

POCONO FARMS EAST ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Zavada & Associates
Certified Public Accountants

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, 2022, 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, 2022, 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

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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.

Zavada & Associates

Forty Fort, Pennsylvania
May 15, 2023

POCONO FARMS EAST ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2022

ASSETS

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents - operating	\$ -	\$ 5,536	\$ 5,536
- restricted	343,047	-	343,047
Dues receivable, net of allowance for doubtful accounts of \$284,000	-	277,378	277,378
Restricted assessments receivable, net of allowance for doubtful accounts of \$45,493	-	-	-
Prepaid expenses	<u>-</u>	<u>6,813</u>	<u>6,813</u>
 Total current assets	 <u>343,047</u>	 <u>289,727</u>	 <u>632,774</u>
Other assets:			
Property and equipment, net of accumulated depreciation of \$379,316 (Note 3)	<u>-</u>	<u>454,679</u>	<u>454,679</u>
 Total other assets	 <u>-</u>	 <u>454,679</u>	 <u>454,679</u>
 Total assets	 <u>\$ 343,047</u>	 <u>\$ 744,406</u>	 <u>\$ 1,087,453</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Deferred member assessments	\$ -	\$ 16,102	\$ 16,102
Accounts payable	<u>-</u>	<u>8,287</u>	<u>8,287</u>
 Total liabilities	 <u>-</u>	 <u>24,389</u>	 <u>24,389</u>
Fund equity:			
Restricted	343,047	-	343,047
Unrestricted	<u>-</u>	<u>720,017</u>	<u>720,017</u>
 Total fund equity	 <u>343,047</u>	 <u>720,017</u>	 <u>1,063,064</u>
 Total liabilities and fund equity	 <u>\$ 343,047</u>	 <u>\$ 744,406</u>	 <u>\$ 1,087,453</u>

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, 2022**

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Revenue:			
Dues and assessments and other charges	\$ -	\$ 172,110	\$ 172,110
Builder permit revenue	-	1,800	1,800
Interest	320	102	422
Resale certificate	-	11,259	11,259
Capital transfer fee	-	11,645	11,645
Community center room rental	-	7,475	7,475
Miscellaneous	-	231	231
Violations	-	6,325	6,325
Tenant reg. fees	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total revenue	<u>320</u>	<u>215,947</u>	<u>216,267</u>
Expenses:			
Maintenance – common areas	-	36,676	36,676
Legal and collection	-	5,670	5,670
Insurance	-	23,616	23,616
Accounting and auditing	-	4,800	4,800
Postage and printing	-	5,218	5,218
Office/administrative expense	-	51,792	51,792
Utilities and telephone	-	10,814	10,814
Ditch maintenance	-	15,000	15,000
Site coordinator	-	20,740	20,740
Permit coordination fees	-	13,414	13,414
Depreciation	-	34,982	34,982
Bad debt expense	-	3,103	3,103
Miscellaneous	<u>-</u>	<u>1,910</u>	<u>1,910</u>
Total expenses	<u>-</u>	<u>227,735</u>	<u>227,735</u>
Excess (Deficit) of revenue over expenses	\$ <u>320</u>	\$ <u>(11,788)</u>	\$ <u>(11,468)</u>

See Independent Auditors' Report and Notes to Financial Statements.

**POCONO FARMS EAST ASSOCIATION, INC.
STATEMENT OF FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Balance, January 1, 2022	\$ 288,628	\$ 785,904	\$ 1,074,532
Interfund transfers (net)	54,099	(54,099)	-
Excess (Deficit) of revenue over expenses	<u>320</u>	<u>(11,788)</u>	<u>(11,468)</u>
Balance, December 31, 2022	\$ <u>343,047</u>	\$ <u>720,017</u>	\$ <u>1,063,064</u>

See Independent Auditors' Report and Notes to Financial Statements.

POCONO FARMS EAST ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Cash flows from operating activities:			
Excess (Deficit) of revenues over expenses	\$ 320	\$ (11,788)	\$ (11,468)
Adjustments to reconcile excess of revenues over expenses to cash flows from operating activities:			
Depreciation	-	34,982	34,982
(Increase) decrease in:			
Dues and assessments receivable (net)	-	13,099	13,099
Prepays	-	1,074	1,074
Increase (decrease) in:			
Accounts payable and deferred member assessments	<u>-</u>	<u>5,400</u>	<u>5,400</u>
Net cash provided by operating activities	<u>320</u>	<u>42,767</u>	<u>43,087</u>
Cash flows from investing activities:			
Purchase of fixed assets	-	(8,662)	(8,662)
Interfund transfers	<u>54,099</u>	<u>(54,099)</u>	<u>-</u>
Net cash used by investing activities	<u>54,099</u>	<u>(62,761)</u>	<u>(8,662)</u>
Increase (decrease) in cash	54,419	(19,994)	34,425
Cash balance, January 1, 2022	<u>288,628</u>	<u>25,530</u>	<u>314,158</u>
Cash balance, December 31, 2022	\$ <u>343,047</u>	\$ <u>5,536</u>	\$ <u>348,583</u>
Cash paid for:			
Interest expense			\$ <u>-</u>
Income taxes			\$ <u>-</u>

See Independent Auditors' Report and Notes to Financial Statements.

POCONO FARMS EAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

POCONO FARMS EAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, 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:

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Current year's dues and assessments	\$ -	\$ 249,364	\$ 249,364
Prior years' dues, assessments and penalties	<u>45,493</u>	<u>312,014</u>	<u>357,507</u>
	45,493	561,378	608,871
Less allowance for doubtful accounts	<u>(45,493)</u>	<u>(284,000)</u>	<u>(329,493)</u>
	\$ <u>-</u>	\$ <u>277,378</u>	\$ <u>277,378</u>

POCONO FARMS EAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3. PROPERTY AND EQUIPMENT:

As of December 31, 2022, property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 2,871	\$ -	\$ 2,871
Mail box pavilion	39,081	(36,883)	2,198
Maintenance shed/equipment	12,726	(10,549)	2,177
Office equipment	11,685	(10,559)	1,126
Land improvements	65,407	(39,478)	25,929
Community center building	<u>702,225</u>	<u>(281,847)</u>	<u>420,378</u>
	<u>\$ 833,995</u>	<u>\$ (379,316)</u>	<u>\$ 454,679</u>

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 May 15, 2023 which is the date the financial statements were available to be issued.

POCONO FARMS EAST ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (COMPILED)
DECEMBER 31, 2022

The Association conducted an informal study in 2022 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.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Future Replacement Cost</u>	<u>Accumulated Reserve Requirement</u>	<u>Annual Reserve Requirement</u>
Mailbox Pavilion	0	\$ 14,437	\$ 14,437	\$ -
Pavilion Paving	1	13,000	11,143	1,857
Maintenance Shed	0	9,494	9,494	-
Office Equipment	0	6,000	6,000	-
Land Improvements/Roads	0	20,445	20,445	-
Community Center Building	18	245,375	98,150	8,179
Office Paving Sealcoating	0	1,800	1,800	-
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	3	7,500	6,000	500
Carriage Lane Drainage Pipe	4	10,000	6,000	1,000
Mulch/Stone	0	6,000	6,000	-
Mailbox Pavilion Sealcoating	0	1,800	1,800	-
Shed - Office	0	1,000	1,000	-
Security System – Office	1	1,200	960	240
Security System – Pavilion	3	2,800	560	560
Riding Lawnmower	5	2,000	286	286
Trailer	5	1,200	171	171
Carriage Lane/Bristol Court Paving	8	<u>23,860</u>	<u>2,386</u>	<u>2,386</u>
Total		<u>\$ 463,911</u>	<u>\$ 207,632</u>	<u>\$ 30,179</u>

At December 31, 2022, the Association had a total of \$343,047 in its Money Market Accounts for reserve expenditures.