

VAIL'S GROVE COOPERATIVE, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

(with Independent Auditors' Report thereon)

PETER R. ROSSI, JR., CPA
CERTIFIED PUBLIC ACCOUNTANT

VAIL'S GROVE COOPERATIVE, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	2
Statement of Operations	3
Supplement to the Statement of Operations - Schedules A-D	4
Statement of Shareholders' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
Supplementary Information on Future Major Repairs and Replacements	12

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

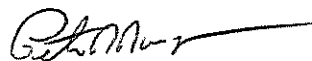
To the Shareholders and Board of Directors
Vail's Grove Cooperative, Inc.
5 Vail Boulevard-Peach Lake
Brewster, NY 10509

I have audited the accompanying balance sheets of Vail's Grove Cooperative, Inc. as of December 31, 2015 and 2014 and the related statements of operations, supporting schedules, and shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vail's Grove Cooperative, Inc. as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements on Page 12 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion it.



Peter R. Rossi, Jr.
Certified Public Accountant

Date of Report: January 30, 2016

VAIL'S GROVE COOPERATIVE INC.
BALANCE SHEET
December 31,

ASSETS

	2015	2014
Cash and Cash Equivalents	\$ 337,555	\$ 354,404
Maintenance Charges Receivable	16,572	12,751
Mortgage Note Receivable and Prepaid Expenses	40,200	45,618
Property and Equipment (Net)	1,355,640	1,373,588
 TOTAL ASSETS	 \$ 1,749,967	 \$ 1,786,361

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES:

Accounts Payable	\$ 9,390	\$ 17,817
Loan Payable	29,697	-
Mortgage Loan Payable-Short-term portion	31,464	29,686
Mortgage Loan Payable-Long-term portion	188,850	220,314
	259,401	267,817
 TOTAL LIABILITIES	 	

SHAREHOLDERS' EQUITY:

Capital Stock, \$.10 par value		
Authorized - 200,000 shares		
Outstanding - 23,440 shares	2,345	2,345
Additional Paid-In Capital	1,263,503	1,263,503
Retained Earnings	224,718	252,696
 TOTAL SHAREHOLDERS' EQUITY	 1,490,566	 1,518,544
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 \$ 1,749,967	 \$ 1,786,361

The accompanying footnotes are an integral part of the financial statements

VAIL'S GROVE COOPERATIVE, INC.
STATEMENT OF OPERATIONS
December 31,

	2015	2014
<u>REVENUES:</u>		
Maintenance Charges	\$ 456,268	\$ 439,408
Interest Income	3,491	4,733
Rental Income - Shareholders Rentals	35,431	27,152
Rental Income - Pavilion Rentals	4,475	11,590
Late Charges and Other Fees	4,208	5,630
Application and Transfer Fees	7,111	5,445
Other Income	5,179	3,174
TOTAL REVENUES	516,163	497,132
<u>EXPENSES:</u>		
FIXED COSTS AND OTHER CHARGES		
Supplemental Schedule A	111,316	122,245
OPERATING EXPENSES		
Supplemental Schedule B	214,657	214,988
REPAIRS AND MAINTENANCE		
Supplemental Schedule C	90,860	75,431
GENERAL AND ADMINISTRATIVE		
Supplemental Schedule D	39,857	30,400
TOTAL EXPENSES	456,690	443,064
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	59,473	54,068
DEPRECIATION	(87,451)	(55,893)
EXCESS(DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (27,978)	\$ (1,825)

The accompanying footnotes are an integral part of the financial statements

VAIL'S GROVE COOPERATIVE, INC.
STATEMENT OF OPERATIONS
December 31,

	2015	2014
<u>FIXED COSTS AND OTHER CHARGES-SCHEDULE A</u>		
Real Estate Taxes	\$ 60,105	\$ 80,200
Insurance	51,211	42,045
TOTAL FIXED COSTS AND OTHER CHARGES	\$ 111,316	\$ 122,245
 <u>OPERATING EXPENSES - SCHEDULE B</u>		
Salaries and Payroll Taxes	\$ 137,486	\$ 136,315
Utilities	34,262	41,173
Pavilion Use Expense	8,127	8,224
Environmental/Lake Treatment	8,856	5,818
Beach and Recreation	13,865	10,352
Refuse Removal	12,061	13,106
TOTAL OPERATING EXPENSES	\$ 214,657	\$ 214,988
 <u>REPAIRS AND MAINTENANCE - SCHEDULE C</u>		
General and Maintenance Costs	\$ 38,638	\$ 40,495
Snow Removal	20,400	12,800
Truck Maintenance Costs	7,409	4,613
Water Leaks	24,413	17,523
TOTAL REPAIRS AND MAINTENANCE	\$ 90,860	\$ 75,431
 <u>GENERAL AND ADMINISTRATIVE EXPENSES - SCH. D</u>		
Postage, Printing and Office Supplies	\$ 13,351	\$ 13,154
Professional Services	7,370	8,628
Income and Franchise Tax	628	205
Loan Interest	15,030	4,084
Miscellaneous	3,478	4,329
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 39,857	\$ 30,400

The accompanying footnotes are an integral part of the financial statements

VAIL'S GROVE COOPERATIVE, INC.
STATEMENT OF SHAREHOLDERS' EQUITY
December 31, 2015 AND 2014

	TOTAL	CAPITAL STOCK	ADDITIONAL PAID IN CAPITAL	UNAPPROP. RETAINED EARNINGS	DESIGNATED FOR FUTURE CAPITAL IMPROVEMENTS
Shareholders Equity January 1, 2015	\$ 1,518,544	\$ 2,345	\$ 1,263,503	\$ 182,811	\$ 69,885
Excess of Expenses over Revenues	(27,978)			(27,978)	
Amounts allocated to Future Capital Improvements and Prior Period Adj				(28)	28
Shareholders Equity December 31, 2015	<u>\$ 1,490,566</u>	<u>\$ 2,345</u>	<u>\$ 1,263,503</u>	<u>\$ 154,805</u>	<u>\$ 69,913</u>
Shareholders Equity January 1, 2014	\$ 1,520,369	\$ 2,345	\$ 1,263,503	\$ 63,877	\$ 190,644
Excess of Expenses over Revenue	(1,825)			(1,825)	
Amounts allocated to Future Capital Improvements and Prior Period Adj				120,759	(120,759)
Shareholders Equity December 31, 2014	<u>\$ 1,518,544</u>	<u>\$ 2,345</u>	<u>\$ 1,263,503</u>	<u>\$ 182,811</u>	<u>\$ 69,885</u>

The accompanying footnotes are an integral part of the financial statements

**VAIL'S GROVE COOPERATIVE
STATEMENT OF CASH FLOWS
For the Years Ended December 31,**

	2015	2014
<u>OPERATING ACTIVITIES:</u>		
Excess(Deficiency) of Revenues over Expenses	\$ (27,978)	\$ (1,825)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:		
Depreciation	87,451	55,893
Decrease (increase) in assets:		
Maintenance Charges Receivable	(3,821)	3,516
Special Assessment Receivable	-	-
Prepaid Expenses	5,418	4,627
Increase (decrease) in liabilities:		
Accounts payable	(8,427)	(513)
Other Liabilities	-	-
NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES	52,643	61,698
<u>INVESTING ACTIVITIES:</u>		
Acquisition of Property and Equipment- Net	(69,503)	(479,090)
Retained Earnings Adjustments	-	-
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES	(69,503)	(479,090)
<u>FINANCING ACTIVITIES:</u>		
Loan Payable	29,697	-
Mortgage loan payable - water tanks	(29,686)	250,000
CASH FLOWS FROM FINANCING ACTIVITIES	11	250,000
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(16,849)	(167,392)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	354,404	521,796
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 337,555	\$ 354,404

The accompanying footnotes are an integral part of the financial statements

VAIL'S GROVE COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Vail's Grove Cooperative, Inc.(The Corporation) is presented to assist in the understanding of the Corporation's financial statements. The financial statements and the notes are representations of the Corporation's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization

Vail's Grove Cooperative, Inc. was incorporated in the State of New York on November 30, 1972 and is organized as a "Cooperative Housing Corporation" as defined in Section 216(b)(1) of the Internal Revenue Code. It consists of common areas and 173 parcels leased to its 173 shareholders. The primary purpose of the Corporation is to manage the operations of Vail's Grove Cooperative, Inc. and maintain the common elements.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

Property and Equipment

Expenditures for major improvements and betterments that extend the useful life of the property are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of fixed assets is recorded using straight-line and accelerated methods for financial statement purposes. Estimated useful lives in calculating depreciation are as follows:

Buildings	32 - 40 years
Land Improvement	10 - 40 years
Furniture and Equipment	3 - 7 years
Building Improvements	10 - 27 1/2 years

VAIL'S GROVE COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Taxes

The Corporation is subject to Federal Income Taxation and New York State Franchise Taxes. Net operating losses, if any, may be carried forward for a period of 20 years.

The Internal Revenue Service and New York State have taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code. Section 277 subjects to Federal and State Taxation, net income derived from non-membership sources. Recent tax court decisions have left uncertainty as to the applicability of Section 277 and the taxability of interest earned on reserve funds. Therefore, beginning in 1998 the Corporation has taken the position that no provision for income taxes is required pursuant to Section 277 for investment income on reserve funds.

Cash Equivalents

For the purpose of the statement of cash flows, the Corporation considers money market funds to be cash equivalents.

Maintenance Charges

Tenant shareholders are subject to quarterly maintenance charges to provide funds for the Corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Maintenance charges receivable at the balance sheet date represent fees due from tenant shareholders. No Provision has been made in the financial statements for any non-payment of these charges. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant shareholders whose maintenance charges are ninety days or more delinquent. Any excess maintenance charges at year end are retained by the Corporation for its use in future years.

Real Estate Taxes

Tenant shareholders are responsible for paying real estate taxes related to their units. The Corporation is responsible for real estate taxes on the common property.

VAIL'S GROVE COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2015

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are summarized as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 485,027	\$ 485,027
Land Improvements	1,746,323	1,709,945
Equipment	273,629	240,504
Building Improvements	409,540	409,540
	<u>2,914,519</u>	<u>2,845,016</u>
Less: Accumulated Depreciation	<u>(1,558,879)</u>	<u>(1,471,428)</u>
	<u>\$ 1,355,640</u>	<u>\$ 1,373,588</u>

Depreciation expense for the year ended December 31, 2015 and December 31, 2014 was \$87,451 and \$55,893 respectively.

NOTE 3 - LOAN MORTGAGE RECEIVABLE

The Corporation sold the premises located on 2 Orchard Road in July 2001 for \$100,420. Terms of the sale included a down payment in the amount of \$20,520 and the balance payable pursuant to the terms of a promissory note in the principal amount of \$79,900 over a term of 20 years. The interest rate on the mortgage receivable is fixed at 8% per annum. The gain on the sale of the property was \$78,436.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash consisted of the following as of December 31,

	<u>2015</u>	<u>2014</u>
Demand Deposit	\$ 112,815	\$ 129,854
Passbook Savings	154,827	154,665
Money Market Reserves	69,913	69,885
	<u>\$ 337,555</u>	<u>\$ 354,404</u>

NOTE 5 - INSURED CASH

The Corporation has deposits in various commercial banks. At December 31, 2015 these deposits were fully insured by the FDIC.

VAIL'S GROVE COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2015

NOTE 6 - AUTO LOAN PAYABLE

In May 2015, the Corporation obtained a \$33,125 installment loan from Ford Motor Credit to finance the purchase of 2015 Ford F350. The loan is payable at a fixed interest rate of 4.99% for a term of 5 years with monthly payments of \$626 and matures on 5/26/2020. During 2015, interest accrued on the loan amounted to \$955.

NOTE 7 - MORTGAGE LOAN PAYABLE

In June 2014, the Corporation obtained a \$250,000 multiple disbursement mortgage loan from M&T Bank to finance the purchase and installation of Water Tanks. During the disbursement period the Corporation received advances and made interest only payments at the prime rate until the amortization commencement date of January 30, 2015. Upon commencement, the mortgage of \$250,000 is payable at a fixed interest rate of 5.87% for a term of seven years with monthly payments of \$3,647 and matures on December 30, 2021. During 2015, interest accrued on the loan amounted to \$14,075.

NOTE 8 - INTEREST INCOME

The Corporation receives interest from savings, reserve funds and the mortgage receivable.

NOTE 9 - RENTAL INCOME

The Corporation rents garage space to shareholders. It also receives ten percent of the rent received by shareholders who have sublet their houses, and rental fees from shareholders and non-shareholders for use of the Pavilion.

NOTE 10 - RELATED PARTY TRANSACTIONS

A number of shareholders are paid directly or indirectly by the Corporation for services rendered. The Corporation also utilizes the service of outside agencies, which employ family members of shareholders and members of the Board of Directors.

NOTE 11 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation accumulates funds for future major repairs and replacements. Accumulated funds, which aggregates \$69,913 at December 31, 2015, are held in separate accounts and are generally not available for operating purposes. It is the Corporation's policy to allocate interest earned on such funds to the replacement fund. Amounts in the replacement fund or future major repairs and replacements are being accumulated based on estimated current replacement costs. Actual costs may vary from those estimates and the variations may be material. Amounts

VAIL'S GROVE COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2015

NOTE 11 - FUTURE MAJOR REPAIRS AND REPLACEMENTS -CONTINUED

so accumulated may not be adequate to meet future needs. If additional funds are needed, however, the Corporation has the right, subject to Board of Directors approval, to increase regular monthly maintenance charges, to levy special assessments, or it may delay major repairs and replacements until funds are available.

VAIL'S GROVE COOPERATIVE, INC.
SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
December 31, 2015

The Corporation's Board of Directors, with their long range planning committee, estimated the remaining useful lives and the replacement costs of the components of certain common property to be as follows:

Components	Estimated Remaining Useful Life	Estimated Current Replacement Cost
Pump House	1-3	300,000
Water Lines	15	90,000
Rental Garage	15	70,000
Garage	10	12,000
Pavilion	10	10,000
Tennis Court	15	10,000
Truck	5-7	<u>60,000</u>
Totals		552,000

THE INFORMATION CONTAINED IN THIS SUPPLEMENTARY INFORMATION IS NOT FOR PUBLIC DISCLOSURE AND IS INTENDED SOLELY FOR THE USE OF THE UNIT OWNERS OF THIS CORPORATION.