

STRATHMORE COURT HOMEOWNERS'
ASSOCIATION INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016 AND 2015

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
YEARS ENDED DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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.

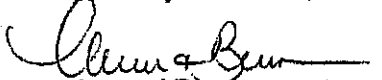
Required Supplementary Information

Management has omitted the estimates of the remaining lives and replacement costs of the common property and, therefore, has not presented the estimated cost of major repairs and replacements needed in the future. Accounting principles generally accepted in the United States of America require this information to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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, 2016 and 2015, 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

March 17, 2017

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 BALANCE SHEETS
 DECEMBER 31, 2016 AND 2015
 (See Independent Auditors' Report)

	2016			2015
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
ASSETS				
Cash in bank and on hand	\$ 17,495	\$ -	\$ 17,495	\$ 491
Cash - Money Market, common area funds	-	64,295	64,295	25,010
Cash - Money Market, capital improvements fund	-	59,337	59,337	64,114
Mutual Fund Investments, common area funds	-	419,966	419,966	408,012
Mutual Fund Investments, capital improvements fund	-	71,992	71,992	69,811
Homeowners' receivables (net allowance) Note 3	43,337	-	43,337	37,194
Prepaid expenses	4,120	-	4,120	4,209
Due from operating fund	-	180,142	180,142	130,492
Total current assets	64,952	795,732	860,684	739,333
Fixed assets - Furniture, Fixtures and Equipment	47,692	144,383	192,075	192,075
Less - accumulated depreciation	(47,692)	(98,390)	(146,082)	(132,182)
Total fixed assets	-	45,993	45,993	59,893
Total assets	\$ 64,952	\$ 841,725	\$ 906,677	\$ 799,226

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 10,936	\$ -	\$ 10,936	\$ 29,542
Accrued taxes and expenses	-	-	-	3,236
Common charges paid in advance	8,009	-	8,009	11,720
Due to reserve fund	180,142	-	180,142	130,492
Total current liabilities	199,087	-	199,087	174,990
Fund balance				
Operating fund	(134,135)	-	(134,135)	(133,096)
Reserve fund	-	841,725	841,725	757,332
Total fund balance	(134,135)	841,725	707,590	624,236
Total liabilities and fund balance	\$ 64,952	\$ 841,725	\$ 906,677	\$ 799,226

The accompanying notes are an integral part of the financial statements.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(See Independent Auditors' Report)

	2016			2015
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Revenue:				
Homeowners' common charges	\$ 757,080	\$ 85,800	\$ 842,880	\$ 843,680
Finance and late charges	18,725	-	18,725	15,500
Interest and dividend income	-	16,116	16,116	15,497
Legal fees recovered	12,396	-	12,396	24,626
Clubhouse rental and other	5,723	-	5,723	3,650
Total revenue	<u>793,924</u>	<u>101,916</u>	<u>895,840</u>	<u>902,953</u>
Operating expenses:				
Community maintenance	499,228	-	499,228	538,313
Clubhouse	55,279	-	55,279	62,355
Pool and recreation	42,476	-	42,476	41,992
General and administrative	197,980	-	197,980	333,950
Total operating expenses	<u>794,963</u>	<u>-</u>	<u>794,963</u>	<u>976,610</u>
Excess/(Deficiency) revenue over expenses	<u>(1,039)</u>	<u>101,916</u>	<u>100,877</u>	<u>(73,657)</u>
Major repairs and replacements:				
Clubhouse renovation and tennis court	-	16,332	16,332	64,391
Driveways, walks, parking lot and blacktop	-	-	-	51,193
Total capital expenses	<u>-</u>	<u>16,332</u>	<u>16,332</u>	<u>115,584</u>
Net revenue over/(under) expenses	<u>(1,039)</u>	<u>85,584</u>	<u>84,545</u>	<u>(189,241)</u>
Other comprehensive income:				
Net unrealized gain (loss) on investments	-	(1,191)	(1,191)	(16,355)
Total other comprehensive income	<u>-</u>	<u>(1,191)</u>	<u>(1,191)</u>	<u>(16,355)</u>
Total comprehensive (loss)/income	<u>(1,039)</u>	<u>84,393</u>	<u>83,354</u>	<u>(205,596)</u>
Fund balance, beginning of year	<u>(133,096)</u>	<u>757,332</u>	<u>624,236</u>	<u>829,832</u>
Fund balance, end of year	<u>\$ (134,135)</u>	<u>\$ 841,725</u>	<u>\$ 707,590</u>	<u>\$ 624,236</u>

The accompanying notes are an integral part of the financial statements.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(See Independent Auditors' Report)

	2016		2015	
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net compressive income/(loss)	\$ (1,039)	\$ 84,393	\$ 83,354	\$ (205,596)
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	13,900	13,900	14,062
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable-net of allowance	(6,143)	-	(6,143)	85,459
Prepaid expenses	89	-	89	630
Due from operating fund	-	(49,650)	(49,650)	(49,927)
Increase (decrease) in liabilities:				
Accounts Payable	(18,606)	-	(18,606)	17,247
Accrued taxes and expenses	(3,236)	-	(3,236)	-
Common charges paid in advance	(3,711)	-	(3,711)	(3,001)
Due to reserve fund	<u>49,650</u>	<u>-</u>	<u>49,650</u>	<u>49,927</u>
Net cash provided (used) by Operating activities	17,004	48,643	65,647	(91,199)
Cash Flows from Investing Activities				
Purchase of Equipment	-	-	-	(1,950)
Increase (decrease) in cash:	17,004	48,643	65,647	(93,149)
Cash and Cash Equivalents at beginning of year	<u>491</u>	<u>566,947</u>	<u>567,438</u>	<u>660,587</u>
Cash and Cash Equivalents at end of year	<u>\$ 17,495</u>	<u>\$ 615,590</u>	<u>\$ 633,085</u>	<u>\$ 567,438</u>

The accompanying notes are an integral part of the financial statements.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 2015 and 2014 through the use of a management company. Common charges were \$160.00 per month for both 2016 and 2015.

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, 2016 AND 2015

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, 2016 and 2015, all contributions to the Reserve Fund, and interest earned thereon, are kept in separate bank and/or investment accounts.

2. Income taxes:

The Association may elect to file a regular U.S. Corporation Income Tax Return, or, under Section 528 of the Internal Revenue Service code, a U.S. Income Tax Return for Homeowners' Associations, which results in a tax only on its net non-exempt income. The Association is also subject to New York State Corporation taxes. Form 1120H will be filed for 2016, and was filed for 2015.

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, 2016 an allowance for doubtful accounts has been set up in the amount of \$77,055.00 which is an estimate based on past collection experience for delinquent accounts.

4. Credit and market risk:

The Associations' financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2016 and 2015, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Investments amounting to \$491,958 and \$477,823 were uninsured at December 31, 2016 and 2015 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 Association has not conducted a recent study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to borrow, utilize available cash, increase maintenance charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

Funds are being accumulated in the reserve fund for future needs of repairs and replacements of common area components. The amount accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. The cash and investment balance in the reserve fund at December 31, 2016 was \$615,590 and at December 31, 2015 was \$566,947.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, \$200,000, \$40,300 and \$41,000 respectively.

7. Furniture, Fixtures and Equipment:

The details of equipment, accumulated depreciation and estimated useful lives as of December 31, 2016 and 2015 are as follows:

<u>Useful Lives</u>		<u>2016</u>	<u>2015</u>
5-10 years	Furniture, Fixtures and Equipment	\$ 192,075	\$ 192,075
	Less accumulated depreciation	<u>(146,082)</u>	<u>(132,182)</u>
	Net Equipment	<u>\$ 45,993</u>	<u>\$ 59,893</u>

Depreciation expense for 2016 and 2015 was \$13,900 and \$14,062 respectively.

8. Date of the report and subsequent events

For preparation of the financial statements, the Association has evaluated all transactions and subsequent events for potential recognition or disclosure through March 17, 2017 the date that the financial statements were available to be issued.

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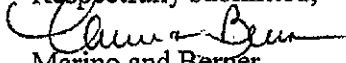
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Independent Auditors' Report on Supplementary Information

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 years ended December 31, 2016 and 2015 appears on page one and two. 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 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.

Respectfully submitted,


Marino and Berner

Certified Public Accountants

March 17, 2017

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
 (See Independent Auditors' Report on Supplementary Information)

	<u>2016</u>	<u>2015</u>
COMMUNITY MAINTENANCE EXPENSES		
Grounds maintenance:		
Landscape labor contract	\$ 200,000	\$ 195,170
Landscape Maintenance – Backyards	-	17,604
Storm Cleanup	8,000	-
Depreciation	13,900	14,062
Repair and maintenance:		
Truck, gas and repairs	1,310	959
Sprinkler, irrigation system	77,609	94,432
Seed, soil and other supplies	1,033	5,102
Chemical contract	40,246	40,246
Grounds/tree removal	10,784	13,035
Maintenance building:		
Electric and gas	1,174	1,621
Repairs, supplies and small tools	999	1,072
Common areas:		
Materials, supplies and other	1,595	2,343
Concrete, paving and sealing	11,079	20,000
Payroll, staff	54,663	57,548
Payroll taxes and related costs	9,186	12,800
Roofing and siding	9,847	7,163
Water	<u>57,803</u>	<u>55,156</u>
 Total community maintenance	 <u>\$ 499,228</u>	 <u>\$ 538,313</u>

The accompanying notes are an integral part of the financial statements.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
 (See Independent Auditors' Report on Supplementary Information)

	<u>2016</u>	<u>2015</u>
CLUBHOUSE EXPENSES		
Utilities:		
Electric and Cable TV	\$ 15,373	\$ 15,908
Gas	5,552	7,943
Cleaning and other	9,503	10,581
Repairs and maintenance:		
Exterminating	1,032	597
Plumbing, heating and air conditioning	173	1,477
Snow removal	2,925	5,793
Electrical and alarms	13,602	13,829
Exercise equipment	1,591	1,569
Refuse removal	3,112	1,760
Supplies and miscellaneous	1,403	2,898
Painting	<u>1,013</u>	<u>-</u>
Total clubhouse expenses	<u>\$ 55,279</u>	<u>\$ 62,355</u>

POOL AND RECREATION EXPENSES

Payroll and pool contract	\$ 40,192	\$ 40,192
Permits and fees	1,950	-
Pool chemicals and supplies	334	-
Pool Repairs	-	1,238
Furniture and equipment	<u>-</u>	<u>562</u>
Total pool and recreation expenses	<u>\$ 42,476</u>	<u>\$ 41,992</u>

The accompanying notes are an integral part of the financial statements.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
 (See Independent Auditors' Report on Supplementary Information)

	<u>2016</u>	<u>2015</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,800	\$ 5,650
Auto and travel	1,232	639
Bad debts	35,930	147,216
Bank service charges	635	1,008
Social Events	-	2,071
Data processing and supplies	3,399	3,131
Dues and permits	32	32
Insurance	50,265	52,478
Legal	16,942	32,249
Management	66,000	66,000
Miscellaneous	987	543
Postage	2,640	4,435
Repairs and maintenance, equipment and contracts	3,687	3,134
Stationery, printing and office	7,080	7,556
Telephone	1,364	1,138
Income tax	<u>1,987</u>	<u>6,670</u>
 Total general and administrative expenses	 <u>\$ 197,980</u>	 <u>\$ 333,950</u>

The accompanying notes are an integral part of the financial statements.