| Prepaid expenses | (1,424) | | (1,424) | (2,218) |
| Other assets | | 50,000 | | (50,000) |
| Interfund balances | 56,422 | (56,422) | | |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued expenses | 118,980 | | 118,980 | (52,530) |
| Payroll and payroll taxes payable | 986 | | 986 | 1,043 |
| Assessments received in advance | 6,702 | | 6,702 | 6,071 |
| Estate escrow account | 41,385 | | 41,385 | (28,231) |
| Real estate tax and tax deductions payable | (101,414) | | (101,414) | 112,688 |
| Net cash provided (used) by operating activities | 16,775 | (53,286) | 1,104,395 | 823,865 |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | (1,183) | | (1,104,395) | (748,982) |
| Purchase of investments | (1,150) | | (1,150) | (303,257) |
| Maturity/sale of investments | 201,950 | 50,000 | | 75,000 |
| Net cash provided (used) by investing activities | 199,617 | 50,000 | (1,104,395) | (977,239) |
| Net increase (decrease) in cash and cash equivalents | 216,392 | (3,286) | 213,106 | (153,374) |
| Cash and cash equivalents at beginning of year | 775,610 | 351,682 | | 1,280,666 |
| Cash and cash equivalents at end of year | \$ 992,002 | \$ 348,396 | \$ - | \$ 1,340,398 |
| 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, 2021 AND 2020

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 2020 financial statements to conform with the 2021 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, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Maintenance Assessments and Assessments Receivable - Cooperative members are subject to monthly assessments based upon the annual budget. The purpose of maintenance assessments is to provide funds for operating expenses and funding for reserves for future major repairs and replacements. Monthly maintenance assessments represent multiple performance obligations, which, on a standalone basis are not considered separate and distinct and therefore have been deemed to be a single performance obligation. Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for maintenance assessments are satisfied over time on a daily pro-rata basis using the input method. The Cooperative retains excess funds at the end of the period, if any, for use in future periods or as otherwise specified by the Cooperative's governing documents.

Maintenance assessments receivable at the balance sheet date is stated at the amounts expected to be collected from unit owners. The Cooperative's policy is to retain legal counsel and place liens on the units of owners who are delinquent based on the collection policy. It is the opinion of the Board that the Cooperative will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. The Cooperative treats uncollectible maintenance assessments as variable consideration since the Cooperative has the authority to levy additional fees. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Cooperative's control.

Subsequent Events - The Co-Op has evaluated subsequent events through August 30, 2021, the date the financial statements were available to be issued.

NOTE 3 – PROPERTY AND EQUIPMENT

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

| | 2021 | 2020 | Estimated Useful Life (Years) |
|---------------------------------------|--------------|--------------|--|
| Land | \$ 544,400 | \$ 544,400 | - |
| Buildings – dwelling units | 14,142,500 | 14,142,500 | 40 |
| Dwelling unit improvements | 6,539,628 | 5,705,534 | 27.5 |
| Clubhouse renovations/improvements | 646,978 | 499,872 | 20 |
| Roads, driveways and parking lots | 3,053,770 | 2,930,576 | 20 |
| Maintenance building and improvements | 148,098 | 148,098 | 10-40 |
| Furniture and equipment | 270,081 | 268,898 | 5 |
| | 25,345,455 | 24,239,878 | |
| Less: accumulated depreciation | (17,607,595) | (17,195,684) | |
| | \$ 7,737,860 | \$ 7,044,194 | |

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2021 AND 2020

NOTE 4 – INVESTMENTS

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

| | <u>2021</u> | | <u>2020</u> | |
|------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Operating fund | \$ 102,458 | \$ 102,458 | \$ 303,257 | \$ 303,257 |
| Replacement fund | <u>285,851</u> | <u>343,626</u> | <u>332,344</u> | <u>352,353</u> |
| | <u>\$ 388,309</u> | <u>\$ 446,084</u> | <u>\$ 635,601</u> | <u>\$ 655,610</u> |

Investments are composed of the following:

| | <u>Cost</u> | | <u>Fair Value</u> | |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Certificates of deposit | \$ 323,130 | \$ 380,518 | \$ 519,046 | \$ 537,297 |
| Municipal bonds | <u>65,179</u> | <u>65,566</u> | <u>116,555</u> | <u>118,313</u> |
| | <u>\$ 388,309</u> | <u>\$ 446,084</u> | <u>\$ 635,601</u> | <u>\$ 655,610</u> |

Investment income is composed of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------|-----------------|------------------|
| Interest income | \$ 5,313 | \$ 10,916 |
| Amortization of premium | <u>3,507</u> | <u>2,356</u> |
| Total investment income | <u>\$ 8,820</u> | <u>\$ 13,272</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, 2021 AND 2020

NOTE 5 – PREPAID EXPENSES

| | 2021 | 2020 |
|--------------------------|-------------|-------------|
| Prepaid insurance | \$ 3,488 | \$ 3,488 |
| Prepaid health insurance | 4,502 | 3,503 |
| Prepaid other | 4,701 | 4,276 |
| | \$ 12,691 | \$ 11,267 |

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | | |
|---|------------|-----------|
| Accounts payable and accrued expenses | \$ 1,833 | \$ 18,708 |
| * Exchange - insurance claims | 122,837 | 9,350 |
| Real estate escrow | 22,618 | 250 |
| | \$ 147,288 | \$ 28,308 |
| | | |
| Proceeds from Insurance - Fire 609 A/B Willow Ct. | 313,487 | |
| Expenses to repair 609 A/B Willow Ct. | (200,000) | |
| Proceed from Insurance - gazebo damage | 9,350 | 9,350 |
| * | \$ 122,837 | \$ 9,350 |

NOTE 7 – OTHER INCOME

| | 2021 | 2020 |
|-----------------------------------|-------------|-------------|
| Municipal service agreement | \$ 10,834 | \$ 10,834 |
| Certificate change fees | 1,300 | 1,650 |
| Other | 21,135 | 16,747 |
| Credit report processing | 8,594 | 6,585 |
| Court ordered fees | | 2,526 |
| Late fee income | 2,493 | 2,506 |
| Document preparation fees-resales | 47,900 | 42,250 |
| | \$ 92,256 | \$ 83,098 |

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2021 AND 2020

NOTE 8 – MAINTENANCE COSTS

| | 2021 | 2020 |
|-----------------------------|--------------|--------------|
| Insurance | \$ 22,000 | \$ 22,000 |
| Maintenance contract | 1,021,089 | 1,021,089 |
| Golf course maintenance | 8,711 | 9,991 |
| Apartment maintenance | 88,439 | 68,457 |
| Garbage cans | 12,074 | 27,526 |
| Exterminating | 15,337 | 29,340 |
| Trees and shrubs | 75,337 | 106,438 |
| Snow clearing | 14,195 | 2,669 |
| Exterior cleaning | | 50,135 |
| Other costs | 15,223 | 853 |
| Bus operation | 90,000 | 90,000 |
| | 1,362,405 | 1,428,498 |
| Less fees billed to members | (54,632) | (46,922) |
| | \$ 1,307,773 | \$ 1,381,576 |

NOTE 9 – 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 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, 2021 AND 2020

NOTE 10 – REPLACEMENT FUND EXPENDITURES

| | 2021 | 2020 |
|--|--------------------|------------------|
| Roof replacement | \$ 439,313 | \$ 206,964 |
| Vinyl, siding, soffits, fascias, rakes and gutters | 51,196 | 35,850 |
| Generator | 102,519 | |
| Roads, driveways and parking lot | 85,494 | 38,457 |
| Crawlspace repairs | 142,435 | 235,658 |
| Dryer vents | 84,548 | 131,326 |
| Sidewalk replacement and concrete work | 37,700 | 35,150 |
| Electrical panels | 11,737 | 15,167 |
| Apartment repairs | 9,475 | 12,400 |
| Porches | 10,061 | |
| Structural repairs | 48,230 | |
| Bath and kitchen vents | 32,900 | |
| Condenser/air handler | | 25,800 |
| Clubhouse improvements | 34,050 | 6,777 |
| Other | 15,920 | 12,211 |
| | <u>1,105,578</u> | <u>755,760</u> |
| Transfer to plant fund | (1,104,395) | (747,687) |
| Transfer to operating fund | (1,183) | (656) |
| | <u>(1,105,578)</u> | <u>(748,343)</u> |
| | <u>\$ -</u> | <u>\$ 7,417</u> |

NOTE 11 – 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 12 - TRANSFERS

| | Operating Fund | Replacement Fund | Plant Fund |
|-------------------------------|---------------------|---------------------|---------------------|
| By resolution 9/30/2020 | \$ (100,000) | \$ 100,000 | \$ |
| By resolution 1/20/2021 | (100,000) | 100,000 | |
| Replacement fund expenditures | <u>1,183</u> | <u>(1,105,578)</u> | <u>1,104,395</u> |
| | <u>\$ (198,817)</u> | <u>\$ (905,578)</u> | <u>\$ 1,104,395</u> |

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2021 AND 2020

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>2021</u> <u>Totals</u> | <u>Level 1</u> | <u>Level 2</u> |
|-------------------------|------------------------------|-------------------|-----------------------------|
| June 30, 2021: | | | |
| Certificates of deposit | \$ 323,130 | \$ 323,130 | \$ |
| Municipal bonds | <u>65,179</u> | <u>65,179</u> | <u> </u> |
| | <u>\$ 388,309</u> | <u>\$ 388,309</u> | <u>\$ -</u> |
| | | | |
| | <u>2020</u> <u>Totals</u> | <u>Level 1</u> | <u>Level 2</u> |
| June 30, 2020: | | | |
| Certificates of deposit | \$ 519,046 | \$ 519,046 | \$ |
| Municipal bonds | <u>116,555</u> | <u>116,555</u> | <u> </u> |
| | <u>\$ 635,601</u> | <u>\$ 635,601</u> | <u>\$ -</u> |

(Continued)

CRESTWOOD VILLAGE CO-OP, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2021 AND 2020

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, 2021 | \$ <u>1,021,089</u> |
| | \$ <u><u>1,021,089</u></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 2021 and 2020 amounted to \$3,821 and \$2,874, respectively.

NOTE 16 - 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, 2021, 2020 and 2019.

NOTE 17 - 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, 2021 and 2020, the uninsured cash balances totaled \$942,757 and \$930,449, respectively.

SUPPLEMENTARY INFORMATION

CRESTWOOD VILLAGE CO-OP, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Unaudited)
JUNE 30, 2021

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 2020 - 2021 budget, which represents 123.92% of the amount recommended by the study. In addition, \$142,895 was collected in capital depreciation assessments (resale revenue), membership fees of \$34,400 and investment income of \$7,175 which represents an additional 33.77% or a total of \$861,350 or 157.69% 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, 2021

| | <u>Actual</u> | <u>(Unaudited) Budget</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------|-------------------------------|---|
| REVENUES | | | |
| Member assessments | | | |
| Membership assessments | \$ 3,514,248 | \$ 3,514,248 | \$ - |
| Adjustment for probable uncollectible accounts | <u>(130)</u> | <u>-</u> | <u>(130)</u> |
| Net membership assessments | <u>3,514,118</u> | <u>3,514,248</u> | <u>(130)</u> |
| Other revenues | | | |
| Investment income | 1,645 | - | 1,645 |
| Clubhouse and recreation income | - | - | - |
| Other income | <u>92,256</u> | <u>-</u> | <u>92,256</u> |
| Total other revenues | <u>93,901</u> | <u>-</u> | <u>93,901</u> |
| TOTAL REVENUES | <u>3,608,019</u> | <u>3,514,248</u> | <u>93,771</u> |
| EXPENSES | | | |
| Real estate taxes | 949,351 | 910,098 | (39,253) |
| Insurance | 220,812 | 230,000 | 9,188 |
| Street lighting | 15,487 | 20,000 | 4,513 |
| Legal expense | 2,392 | 16,000 | 13,608 |
| Audit and accounting expense | 12,420 | 11,650 | (770) |
| Clubhouse expenses | 74,542 | 68,200 | (6,342) |
| Office and administration | 275,488 | 277,070 | 1,582 |
| Replacement fund assessment | 676,880 | 676,880 | - |
| Depreciation | 10,992 | - | (10,992) |
| Maintenance costs | <u>1,307,773</u> | <u>1,306,089</u> | <u>(1,684)</u> |
| TOTAL EXPENSES | <u>3,546,137</u> | <u>3,515,987</u> | <u>(30,150)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>\$ 61,882</u> | <u>\$ (1,739)</u> | <u>\$ 63,621</u> |