

STRATHMORE COURT HOMEOWNERS'
ASSOCIATION INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2010 AND 2009

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
YEARS ENDED DECEMBER 31, 2010 AND 2009

CONTENTS

	<u>Page</u>
Independent Auditors' report	1
Financial statements:	
Balance sheets	2
Statements of revenue, expenses and changes in fund balance	3
Statements of cash flows	4
Notes to financial statements	5-7
Independent Auditors' report on supplementary information	8
Supplementary schedules to financial statements:	
Community maintenance expenses	9
Clubhouse expenses	10
Pool and recreation expenses	10
General and administrative expenses	11
Major repairs and replacement expenses	12
Schedule of future major repairs and replacements	13

MARINO & BERNER
CERTIFIED PUBLIC ACCOUNTANTS LLP

55 FIRST AVENUE
KINGS PARK, NEW YORK 11754

PHONE (631) 544-6101
FAX (631) 544-6063
WWW.MARINOBERNERCPAS.COM

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, 2010 and 2009 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, 2010 and 2009 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 21, 2011
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010			2009
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
ASSETS				
Cash in bank and on hand	\$ 26,420	\$ -	\$ 26,420	\$ 41,287
Cash -m/mkt, common area funds	19,523	159,160	178,683	137,539
Cash - m/mkt, capital improvements fund	-	121,462	121,462	130,194
Investments, common area funds	-	141,597	141,597	181,626
Homeowners' receivables	165,424	-	165,424	129,602
Prepaid expenses and other	<u>6,442</u>	<u>-</u>	<u>6,442</u>	<u>8,658</u>
Total current assets	217,809	422,219	640,028	628,906
Fixed assets -- equipment	47,692	95,908	143,600	102,659
Less -- accumulated depreciation	<u>(47,692)</u>	<u>(19,931)</u>	<u>(67,623)</u>	<u>(60,803)</u>
Total fixed assets	<u>-</u>	<u>75,977</u>	<u>75,977</u>	<u>41,856</u>
Total assets	<u>217,809</u>	<u>498,196</u>	<u>716,005</u>	<u>\$ 670,762</u>
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 6,521	\$ -	\$ 6,521	\$ 2,835
Accrued taxes and expenses	6,558	-	6,558	8,140
Common charges paid in advance	<u>11,417</u>	<u>-</u>	<u>11,417</u>	<u>8,728</u>
Total current liabilities	<u>24,496</u>	<u>-</u>	<u>24,496</u>	<u>19,703</u>
Fund balance				
Operating fund	193,313	-	193,313	217,114
Reserve fund	<u>-</u>	<u>498,196</u>	<u>498,196</u>	<u>433,945</u>
Total fund balance	<u>193,313</u>	<u>498,196</u>	<u>691,509</u>	<u>651,059</u>
Total liabilities and fund balance	<u>217,809</u>	<u>498,196</u>	<u>716,005</u>	<u>\$ 670,762</u>

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, 2010 AND 2009

	2010			2009
	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	15,971	-	15,971	14,060
Interest and dividend income	116	9,281	9,397	6,797
Realized gain (loss) on sale of investments	-	-	-	-
Legal fees recovered	27,052	-	27,052	44,365
Clubhouse rental and other	7,200	-	7,200	5,340
Total revenue	749,939	154,481	904,420	915,362
Operating expenses:				
Community maintenance	487,401	6,820	494,221	429,476
Clubhouse	51,898	-	51,898	45,259
Pool and recreation	38,115	-	38,115	40,352
General and administrative	178,101	-	178,101	177,143
Total operating expenses	755,515	6,820	762,335	692,230
Excess operating revenue over(under) expenses	(5,576)	147,661	142,085	223,132
Major repairs and replacements:				
Clubhouse renovation and playground	-	362	362	14,587
Driveways, walks, parking lot and blacktop	-	75,538	75,538	144,260
Landscape improvements	-	-	-	-
Pool repairs	-	4,095	4,095	1,304
Shop maintenance	-	-	-	-
Total capital expenses	-	79,995	79,995	160,151
Net revenue over (under) expenses	(5,576)	67,666	62,090	62,981
Other comprehensive income:				
Net unrealized gain (loss) on investments	-	(3,415)	(3,415)	(9,372)
Less: reclassification adjustment for loss included in net income	-	-	-	-
Total other comprehensive income	-	(3,415)	(3,415)	(9,372)
Total comprehensive income	(5,576)	64,251	58,675	53,609
Prior Period Adjustment				
- Landscaping Maintenance - Backyards	(18,225)	-	(18,225)	-
Fund balance, beginning of year	217,114	433,945	651,059	597,450
Fund balance, end of year	\$ 193,313	\$ 498,196	\$ 691,509	\$ 651,059

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net revenue over (under) expenses	\$ (5,576)	\$ 67,666	\$ 62,090	\$ 62,981
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	6,820	6,820	4,608
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable	(35,822)	-	(35,822)	(37,764)
Prepaid expenses	2,216	-	2,216	(4,522)
Increase (decrease) in liabilities:				
Accounts payable	3,686	-	3,686	2,403
Accrued taxes and expenses	(1,582)	-	(1,582)	(1,550)
Common charges paid in advance	2,689	-	2,689	1,410
Prior Period Adjustment	<u>(18,225)</u>	<u>-</u>	<u>(18,225)</u>	<u>-</u>
Net cash provided (used) by Operating activities	(52,614)	74,486	21,872	27,566
Cash flows from investing activities:				
Transfer from common area investment fund	-	40,029	40,029	-
Purchase of equipment	<u>-</u>	<u>(40,941)</u>	<u>(40,941)</u>	<u>(8,089)</u>
Net cash provided (used) by Investing activities	<u>-</u>	<u>(912)</u>	<u>(912)</u>	<u>(8,089)</u>
Increase (decrease) in cash:	(52,614)	73,574	20,960	19,477
Cash at beginning of year	<u>98,557</u>	<u>210,463</u>	<u>309,020</u>	<u>289,543</u>
Cash at end of year	<u>\$ 45,943</u>	<u>\$ 284,037</u>	<u>\$ 329,980</u>	<u>\$ 309,020</u>

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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 2010 and 2009 through the use of a management company. Common charges were \$160.00 per month for both 2010 and 2009.

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, 2010 AND 2009

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, 2010 and 2009, 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 2010, and was filed for 2009.

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, 2010 and 2009 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, 2010 and 2009, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Investments amounting to \$-0- and \$-0- were uninsured at December 31, 2010 and 2009 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, 2010 was \$498,196 and at December 31, 2009 was \$433,945.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 143,600	\$ 102,659
Less accumulated depreciation	<u>(67,623)</u>	<u>(60,803)</u>
Net Equipment	<u>\$ 75,977</u>	<u>\$ 41,856</u>

Depreciation expense for 2010 and 2009 was \$6,820 and \$5,013 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, 2010 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 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

Marino and Berner
Certified Public Accountants

Kings Park, NY
March 21, 2011

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
COMMUNITY MAINTENANCE EXPENSES		
Grounds maintenance:		
Landscape labor contract	\$ 175,000	\$ 176,111
Landscape Maintenance – Backyards	19,170	-
Depreciation	6,820	5,013
Repair and maintenance:		
Truck, gas and repairs	728	1,150
Sprinkler, irrigation system	79,509	77,404
Seed, soil and other supplies	4,184	1,051
Chemical contract	34,217	34,217
Grounds/tree debris removal	14,902	10,482
Maintenance building:		
Electric and gas	1,411	1,272
Repairs, supplies and small tools	1,216	461
Common areas:		
Materials, supplies and other	1,748	2,312
Concrete, paving and sealing	24,305	18,577
Payroll, staff	58,486	54,506
Payroll taxes and related costs	10,106	10,312
Roofing and siding	3,951	5,692
Water	<u>58,468</u>	<u>30,916</u>
 Total community maintenance	 <u>\$ 494,221</u>	 <u>\$ 429,476</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CLUBHOUSE EXPENSES		
Utilities:		
Electric and Cable TV	\$ 25,270	\$ 18,278
Gas	6,859	7,238
Cleaning and other	3,572	2,307
Repairs and maintenance:		
Carpentry and materials	482	348
Exterminating	543	697
Plumbing, heating and air conditioning	191	-
Snow removal	3,315	3,626
Electrical and alarms	7,649	7,856
Exercise equipment	1,411	1,446
Refuse removal	1,694	1,749
Supplies and miscellaneous	<u>912</u>	<u>1,714</u>
 Total clubhouse expenses	 <u>\$ 51,898</u>	 <u>\$ 45,259</u>

POOL AND RECREATION EXPENSES

Payroll and pool contract	\$ 34,864	\$ 34,364
Permits and fees	1,628	-
Pool chemicals and supplies	484	637
Pool Repairs	429	5,351
Furniture and equipment	500	-
Engineer	<u>210</u>	<u>-</u>
 Total pool and recreation expenses	 <u>\$ 38,115</u>	 <u>\$ 40,352</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,500	\$ 5,500
Auto and travel	1,505	1,547
Bad debt	20,916	5,522
Bank service charges	253	270
Board meetings	824	1,046
Claims and damages	917	25
Data processing and supplies	1,452	944
Dues and permits	356	688
Insurance	29,938	29,877
Legal	36,189	44,973
Management	66,000	66,000
Miscellaneous	-	1,192
Postage	827	1,497
Repairs and maintenance, equipment and contracts	3,741	5,827
Stationery, printing and office	6,974	6,344
Telephone	1,127	1,069
Unrelated business income tax	<u>1,582</u>	<u>4,822</u>
Total general and administrative expenses	<u>\$ 178,101</u>	<u>\$ 177,143</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	RESERVE FUND			
	2010			2009
	Capital Improvements Reserve	Common Area Reserve	Total	Total
MAJOR REPAIRS AND REPLACEMENTS RESERVES				
Fund balance, beginning	\$ 68,386	\$ 365,559	\$ 433,945	\$ 424,583
Contributions, current year	79,200	66,000	145,200	177,228
Increase(decrease) in market value of securities	-	(3,415)	(3,415)	(9,372)
Interest and dividend income	<u>2,042</u>	<u>7,238</u>	<u>9,280</u>	<u>6,670</u>
Total available	<u>149,628</u>	<u>435,382</u>	<u>585,010</u>	<u>599,109</u>
Expenses:				
Clubhouse renovation and repairs	-	362	362	14,587
Driveways, walks, lots and blacktop	75,538	-	75,538	144,260
Pool repairs	-	4,094	4,094	1,304
Shop maintenance	<u>-</u>	<u>6,820</u>	<u>6,820</u>	<u>5,013</u>
Total major repairs and replacements	<u>75,538</u>	<u>11,276</u>	<u>86,814</u>	<u>165,164</u>
Fund balance, ending	<u>\$ 74,090</u>	<u>\$ 424,106</u>	<u>\$ 498,196</u>	<u>\$ 433,945</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, 2010

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>2010 Funding Requirement</u>	<u>Components of Fund Balance at Dec. 31, 2010</u>
Clubhouse:				
Furniture and equipment	5-15	\$ 53,900	\$ 3,875	\$ 29,200
Roofing, flooring, painting	1-23	23,000	1,477	10,525
HVAC	1-11	28,180	1,352	22,822
Parking lot and entrance	1-3	70,000	4,000	28,000
Parking lot and repair	3	15,000	1,500	8,500
Propane tank system	2	5,000	-	5,000
Clubhouse renovation	17	72,600	5,280	31,760
Lighting repairs and replace	8	10,500	1,000	6,000
Pool:				
Marbleization	2	32,000	4,000	22,000
Coping, resurfacing, concrete	16	159,000	8,320	51,476
Machinery and equipment	0-7	44,000	4,000	20,000
Fencing	18	9,500	-	-
Children's play area:				
Sand area and ties	0	5,000	500	1,000
Equipment	7	20,000	1,545	12,590
Basketball court repair	4	5,000	-	5,000
Basketball court replace.	2-7	40,000	9,000	36,000
Tennis court:				
Repaving and posts	1-3	33,100	1,860	21,400
Fence	0	13,000	1,000	4,000
Tennis court repair	2	3,000	-	3,000
Maintenance shops:				
Roofing, doors, fencing	2-22	10,700	1,610	7,290
Signs	0	6,000	300	3,600
Capital improvement fund:				
Pool replacement	3-6	750,000*	7,632	105,755
Driveway replacement	8	580,000	6,000	63,278
		<u>\$1,988,480</u>	<u>\$ 64,251</u>	<u>\$ 498,196</u>

*Possible special assessment

See Auditors' report on supplemental information.