

Pocono Pines Community Association, Inc.
Financial Statements
December 31, 2022 and 2021

Pocono Pines Community Association, Inc.
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December 31, 2022 and 2021

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Independent Auditors' Report

**To the Board of Directors and Lot Owners of
Pocono Pines Community Association, Inc.**

Opinion

We have audited the accompanying financial statements of Pocono Pines Community Association, Inc. (the "Association") which comprise the balance sheet as of December 31, 2022 and the related statements of revenues and expenses, changes in fund balances 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 Association 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.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2021, financial statements and our report dated August 17, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinion

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

The Board and Management's ("Management") Responsibility 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 Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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 Association's internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Board, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 the information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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 their 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.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management, and except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



East Brunswick, New Jersey

July 24, 2023

Pocono Pines Community Association, Inc.
Balance Sheets
December 31, 2022 and 2021

	2022			2021
	Total	Operating Fund	Contingency Fund	
Assets				
Cash and cash equivalents	\$ 349,044	\$ 132,381	\$ 216,663	\$ 548,470
Members' assessment receivable net of allowance for doubtful accounts of \$92,839 and \$69,317, respectively	40,557	40,557	-	67,464
Total Assets	\$ 389,601	\$ 172,938	\$ 216,663	\$ 615,934
Liabilities and Fund Balances				
Liabilities				
Due to Lake Naomi Club, net of uncollectible Capital Reserve Fund contributions	\$ 39,134	\$ 39,134	\$ -	\$ 284,680
Accounts payable and accrued expenses	1,987	1,987	-	376
Total Liabilities	41,121	41,121	-	285,056
Fund Balances	348,480	131,817	216,663	330,878
Total Liabilities and Fund Balances	\$ 389,601	\$ 172,938	\$ 216,663	\$ 615,934

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

Pocono Pines Community Association, Inc.
Statements of Revenue and Expenses and Changes in Fund Balances
For the Years Ended December 31, 2022 and 2021

	2022			2021
	Total	Operating Fund	Contingency Fund	
Revenues				
Members' assessments	\$ 1,430,088	\$ 1,430,088	\$ -	\$ 1,383,465
Recovery/(uncollectible) assessments	(23,522)	(23,522)	-	11,731
Finance charges	17,206	17,206	-	15,609
Fines income	4,200	4,200	-	4,750
Resale certificate and other income	3,662	3,662	-	10,420
Interest income	1,276	754	522	1,371
Total Revenues	1,432,910	1,432,388	522	1,427,346
Expenses				
Contractual expenses with Lake Naomi Club	589,651	589,651	-	608,079
Lake Naomi Club Capital Reserve Fund contributions, net of recovery/(uncollectible)	673,553	673,553	-	686,897
Other operating expenses	148,103	148,103	-	166,397
Marketing consultant	4,001	-	4,001	-
Total Expenses	1,415,308	1,411,307	4,001	1,461,373
Excess (Deficiency) of Revenues over Expenses	17,602	21,081	(3,479)	(34,027)
Fund Balances - Beginning of Year	330,878	110,736	220,142	364,905
Fund Balances - End of Year	\$ 348,480	\$ 131,817	\$ 216,663	\$ 330,878

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

Pocono Pines Community Association, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022			2021
	Total	Operating Fund	Contingency Fund	
Cash Flows from Operating Activities				
Excess (deficiency) of revenues over expenses	\$ 17,602	\$ 21,081	\$ (3,479)	\$ (34,027)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities				
(Recovery)/uncollectible assessments	23,522	23,522	-	(11,731)
Changes in assets and liabilities				
Members' assessments receivable	3,385	3,385	-	5,483
Other prepaid expenses	-	-	-	2,515
Prepaid insurance	-	-	-	-
Due to Lake Naomi Club	(245,546)	(245,546)	-	245,130
Accounts payable and accrued expenses	1,611	1,611	-	(47,918)
Net Cash Provided by (Used in) Operating Activities	<u>(199,426)</u>	<u>(195,947)</u>	<u>(3,479)</u>	<u>159,452</u>
Cash Flows from Financing Activities				
Change in interfund balances	-	(2,400)	2,400	-
Net Increase (Decrease) in Cash and Cash Equivalents	(199,426)	(198,347)	(1,079)	159,452
Cash and Cash Equivalents - Beginning of Year	<u>548,470</u>	<u>330,728</u>	<u>217,742</u>	<u>389,018</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 349,044</u></u>	<u><u>\$ 132,381</u></u>	<u><u>\$ 216,663</u></u>	<u><u>\$ 548,470</u></u>

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

Pocono Pines Community Association, Inc.
Notes to the Financial Statements
December 31, 2022 and 2021

Note 1 Nature of Organization

Pocono Pines Community Association, Inc. (the "Association"), located in Pocono Pines, Pennsylvania, is an incorporated Association subject to the provisions of the Uniform Planned Community Act of the Commonwealth of Pennsylvania. The purposes of the Association are to provide for the preservation of the values and amenities in the community and for the maintenance of the common facilities. The Association is the community association serving the property owners in Lake Naomi, which consists of 1,749 residential lots.

The members of the Association, in conjunction with the members of the Timber Trails Community Association, Inc. ("TTCA"), are responsible for a substantial portion of the capital reserve funding of the amenities in Lake Naomi Club (the "Club") to ensure they are available for use and enjoyment of members who choose to join the Club. Title to the common facilities is held by the Club. All lot owners have the option to join the Club and gain access to use the amenities. See Note 4.

The Club was organized in 1963 to promote fellowship between the property owners of the Association and TTCA to provide for their social and recreational needs. The Club provides services that benefit all property owners within the Association and TTCA, such as safety and security, administration and certain maintenance expenses. The Association pays the Club for these services based on contractually agreed upon amounts. See Note 6.

Note 2 Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board and management ("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.

Fund Accounting

The Association's legal documents (i.e., By-laws) provide certain guidelines to govern the Association's financial activities. In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association by such documents, the accounts of the Association are maintained in accordance with the principles of fund accounting.

Pocono Pines Community Association, Inc.
Notes to the Financial Statements
December 31, 2022 and 2021

Note 2 Summary of Significant Accounting Policies

Fund Accounting

The assets, liabilities and fund balances of the Association are reported in the following fund groups:

Operating Fund

This fund represents the portion of expendable funds that is available for the general operations of the Association.

Contingency Fund

The purpose of the Contingency Fund is to accumulate sufficient amounts, which will allow the Association to have the necessary savings and resources to provide for unexpected nonrecurring major expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank deposit accounts and money market funds. Cash and cash equivalents may at times exceed the federally insured limits.

Recognition of Assets

During the 1980s, Pocono Pines Corporation, the Developer of Lake Naomi, deeded its rights and responsibilities relating to the common property to the Club. During 1994, the Club activated Pocono Pines Community Association, Inc. Title to the common facilities is held by the Club. See Notes 1, 4 and 6. Accordingly, no amounts have been reflected on the accompanying balance sheet for the common elements.

Maintenance Assessments and Assessments Receivable

The Association's members are subject to annual assessments based upon the annual budget and as determined by the Board. A portion of the annual assessments to owners is allocated to the Capital Reserve Fund of the Club. See Note 4. The assessments represent multiple performance obligations. Those performance obligations, on a standalone basis, are not considered separate and distinct and therefore the overall operating budget has been deemed to be a single performance obligation. Revenue is recognized throughout the year as the performance obligation is satisfied. The performance obligation is satisfied over time on a daily pro-rata basis.

The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods and additions to the Contingency Fund, or as otherwise specified by the Association's governing documents.

Pocono Pines Community Association, Inc.
Notes to the Financial Statements
December 31, 2022 and 2021

Note 2 Summary of Significant Accounting Policies

Assessments receivable at the balance sheet dates are stated at the amounts expected to be collected from the members. The Association's policy is to assess finance charges monthly on any account that is more than thirty days past due. Past due accounts continue to accrue finance charges monthly until they are paid or written off. The Association's policy is to write off an account upon foreclosure to the extent not otherwise recoverable by a personal judgment against the owner, upon discharge of the debt in bankruptcy or by agreement with the owner to accept the lot or a reduced amount in settlement of the outstanding balance.

On a periodic basis, management evaluates the assessments receivable and estimates an allowance for doubtful accounts, based on history of past write-offs and collections and the current legal status of past due accounts. The evaluation and estimated allowance for doubtful accounts are reviewed and approved by the Board.

Interest Income Earned

The Board's policy is to retain interest income earned on all Contingency Fund interest bearing cash accounts in the Contingency Fund.

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

Note 3 Income Taxes

Under the Internal Revenue Code, associations may be taxed as a regular corporation or a homeowners association, which is based on an annual election and meeting certain criteria. If the criteria are met, the Association may select either method in any year. A method selected in one year affects only that year and the Association is free to select either method in future years.

For the years ended December 31, 2022 and 2021, the Association is taxed as a homeowners association and therefore, not taxed as a regular corporation. No income taxes have been provided for the years ending December 31, 2022 and 2021 since there are sufficient non-exempt function expenses to offset non-exempt function income in each year.

The Association evaluates its tax provisions and accruals and believes that they are appropriate based on current facts and circumstances. The prior three years federal tax returns as filed remain open for examination by the Internal Revenue Service.

The Association is classified as a not-for-profit organization in Pennsylvania and therefore qualifies for section 528(c) of the internal revenue code of Pennsylvania and is not required to pay Pennsylvania corporation tax.

Pocono Pines Community Association, Inc.
Notes to the Financial Statements
December 31, 2022 and 2021

Note 4 Lake Naomi Club Capital Reserve Fund Contributions

The members of the Association and the members of TTCA, have agreed to fund a substantial portion of the Club's major capital reserve expenditures needed to assure the continued availability of amenities to all lot owners. The Boards of the two Associations have undertaken to fund these capital costs in accordance with the Club's reserve schedule. Funds are paid to the Club and the Club holds the accumulated funds. The Club may not commingle these funds with other Club funds.

Management of the Club prepares a reserve schedule which was updated in 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The schedule includes those components with an estimated remaining useful life within the Club's management-determined useful life guidelines for inclusion in the reserve schedule for purposes of determining annual funding. Estimates were obtained from suppliers and contractors based on the then current replacement cost.

The table included in the unaudited supplementary information on future major repairs and replacements is based on the schedule, as updated in October 2022, and includes only those components that the Association is responsible for replacing.

Since 2003, the Association has included in its budget its proportionate share of the annual funding costs per the Club's reserve schedule. Accordingly, for the years ended December 31, 2022 and 2021, budgeted contributions for reserve funding totaled \$687,494 and \$675,237, respectively. During 2016, the Association and the Club came to an agreement that the Association is only responsible to pay Lake Naomi Club reserve amounts to the extent that they are collectible from the Association's members. In 2022, the Capital Reserve Fund contributions to the Club were reduced by \$13,941 for uncollectible amounts owed. In 2021, the Capital Reserve Fund contributions to the Club were increased by \$11,660 for recoveries for prior uncollectible Capital Reserve Fund contributions. See Note 6.

Funds are being accumulated by the Club based upon estimated costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated by the Club in the Club's Capital Reserve Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Club may request an increase in assessments to the Associations. The effect on future assessments is unknown at this time.

Pocono Pines Community Association, Inc.
Notes to the Financial Statements
December 31, 2022 and 2021

Note 5 Members' Assessments

Annual members' assessments were as follows:

	<u>Improved Lot</u>	<u>Unimproved Lot</u>
2022	\$ <u>860</u>	\$ <u>645</u>
2021	\$ <u>815</u>	\$ <u>595</u>

Note 6 Related Party Transactions

The Club manages the day-to-day affairs of the Association under a contractual arrangement with the Association. During the years ended December 31, 2022 and 2021, the Club charged the Association for contractual services it provided to the Association such as safety and security, administration and maintenance, and for non-contractual expenses, such as insurance, office expenses and other miscellaneous expenses. The Club also charged the Association for its contributions towards the Capital Reserve Fund for future replacements of amenities in the Club as discussed in Note 4.

Amounts charged by the Club were as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Contractual expenses	\$ 589,651	\$ 608,079
Other expenses	121,233	113,802
Capital Reserve Fund contributions, net of recovery/(allowance) of (\$13,941) and \$11,660 respectively	<u>673,553</u>	<u>686,897</u>
Total Amounts charged by the Club	<u>\$ 1,384,437</u>	<u>\$ 1,408,778</u>

As of December 31, 2022 and 2021, the Association owed the Club \$53,315 and \$242,178, net of allowance for uncollectible Capital Reserve Fund contributions of \$29,448 and \$22,192 respectively. In addition, the Association owed the Club for operating expenses of \$15,267 and \$64,693 for 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION

Pocono Pines Community Association, Inc.
Schedule of Information on Future Major Repairs and Replacements - Lake Naomi Club
December 31, 2022 and 2021

The members of the Association and its counterpart, TTCA, have agreed to fund a substantial portion of the Club's major capital replacement expenditures needed to assure the continued availability of amenities to all lot owners. The Boards of the two Associations have undertaken to fund these capital costs in accordance with the Club's capital reserve schedule. Funds are paid to the Club and the Club holds the accumulated funds. The management of the Club prepared a capital reserve schedule which was updated in October 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The schedule includes those components with an estimated remaining useful life within the Club's management-determined useful life guidelines for inclusion in the capital reserve schedule for the purposes of determining annual funding. Estimates were obtained from suppliers and contractors based on the then current replacement cost.

The following table is based on the schedule and presents significant information about the portion of the components of common property of the Club that the Association has agreed to fund for replacement.

<u>Components</u>	As of 2022 Schedule (Unaudited)	
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacements Costs*</u>
Food and beverage facilities	0-38	\$ 2,395,624
Lakes, beaches, and boats	1-33	1,273,241
Recreation	1-10	211,831
Administration building	0-47	387,700
Safety and security	0-5	103,050
Maintenance	1-30	850,030
Pools	1-34	2,981,792
Tennis	0-53	1,522,250
Golf	0-32	1,920,280
Vehicles and equipment	0-10	1,181,750
Community center	0-44	4,674,923
Total		<u>\$ 17,502,471</u>

* Only includes those costs that the Association is responsible for replacing. The contributions are paid to the Club and the Club holds the accumulated funds in segregated accounts.

Pocono Pines Community Association, Inc.
Schedule of Total Revenues, Operating Expenses and Allocation to Fund Excluding Investment Income
as Compared to Budget
For the Years Ended December 31, 2022 and 2021

	2022		Variance	
	Actual	(Unaudited) Budget	Favorable (Unfavorable)	2021 Actual
Revenues				
Members' assessments - improved lots	\$ 1,327,168	\$ 1,321,320	\$ 5,848	\$ 1,276,365
Members' assessments - unimproved lots	102,920	110,360	(7,440)	107,100
Total Members' Assessments	1,430,088	1,431,680	(1,592)	1,383,465
Recovery/(uncollectible) assessments	(23,522)	(57,267)	33,745	11,731
Net members' assessments	1,406,566	1,374,413	32,153	1,395,196
Finance charges	17,206	15,000	2,206	15,609
Fines income	4,200	2,500	1,700	4,750
Resale certificate income	3,650	5,000	(1,350)	10,382
Interest income	754	500	254	802
Miscellaneous income	12	1,500	(1,488)	0
Total Revenues	1,432,388	1,398,913	33,475	1,426,739
Expenses				
Contractual Expenses with Lake Naomi Club				
Safety and security	315,945	315,945	-	311,105
Administration	242,184	242,184	-	241,181
Maintenance	31,522	31,522	-	55,793
Total Contractual Expenses with Lake Naomi Club	589,651	589,651	-	608,079
Lake Naomi Club Capital Reserve Fund Contributions, Net of Recovery (Uncollectible)	673,553	659,994	(13,559)	686,897

Pocono Pines Community Association, Inc.
Schedule of Total Revenues, Operating Expenses and Allocation to Fund Excluding Investment Income
as Compared to Budget
For the Years Ended December 31, 2022 and 2021

	2022		Variance Favorable (Unfavorable)	2021 Actual
	Actual	(Unaudited) Budget		
Other Expenses				
Legal fees	47,620	50,000	2,380	88,496
Insurance	46,426	44,484	(1,942)	32,072
Deer management	18,653	18,750	97	7,168
Gate attendant	14,481	14,481	-	18,525
Audit fees	7,900	7,200	(700)	8,550
Bank service charges	6,615	5,700	(915)	5,609
Printing and postage	1,839	3,000	1,161	2,478
CAI legislative action	1,750	1,750	-	-
Street signage	1,383	500	(883)	-
Speed control	795	-	(795)	-
Office Expense	641	600	(41)	404
Rental survey	-	-	-	3,095
Total Other Expenses	148,103	146,465	(1,638)	166,397
Total Operating Expenses and Allocation to Fund	1,411,307	1,396,110	(15,197)	1,461,373
Excess (Deficiency) of Revenues over Operating Expenses and Allocation to Fund	\$ 21,081	\$ 2,803	\$ 18,278	\$ (34,634)