

POCONO FARMS EAST ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

Zavada & Associates

Certified Public Accountants

POCONO FARMS EAST ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

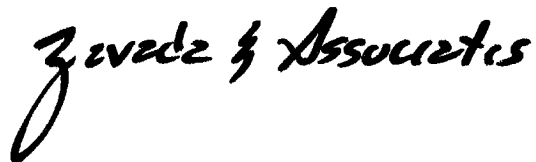
Board of Directors
Pocono Farms East Association, Inc.
Tobyhanna, Pennsylvania

We have audited the balance sheet of Pocono Farms East Association, Inc. as of December 31, 2011, and the related statements of revenue and expenses, fund equity and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pocono Farms East Association, Inc. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.



Forty Fort, Pennsylvania
March 19, 2012

POCONO FARMS EAST ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2011

ASSETS

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents - operating	\$ -	\$ 3,132	\$ 3,132
- roads	8,838	-	8,838
- restricted	4,820	-	4,820
Dues receivable, net of allowance for doubtful accounts of \$178,000	-	207,883	207,883
Restricted assessments receivable, net of allowance for doubtful accounts of \$80,461	-	-	-
Prepaid expenses	<u>-</u>	<u>6,946</u>	<u>6,946</u>
 Total current assets	 <u>13,658</u>	 <u>217,961</u>	 <u>231,619</u>
Other assets:			
Property and equipment, net of accumulated depreciation of \$51,347	<u>-</u>	<u>661,818</u>	<u>661,818</u>
 Total other assets	 <u>-</u>	 <u>661,818</u>	 <u>661,818</u>
 Total assets	 <u>\$ 13,658</u>	 <u>\$ 879,779</u>	 <u>\$ 893,437</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Builder permit deposits	\$ -	\$ 3,750	\$ 3,750
Deferred member assessments	-	5,162	5,162
Accounts payable	<u>-</u>	<u>2,229</u>	<u>2,229</u>
 Total liabilities	 <u>-</u>	 <u>11,141</u>	 <u>11,141</u>
Fund equity:			
Restricted	13,658	-	13,658
Unrestricted	<u>-</u>	<u>868,638</u>	<u>868,638</u>
 Total fund equity	 <u>13,658</u>	 <u>868,638</u>	 <u>882,296</u>
 Total liabilities and fund equity	 <u>\$ 13,658</u>	 <u>\$ 879,779</u>	 <u>\$ 893,437</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, 2011**

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Revenue:			
Dues and assessments and other charges	\$ -	\$ 210,438	\$ 210,438
Builder permit revenue	-	5,900	5,900
Interest	118	329	447
Resale certificate	-	5,185	5,185
Capital transfer fee	-	3,398	3,398
Violations	-	8,500	8,500
Miscellaneous	-	<u>855</u>	<u>855</u>
 Total revenue	 <u>118</u>	 <u>234,605</u>	 <u>234,723</u>
 Expenses:			
Maintenance – common areas	-	22,579	22,579
Legal and collection	-	2,874	2,874
Management and consulting	-	51,727	51,727
Insurance	-	15,402	15,402
Accounting and auditing	-	4,800	4,800
Postage and printing	-	2,167	2,167
Office expense	-	14,956	14,956
Utilities and telephone	-	13,792	13,792
Site coordinator	-	7,669	7,669
Permit coordination fees	-	5,944	5,944
Depreciation	-	24,906	24,906
Bad debt expense	-	<u>40,609</u>	<u>40,609</u>
 Total expenses	 <u>-</u>	 <u>207,425</u>	 <u>207,425</u>
 Excess (Deficit) of revenue over expenses	 <u>\$ 118</u>	 <u>\$ 27,180</u>	 <u>\$ 27,298</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, 2011**

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Balance, January 1, 2011	\$ 127,438	\$ 727,560	\$ 854,998
Interfund transfers (net)	(113,898)	113,898	-
Excess (Deficit) of revenue over expenses	<u>118</u>	<u>27,180</u>	<u>27,298</u>
Balance, December 31, 2011	<u>\$ 13,658</u>	<u>\$ 868,638</u>	<u>\$ 882,296</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, 2011

	<u>Restricted</u>	<u>Operating</u>	<u>Total</u>
Cash flows from operating activities:			
Excess (Deficit) of revenues over expenses	\$ 118	\$ 27,180	\$ 27,298
Adjustments to reconcile excess of revenues over expenses to cash flows from operating activities:			
Depreciation	-	24,906	24,906
(Increase) decrease in:			
Dues and assessments receivable (net)	2,126	(56,739)	(54,613)
Prepays	-	(1,181)	(1,181)
Increase (decrease) in:			
Accounts payable and deferred member assessments	-	(14,412)	(14,412)
Builder permit deposits	<u>-</u>	<u>1,250</u>	<u>1,250</u>
Net cash provided by operating activities	<u>2,244</u>	<u>(18,996)</u>	<u>(16,752)</u>
Cash flows from investing activities:			
Purchase of fixed assets	-	(132,949)	(132,949)
Interfund transfers	<u>(113,898)</u>	<u>113,898</u>	<u>-</u>
Net cash used by investing activities	<u>(113,898)</u>	<u>(19,051)</u>	<u>(132,949)</u>
Increase (decrease) in cash	(111,654)	(38,047)	(149,701)
Cash balance, January 1, 2011	<u>125,312</u>	<u>41,179</u>	<u>166,491</u>
Cash balance, December 31, 2011	\$ <u>13,658</u>	\$ <u>3,132</u>	\$ <u>16,790</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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

Pocono Farms East Association, Inc. is 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.

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.

The Association is in the process of constructing a community center. The costs associated with this building have been recorded as construction in progress and will not be depreciated until completion of the project.

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.

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, 2011, it has elected to file under Section 528. Under this method, it is taxed on net income from non-membership sources, primarily interest. The Association is exempt from state income taxes.

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.

POCONO FARMS EAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

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	\$ -	\$ 103,666	\$ 103,666
Prior years' dues, assessments and penalties	<u>80,461</u>	<u>282,217</u>	<u>362,678</u>
	80,461	385,883	466,344
Less allowance for doubtful accounts	<u>(80,461)</u>	<u>(178,000)</u>	<u>(258,461)</u>
	\$ <u>-</u>	\$ <u>207,883</u>	\$ <u>207,883</u>

NOTE 3. PROPERTY AND EQUIPMENT:

Property and road construction costs consisted of the following:

Land	\$ 2,871
Buildings and improvements	706,567
Office equipment	<u>3,727</u>
	713,165
Accumulated depreciation	<u>(51,347)</u>
	<u>\$ 661,818</u>

NOTE 4. RESERVES:

Although the Association has not conducted a formal study to determine the useful lives and replacement costs of its common property, the Board of Directors has allocated funds in its money market accounts for the following capital expenditures:

	<u>Amount</u>
Association owned roads	\$ 8,838
Other	<u>4,820</u>
	<u>\$ 13,658</u>

POCONO FARMS EAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5. RESTRICTED CASH:

Also included in the Association's money market are funds in the amount of \$3,750. These funds represent refundable deposits made by builders. They are refundable upon satisfactory completion of the building projects they represent.

NOTE 6. SUBSEQUENT EVENTS:

Subsequent events were evaluated through March 20, 2012 which is the date the financial statements were available to be issued.