POCONO FARMS EAST ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021

POCONO FARMS EAST ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Pocono Farms East Association, Inc.

Opinion

We have audited the accompanying financial statements of the Pocono Farms East Association, Inc., which comprise the balance sheet as of December 31, 2021, and the related statement of revenues, expenses, and changes in fund equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pocono Farms East Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pocono Farms East Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pocono Farms East Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Pocono Farms East Association, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pocono Farms East Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on the future major repairs and replacements on page 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic,

or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Forty Fort, Pennsylvania
February 18, 2022

POCONO FARMS EAST ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

	Restricted	Operating	Total
Current assets:			
Cash and cash equivalents - operating	$ -	$ 25,530	$ 25,530
- restricted	288,628	-	288,628
Dues receivable, net of allowance for doubtful accounts of $286,000	-	290,477	290,477
Restricted assessments receivable, net of allowance for doubtful accounts of $49,152	-	-	-
Prepaid expenses	-	7,887	7,887
Total current assets	288,628	323,894	612,522
Other assets:			
Property and equipment, net of accumulated depreciation of $344,334 (Note 3)	-	480,998	480,998
Total other assets	-	480,998	480,998
Total assets	$ 288,628	$ 804,892	$ 1,093,520

LIABILITIES AND FUND EQUITY

Liabilities:			
Deferred member assessments	$ -	$ 16,632	$ 16,632
Accounts payable	-	2,356	2,356
Total liabilities	-	18,988	18,988
Fund equity:			
Restricted	288,628	-	288,628
Unrestricted	-	785,904	785,904
Total fund equity	288,628	785,904	1,074,532
Total liabilities and fund equity	$ 288,628	$ 804,892	$ 1,093,520

See Independent Auditors' Report and Notes to Financial Statements.

POCONO FARMS EAST ASSOCIATION, INC.
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Restricted	Operating	Total
Revenue:			
Dues and assessments and other charges	$ -	$ 172,332	$ 172,332
Builder permit revenue	-	725	725
Interest	430	167	597
Resale certificate	-	22,780	22,780
Capital transfer fee	-	15,033	15,033
Community center room rental	-	3,100	3,100
Miscellaneous	-	204	204
Violations	-	6,450	6,450
Tenant reg. fees	-	2,600	2,600
Total revenue	430	223,391	223,821
Expenses:			
Maintenance – common areas	-	28,576	28,576
Legal and collection	-	2,941	2,941
Insurance	-	19,884	19,884
Accounting and auditing	-	4,800	4,800
Postage and printing	-	4,256	4,256
Office/administrative expense	-	50,480	50,480
Utilities and telephone	-	9,510	9,510
Ditch maintenance	-	15,000	15,000
Site coordinator	-	17,107	17,107
Permit coordination fees	-	11,883	11,883
Depreciation	-	35,912	35,912
Bad debt expense	-	1,117	1,117
Miscellaneous	-	1,369	1,369
Total expenses	-	202,835	202,835
Excess (Deficit) of revenue over expenses	$ 430	$ 20,556	$ 20,986

See Independent Auditors' Report and Notes to Financial Statements.

POCONO FARMS EAST ASSOCIATION, INC.
STATEMENT OF FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Restricted	Operating	Total
Balance, January 1, 2021	$ 250,475	$ 803,071	$ 1,053,546
Interfund transfers (net)	37,723	(37,723)	-
Excess (Deficit) of revenue over expenses	430	20,556	20,986
Balance, December 31, 2021	$ 288,628	$ 785,904	$ 1,074,532

See Independent Auditors' Report and Notes to Financial Statements.

POCONO FARMS EAST ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Restricted	Operating	Total
Cash flows from operating activities:			
Excess (Deficit) of revenues over expenses	$ 430	$ 20,556	$ 20,986
Adjustments to reconcile excess of revenues over expenses to cash flows from operating activities:			
Depreciation	-	35,912	35,912
(Increase) decrease in:			
Dues and assessments receivable (net)	-	6,963	6,963
Prepaids	-	(3,881)	(3,881)
Increase (decrease) in:			
Accounts payable and deferred member assessments	-	1,413	1,413
Net cash provided by operating activities	430	60,963	61,393
Cash flows from investing activities:			
Purchase of fixed assets	-	(5,184)	(5,184)
Interfund transfers	37,723	(37,723)	-
Net cash used by investing activities	37,723	(42,907)	(5,184)
Increase (decrease) in cash	38,153	18,056	56,209
Cash balance, January 1, 2021	250,475	7,474	257,949
Cash balance, December 31, 2021	$ 288,628	$ 25,530	$ 314,158

Cash paid for:

Interest expense	$ -
Income taxes	$ -

See Independent Auditors' Report and Notes to Financial Statements.

POCONO FARMS EAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

Pocono Farms East Association, Inc. is a Homeowners Association formed as a Pennsylvania Domestic Non-Profit Corporation comprised of 1185 properties in the Pocono Farms subdivision of Tobyhanna, Pennsylvania.

Basis of Accounting

The Association's policy is to prepare its financial statements using the accrual basis of accounting whereby revenues are recognized when billed and expenses are recognized when the obligation is incurred. The restricted fund is used to account for road assessments and the related costs associated with the replacement of the Association's common property.

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less to be a cash equivalent.

Property and Equipment

Property and equipment costs are capitalized at cost and depreciated over their estimated useful lives using the straight-line method.

Although the Association is responsible for the repair and replacement of common real property, it is unable to sell or otherwise dispose of this property.

Members Dues and Assessments

The Association's policy is to assess interest on any owner's account with a balance that is past due. The past due account continues to accrue interest until the account is paid or written off. The Association's policy is to write off an account upon foreclosure, bankruptcy discharge, or when considered legally uncollectible for other reasons.

Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC Code 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.

Deferred Member Assessments

The annual billing of members' assessments is generated during December of the year prior to the year for which the billing pertains. Deferred member assessments represent assessments collected or credited in advance of the calendar year to which they relate.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

Income Taxes

The Association can elect annually to file its federal income tax return under Section 528 as a Homeowners Association or Section 277 as a regular corporation. For the year ended December 31, 2021, it has elected to file under Section 528 and incurred no tax liability. Under this method, it is taxed on net income from non-membership sources, primarily interest. The Association is exempt from state income taxes.

In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Concentrations of Credit Risk

Substantially all of the Association's revenue is derived from homeowners in Pocono Farms East Association, Inc. The Association has the right to file a lien on the property of any owner who fails to pay dues and assessments.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. DUES AND RESTRICTED ASSESSMENTS RECEIVABLE:

The Association provides an allowance for uncollectible assessments based upon determinations made by management and the Board of Directors. The details of assessments receivable are as follows:

	Restricted	Operating	Total
Current year's dues and assessments	$ -	$ 240,115	$ 240,115
Prior years' dues, assessments and penalties	49,152	336,362	385,514
	49,152	576,477	625,629
Less allowance for doubtful accounts	(49,152)	(286,000)	(335,152)
	$ -	$ 290,477	$ 290,477

POCONO FARMS EAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. PROPERTY AND EQUIPMENT:

As of December 31, 2021, property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,871	$ -	$ 2,871
Mail box pavilion	39,081	(34,778)	4,303
Maintenance shed/equipment	12,726	(9,428)	3,298
Office equipment	11,685	(9,374)	2,311
Land improvements	56,744	(33,496)	23,248
Community center building	702,225	(257,258)	444,967
	$ 825,332	$ (344,334)	$ 480,998

NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association is funding major repairs and replacements over the estimated useful lives of the common area components based upon a study to estimate their remaining useful lives and replacement costs. Actual expenditures for such items may vary from the estimated amounts and the variations may be material. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, borrow, or delay major repairs and replacements until funds are available.

NOTE 5. SUBSEQUENT EVENTS:

Subsequent events were evaluated through February 18, 2022 which is the date the financial statements were available to be issued.

NOTE 6. COMMITMENTS AND CONTINGENCIES:

The Association's Board of Directors is currently analyzing the potential impact of the COVID-19 crisis on the Association.

POCONO FARMS EAST ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (COMPILED)
DECEMBER 31, 2021

The Association conducted an informal study in 2021 to estimate the remaining useful lives and replacement costs of the components of common property. The study will be updated annually by management. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The following information is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Future Replacement Cost	Accumulated Reserve Requirement	Annual Reserve Requirement
Mailbox Pavilion	0	$ 21,787	$ 21,787	$ -
Pavilion Paving	2	13,000	9,286	1,857
Maintenance Shed	0	9,494	9,494	-
Office Equipment	1	6,000	4,800	1,200
Land Improvements/Roads	0	20,445	20,445	-
Community Center Building	19	245,375	89,971	8,179
Office Paving Sealcoating	1	1,800	1,200	600
Office Parking Lot Paving	0	20,000	20,000	-
PFE Drainage Maintenance	0	75,000	-	15,000
Septic System Maintenance	0	1,000	1,000	-
Route 196 Entrance Sign	4	7,500	5,500	500
Carriage Lane Drainage Pipe	5	10,000	5,000	1,000
Mulch/Stone	0	6,000	6,000	-
Mailbox Pavilion Sealcoating	1	1,800	1,200	600
Shed - Office	0	1,000	1,000	-
Security System – Office	2	1,200	720	240
Security System – Pavilion	4	2,800	-	560
Riding Lawnmower	6	2,000	-	286
Trailer	6	1,200	-	171
Carriage Lane/Bristol Court Paving	9	23,860	-	2,386
Total		$ 471,261	$ 197,403	$ 32,579

At December 31, 2021, the Association had a total of $288,628 in its Money Market Accounts for reserve expenditures.