

STRATHMORE COURT HOMEOWNERS'  
ASSOCIATION INC.

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2015 AND 2014

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
YEARS ENDED DECEMBER 31, 2015 AND 2014

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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 financial statements of Strathmore Court Homeowners' Association, Inc. which comprise the balance sheets as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 & Berner*

Marino and Berner

Certified Public Accountants

April 4, 2015

Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
BALANCE SHEETS  
DECEMBER 31, 2015 AND 2014  
(See Independent Auditors' Report)

	2015		2014	
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
<b>ASSETS</b>				
Cash in bank and on hand	\$ 491	\$ -	\$ 491	\$ 25,183
Cash -m/mkt, common area funds	-	48,494	48,494	130,448
Cash - m/mkt, capital improvements fund	-	133,925	133,925	119,703
Investments, common area funds	-	384,528	384,528	385,253
Homeowners' receivables	37,194	-	37,194	122,653
Prepaid expenses	4,209	-	4,209	4,839
Due from operating fund	-	130,492	130,492	80,565
Total current assets	41,894	697,439	739,333	868,644
Fixed assets - equipment	47,692	144,383	192,075	190,125
Less - accumulated depreciation	(47,692)	(84,490)	(132,182)	(118,120)
Total fixed assets	-	59,893	59,893	72,005
Total assets	\$ 41,894	\$ 757,332	\$ 799,226	\$ 940,649
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable	\$ 29,542	\$ -	\$ 29,542	\$ 12,295
Accrued taxes and expenses	3,236	-	3,236	3,236
Common charges paid in advance	11,720	-	11,720	14,721
Due to reserve fund	130,492	-	130,492	80,565
Total current liabilities	174,990	-	174,990	110,817
Fund balance				
Operating fund	(133,096)	-	(133,096)	41,858
Reserve fund	-	757,332	757,332	787,974
Total fund balance	(133,096)	757,332	624,236	829,832
Total liabilities and fund balance	\$ 41,894	\$ 757,332	\$ 799,226	\$ 940,649

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, 2015 AND 2014  
(See Independent Auditors' Report)

	2015			2014
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Revenue:				
Homeowners' common charges	\$ 757,880	\$ 85,800	\$ 843,680	\$ 844,800
Finance and late charges	15,500	-	15,500	13,102
Interest and dividend income	-	15,497	15,497	12,061
Legal fees recovered	24,626	-	24,626	14,958
Clubhouse rental and other	3,650	-	3,650	3,675
Total revenue	<u>801,656</u>	<u>101,297</u>	<u>902,953</u>	<u>888,596</u>
Operating expenses:				
Community maintenance	538,313	-	538,313	479,437
Clubhouse	62,355	-	62,355	64,725
Pool and recreation	41,992	-	41,992	42,645
General and administrative	333,950	-	333,950	197,962
Total operating expenses	<u>976,610</u>	<u>-</u>	<u>976,610</u>	<u>784,769</u>
Excess(Deficiency) revenue over expenses	<u>(174,954)</u>	<u>101,297</u>	<u>(73,657)</u>	<u>103,827</u>
Major repairs and replacements:				
Clubhouse renovation and tennis court	-	64,391	64,391	11,802
Driveways, walks, parking lot and blacktop	-	51,193	51,193	17,153
Total capital expenses	<u>-</u>	<u>115,584</u>	<u>115,584</u>	<u>28,955</u>
Net revenue over:(under) expenses	<u>(174,954)</u>	<u>(14,287)</u>	<u>(189,241)</u>	<u>74,872</u>
Other comprehensive income:				
Net unrealized gain (loss) on investments	-	(16,355)	(16,355)	(11,716)
Total other comprehensive income	<u>-</u>	<u>(16,355)</u>	<u>(16,355)</u>	<u>(11,716)</u>
Total comprehensive income	<u>(174,954)</u>	<u>(30,642)</u>	<u>(205,596)</u>	<u>63,156</u>
Fund balance, beginning of year	<u>41,858</u>	<u>787,974</u>	<u>829,832</u>	<u>766,676</u>
Fund balance, end of year	<u>\$ (133,096)</u>	<u>\$ 757,332</u>	<u>\$ 624,236</u>	<u>\$ 829,832</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, 2015 AND 2014  
(See Independent Auditors' Report)

	2015			2014
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net revenue over (under) expenses	\$ (174,954)	\$ (30,642)	\$ (205,596)	\$ 74,872
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	14,062	14,062	14,265
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable	85,459	-	85,459	(11,760)
Prepaid expenses	630	-	630	(1,285)
Due from operating fund	-	(49,927)	(49,927)	9,411
Increase (decrease) in liabilities:				
Accounts Payable	17,247	-	17,247	(2,446)
Accrued taxes and expenses	-	-	-	74
Common charges paid in advance	(3,001)	-	(3,001)	9,256
Due to reserve fund	49,927	-	49,927	(9,411)
Net cash provided (used) by Operating activities	(24,692)	(66,507)	(91,199)	82,976
Cash flows from (to) investing activities				
Purchase of equipment	-	(1,950)	(1,950)	(8,997)
Net cash provided (used) by Investing activities	-	(1,950)	(1,950)	(8,997)
Increase (decrease) in cash:	(24,692)	(68,457)	(93,149)	73,979
Cash at beginning of year	25,183	635,404	660,587	474,060
Cash at end of year	\$ 491	\$ 566,947	\$ 567,483	\$ 548,039

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, 2015 AND 2014

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 2015 and 2014.

**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, 2015 AND 2014

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, 2015 and 2014, 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 2015, and was filed for 2014.

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, 2015 it was determined that all receivables, after write off of \$147,216, were fully collectible.

4. Credit and market risk:

The Associations' financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2015 and 2014, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Investments amounting to \$518,453 and \$479,493 were uninsured at December 31, 2015 and 2014 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, 2015 was \$566,947 and at December 31, 2014 was \$635,404.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 192,075	\$ 190,125
Less accumulated depreciation	<u>(132,182)</u>	<u>(118,120)</u>
Net Equipment	<u>\$ 59,893</u>	<u>\$ 72,005</u>

Depreciation expense for 2015 and 2014 was \$14,062 and \$14,265 respectively.

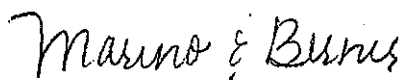
Independent Auditors' Report on Supplementary Information

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, 2015 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

April 4, 2016  
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
 SUPPLEMENTAL SCHEDULES  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
 (See Independent Auditors' Report on Supplementary Information)

	<u>2015</u>	<u>2014</u>
<b>COMMUNITY MAINTENANCE EXPENSES</b>		
Grounds maintenance:		
Landscape labor contract	\$ 195,170	\$ 194,170
Landscape Maintenance – Backyards	17,604	11,161
Landscape – Hurricane Cleanup	-	6,000
Depreciation	14,062	14,265
Repair and maintenance:		
Truck, gas and repairs	959	834
Sprinkler, irrigation system	94,432	75,100
Seed, soil and other supplies	5,102	5,786
Chemical contract	40,246	16,293
Grounds/tree removal	13,035	16,981
Maintenance building:		
Electric and gas	1,621	2,408
Repairs, supplies and small tools	1,072	758
Common areas:		
Materials, supplies and other	2,343	1,532
Concrete, paving and sealing	20,000	15,633
Payroll, staff	57,548	56,376
Payroll taxes and related costs	12,800	10,037
Roofing and siding	7,163	11,530
Water	<u>55,156</u>	<u>40,573</u>
Total community maintenance	<u>\$ 538,313</u>	<u>\$ 479,437</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, 2015 AND 2014  
 (See Independent Auditors' Report on Supplementary Information)

	<u>2015</u>	<u>2014</u>
<b>CLUBHOUSE EXPENSES</b>		
<b>Utilities:</b>		
Electric and Cable TV	\$ 15,908	\$ 16,552
Gas	7,943	9,117
Cleaning and other	10,581	9,250
<b>Repairs and maintenance:</b>		
Exterminating	597	543
Plumbing, heating and air conditioning	1,477	5,948
Snow removal	5,793	5,844
Electrical and alarms	13,829	14,245
Exercise equipment	1,569	1,081
Refuse removal	1,760	1,738
Supplies and miscellaneous	<u>2,898</u>	<u>407</u>
 Total clubhouse expenses	 <u>\$ 62,355</u>	 <u>\$ 64,725</u>

**POOL AND RECREATION EXPENSES**

Payroll and pool contract	\$ 40,192	\$ 38,019
Permits and fees	-	1,950
Pool chemicals and supplies	-	1,026
Pool Repairs	1,238	-
Furniture and equipment	<u>562</u>	<u>1,650</u>
 Total pool and recreation expenses	 <u>\$ 41,992</u>	 <u>\$ 42,645</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, 2015 AND 2014  
 (See Independent Auditors' Report on Supplementary Information)

	<u>2015</u>	<u>2014</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,650	\$ 5,650
Auto and travel	639	534
Bad debt	147,216	10,859
Bank service charges	1,008	2,503
Social Events	2,071	2,476
Data processing and supplies	3,131	6,421
Dues and permits	32	32
Insurance	52,478	54,251
Legal	32,249	34,351
Management	66,000	66,000
Miscellaneous	543	568
Postage	4,435	1,778
Repairs and maintenance, equipment and contracts	3,134	4,211
Stationery, printing and office	7,556	3,672
Telephone	1,138	1,114
Unrelated business income tax	<u>6,670</u>	<u>3,542</u>
Total general and administrative expenses	<u>\$ 333,950</u>	<u>\$ 197,962</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, 2015 AND 2014  
 (See Independent Auditors' Report on Supplementary Information)

	RESERVE FUND			
	2015		2014	
	Capital Improvements Reserve	Common Area Reserve	Total	Total
<b>MAJOR REPAIRS AND REPLACEMENTS RESERVES</b>				
Fund balance, beginning	\$ 184,693	\$ 603,281	\$ 787,974	\$ 730,784
Contributions, current year	19,800	66,000	85,800	85,800
Increase(decrease) in market value of securities	-	(16,355)	(16,355)	(11,716)
Interest and dividend income	<u>3,047</u>	<u>12,450</u>	<u>15,497</u>	<u>12,061</u>
Total available	<u>207,540</u>	<u>665,376</u>	<u>872,916</u>	<u>816,929</u>
<b>Expenses:</b>				
Clubhouse renovation and tennis court	-	64,391	64,391	11,802
Driveways, walks, lots and blacktop	<u>-</u>	<u>51,193</u>	<u>51,193</u>	<u>17,153</u>
Total major repairs and replacements	<u>-</u>	<u>115,584</u>	<u>115,584</u>	<u>28,955</u>
Fund balance, ending	<u>\$ 207,540</u>	<u>\$ 549,792</u>	<u>\$ 757,332</u>	<u>\$ 787,974</u>

The accompanying notes are an integral part of the Financial Statements.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.  
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(See Independent Auditors' Report on Supplementary Information)

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>2015 Funding Requirement</u>	<u>Components of Fund Balance at Dec. 31, 2015</u>
<b>Clubhouse:</b>				
Furniture and equipment	1-10	\$ 55,500	\$ 5,300	\$ 45,642
Roofing, flooring, painting	1-18	23,700	4,000	22,100
HVAC	1-6	29,000	-	29,000
Parking lot and entrance	1	72,000	7,000	51,000
Parking lot and repair	1	15,450	-	15,450
Propane tank system	1	5,150	-	5,150
Clubhouse renovation	12	74,800	4,000	45,670
Lighting repairs and replace	3	10,800	-	10,800
<b>Pool:</b>				
Coping, resurfacing, concrete	11	163,700	31,000	100,576
<b>Children's play area:</b>				
Sand area and ties	0	5,150	1,000	4,750
Basketball court repair	1	5,150	-	5,150
Basketball court replace	2	41,200	-	41,200
<b>Tennis court:</b>				
Repaving and posts	1	34,000	3,000	30,650
Fence	1	13,400	2,500	10,500
<b>Maintenance shops:</b>				
Roofing, doors, fencing	17	11,000	-	11,000
Signs	0	6,200	-	6,200
<b>Capital improvement fund:</b>				
Pool replacement	1	750,000*	10,900	169,113
Driveway replacement	4	475,670	17,100	93,488
		<u>\$1,791,870</u>	<u>\$ 85,800</u>	<u>\$ 697,439</u>

The accompanying notes are an integral part of the Financial Statements.