

STRATHMORE COURT HOMEOWNERS'  
ASSOCIATION INC.

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2012 AND 2011

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
YEARS ENDED DECEMBER 31, 2012 AND 2011

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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, 2012 and 2011 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, 2012 and 2011 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 7, 2013  
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011

|   | 2012              |                   | 2011              |  |
|---|-------------------|-------------------|-------------------|--|
|   | Operating<br>Fund | Reserve<br>Fund   | Total             | Total (For<br>Comparative<br>Purposes<br>Only) |
| <b>ASSETS</b>                           |                   |                   |                   |  |
| Cash in bank and on hand                | \$ 7,865          | \$ -              | \$ 7,865          | \$ 19,828                                      |
| Cash –m/mkt, common area funds          | -                 | 257,193           | 257,193           | 206,699  |
| Cash – m/mkt, capital improvements fund | -                 | 109,132           | 109,132           | 106,948  |
| Investments, common area funds          | -                 | 131,337           | 131,337           | 158,374  |
| Homeowners' receivables                 | 91,159            | -                 | 91,159            | 128,153  |
| Prepaid expenses                        | 7,312             | -                 | 7,312             | 4,194  |
| Due from operating fund                 | -                 | <u>16,656</u>     | <u>16,656</u>     | -  |
| Total current assets                    | <u>106,336</u>    | <u>514,318</u>    | <u>620,654</u>    | <u>624,196</u>                                 |
| Fixed assets – equipment                | 47,692            | 119,924           | 167,616           | 161,108  |
| Less – accumulated depreciation         | <u>(47,692)</u>   | <u>(42,841)</u>   | <u>(90,533)</u>   | <u>(77,039)</u>                                |
| Total fixed assets                      | <u>-</u>          | <u>77,083</u>     | <u>77,083</u>     | <u>84,069</u>                                  |
| Total assets                            | <u>\$ 106,336</u> | <u>\$ 591,401</u> | <u>\$ 697,737</u> | <u>\$ 708,265</u>                              |
| <b>LIABILITIES AND FUND BALANCE</b>     |                   |                   |                   |  |
| Accounts payable                        | \$ 34,417         | \$ -              | \$ 34,417         | \$ 13,054                                      |
| Accrued taxes and expenses              | 2,132             | -                 | 2,132             | 6,677  |
| Common charges paid in advance          | 16,263            | -                 | 16,263            | 17,696   |
| Due to reserve fund                     | <u>16,656</u>     | -                 | <u>16,656</u>     | -  |
| Total current liabilities               | <u>69,468</u>     | -                 | <u>69,468</u>     | <u>37,427</u>                                  |
| Fund balance                            |                   |                   |                   |  |
| Operating fund                          | 36,868            | -                 | 36,868            | 139,200  |
| Reserve fund                            | -                 | <u>591,401</u>    | <u>591,401</u>    | <u>531,638</u>                                 |
| Total fund balance                      | <u>36,868</u>     | <u>591,401</u>    | <u>628,269</u>    | <u>670,838</u>                                 |
| Total liabilities and fund balance      | <u>\$ 106,336</u> | <u>\$ 591,401</u> | <u>\$ 697,737</u> | <u>\$ 708,265</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, 2012 AND 2011

|  | 2012              |                 | 2011       |  |
|--|-------------------|-----------------|------------|--|
|  | Operating<br>Fund | Reserve<br>Fund | Total      | Total (For<br>Comparative<br>Purposes<br>Only) |
| Revenue:                                   |                   |                 |            |  |
| Homeowners' common charges                 | \$ 699,600        | \$ 145,200      | \$ 844,800 | \$ 844,800                                     |
| Finance and late charges                   | 13,435            | -               | 13,435     | 16,355   |
| Interest and dividend income               | -                 | 8,608           | 8,608      | 8,778  |
| Legal fees recovered                       | 10,348            | -               | 10,348     | 15,189   |
| Clubhouse rental and other                 | 7,028             | -               | 7,028      | 8,050  |
| Total revenue                              | 730,411           | 153,808         | 884,219    | 893,172  |
| Operating expenses:                        |                   |                 |            |  |
| Community maintenance                      | 524,409           | -               | 524,409    | 505,788  |
| Clubhouse                                  | 49,524            | -               | 49,524     | 53,997   |
| Pool and recreation                        | 41,822            | -               | 41,822     | 40,849   |
| General and administrative                 | 216,988           | -               | 216,988    | 197,687  |
| Total operating expenses                   | 832,743           | -               | 832,743    | 798,321  |
| Excess(Deficiency) revenue over expenses   | (102,332)         | 153,808         | 51,476     | 94,851   |
| Major repairs and replacements:            |                   |                 |            |  |
| Clubhouse renovation and tennis court      | -                 | 16,011          | 16,011     | -  |
| Driveways, walks, parking lot and blacktop | -                 | 71,220          | 71,220     | 84,328   |
| Pool repairs                               | -                 | 8,670           | 8,670      | 32,455   |
| Total capital expenses                     | -                 | 95,901          | 95,901     | 116,783  |
| Net revenue over (under) expenses          | (102,332)         | 57,907          | (44,425)   | (21,932)                                       |
| Other comprehensive income:                |                   |                 |            |  |
| Net unrealized gain (loss) on investments  | -                 | 1,856           | 1,856      | 1,261  |
| Total other comprehensive income           | -                 | 1,856           | 1,856      | 1,261  |
| Total comprehensive income                 | (102,332)         | 59,763          | (42,569)   | (20,671)                                       |
| Fund balance, beginning of year            | 139,200           | 531,638         | 670,838    | 651,059  |
| Fund balance, end of year                  | \$ 36,868         | \$ 591,401      | \$ 628,269 | \$ 670,838                                     |

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|   | 2012              |                   |                   | 2011   |
|---|-------------------|-------------------|-------------------|--|
|   | Operating<br>Fund | Reserve<br>Fund   | Total             | Total (For<br>Comparative<br>Purposes<br>Only) |
| Cash flows from operating activities:   |                   |                   |                   |  |
| Net revenue over (under) expenses   | \$ (102,332)      | \$ 59,763         | \$ (42,569)       | \$ (21,932)                                    |
| Adjustments to reconcile net revenue over<br>(under) expenses to net cash provided<br>(used) by operating activities: |                   |                   |                   |  |
| Depreciation  | -                 | 13,494            | 13,494            | 9,416  |
| Changes in assets and liabilities:  |                   |                   |                   |  |
| (Increase)decrease in assets:   |                   |                   |                   |  |
| Accounts receivable   | 36,994            | -                 | 36,994            | 37,271   |
| Prepaid expenses  | (3,118)           | -                 | (3,118)           | 2,248  |
| Due from operating fund   | -                 | (16,656)          | (16,656)          | -  |
| Increase (decrease) in liabilities:   |                   |                   |                   |  |
| Accounts payable  | 21,363            | -                 | 21,363            | 6,533  |
| Accrued taxes and expenses  | (4,545)           | -                 | (4,545)           | 119  |
| Common charges paid in advance  | (1,433)           | -                 | (1,433)           | 6,279  |
| Due to reserve fund   | <u>16,656</u>     | <u>-</u>          | <u>16,656</u>     | <u>-</u>                                       |
| Net cash provided (used) by<br>Operating activities   | (36,415)          | 56,601            | 20,186            | 39,934   |
| Cash flows from (to) investing activities:  |                   |                   |                   |  |
| Transfer from common area investment fund   | -                 | 27,037            | 27,037            | (16,777)                                       |
| Purchase of equipment   | <u>-</u>          | <u>(6,519)</u>    | <u>(6,519)</u>    | <u>(17,500)</u>                                |
| Net cash provided (used) by<br>Investing activities   | <u>-</u>          | <u>20,518</u>     | <u>20,518</u>     | <u>(34,277)</u>                                |
| Increase (decrease) in cash:  | (36,415)          | 77,119            | 40,704            | 5,657  |
| Cash at beginning of year   | <u>44,280</u>     | <u>291,357</u>    | <u>335,637</u>    | <u>329,980</u>                                 |
| Cash at end of year   | <u>\$ 7,865</u>   | <u>\$ 368,476</u> | <u>\$ 376,341</u> | <u>\$ 335,637</u>                              |

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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 2012 and 2011 through the use of a management company. Common charges were \$160.00 per month for both 2012 and 2011.

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, 2012 AND 2011

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, 2012 and 2011, 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 2012, and was filed for 2011.

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, 2012 and 2011 it was determined that all receivables, after write off of \$75000, were fully collectible.

4. Credit and market risk:

The Associations' financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2012 and 2011, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Investments amounting to \$156,656 and \$190,858 were uninsured at December 31, 2012 and 2011 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, 2012 was \$591,401 and at December 31, 2011 was \$531,638.



STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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, 2012 and 2011 are as follows:

|                               | <u>2012</u>      | <u>2011</u>      |
|-------------------------------|------------------|------------------|
| Equipment                     | \$ 167,616       | \$ 161,108       |
| Less accumulated depreciation | <u>(90,533)</u>  | <u>(77,039)</u>  |
| Net Equipment                 | <u>\$ 77,083</u> | <u>\$ 84,069</u> |

Depreciation expense for 2012 and 2011 was \$13,494 and \$9,416 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, 2012 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*

Marino and Berner  
Certified Public Accountants

March 7, 2013  
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
 SUPPLEMENTAL SCHEDULES  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|                                       | <u>2012</u>       | <u>2011</u>       |
|---------------------------------------|-------------------|-------------------|
| <b>COMMUNITY MAINTENANCE EXPENSES</b> |                   |                   |
| Grounds maintenance:                  |                   |                   |
| Landscape labor contract              | \$ 175,000        | \$ 175,000        |
| Landscape Maintenance – Backyards     | 19,170            | 19,170            |
| Landscape – Hurricane Cleanup         | 19,254            | 5,000             |
| Depreciation                          | 13,494            | 9,416             |
| Repair and maintenance:               |                   |                   |
| Truck, gas and repairs                | 1,480             | 1,132             |
| Sprinkler, irrigation system          | 77,282            | 78,160            |
| Seed, soil and other supplies         | 3,770             | 1,975             |
| Chemical contract                     | 36,498            | 34,759            |
| Grounds/tree removal                  | 12,887            | 27,048            |
| Maintenance building:                 |                   |                   |
| Electric and gas                      | 1,723             | 1,182             |
| Repairs, supplies and small tools     | 898               | 1,356             |
| Common areas:                         |                   |                   |
| Materials, supplies and other         | 1,366             | 1,507             |
| Concrete, paving and sealing          | 17,782            | 6,209             |
| Payroll, staff                        | 53,769            | 63,426            |
| Payroll taxes and related costs       | 11,992            | 10,737            |
| Roofing and siding                    | 17,170            | 11,504            |
| Water                                 | <u>60,874</u>     | <u>53,193</u>     |
| Total community maintenance           | <u>\$ 524,409</u> | <u>\$ 500,774</u> |

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
 SUPPLEMENTAL SCHEDULES  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|  | <u>2012</u>      | <u>2011</u>      |
|--|------------------|------------------|
| <b>CLUBHOUSE EXPENSES</b>              |                  |                  |
| Utilities:                             |                  |                  |
| Electric and Cable TV                  | \$ 14,543        | \$ 17,014        |
| Gas                                    | 5,372            | 6,737            |
| Cleaning and other                     | 8,410            | 5,380            |
| Repairs and maintenance:               |                  |                  |
| Exterminating                          | 652              | 706              |
| Plumbing, heating and air conditioning | 459              | 2,442            |
| Snow removal                           | 625              | 3,901            |
| Electrical and alarms                  | 14,923           | 12,588           |
| Exercise equipment                     | 1,662            | 2,407            |
| Refuse removal                         | 1,130            | 1,553            |
| Supplies and miscellaneous             | <u>1,748</u>     | <u>1,269</u>     |
| Total clubhouse expenses               | <u>\$ 49,524</u> | <u>\$ 53,997</u> |

**POOL AND RECREATION EXPENSES**

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Payroll and pool contract          | \$ 36,014        | \$ 35,036        |
| Permits and fees                   | 1,160            | 680              |
| Pool chemicals and supplies        | 59               | 41               |
| Pool Repairs                       | 4,034            | 4,364            |
| Furniture and equipment            | <u>555</u>       | <u>728</u>       |
| Total pool and recreation expenses | <u>\$ 41,822</u> | <u>\$ 40,849</u> |

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
 SUPPLEMENTAL SCHEDULES  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| GENERAL AND ADMINISTRATIVE EXPENSES              |                   |                   |
| Audit and accounting                             | \$ 5,500          | \$ 5,500          |
| Auto and travel                                  | 1,563             | 1,276             |
| Bad debt   | 75,000            | 48,499            |
| Bank service charges                             | 672               | 906               |
| Board meetings                                   | 1,634             | -                 |
| Claims and damages                               | 1,675             | 1,736             |
| Data processing and supplies                     | 783               | 1,328             |
| Dues and permits                                 | 781               | -                 |
| Insurance  | 30,549            | 30,236            |
| Legal  | 14,537            | 26,608            |
| Management                                       | 66,000            | 66,000            |
| Miscellaneous                                    | 832               | 621               |
| Postage  | 1,166             | 1,150             |
| Repairs and maintenance, equipment and contracts | 3,625             | 3,859             |
| Stationery, printing and office                  | 6,955             | 7,710             |
| Telephone  | 1,239             | 1,081             |
| Unrelated business income tax                    | 2,132             | 1,177             |
| Property tax                                     | <u>2,345</u>      | <u>-</u>          |
| Total general and administrative expenses        | <u>\$ 216,988</u> | <u>\$ 197,687</u> |

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
 SUPPLEMENTAL SCHEDULES  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|  | RESERVE FUND                       |                           |                   |                   |
|--|------------------------------------|---------------------------|-------------------|-------------------|
|  | 2012                               |                           | 2011              |                   |
|  | Capital<br>Improvements<br>Reserve | Common<br>Area<br>Reserve | Total             | Total             |
| <b>MAJOR REPAIRS AND REPLACEMENTS RESERVES</b>   |                                    |                           |                   |                   |
| Fund balance, beginning                          | \$ 70,893                          | \$ 460,745                | \$ 531,638        | \$ 498,196        |
| Contributions, current year                      | 79,200                             | 66,000                    | 145,200           | 145,200           |
| Increase(decrease) in market value of securities | -                                  | 1,856                     | 1,856             | 1,261             |
| Interest and dividend income                     | <u>1,894</u>                       | <u>6,714</u>              | <u>8,608</u>      | <u>8,778</u>      |
| Total available                                  | <u>151,987</u>                     | <u>535,315</u>            | <u>687,302</u>    | <u>653,435</u>    |
| <b>Expenses:</b>                                 |                                    |                           |                   |                   |
| Clubhouse renovation and tennis court            | -                                  | 16,011                    | 16,011            | -                 |
| Driveways, walks, lots and blacktop              | 71,220                             | -                         | 71,220            | 84,328            |
| Pool repairs                                     | -                                  | 8,670                     | 8,670             | 32,455            |
| Shop maintenance                                 | <u>-</u>                           | <u>-</u>                  | <u>-</u>          | <u>5,014</u>      |
| Total major repairs and replacements             | <u>71,220</u>                      | <u>24,681</u>             | <u>95,901</u>     | <u>121,797</u>    |
| Fund balance, ending                             | <u>\$ 80,767</u>                   | <u>\$ 510,634</u>         | <u>\$ 591,401</u> | <u>\$ 531,638</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, 2012

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<br>Remaining<br>Useful lives<br>(Years) | Estimated<br>Future<br>Replacements<br>Costs | 2012<br>Funding<br>Requirement | Components<br>of Fund<br>Balance at<br>Dec. 31, 2012 |
|----------------------------------|---|--|--------------------------------|--|
| <b>Clubhouse:</b>                |   |  |                                |  |
| Furniture and equipment          | 3-13  | \$ 53,900                                    | \$ 3,000                       | \$ 34,342  |
| Roofing, flooring, painting      | 1-21  | 23,000                                       | 2,000                          | 13,525   |
| HVAC                             | 1-9   | 28,180                                       | 2,000                          | 25,822   |
| Parking lot and entrance         | 1   | 70,000                                       | 5,000                          | 35,000   |
| Parking lot and repair           | 1   | 15,000                                       | 2,500                          | 11,750   |
| Propane tank system              | 1   | 5,000  | -                              | 5,000  |
| Clubhouse renovation             | 15  | 72,600                                       | 2,000                          | 35,760   |
| Lighting repairs and replace     | 6   | 10,500                                       | 1,163                          | 7,663  |
| <b>Pool:</b>                     |   |  |                                |  |
| Marbleization                    | 1   | 32,000                                       | 6,000                          | 30,000   |
| Coping, resurfacing, concrete    | 14  | 159,000                                      | 10,000                         | 66,476   |
| Machinery and equipment          | 5   | 44,000                                       | 4,000                          | 26,000   |
| Fencing                          | 16  | 9,500  | -                              | -  |
| <b>Children's play area:</b>     |   |  |                                |  |
| Sand area and ties               | 0   | 5,000  | 500                            | 1,750  |
| Equipment                        | 5   | 20,000                                       | 1,500                          | 14,840   |
| Basketball court repair          | 2   | 5,000  | -                              | 5,000  |
| Basketball court replace         | 5   | 40,000                                       | -                              | 40,000   |
| <b>Tennis court:</b>             |   |  |                                |  |
| Repaving and posts               | 1   | 33,100                                       | 1,500                          | 23,650   |
| Fence                            | 1   | 13,000                                       | 1,000                          | 5,500  |
| Tennis court repair              | 1   | 3,000  | -                              | 3,000  |
| <b>Maintenance shops:</b>        |   |  |                                |  |
| Roofing, doors, fencing          | 20  | 10,700                                       | 1,000                          | 8,790  |
| Signs                            | 0   | 6,000  | 600                            | 4,500  |
| <b>Capital improvement fund:</b> |   |  |                                |  |
| Pool replacement                 | 4   | 750,000*                                     | 10,000                         | 120,755  |
| Driveway replacement             | 6   | 580,000                                      | 6,000                          | 72,278   |
|                                  |   | <u>\$1,988,480</u>                           | <u>\$ 59,763</u>               | <u>\$ 591,401</u>                                    |

\*Possible special assessment

See Auditors' report on supplemental information.