

STRATHMORE COURT HOMEOWNERS'
ASSOCIATION INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2013 AND 2012

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
YEARS ENDED DECEMBER 31, 2013 AND 2012

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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, 2013 and 2012, 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.

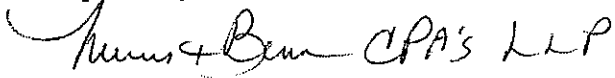
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2013 and 2012, 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,

A handwritten signature in cursive script that reads "Marino & Berner CPA'S LLP".

Marino and Berner
Certified Public Accountants

March 24, 2014
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	2013			2012
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
ASSETS				
Cash in bank and on hand	\$ 34,789	\$ -	\$ 34,789	\$ 7,865
Cash –m/mkt, common area funds	-	126,861	126,861	257,193
Cash – m/mkt, capital improvements fund	-	128,966	128,966	109,132
Investments, common area funds	-	307,708	307,708	131,337
Homeowners' receivables	110,893	-	110,893	91,159
Prepaid expenses	3,554	-	3,554	7,312
Due from operating fund	-	89,976	89,976	16,656
Total current assets	149,236	653,511	802,747	620,654
Fixed assets – equipment	47,692	133,436	181,128	167,616
Less – accumulated depreciation	(47,692)	(56,163)	(103,855)	(90,533)
Total fixed assets	-	77,273	77,273	77,083
Total assets	\$ 149,236	\$ 730,784	\$ 880,020	\$ 697,737
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 14,741	\$ -	\$ 14,741	\$ 34,417
Accrued taxes and expenses	3,162	-	3,162	2,132
Common charges paid in advance	5,465	-	5,465	16,263
Due to reserve fund	89,976	-	89,976	16,656
Total current liabilities	113,344	-	113,344	69,468
Fund balance				
Operating fund	35,892	-	35,892	36,868
Reserve fund	-	730,784	730,784	591,401
Total fund balance	35,892	730,784	766,676	628,269
Total liabilities and fund balance	\$ 149,236	\$ 730,784	\$ 880,020	\$ 697,737

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, 2013 AND 2012

	2013			2012
	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	15,700	-	15,700	13,435
Interest and dividend income	-	8,564	8,564	8,608
Legal fees recovered	7,448	-	7,448	10,348
Clubhouse rental and other	<u>5,570</u>	<u>-</u>	<u>5,570</u>	<u>7,028</u>
Total revenue	<u>728,318</u>	<u>153,764</u>	<u>882,082</u>	<u>884,219</u>
Operating expenses:				
Community maintenance	488,590	-	488,590	524,409
Clubhouse	56,218	-	56,218	49,524
Pool and recreation	39,491	-	39,491	41,822
General and administrative	<u>144,995</u>	<u>-</u>	<u>144,995</u>	<u>216,988</u>
Total operating expenses	<u>729,294</u>	<u>-</u>	<u>729,294</u>	<u>832,743</u>
Excess(Deficiency) revenue over expenses	<u>(976)</u>	<u>153,764</u>	<u>152,788</u>	<u>51,476</u>
Major repairs and replacements:				
Clubhouse renovation and tennis court	-	9,459	9,459	16,011
Driveways, walks, parking lot and blacktop	-	-	-	71,220
Pool repairs	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,670</u>
Total capital expenses	<u>-</u>	<u>9,459</u>	<u>9,459</u>	<u>95,901</u>
Net revenue over (under) expenses	(976)	144,305	143,329	(44,425)
Other comprehensive income:				
Net unrealized gain (loss) on investments	<u>-</u>	<u>(4,922)</u>	<u>(4,922)</u>	<u>1,856</u>
Total other comprehensive income	<u>-</u>	<u>(4,922)</u>	<u>(4,922)</u>	<u>1,856</u>
Total comprehensive income	(976)	139,383	138,407	(42,569)
Fund balance, beginning of year	<u>36,868</u>	<u>591,401</u>	<u>628,269</u>	<u>670,838</u>
Fund balance, end of year	<u>\$ 35,892</u>	<u>\$ 730,784</u>	<u>\$ 766,676</u>	<u>\$ 628,269</u>

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net revenue over (under) expenses	\$ (976)	\$ 144,305	\$ 143,329	\$ (42,569)
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	13,322	13,322	13,494
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable	(19,734)	-	(19,734)	36,994
Prepaid expenses	3,758	-	3,758	(3,118)
Due from operating fund	-	(73,320)	(13,920)	(16,656)
Increase (decrease) in liabilities:				
Accounts payable	(19,676)	-	(19,676)	21,363
Accrued taxes and expenses	1,030	-	1,030	(4,545)
Common charges paid in advance	(10,798)	-	(10,798)	(1,433)
Due to reserve fund	<u>73,320</u>	<u>-</u>	<u>13,920</u>	<u>16,656</u>
Net cash provided (used) by Operating activities	26,924	84,307	111,231	20,186
Cash flows from (to) investing activities:				
Transfer from common area investment fund	-	-	-	27,037
Purchase of equipment	<u>-</u>	<u>(13,512)</u>	<u>(13,512)</u>	<u>(6,519)</u>
Net cash provided (used) by Investing activities	<u>-</u>	<u>(13,512)</u>	<u>(13,512)</u>	<u>20,518</u>
Increase (decrease) in cash:	26,924	70,795	97,719	40,704
Cash at beginning of year	<u>7,865</u>	<u>368,476</u>	<u>376,341</u>	<u>335,637</u>
Cash at end of year	<u>\$ 34,789</u>	<u>\$ 439,271</u>	<u>\$ 474,060</u>	<u>\$ 376,341</u>

See accompanying notes and Auditors' report.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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 2013 and 2012 through the use of a management company. Common charges were \$160.00 per month for both 2013 and 2012.

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, 2013 AND 2012

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, 2013 and 2012, 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 2013, and was filed for 2012.

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, 2013 and 2012 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, 2013 and 2012, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Investments amounting to \$313,535 and \$156,656 were uninsured at December 31, 2013 and 2012 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, 2013 was \$671,384 and at December 31, 2012 was \$591,401.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Equipment	\$ 181,128	\$ 167,616
Less accumulated depreciation	<u>(103,855)</u>	<u>(90,533)</u>
Net Equipment	<u>\$ 77,273</u>	<u>\$ 77,083</u>

Depreciation expense for 2013 and 2012 was \$13,322 and \$13,494 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, 2013 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 inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



Marino and Berner
Certified Public Accountants

March 24, 2014
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
COMMUNITY MAINTENANCE EXPENSES		
Grounds maintenance:		
Landscape labor contract	\$ 175,000	\$ 175,000
Landscape Maintenance – Backyards	19,170	19,170
Landscape – Hurricane Cleanup	-	19,254
Depreciation	13,322	13,494
Repair and maintenance:		
Truck, gas and repairs	757	1,480
Sprinkler, irrigation system	70,932	77,282
Seed, soil and other supplies	4,342	3,770
Chemical contract	32,734	36,498
Grounds/tree removal	20,095	12,887
Maintenance building:		
Electric and gas	1,393	1,723
Repairs, supplies and small tools	815	898
Common areas:		
Materials, supplies and other	2,224	1,366
Concrete, paving and sealing	33,892	17,782
Payroll, staff	45,081	53,769
Payroll taxes and related costs	10,190	11,992
Roofing and siding	15,350	17,170
Water	<u>43,293</u>	<u>60,874</u>
Total community maintenance	<u>\$ 488,590</u>	<u>\$ 524,409</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CLUBHOUSE EXPENSES		
Utilities:		
Electric and Cable TV	\$ 17,924	\$ 14,543
Gas	9,038	5,372
Cleaning and other	8,238	8,410
Repairs and maintenance:		
Exterminating	543	652
Plumbing, heating and air conditioning	-	459
Snow removal	4,775	625
Electrical and alarms	12,057	14,923
Exercise equipment	1,124	1,662
Refuse removal	1,695	1,130
Supplies and miscellaneous	<u>824</u>	<u>1,748</u>
Total clubhouse expenses	<u>\$ 56,218</u>	<u>\$ 49,524</u>

POOL AND RECREATION EXPENSES

Payroll and pool contract	\$ 38,070	\$ 36,014
Permits and fees	-	1,160
Pool chemicals and supplies	631	59
Pool Repairs	589	4,034
Furniture and equipment	<u>201</u>	<u>555</u>
Total pool and recreation expenses	<u>\$ 39,491</u>	<u>\$ 41,822</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,650	\$ 5,500
Auto and travel	1,511	1,563
Bad debt	5,538	75,000
Bank service charges	493	672
Board meetings	-	1,634
Claims and damages	390	1,675
Data processing and supplies	6,089	783
Dues and permits	165	781
Insurance	32,500	30,549
Legal	15,039	14,537
Management	66,000	66,000
Miscellaneous	427	832
Postage	1,100	1,166
Repairs and maintenance, equipment and contracts	3,923	3,625
Stationery, printing and office	2,772	6,955
Telephone	1,089	1,239
Unrelated business income tax	2,309	2,132
Property tax	<u>-</u>	<u>2,345</u>
Total general and administrative expenses	<u>\$ 144,995</u>	<u>\$ 216,988</u>

See Auditors' report on supplemental information.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	RESERVE FUND			
	2013			2012
	Capital Improvements Reserve	Common Area Reserve	Total	Total
MAJOR REPAIRS AND REPLACEMENTS RESERVES				
Fund balance, beginning	\$ 80,767	\$ 510,634	\$ 591,401	\$ 531,638
Contributions, current year	79,200	66,000	145,200	145,200
Increase(decrease) in market value of securities	-	(4,922)	(4,922)	1,856
Interest and dividend income	<u>1,884</u>	<u>6,680</u>	<u>8,564</u>	<u>8,608</u>
Total available	<u>161,851</u>	<u>578,392</u>	<u>740,243</u>	<u>687,302</u>
Expenses:				
Clubhouse renovation and tennis court	-	9,459	9,459	16,011
Driveways, walks, lots and blacktop	-	-	-	71,220
Pool repairs	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,670</u>
Total major repairs and replacements	<u>-</u>	<u>9,459</u>	<u>9,459</u>	<u>95,901</u>
Fund balance, ending	<u>\$ 161,851</u>	<u>\$ 568,933</u>	<u>\$ 730,784</u>	<u>\$ 591,401</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, 2013

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	2013 Funding Requirement	Components of Fund Balance at Dec. 31, 2013
Clubhouse:				
Furniture and equipment	2-12	\$ 55,500	\$ 4,000	\$ 37,342
Roofing, flooring, painting	1-20	23,700	3,000	16,525
HVAC	1-8	29,000	3,000	28,822
Parking lot and entrance	1	72,000	6,000	41,000
Parking lot and repair	1	15,450	3,500	15,250
Propane tank system	1	5,150	-	5,150
Clubhouse renovation	14	74,800	3,000	38,760
Lighting repairs and replace	5	10,800	2,000	9,663
Pool:				
Marbleization	1	33,000	7,000	37,000
Coping, resurfacing, concrete	13	163,700	11,000	77,476
Machinery and equipment	4	45,300	5,000	31,000
Fencing	15	9,800	-	-
Children's play area:				
Sand area and ties	0	5,150	1,000	2,750
Equipment	4	20,600	2,000	16,840
Basketball court repair	1	5,150	-	5,150
Basketball court replace	4	41,200	-	41,200
Tennis court:				
Repaving and posts	1	34,000	2,000	25,650
Fence	1	13,400	1,500	7,000
Maintenance shops:				
Roofing, doors, fencing	19	11,000	1,500	10,290
Signs	0	6,200	1,000	5,500
Capital improvement fund:				
Pool replacement	3	750,000*	10,000	130,755
Driveway replacement	5	580,000	6,000	70,388
		<u>\$2,004,900</u>	<u>\$ 72,500</u>	<u>\$ 653,511</u>

*Possible special assessment

See Auditors' report on supplemental information.