

STRATHMORE COURT HOMEOWNERS'
ASSOCIATION INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2011 AND 2010

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
YEARS ENDED DECEMBER 31, 2011 AND 2010

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Independent Auditors' Report

Board of Directors
Strathmore Court Homeowners' Association, Inc.
Coram, New York

We have audited the accompanying balance sheet of Strathmore Court Homeowners' Association, Inc. as of December 31, 2011 and 2010 and the related statements of revenue, expenses and changes in fund balance, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strathmore Court Homeowners' Association, Inc. as of December 31, 2011 and 2010 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.

Respectfully submitted,

Marino and Berner

Marino and Berner
Certified Public Accountants

March 5, 2012
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	2011		2010	
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
ASSETS				
Cash in bank and on hand	\$ 19,828	\$ -	\$ 19,828	\$ 26,420
Cash -m/mkt, common area funds	24,452	182,247	206,699	178,683
Cash - m/mkt, capital improvements fund	-	106,948	106,948	121,462
Investments, common area funds	-	158,374	158,374	141,597
Homeowners' receivables	128,153	-	128,153	165,424
Prepaid expenses and other	4,194	-	4,194	6,442
Total current assets	176,627	447,569	624,196	640,028
Fixed assets - equipment	47,692	113,416	161,108	143,600
Less - accumulated depreciation	(47,692)	(29,347)	(77,039)	(67,623)
Total fixed assets	-	84,069	84,069	75,977
Total assets	176,627	531,638	708,265	\$ 716,005
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 13,054	\$ -	\$ 13,054	\$ 6,521
Accrued taxes and expenses	6,677	-	6,677	6,558
Common charges paid in advance	17,696	-	17,696	11,417
Total current liabilities	37,427	-	37,427	24,496
Fund balance				
Operating fund	139,200	-	139,200	193,313
Reserve fund	-	531,638	531,638	498,196
Total fund balance	139,200	531,638	670,838	691,509
Total liabilities and fund balance	176,627	531,638	708,265	\$ 716,005

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Revenue:				
Homeowners' common charges	\$ 699,600	\$ 145,200	\$ 844,800	\$ 844,800
Finance and late charges	16,355	-	16,355	15,971
Interest and dividend income	-	8,778	8,778	9,397
Legal fees recovered	15,189	-	15,189	27,052
Clubhouse rental and other	8,050	-	8,050	7,200
Total revenue	739,194	153,978	893,172	904,420
Operating expenses:				
Community maintenance	500,774	5,014	505,788	494,221
Clubhouse	53,997	-	53,997	51,898
Pool and recreation	40,849	-	40,849	38,115
General and administrative	197,687	-	197,687	178,101
Total operating expenses	793,307	5,014	798,321	762,335
Excess operating revenue over(under) expenses	(54,113)	148,964	94,851	142,085
Major repairs and replacements:				
Clubhouse renovation and playground	-	-	-	362
Driveways, walks, parking lot and blacktop	-	84,328	84,328	75,538
Pool repairs	-	32,455	32,455	4,095
Total capital expenses	-	116,783	116,783	79,995
Net revenue over (under) expenses	(54,113)	32,181	(21,932)	62,090
Other comprehensive income:				
Net unrealized gain (loss) on investments	-	1,261	1,261	(3,415)
Less: reclassification adjustment for loss included in net income	-	-	-	-
Total other comprehensive income	-	1,261	1,261	(3,415)
Total comprehensive income	(54,113)	33,442	(20,671)	58,675
Prior Period Adjustment				
- Landscaping Maintenance - Backyards	-	-	-	(18,225)
Fund balance, beginning of year	193,313	498,196	691,509	651,059
Fund balance, end of year	\$ 139,200	\$ 531,638	\$ 670,838	\$ 691,509

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net revenue over (under) expenses	\$ (54,113)	\$ 32,181	\$ (21,932)	\$ 62,090
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	9,416	9,416	6,820
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable	37,271	-	37,271	(35,822)
Prepaid expenses	2,248	-	2,248	2,216
Increase (decrease) in liabilities:				
Accounts payable	6,533	-	6,533	3,686
Accrued taxes and expenses	119	-	119	(1,582)
Common charges paid in advance	6,279	-	6,279	2,689
Prior Period Adjustment	-	-	-	(18,225)
Net cash provided (used) by Operating activities	(1,663)	41,597	39,934	21,872
Cash flows from (to) investing activities:				
Transfer from common area investment fund	-	(16,777)	(16,777)	40,029
Purchase of equipment	-	(17,500)	(17,500)	(40,941)
Net cash provided (used) by Investing activities	-	(34,277)	(34,277)	(912)
Increase (decrease) in cash:	(1,663)	7,320	5,657	20,960
Cash at beginning of year	45,943	284,037	329,980	309,020
Cash at end of year	\$ 44,280	\$ 291,357	\$ 335,637	\$ 329,980

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. Summary of significant accounting policies:

Background:

Strathmore Court Homeowners' Association, Inc. was organized under Section 402 of the Not-For-Profit Corporation Law on May 23, 1973. The Association provides certain services to 440 residential units within the community, including maintenance of clubhouse, grounds, and related facilities. This was accomplished in 2011 and 2010 through the use of a management company. Common charges were \$160.00 per month for both 2011 and 2010.

Accounting method and policy:

The Association maintains its books and records on the accrual basis of accounting, therefore recognizing revenue when earned, and expenses when incurred.

Cash and cash equivalents:

The Association considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment and improvements:

Equipment owned by the Association is stated at cost and depreciated on a straight-line basis over the useful lives of the assets. Equipment and improvements that constitute part of the commonly owned properties are charged directly to operations or to the reserve fund.

Fund accounting:

To ensure observance of restrictions placed on the use of resources available, the Associations' accounts are maintained in accordance with the principles of fund accounting. This allows for resources, which are allocated for various purposes, to be classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund.

The assets, liabilities, and fund balance of the Association are reported in the following two fund groups:

Operating fund:

Represents expendable funds that are available for support of Association operations as projected by budgeted items designated by the Board of Directors.

The operating fund derives its revenue from common charges made on a monthly basis to all unit owners. All expenses related to management, maintenance of common area grounds, operations of the clubhouse, recreation facilities, and activities of the Association are paid from this fund.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. Summary of significant accounting policies (continued):

Reserve Fund:

Represents expendable resources, including principal and income, which have been restricted for specific purposes by the Board of Directors. These funds must be used in accordance with Board of Directors directives and restrictions. The reserve fund is subdivided into two funds; a common area fund and a capital improvements fund (see supplemental schedule on page 12).

The purpose of the reserve is to provide funding for major future repairs and replacements and for unexpected contingencies of a capital nature. It is planned that the Reserve Fund will derive its revenue principally from a general allocation from the Operating Fund and investment income. At December 31, 2011 and 2010, all contributions to the Reserve Fund, and interest earned thereon, are kept in separate bank and/or investment accounts.

2. Income taxes:

The Association may elect to file a regular U.S. Corporation Income Tax Return, or, under Section 528 of the Internal Revenue Service code, a U.S. Income Tax Return for Homeowners' Associations, which results in a tax only on its net non-exempt income. The Association is also subject to New York State Corporation taxes. Form 1120 will be filed for 2011, and was filed for 2010.

3. Allowance for bad debts:

It is the policy of the Board of Directors to place liens on severely delinquent accounts. However, there is no guarantee that such liens will be fully collectible. At December 31, 2011 and 2010 it was determined that all receivables were fully collectible.

4. Credit and market risk:

The Associations' financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2011 and 2010, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Investments amounting to \$-0- and \$-0- were uninsured at December 31, 2011 and 2010 respectively. Receivables are due from unit owners and represent monthly common charge and other miscellaneous charges.

5. Reserve fund (for future major repairs and replacements):

The Board of Directors has updated a previous study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from past costs and inquiries of licensed contractors. The schedule included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

Funds are being accumulated in the reserve fund based on estimates of future needs for repairs and replacements of common area components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amount accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors has the right to increase reserve fund contributions or delay major repairs and replacements until funds are available.

The balance in the reserve fund at December 31, 2011 was \$531,638 and at December 31, 2010 was \$498,196.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

6. Commitments:

The Association has entered into contracts for management services, landscape labor, lawn chemical applications and pool services. These service contracts are all annual in nature and total approximately \$66,000, \$194,000, \$34,000 and \$35,000, respectively.

7. Equipment:

The details of equipment, accumulated depreciation and estimated useful lives as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 161,108	\$ 143,600
Less accumulated depreciation	<u>(77,039)</u>	<u>(67,623)</u>
Net Equipment	<u>\$ 84,069</u>	<u>\$ 75,977</u>

Depreciation expense for 2011 and 2010 was \$9,416 and \$6,820 respectively.


Independent Auditors' Report on Supplementary Information

Board of Directors
Strathmore Court Homeowners' Association, Inc.
Coram, New York

Our report on the audit of the basic financial statements of Strathmore Court Homeowners' Association, Inc. for the year ended December 31, 2011 appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information regarding community maintenance, clubhouse, pool, general and administrative, and major repairs and replacement expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of future major repairs and replacements on page 13 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Marino and Berner
Certified Public Accountants

March 5, 2012
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
COMMUNITY MAINTENANCE EXPENSES		
Grounds maintenance:		
Landscape labor contract	\$ 175,000	\$ 175,000
Landscape Maintenance – Backyards	19,170	19,170
Landscape – Hurricane Cleanup	5,000	-
Depreciation	9,416	6,820
Repair and maintenance:		
Truck, gas and repairs	1,132	728
Sprinkler, irrigation system	78,160	79,509
Seed, soil and other supplies	1,975	4,184
Chemical contract	34,759	34,217
Grounds/tree debris removal	27,048	14,902
Maintenance building:		
Electric and gas	1,182	1,411
Repairs, supplies and small tools	1,356	1,216
Common areas:		
Materials, supplies and other	1,507	1,748
Concrete, paving and sealing	6,209	24,305
Payroll, staff	63,426	58,486
Payroll taxes and related costs	10,737	10,106
Roofing and siding	11,504	3,951
Water	<u>53,193</u>	<u>58,468</u>
Total community maintenance	<u>\$ 500,774</u>	<u>\$ 494,221</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CLUBHOUSE EXPENSES		
Utilities:		
Electric and Cable TV	\$ 17,014	\$ 25,270
Gas	6,737	6,859
Cleaning and other	5,380	3,572
Repairs and maintenance:		
Carpentry and materials	-	482
Exterminating	706	543
Plumbing, heating and air conditioning	2,442	191
Snow removal	3,901	3,315
Electrical and alarms	12,588	7,649
Exercise equipment	2,407	1,411
Refuse removal	1,553	1,694
Supplies and miscellaneous	<u>1,269</u>	<u>912</u>
 Total clubhouse expenses	 <u>\$ 53,997</u>	 <u>\$ 51,898</u>

POOL AND RECREATION EXPENSES

Payroll and pool contract	\$ 35,036	\$ 34,864
Permits and fees	680	1,628
Pool chemicals and supplies	41	484
Pool Repairs	4,364	429
Furniture and equipment	728	500
Engineer	<u>-</u>	<u>210</u>
 Total pool and recreation expenses	 <u>\$ 40,849</u>	 <u>\$ 38,115</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,500	\$ 5,500
Auto and travel	1,276	1,505
Bad debt	48,499	20,916
Bank service charges	906	253
Board meetings	-	824
Claims and damages	1,736	917
Data processing and supplies	1,328	1,452
Dues and permits	-	356
Insurance	30,236	29,938
Legal	26,608	36,189
Management	66,000	66,000
Miscellaneous	621	-
Postage	1,150	827
Repairs and maintenance, equipment and contracts	3,859	3,741
Stationery, printing and office	7,710	6,974
Telephone	1,081	1,127
Unrelated business income tax	<u>1,177</u>	<u>1,582</u>
Total general and administrative expenses	<u>\$ 197,687</u>	<u>\$ 178,101</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	RESERVE FUND			
	2011			2010
	Capital Improvements Reserve	Common Area Reserve	Total	Total
 MAJOR REPAIRS AND REPLACEMENTS RESERVES				
Fund balance, beginning	\$ 74,090	\$ 424,106	\$ 498,196	\$ 433,945
Contributions, current year	79,200	66,000	145,200	145,200
Increase(decrease) in market value of securities	-	1,261	1,261	(3,415)
Interest and dividend income	<u>1,931</u>	<u>6,847</u>	<u>8,778</u>	<u>9,280</u>
Total available	<u>155,221</u>	<u>498,214</u>	<u>653,435</u>	<u>585,010</u>
 Expenses:				
Clubhouse renovation and repairs	-	-	-	362
Driveways, walks, lots and blacktop	84,328	-	84,328	75,538
Pool repairs	-	32,455	32,455	4,094
Shop maintenance	<u>-</u>	<u>5,014</u>	<u>5,014</u>	<u>6,820</u>
Total major repairs and replacements	<u>84,328</u>	<u>37,469</u>	<u>121,797</u>	<u>86,814</u>
Fund balance, ending	<u>\$ 70,893</u>	<u>\$ 460,745</u>	<u>\$ 531,638</u>	<u>\$ 498,196</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Strathmore Court Homeowners' Association, Inc. updated a previous study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from past costs and inquiries of licensed contractors. Funding requirements consider an annual inflation rate and an interest rate of 3 percent.

The following table is based on the updated study and presents significant information about the components of common property.

Component	Estimated Remaining Useful lives (Years)	Estimated Future Replacements Costs	2011 Funding Requirement	Components of Fund Balance at Dec. 31, 2011
Clubhouse:				
Furniture and equipment	4-14	\$ 53,900	\$ 2,142	\$ 31,342
Roofing, flooring, painting	1-22	23,000	1,000	11,525
HVAC	1-10	28,180	1,000	23,822
Parking lot and entrance	1-2	70,000	2,000	30,000
Parking lot and repair	2	15,000	750	9,250
Propane tank system	1	5,000	-	5,000
Clubhouse renovation	16	72,600	2,000	33,760
Lighting repairs and replace	7	10,500	500	6,500
Pool:				
Marbleization	1	32,000	2,000	24,000
Coping, resurfacing, concrete	15	159,000	5,000	56,476
Machinery and equipment	6	44,000	2,000	22,000
Fencing	17	9,500	-	-
Children's play area:				
Sand area and ties	0	5,000	250	1,250
Equipment	6	20,000	750	13,340
Basketball court repair	3	5,000	-	5,000
Basketball court replace.	1-6	40,000	4,000	40,000
Tennis court:				
Repaving and posts	2	33,100	750	22,150
Fence	0	13,000	500	4,500
Tennis court repair	1	3,000	-	3,000
Maintenance shops:				
Roofing, doors, fencing	1-21	10,700	500	7,790
Signs	0	6,000	300	3,900
Capital improvement fund:				
Pool replacement	2-5	750,000*	5,000	110,755
Driveway replacement	7	580,000	3,000	66,278
		<u>\$1,988,480</u>	<u>\$ 33,442</u>	<u>\$ 531,638</u>

*Possible special assessment

See Auditors' report on supplemental information.