

**POCONO FARMS EAST ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**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, 2023, and the related statement of revenue and expenses, statement of 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, 2023, 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 12 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.

*J.H. Williams & Co., LLC*

April 26, 2024

**POCONO FARMS EAST ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

ASSETS

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents - operating	\$ -	\$ 1,661	\$ 1,661
- restricted	153,020	-	153,020
Treasury investments	118,447	-	118,447
Dues receivable, net of allowance for credit losses of \$246,000	-	272,861	272,861
Restricted assessments receivable, net of allowance for credit losses of \$34,435	-	-	-
Interest receivable	1,562	-	1,562
Prepaid expenses	-	7,138	7,138
Property and equipment, net of accumulated depreciation of \$418,976 (Note 3)	<u>-</u>	<u>470,486</u>	<u>470,486</u>
 Total assets	 <u>\$ 273,029</u>	 <u>\$ 752,146</u>	 <u>\$ 1,025,175</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Deferred member assessments	\$ -	\$ 16,871	\$ 16,871
Accounts payable	<u>-</u>	<u>2,911</u>	<u>2,911</u>
 Total liabilities	 <u>-</u>	 <u>19,782</u>	 <u>19,782</u>
 Fund equity:			
Restricted	273,029	-	273,029
Unrestricted	<u>-</u>	<u>732,364</u>	<u>732,364</u>
 Total fund equity	 <u>273,029</u>	 <u>732,364</u>	 <u>1,005,393</u>
 Total liabilities and fund equity	 <u>\$ 273,029</u>	 <u>\$ 752,146</u>	 <u>\$ 1,025,175</u>

See Independent Auditor's Report and Notes to Financial Statements.

**POCONO FARMS EAST ASSOCIATION, INC.  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
<b>Revenue:</b>			
Dues and assessments and other charges	\$ -	\$ 176,660	\$ 176,660
Builder permit revenue	-	3,375	3,375
Interest	2,047	73	2,120
Resale certificate	-	15,900	15,900
Capital transfer fee	-	9,843	9,843
Community center room rental	-	10,300	10,300
Miscellaneous	-	1,034	1,034
Violations	-	10,650	10,650
Tenant reg. fees	<u>-</u>	<u>3,100</u>	<u>3,100</u>
 Total revenue	 <u>2,047</u>	 <u>230,935</u>	 <u>232,982</u>
<b>Expenses:</b>			
Maintenance – common areas	-	50,537	50,537
Legal and collection	-	3,526	3,526
Insurance	-	25,710	25,710
Accounting and auditing	-	4,800	4,800
Postage and printing	-	4,649	4,649
Office/administrative expense	-	59,348	59,348
Utilities and telephone	-	15,219	15,219
Ditch maintenance	-	16,500	16,500
Site coordinator	-	20,656	20,656
Permit coordination fees	-	14,260	14,260
Depreciation	-	39,661	39,661
Credit losses	-	32,507	32,507
Miscellaneous	<u>-</u>	<u>3,280</u>	<u>3,280</u>
 Total expenses	 <u>-</u>	 <u>290,653</u>	 <u>290,653</u>
 Excess (Deficit) of revenue over expenses	 <u>\$ 2,047</u>	 <u>\$ (59,718)</u>	 <u>\$ (57,671)</u>

See Independent Auditor's Report and Notes to Financial Statements.

**POCONO FARMS EAST ASSOCIATION, INC.  
STATEMENT OF FUND EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Balance, January 1, 2023	\$ 343,047	\$ 720,017	\$ 1,063,064
Interfund transfers (net)	(72,065)	72,065	-
Excess (Deficit) of revenue over expenses	<u>2,047</u>	<u>(59,718)</u>	<u>(57,671)</u>
Balance, December 31, 2023	<u>\$ 273,029</u>	<u>\$ 732,364</u>	<u>\$ 1,005,393</u>

See Independent Auditor's Report and Notes to Financial Statements.

**POCONO FARMS EAST ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Cash flows from operating activities:			
Excess (Deficit) of revenues over expenses	\$ 2,047	\$ (59,718)	\$ (57,671)
Adjustments to reconcile excess of revenues over expenses to cash flows from operating activities:			
Depreciation	-	39,661	39,661
(Increase) decrease in:			
Dues and assessments receivable (net)	-	4,517	4,517
Prepays	-	(325)	(325)
Interest receivable	(1,562)	-	(1,562)
Increase (decrease) in:			
Accounts payable and deferred member assessments	<u>-</u>	<u>(4,607)</u>	<u>(4,607)</u>
Net cash provided (used) by operating activities	<u>485</u>	<u>(20,472)</u>	<u>(19,987)</u>
Cash flows from investing activities:			
Purchase of fixed assets	-	(55,468)	(55,468)
Interfund transfers	<u>(72,065)</u>	<u>72,065</u>	<u>-</u>
Net cash (used) gained by investing activities	<u>(72,065)</u>	<u>16,597</u>	<u>(55,468)</u>
Increase (decrease) in cash	(71,580)	(3,875)	(75,455)
Cash balance, January 1, 2023	<u>343,047</u>	<u>5,536</u>	<u>348,583</u>
Cash balance, December 31, 2023	<u>\$ 271,467</u>	<u>\$ 1,661</u>	<u>\$ 273,128</u>
Cash paid for:			
Interest expense			\$ <u>-</u>
Income taxes			\$ <u>-</u>

See Independent Auditor's Report and Notes to Financial Statements.

**POCONO FARMS EAST ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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. An allowance for credit losses has been provided based on estimated collectible amounts determined by management.

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, 2023**

**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, 2023, 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 details of assessments receivable are as follows:

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Current year's dues and assessments	\$ -	\$ 267,850	\$ 267,850
Prior years' dues, assessments and penalties	<u>34,435</u>	<u>251,011</u>	<u>285,446</u>
	34,435	518,861	553,296
Less allowance for credit losses	<u>(34,435)</u>	<u>(246,000)</u>	<u>(280,435)</u>
	<u>\$ -</u>	<u>\$ 272,861</u>	<u>\$ 272,861</u>

The Association's accounts receivable is derived primarily from membership dues and is stated at its net realizable value. The Association establishes an allowance for credit losses on Homeowners' accounts that are potentially uncollectible. These allowances are determined based on historical collection trends and economic conditions that may have an impact on the Association.

**POCONO FARMS EAST ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2. DUES AND RESTRICTED ASSESSMENTS RECEIVABLE – continued:**

The Association establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance is determined by using the loss-rate method, which requires an estimation of loss rates based upon prior years’ historical loss experience adjusted for factors that are relevant to determining the expected collectability of accounts receivable. Some of these factors include macroeconomic conditions that correlate with historical loss experience, delinquency trends, aging behavior of receivables, and credit and liquidity quality indicators for industry groups, member classes, or individual members.

Effective January 1, 2023, the Association adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. Estimated credit losses under CECL consider relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of financial assets, resulting in recognition of lifetime expected credit losses at initial recognition of the related asset.

Activity in the allowance for credit losses for the year ended December 31, 2023 is as follows:

	<u>Restricted</u>	<u>Operating</u>
Balance, January 1	\$ 45,493	\$ 284,000
Provision for expected credit losses	-	32,507
Write-offs charged against the allowance	<u>(11,058)</u>	<u>(70,507)</u>
Balance, December 31	<u>\$ 34,435</u>	<u>\$ 246,000</u>

**NOTE 3. PROPERTY AND EQUIPMENT:**

As of December 31, 2023, 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	67,611	(40,537)	27,074
Maintenance shed/equipment	12,726	(11,533)	1,193
Office equipment	13,635	(11,729)	1,906
Land improvements	81,196	(49,026)	32,170
Community center building	<u>711,423</u>	<u>(306,151)</u>	<u>405,272</u>
	<u>\$ 889,462</u>	<u>\$ (418,976)</u>	<u>\$ 470,486</u>

**POCONO FARMS EAST ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 April 26, 2024 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, 2023**

The Association conducted an informal study in 2023 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	0	13,000	13,000	-
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	17	245,375	106,329	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	2	7,500	6,500	500
Carriage Lane Drainage Pipe	3	10,000	7,000	1,000
Mailbox Pavilion Sealcoating	0	1,800	1,800	-
Shed - Office	0	1,000	1,000	-
Security System – Office	0	1,200	1,200	-
Security System – Pavilion	2	2,800	1,680	560
Riding Lawnmower	4	2,000	286	286
Trailer	4	1,200	171	171
Carriage Lane/Bristol Court Paving	7	23,860	7,158	2,386
Office Landscaping	10	15,759	-	1,576
Laptop Computers	10	2,000	-	400
Mailbox Area Air Conditioner	10	689	-	69
Mailbox Pavilion Heat	10	7,399	-	740
Mailbox Signage	10	7,820	-	782
Total		<u>\$ 491,578</u>	<u>\$ 219,300</u>	<u>\$ 31,649</u>

At December 31, 2023, the Association had a total of \$273,029 in its funds for reserve expenditures.