

STRATHMORE COURT HOMEOWNERS'
ASSOCIATION INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 6, 2018

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(See Independent Auditors' Report)

	2017			2016
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
ASSETS				
Cash in bank and on hand	\$ 79,900	\$ -	\$ 79,900	\$ 17,495
Cash – Money Market, common area funds	-	85,845	85,845	64,295
Cash – Money Market, capital improvements fund	-	53,887	53,887	59,337
Mutual Fund Investments, common area funds	-	427,249	427,249	419,966
Mutual Fund Investments, capital improvements fund	-	73,363	73,363	71,992
Homeowners' receivables (net allowance) Note 3	25,944	-	25,944	43,337
Prepaid expenses	7,103	-	7,103	4,120
Due from operating fund	-	181,997	181,997	180,142
Total current assets	112,947	822,341	935,288	860,684
Fixed assets – Furniture, Fixtures and Equipment	-	143,548	143,548	192,075
Less – accumulated depreciation	-	(99,408)	(99,408)	(146,082)
Total fixed assets	-	44,140	44,140	45,993
Total assets	\$ 112,947	\$ 866,481	\$ 979,428	\$ 906,677

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 20,835	\$ -	\$ 20,835	\$ 10,936
Common charges paid in advance	6,508	-	6,508	8,009
Due to reserve fund	181,997	-	181,997	180,142
Total current liabilities	209,340	-	209,340	199,087
Total liabilities	209,340	-	209,340	199,087
Fund balance				
Operating fund	(96,393)	-	(96,393)	(134,135)
Reserve fund	-	866,481	866,481	841,725
Total fund balance	(96,393)	866,481	770,088	707,590
Total liabilities and fund balance	\$ 112,947	\$ 866,481	\$ 979,428	\$ 906,677

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, 2017 AND 2016
 (See Independent Auditors' Report)

	2017		2016	
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Revenue:				
Homeowners' common charges	\$ 837,348	\$ 85,800	\$ 923,148	\$ 842,880
Finance and late charges	19,575	-	19,575	18,725
Interest and dividend income	-	15,262	15,262	16,116
Legal fees recovery	26,308	-	26,308	12,396
Clubhouse rental and other income	7,037	-	7,037	5,723
Total revenue	890,268	101,062	991,330	895,840
Operating expenses:				
Community maintenance	518,773	-	518,773	497,838
Clubhouse	56,759	-	56,759	56,669
Pool and recreation	47,125	-	47,125	42,476
General and administrative	229,869	-	229,869	197,980
Total operating expenses	852,526	-	852,526	794,963
Excess/(Deficiency) revenue over expenses	37,742	101,062	138,804	100,877
Major repairs and replacements:				
Clubhouse and tennis court renovations	-	10,485	10,485	16,332
Siding project	-	60,000	60,000	-
Total capital expenses	-	70,485	70,485	16,332
Net revenue over/(under) expenses	37,742	30,577	68,319	84,545
Other comprehensive income:				
Net unrealized gain (loss) on investments	-	(5,821)	(5,821)	(1,191)
Total other comprehensive income	-	(5,821)	(5,821)	(1,191)
Total comprehensive (loss)/ income	37,742	24,756	62,498	83,354
Fund balance, beginning of year	(134,135)	841,725	707,590	624,236
Fund balance, end of year	\$ (96,393)	\$ 866,481	\$ 770,088	\$ 707,590

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, 2017 AND 2016
(See Independent Auditors' Report)

	2017			2016
	Operating Fund	Reserve Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Net comprehensive income/(loss)	\$ 37,742	\$ 24,756	\$ 62,498	\$ 83,354
Adjustments to reconcile net revenue over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	-	7,833	7,833	13,900
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable – net of allowance	17,393	-	17,393	(6,143)
Prepaid expenses	(2,983)	-	(2,983)	89
Due from operating fund	-	(1,855)	(1,855)	(49,650)
Increase (decrease) in liabilities:				
Accounts Payable	9,899	-	9,899	(18,606)
Accrued taxes and expenses	-	-	-	(3,236)
Common charges paid in advance	(1,501)	-	(1,501)	(3,711)
Due to reserve fund	1,855	-	1,855	49,650
Total adjustments	24,663	5,978	30,641	(17,707)
Net cash provided (used) by Operating activities	62,405	30,734	93,139	65,647
Cash flows (used in) investing activities				
Purchase of equipment	-	(5,980)	(5,980)	-
Increase (decrease) in cash:	62,405	24,754	87,159	65,647
Cash and cash equivalents at beginning of year	17,495	615,590	633,085	567,438
Cash and cash equivalents at end of year	\$ 79,900	\$ 640,344	\$ 720,244	\$ 633,085
Supplementary Disclosures:				
Cash Paid for Income Taxes			\$ 4,337	\$ 1,987

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, 2017 AND 2016

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 2017 and 2016 through the use of a management company. Common charges are assessed on homeowners through the Association to pay for the common area costs.

Accounting method:

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:

For the Statement of Cash Flows the Association considers all highly liquid investments, with maturities of three months or less, are considered 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, 2017 AND 2016

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, 2017 and 2016, 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 2017 and was filed for 2016.

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, 2017 and 2016 an allowance for doubtful accounts has been set up in the amount of \$136,951 and \$77,055 respectively 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, 2017 and 2016, cash and cash equivalents exceeding federally insured limits totaled \$-0- and \$-0- respectively. Cash may at times exceed the federal deposit insurance limit. Investments amounting to \$500,612 and \$491,958 were uninsured at December 31, 2017 and 2016 respectively. Receivables, which are not insured, 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, 2017 was \$640,344 and at December 31, 2016 was \$615,590.

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

6. Commitments and Contingencies:

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 \$43,450 respectively.

7. Furniture, Fixtures and Equipment:

The details of equipment, accumulated depreciation and estimated useful lives as of December 31, 2017 and 2016 are as follows:

<u>Useful Lives</u>		<u>2017</u>	<u>2016</u>
5-10 years	Furniture, Fixtures and Equipment	\$ 143,547	\$ 192,075
	Less accumulated depreciation	<u>(99,407)</u>	<u>(146,082)</u>
	Net Equipment	<u>\$ 44,140</u>	<u>\$ 45,993</u>

Depreciation expense for 2017 and 2016 was \$7,833 and \$13,900 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 6, 2018, the date that the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

Board of Directors
Strathmore Court Homeowners' Association, Inc.

We have audited the financial statements of Strathmore Court Homeowners' Association, Inc. as of and for the years ended December 31, 2017 and 2016, and our report thereon dated March 6, 2018, which expressed an unmodified opinion on those financial statements, appears on page two. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information on the Schedules of Community Maintenance Expenses, Clubhouse Expenses, Pool and Recreation Expenses and General and Administrative Expenses for the years ended December 31, 2017 and 2016, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Marino and Berner
Certified Public Accountants

March 6, 2018
Kings Park, NY

STRATHMORE COURT HOMEOWNERS' ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULES
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
 (See Independent Auditors' Report on Supplementary Information)

	<u>2017</u>	<u>2016</u>
COMMUNITY MAINTENANCE EXPENSES		
Grounds Maintenance:		
Landscape labor contract	\$ 194,170	\$ 200,000
Storm Cleanup	-	8,000
Depreciation	6,686	12,510
Seed, soil and other supplies	2,507	1,033
Chemical contract	40,246	40,246
Grounds/tree removal	19,118	10,784
Other Labor	720	-
Building Maintenance:		
Electric	871	1,174
Repairs, supplies and small tools	-	999
Common Areas Maintenance:		
Materials, supplies and other	2,019	1,595
Sprinkler, irrigation system	98,858	77,609
Truck, gas and repairs	1,319	1,310
Concrete, paving and sealing	24,361	11,079
Payroll, staff	59,745	54,663
Payroll taxes and related costs	10,891	9,186
Roofing and siding	10,061	9,847
Water	<u>47,201</u>	<u>57,803</u>
Total Community Maintenance	<u>\$ 518,773</u>	<u>\$ 497,838</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, 2017 AND 2016
 (See Independent Auditors' Report on Supplementary Information)

	<u>2017</u>	<u>2016</u>
CLUBHOUSE EXPENSES		
Utilities:		
Electric and Cable TV	\$ 14,661	\$ 15,373
Gas	5,249	5,552
Repairs and maintenance:		
Exterminating	652	1,032
Plumbing, heating and air conditioning	2,528	173
Snow removal	3,925	2,925
Alarm Monitoring and Electric	13,979	13,602
Exercise equipment	1,080	1,591
Cleaning supplies	8,425	9,503
Refuse removal	3,005	3,112
Supplies and miscellaneous	1,879	1,403
Painting	634	1,013
Depreciation	<u>742</u>	<u>1,390</u>
Total clubhouse expenses	<u>\$ 56,759</u>	<u>\$ 56,669</u>

POOL AND RECREATION EXPENSES

Payroll and pool contract	\$ 43,450	\$ 40,192
Permits and fees	-	1,950
Pool chemicals and supplies	-	334
Minor repairs	174	-
Furniture and equipment	2,358	-
Committee Expense	<u>1,143</u>	<u>-</u>
Total pool and recreation expenses	<u>\$ 47,125</u>	<u>\$ 42,476</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, 2017 AND 2016
 (See Independent Auditors' Report on Supplementary Information)

	<u>2017</u>	<u>2016</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit and accounting	\$ 5,800	\$ 5,800
Auto and travel	1,575	1,232
Bad debt	59,896	35,930
Bank service charges	96	635
Data processing and supplies	2,833	3,399
Dues and permits	132	32
Insurance	40,744	50,265
Legal	33,710	16,942
Management	66,000	66,000
Miscellaneous	1,186	987
Postage	1,616	2,640
Repairs and maintenance, equipment and contracts	3,463	3,687
Stationery, printing and office	7,092	7,080
Telephone	1,339	1,364
Income tax	<u>4,387</u>	<u>1,987</u>
Total general and administrative expenses	<u>\$ 229,869</u>	<u>\$ 197,980</u>

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