

STRATHMORE COURT HOMEOWNERS'
ASSOCIATION INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2014 AND 2013

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Strathmore Court Homeowners' Association, Inc. which comprise the balance sheets as of December 31, 2014 and 2013, and the related Statements of Revenues and Expenses, Changes in Fund Balances and Cash Flows for the years 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 audits. We conducted our audits 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 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 Strathmore Court Homeowners' Association, Inc. as of December 31, 2014 and 2013, 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 & Berner

Marino and Berner
Certified Public Accountants

March 3, 2015
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

	2014		2013	
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
ASSETS				
Cash in bank and on hand	\$ 25,183	\$ -	\$ 25,183	\$ 34,789
Cash - m/mkt, common area funds	-	130,448	130,448	126,861
Cash - m/mkt, capital improvements fund	-	119,703	119,703	128,966
Investments, common area funds	-	385,253	385,253	307,708
Homeowners' receivables	122,653	-	122,653	110,893
Prepaid expenses	4,839	-	4,839	3,554
Due from operating fund	-	80,565	80,565	89,976
Total current assets	<u>152,675</u>	<u>715,969</u>	<u>868,644</u>	<u>802,747</u>
Fixed assets - equipment	47,692	142,433	190,125	181,128
Less - accumulated depreciation	<u>(47,692)</u>	<u>(70,428)</u>	<u>(118,120)</u>	<u>(103,855)</u>
Total fixed assets	<u>-</u>	<u>72,005</u>	<u>72,005</u>	<u>77,273</u>
Total assets	<u>\$ 152,675</u>	<u>\$ 787,974</u>	<u>\$ 940,649</u>	<u>\$ 880,020</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 12,295	\$ -	\$ 12,295	\$ 14,741
Accrued taxes and expenses	3,236	-	3,236	3,162
Common charges paid in advance	14,721	-	14,721	5,465
Due to reserve fund	80,565	-	80,565	89,976
Total current liabilities	<u>110,817</u>	<u>-</u>	<u>110,817</u>	<u>113,344</u>
Fund balance				
Operating fund	41,858	-	41,858	35,892
Reserve fund	-	787,974	787,974	730,784
Total fund balance	<u>41,858</u>	<u>787,974</u>	<u>829,832</u>	<u>766,676</u>
Total liabilities and fund balance	<u>\$ 152,675</u>	<u>\$ 787,974</u>	<u>\$ 940,649</u>	<u>\$ 880,020</u>

See accompanying notes and Independent Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		2013	
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Revenue:				
Homeowners' common charges	\$ 759,000	\$ 85,800	\$ 844,800	\$ 844,800
Finance and late charges	13,102	-	13,102	15,700
Interest and dividend income	-	12,061	12,061	8,564
Legal fees recovered	14,958	-	14,958	7,448
Clubhouse rental and other	3,675	-	3,675	5,570
Total revenue	<u>790,735</u>	<u>97,861</u>	<u>888,596</u>	<u>882,082</u>
Operating expenses:				
Community maintenance	479,437	-	479,437	488,590
Clubhouse	64,725	-	64,725	56,218
Pool and recreation	42,645	-	42,645	39,491
General and administrative	197,962	-	197,962	144,995
Total operating expenses	<u>784,769</u>	<u>-</u>	<u>784,769</u>	<u>729,294</u>
Excess(Deficiency) revenue over expenses	<u>5,966</u>	<u>97,861</u>	<u>103,827</u>	<u>152,788</u>
Major repairs and replacements:				
Clubhouse renovation and tennis court	-	11,802	11,802	9,459
Driveways, walks, parking lot and blacktop	-	17,153	17,153	-
Total capital expenses	<u>-</u>	<u>28,955</u>	<u>28,955</u>	<u>9,459</u>
Net revenue over (under) expenses	5,966	68,906	74,872	143,329
Other comprehensive income:				
Net unrealized gain (loss) on investments	-	(11,716)	(11,716)	(4,922)
Total other comprehensive income	<u>-</u>	<u>(11,716)</u>	<u>(11,716)</u>	<u>(4,922)</u>
Total comprehensive income	<u>5,966</u>	<u>57,190</u>	<u>63,516</u>	<u>138,407</u>
Fund balance, beginning of year	<u>35,892</u>	<u>730,784</u>	<u>766,676</u>	<u>628,269</u>
Fund balance, end of year	<u>\$ 41,858</u>	<u>\$ 787,974</u>	<u>\$ 829,832</u>	<u>\$ 766,676</u>

See accompanying notes and Independent Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net revenue over (under) expenses	\$ 5,966	\$ 68,906	\$ 74,872	\$ 143,329
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	14,265	14,265	13,322
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable	(11,760)	-	(11,760)	(19,734)
Prepaid expenses	(1,285)	-	(1,285)	3,758
Due from operating fund	-	9,411	9,411	(13,920)
Increase (decrease) in liabilities:				
Accounts Payable	(2,446)	-	(2,446)	(19,676)
Accrued taxes and expenses	74	-	74	1,030
Common charges paid in advance	9,256	-	9,256	(10,798)
Due to reserve fund	(9,411)	-	9,411	13,920
Net cash provided (used) by Operating activities	(9,606)	92,582	82,976	111,231
Cash flows from (to) investing activities:				
Transfer from common area investment fund	-	-	-	-
Purchase of equipment	-	(8,997)	(8,997)	(13,512)
Net cash provided (used) by Investing activities	-	(8,997)	(8,997)	(13,512)
Increase (decrease) in cash:	(9,606)	83,585	73,979	97,719
Cash at beginning of year	<u>34,789</u>	<u>439,271</u>	<u>474,060</u>	<u>376,341</u>
Cash at end of year	<u>\$ 25,183</u>	<u>\$ 522,856</u>	<u>\$ 548,039</u>	<u>\$ 474,060</u>

See accompanying notes and Independent Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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 2014 and 2013 through the use of a management company. Common charges were \$160.00 per month for both 2014 and 2013.

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, 2014 AND 2013

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, 2014 and 2013, 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 1120H will be filed for 2014, and was filed for 2013.

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, 2014 and 2013 it was determined that all receivables, after write off of \$75,000, were fully collectible.

4. Credit and market risk:

The Associations' financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2014 and 2013, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Investments amounting to \$479,493 and \$313,535 were uninsured at December 31, 2014 and 2013 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, 2014 was \$635,404 and at December 31, 2013 was \$563,535.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 190,125	\$ 181,128
Less accumulated depreciation	<u>(118,120)</u>	<u>(103,855)</u>
Net Equipment	<u>\$ 72,005</u>	<u>\$ 77,273</u>

Depreciation expense for 2014 and 2013 was \$14,265 and \$13,322 respectively.

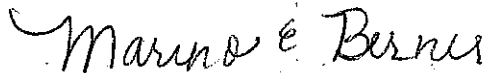
Independent Auditors' Report on Supplementary Information

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, 2014 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 14 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 inquiries 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

February 25, 2015
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
COMMUNITY MAINTENANCE EXPENSES		
Grounds maintenance:		
Landscape labor contract	\$ 194,170	\$ 175,000
Landscape Maintenance – Backyards	11,161	19,170
Landscape – Hurricane Cleanup	6,000	-
Depreciation	14,265	13,322
Repair and maintenance:		
Truck, gas and repairs	834	757
Sprinkler, irrigation system	75,100	70,932
Seed, soil and other supplies	5,786	4,342
Chemical contract	16,293	32,734
Grounds/tree removal	16,981	20,095
Maintenance building:		
Electric and gas	2,408	1,393
Repairs, supplies and small tools	758	815
Common areas:		
Materials, supplies and other	1,532	2,224
Concrete, paving and sealing	15,633	33,892
Payroll, staff	56,376	45,081
Payroll taxes and related costs	10,037	10,190
Roofing and siding	11,530	15,350
Water	<u>40,573</u>	<u>43,293</u>
 Total community maintenance	 <u>\$ 479,437</u>	 <u>\$ 488,590</u>

See Independent Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CLUBHOUSE EXPENSES		
Utilities:		
Electric and Cable TV	\$ 16,552	\$ 17,924
Gas	9,117	9,038
Cleaning and other	9,250	8,238
Repairs and maintenance:		
Exterminating	543	543
Plumbing, heating and air conditioning	5,948	-
Snow removal	5,844	4,775
Electrical and alarms	14,245	12,057
Exercise equipment	1,081	1,124
Refuse removal	1,738	1,695
Supplies and miscellaneous	<u>407</u>	<u>824</u>
Total clubhouse expenses	<u>\$ 64,725</u>	<u>\$ 56,218</u>

POOL AND RECREATION EXPENSES		
Payroll and pool contract	\$ 38,019	\$ 38,070
Permits and fees	1,950	-
Pool chemicals and supplies	1,026	631
Pool Repairs	-	589
Furniture and equipment	<u>1,650</u>	<u>201</u>
Total pool and recreation expenses	<u>\$ 42,645</u>	<u>\$ 39,491</u>

See Independent Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013.

	<u>2014</u>	<u>2013</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,650	\$ 5,650
Auto and travel	534	1,511
Bad debt	10,859	5,538
Bank service charges	2,503	493
Social Events	2,476	-
Claims and damages	-	390
Data processing and supplies	6,421	6,089
Dues and permits	32	165
Insurance	54,251	32,500
Legal	34,351	15,039
Management	66,000	66,000
Miscellaneous	568	427
Postage	1,778	1,100
Repairs and maintenance, equipment and contracts	4,211	3,923
Stationery, printing and office	3,672	2,772
Telephone	1,114	1,089
Unrelated business income tax	<u>3,542</u>	<u>2,309</u>
 Total general and administrative expenses	 <u>\$ 197,962</u>	 <u>\$ 144,995</u>

See Independent Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	RESERVE FUND			
	2014			2013
	Capital Improvements Reserve	Common Area Reserve	Total	Total
MAJOR REPAIRS AND REPLACEMENTS RESERVES				
Fund balance, beginning	\$ 161,851	\$ 568,933	\$ 730,784	\$ 591,401
Contributions, current year	19,800	66,000	85,800	145,200
Increase(decrease) in market value of securities	-	(11,716)	(11,716)	(4,922)
Interest and dividend income	<u>3,042</u>	<u>9,019</u>	<u>12,061</u>	<u>8,564</u>
Total available	<u>184,693</u>	<u>632,236</u>	<u>816,929</u>	<u>740,243</u>
Expenses:				
Clubhouse renovation and tennis court	-	11,802	11,802	9,459
Driveways, walks, lots and blacktop	<u>-</u>	<u>17,153</u>	<u>17,153</u>	<u>-</u>
Total major repairs and replacements	<u>-</u>	<u>28,955</u>	<u>28,955</u>	<u>9,459</u>
Fund balance, ending	<u>\$ 184,963</u>	<u>\$ 603,281</u>	<u>\$ 787,974</u>	<u>\$ 730,784</u>

See Independent Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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	2014 Funding Requirement	Components of Fund Balance at Dec. 31, 2014
Clubhouse:				
Furniture and equipment	1-11	\$ 55,500	\$ 4,000	\$ 40,342
Roofing, flooring, painting	1-19	23,700	3,000	18,100
HVAC	1-7	29,000	3,000	29,000
Parking lot and entrance	1	72,000	6,000	44,000
Parking lot and repair	1	15,450	3,500	15,450
Propane tank system	1	5,150	-	5,150
Clubhouse renovation	13	74,800	3,000	41,760
Lighting repairs and replace	4	10,800	2,000	10,800
Pool:				
Marbleization	1	43,000	7,000	30,000
Coping, resurfacing, concrete	12	163,700	11,000	88,476
Machinery and equipment	3	45,300	5,000	36,000
Fencing	14	9,800	-	-
Children's play area:				
Sand area and ties	0	5,150	1,000	3,750
Equipment	3	20,600	2,000	18,840
Basketball court repair	1	5,150	-	5,150
Basketball court replace	3	41,200	-	41,200
Tennis court:				
Repaving and posts	1	34,000	2,000	27,650
Fence	1	13,400	1,500	8,500
Maintenance shops:				
Roofing, doors, fencing	18	11,000	1,500	11,000
Signs	0	6,200	1,000	6,200
Capital improvement fund:				
Pool replacement	2	750,000*	10,000	158,213
Driveway replacement	4	580,000	6,000	76,388
		<u>\$2,014,900</u>	<u>\$ 72,500</u>	<u>\$ 715,969</u>

*Possible special assessment

See Independent Auditors' report on supplemental information.