

STRATHMORE COURT HOMEOWNERS'
ASSOCIATION INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2008 AND 2007

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
YEARS ENDED DECEMBER 31, 2008 AND 2007

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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, 2008 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. The financial statements of the Association as of December 31, 2007, were audited by other auditors whose report dated April 8, 2008, expressed an unqualified opinion on those statements.

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, 2008 and 2007 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
Certified Public Accountants

February 24, 2009
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

	2008			2007
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
ASSETS				
Cash in bank and on hand	\$ 37,190	\$ -	\$ 37,190	\$ 32,176
Cash –m/mkt, common area funds	57,143	96,498	153,641	87,600
Cash – m/mkt, capital improvements fund	-	98,712	98,712	79,397
Investments, common area funds	-	190,593	190,593	227,881
Homeowners' receivables	91,838	-	91,838	55,126
Prepaid expenses and other	4,136	-	4,136	4,148
Total current assets	190,307	385,803	576,110	486,328
Fixed assets – equipment	47,692	46,878	94,570	81,769
Less – accumulated depreciation	(47,692)	(8,098)	(55,790)	(51,101)
Total fixed assets	-	38,780	38,780	30,668
Total assets	190,307	424,583	614,890	\$ 516,996
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 432	\$ -	\$ 432	\$ 8,347
Accrued taxes and expenses	9,690	-	9,690	17,139
Common charges paid in advance	7,318	-	7,318	8,559
Total current liabilities	17,440	-	17,440	34,045
Fund balance				
Operating fund	172,867	-	172,867	113,314
Reserve fund	-	452,152	452,152	401,909
Accumulated other comprehensive income:				
Net unrealized losses on investments	-	(27,569)	(27,569)	(32,272)
Total fund balance	172,867	424,583	597,450	482,951
Total liabilities and fund balance	190,307	424,583	614,890	\$ 516,996

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, 2008 AND 2007

	2008			2007
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Revenue:				
Homeowners' common charges	\$ 668,759	\$ 96,842	\$ 765,601	\$ 686,400
Finance and late charges	15,225	-	15,225	12,417
Interest and dividend income	1,231	15,862	17,093	22,092
Realized gain (loss) on sale of investments	-	-	-	(1,152)
Legal fees recovered	23,847	-	23,847	18,859
Clubhouse rental and other	10,598	-	10,598	4,875
Total revenue	719,660	112,704	832,364	743,491
Operating expenses:				
Community maintenance	425,140	4,689	429,829	509,715
Clubhouse	43,898	-	43,898	42,392
Pool and recreation	34,237	-	34,237	46,085
General and administrative	156,832	-	156,832	148,046
Total operating expenses	660,107	4,689	664,796	746,238
Excess operating revenue over expenses	59,553	108,015	167,568	(2,747)
Major repairs and replacements:				
Clubhouse renovation and playground	-	11,288	11,288	14,186
Driveways, walks, parking lot and blacktop	-	20,807	20,807	1,254
Landscape improvements	-	-	-	5,560
Pool repairs	-	25,677	25,677	17,374
Shop maintenance	-	-	-	2,986
Total capital expenses	-	57,772	57,772	41,360
Net revenue over (under) expenses	59,553	50,243	109,796	(44,107)
Other comprehensive income:				
Net unrealized gain (loss) on investments	-	4,703	4,703	(6,138)
Less: reclassification adjustment for loss included in net income	-	-	-	1,152
Total other comprehensive income	-	4,703	4,703	(4,986)
Total comprehensive income	59,553	54,946	114,499	(49,093)
Fund balance, beginning of year	113,314	369,637	482,951	532,044
Fund balance, end of year	<u>\$ 172,867</u>	<u>\$ 424,583</u>	<u>\$ 597,450</u>	<u>\$ 482,951</u>

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net revenue over (under) expenses	\$ 59,553	\$ 50,246	\$ 109,799	\$ (44,107)
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	4,689	4,689	3,409
Investment gain/(losses)	-	4,703	4,703	(4,986)
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable	(36,712)	-	(36,712)	(11,908)
Prepaid expenses	12	-	12	(36)
Increase (decrease) in liabilities:				
Accounts payable	(7,915)	-	(7,915)	2,086
Accrued taxes and expenses	(7,449)	-	(7,449)	5,495
Common charges paid in advance	(1,241)	-	(1,241)	3,440
Net cash provided (used) by Operating activities	6,248	59,638	65,886	(46,607)
Cash flows from investing activities:				
Sale of investments	-	37,285	37,285	121,234
Purchase of equipment	-	(12,801)	(12,801)	(34,077)
Net cash provided (used) by Investing activities	-	24,484	24,484	87,157
Increase (decrease) in cash:	6,248	84,122	90,370	40,550
Cash at beginning of year	<u>88,085</u>	<u>111,088</u>	<u>199,173</u>	<u>158,623</u>
Cash at end of year	<u>\$ 94,333</u>	<u>\$ 195,210</u>	<u>\$ 289,543</u>	<u>\$ 199,173</u>

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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 2008 and 2007 through the use of a management company. Common charges were \$130.00 per month for both 2008 and 2007.

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, 2008 AND 2007

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, 2008 and 2007, 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 2008, and was filed for 2007.

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, 2008 and 2007 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, 2008 and 2007, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$44,452 respectively. Investments amounting to \$-0- and \$102,170 were uninsured at December 31, 2008 and 2007 respectively. Receivables are due from unit owners and represent monthly common charge and other miscellaneous charges. The Association believes they are fully collectible.

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, 2008 was \$424,583 and at December 31, 2007 was \$369,637.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, \$190,000, \$30,000 and \$31,000, respectively.

7. Equipment:

The details of equipment, accumulated depreciation and estimated useful lives as of December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 94,570	\$ 81,769
Less accumulated depreciation	<u>(55,790)</u>	<u>(51,101)</u>
Net Equipment	<u>\$ 38,780</u>	<u>\$ 30,668</u>

Depreciation expense for 2008 and 2007 was \$4,689 and \$ 3,408 respectively.

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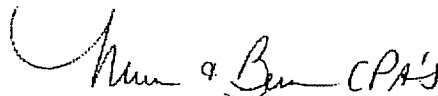
Independent Auditors' Report on Supplementary Information

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, 2008 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

Kings Park, NY
February 24, 2009

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
COMMUNITY MAINTENANCE EXPENSES		
Grounds maintenance:		
Landscape labor contract	\$ 193,225	\$ 190,720
Depreciation	4,689	3,409
Repair and maintenance:		
Truck, gas and repairs	1,150	1,969
Sprinkler, irrigation system	66,207	96,217
Seed, soil and other supplies	981	3,818
Supplies and miscellaneous		-
Chemical contract	29,871	41,384
Grounds/tree debris removal	9,534	12,558
Maintenance building:		
Electric and gas	1,362	1,116
Repairs, supplies and small tools	471	1,116
Common areas:		
Electric and alarms	-	9,795
Materials, supplies and other	1,497	-
Concrete, paving and sealing	14,075	23,290
Payroll, staff	57,484	62,856
Payroll taxes and related costs	7,204	10,557
Roofing and siding	7,180	1,275
Water	<u>34,899</u>	<u>49,635</u>
Total community maintenance	<u>\$ 429,829</u>	<u>\$ 509,715</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CLUBHOUSE EXPENSES		
Utilities:		
Electric and Cable TV	\$ 18,246	\$ 16,798
Gas	6,028	6,788
Cleaning and other	2,814	3,887
Repairs and maintenance:		
Carpentry and materials	143	166
Exterminating	597	740
Plumbing, heating and air conditioning	1,573	2,703
Snow removal	800	2,177
Electrical and alarms	8,034	1,041
Exercise equipment	1,895	3,491
Refuse removal	1,835	1,835
Supplies and miscellaneous	<u>1,933</u>	<u>2,766</u>
Total clubhouse expenses	<u>\$ 43,898</u>	<u>\$ 42,392</u>

POOL AND RECREATION EXPENSES

Payroll and pool contract	\$ 31,414	\$ 36,128
Permits and fees	800	400
Pool chemicals and supplies	1,301	1,936
Pool opening, closing and maintenance	-	5,238
Furniture, equipment and renovation	-	2,358
Supplies and miscellaneous	<u>722</u>	<u>25</u>
Total pool and recreation expenses	<u>\$ 34,237</u>	<u>\$ 46,085</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,500	\$ 6,000
Auto and travel	1,479	1,200
Bad debt	9,580	-
Bank service charges	390	949
Board meetings	909	682
Claims and damages	250	250
Data processing and supplies	802	1,712
Dues and permits	90	106
Insurance	30,055	32,360
Legal	27,144	23,384
Management	66,000	66,000
Miscellaneous	1,007	3,605
Payroll and temporary help, office	356	-
Postage	1,415	352
Repairs and maintenance, equipment and contracts	3,942	4,677
Stationery, printing and office	5,603	4,790
Telephone	1,049	1,854
Unrelated business income tax	<u>1,061</u>	<u>125</u>
Total general and administrative expenses	<u>\$ 156,632</u>	<u>\$ 148,046</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	RESERVE FUND			
	2008			2007
	Capital Improvements Reserve	Common Area Reserve	Total	Total
MAJOR REPAIRS AND REPLACEMENTS RESERVES				
Fund balance, beginning	\$ 78,603	\$ 291,034	\$ 369,637	\$ 415,986
Contributions, current year	45,044	51,798	96,842	54,855
Increase(decrease) in market value of securities	-	4,703	4,703	(5,677)
Realized(loss) on sale of investments	-	-	-	(793)
Interest and dividend income	<u>1,855</u>	<u>14,007</u>	<u>15,862</u>	<u>19,970</u>
Total available	<u>125,502</u>	<u>361,542</u>	<u>487,044</u>	<u>484,341</u>
Expenses:				
Clubhouse renovation and repairs	4,278	7,010	11,288	14,186
Driveways, walks, lots and blacktop	20,807	-	20,807	1,254
Landscaping improvements	-	-	-	5,560
Pool repairs	-	25,677	25,677	17,374
Shop maintenance	<u>-</u>	<u>4,689</u>	<u>4,689</u>	<u>6,395</u>
Total major repairs and replacements	25,085	37,376	62,461	44,769
Interfund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,935)</u>
Fund balance, ending	<u>\$ 100,417</u>	<u>\$ 324,166</u>	<u>\$ 424,583</u>	<u>\$ 369,637</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, 2008

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.

<u>Component</u>	<u>Estimated Remaining Useful lives (Years)</u>	<u>Estimated Future Replacements Costs</u>	<u>2009 Funding Requirement</u>	<u>Components of Fund Balance at Dec. 31, 2008</u>
Clubhouse:				
Furniture and equipment	7-17	\$ 53,900	\$ 3,875	\$ 21,450
Roofing, flooring, painting	3-24	23,000	1,477	7,571
HVAC	3-13	28,180	1,352	20,118
Parking lot and entrance	3-5	70,000	4,000	20,000
Parking lot and repair	5	15,000	1,500	5,500
Propane tank system	4	5,000	500	8,500
Clubhouse renovation	19	72,600	5,280	21,200
Lighting repairs and replace	10	10,500	-	5,000
Pool:				
Marbleization	4	32,000	4,000	14,000
Coping, resurfacing, concrete	18	159,000	8,320	34,836
Machinery and equipment	0-9	44,000	3,338	13,338
Fencing	20	9,500	-	-
Children's play area:				
Sand area and ties	1	5,000	500	-
Equipment	9	20,000	1,545	9,500
Basketball court repair	6	5,000	500	4,500
Basketball court replace.	4-9	40,000	9,000	18,000
Tennis court:				
Repaving and posts	3-5	33,100	1,860	17,680
Fence	0	13,000	1,000	2,000
Tennis court repair	1-3	3,000	1,000	2,000
Maintenance shops:				
Roofing, doors, fencing	4-24	10,700	610	5,070
Signs	1	6,000	300	3,000
Capital improvement fund:				
Pool replacement	5-8	750,000*	8,859	90,037
Driveway replacement	10	<u>580,000</u>	<u>66,000</u>	<u>101,283</u>
		<u>\$1,988,480</u>	<u>\$ 124,816</u>	<u>\$ 424,583</u>

*Possible special assessment

See Auditors' report on supplemental information.