



**WILLIAM  
OWENS  
&  
COMPANY**

**CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION**

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CARBONDALE, PA 18407  
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MONTROSE, PA 18801  
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**The Escape Property  
Owners Association, Inc.**

Financial Statements  
And Supplementary Information  
For the Year Ended  
December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Escape Property Owners Association, Inc.  
Greentown, Pennsylvania

### *Report on the Financial Statements*

We have audited the accompanying financial statements of The Escape Property Owners Association, Inc. which comprise the statements of assets, liabilities, and fund balances – modified cash basis as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances – modified cash basis for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Escape Property Owners Association, Inc. as of December 31, 2020, and the results of its operations for the year then ended in conformity with the modified cash basis of accounting as described in Note 2.

### ***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management has omitted the Required Supplementary Information about Future Major Repairs and Replacements that the modified cash basis of accounting requires 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.

***Report of Summarized Comparative Information***

We have previously audited The Escape Property Owners Association, Inc.'s 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*William Owens + Co, CPA's*

William Owens and Company  
Certified Public Accountants  
Carbondale, PA  
January 29, 2021

**The Escape Property Owners Association, Inc.**  
**Statements of Assets, Liabilities, and Fund Balances - Modified Cash Basis**

December 31, 2020

	<u>ASSETS</u>					2019	
	2020						
	Operating Fund	Replacement Fund	Dock Fund	Special Assessment Fund	Eliminations	Total	Total (For Comparative Purposes Only)
<b>Current Assets:</b>							
Cash and Cash Equivalents	\$ 99,211	\$ -	\$ 39,544	\$ 27,763	\$ -	\$ 166,518	\$ 109,011
Due From Other Funds	-	22,426	29,514	-	(51,940)	-	-
<b>Total Current Assets</b>	<u>99,211</u>	<u>22,426</u>	<u>69,058</u>	<u>27,763</u>	<u>(51,940)</u>	<u>166,518</u>	<u>109,011</u>
<b>Fixed Assets:</b>							
Cost	1,318,074	-	-	-	-	1,318,074	1,308,084
Less: Accumulated Depreciation	(1,059,392)	-	-	-	-	(1,059,392)	(1,051,690)
<b>Net Fixed Assets</b>	<u>258,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,682</u>	<u>256,394</u>
<b>Other Assets:</b>							
Cash- Restricted	-	118,077	-	-	-	118,077	40,887
Certificates of Deposit	81,421	-	7,555	-	-	88,976	86,712
<b>Total Other Assets</b>	<u>81,421</u>	<u>118,077</u>	<u>7,555</u>	<u>-</u>	<u>-</u>	<u>207,053</u>	<u>127,599</u>
<b>Total Assets</b>	<u>\$ 439,314</u>	<u>\$ 140,503</u>	<u>\$ 76,613</u>	<u>\$ 27,763</u>	<u>\$ (51,940)</u>	<u>\$ 632,253</u>	<u>\$ 493,004</u>

The Escape Property Owners Association, Inc.  
Statements of Assets, Liabilities, and Fund Balances - Modified Cash Basis

December 31, 2020

LIABILITIES AND FUND BALANCES

	2020				2019		
	Operating Fund	Replacement Fund	Dock Fund	Special Assessment Fund	Eliminations	Total	Total (For Comparative Purposes Only)
<u>Current Liabilities</u>							
Due To Other Funds	\$ 33,414	\$ -	\$ -	\$ 18,526	\$ (51,940)	\$ -	\$ -
Current Portion of Long-Term Debt	38,375	-	-	74,913	-	113,288	114,757
<b>Total Current Liabilities</b>	<b>71,789</b>	<b>-</b>	<b>-</b>	<b>93,439</b>	<b>(51,940)</b>	<b>113,288</b>	<b>114,757</b>
<u>Long-Term Liabilities</u>							
Long Term Debt, Net of Current Portion	12,290	-	-	20,629	-	32,919	159,942
<b>Total Long-Term Liabilities</b>	<b>12,290</b>	<b>-</b>	<b>-</b>	<b>20,629</b>	<b>-</b>	<b>32,919</b>	<b>159,942</b>
<b>Total Liabilities</b>	<b>84,079</b>	<b>-</b>	<b>-</b>	<b>114,068</b>	<b>(51,940)</b>	<b>146,207</b>	<b>274,699</b>
<u>Fund Balances:</u>							
Designated - (Capital Replacement)	-	140,503	-	(86,305)	-	54,198	(89,295)
Undesignated	355,235	-	76,613	-	-	431,848	307,600
<b>Total Fund Balances</b>	<b>355,235</b>	<b>140,503</b>	<b>76,613</b>	<b>(86,305)</b>	<b>-</b>	<b>486,046</b>	<b>218,305</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ 439,314</b>	<b>\$ 140,503</b>	<b>\$ 76,613</b>	<b>\$ 27,763</b>	<b>\$ (51,940)</b>	<b>\$ 632,253</b>	<b>\$ 493,004</b>

“See independent auditor’s report and accompanying notes to financial statements”

**The Escape Property Owners Association, Inc.**  
**Statements of Revenues, Expenses, and Changes in Fund Balances - Modified Cash Basis**

For the Year Ended December 31, 2020

	2020				2019		
	Operating Fund	Replacement Fund	Dock Fund	Special Assessment Fund	Eliminations	Total	Total (For Comparative Purposes Only)
<b>Revenues:</b>							
Member Assessments	\$ 719,577	\$ 38,933	\$ 75,922	\$ -	\$ -	\$ 834,432	\$ 827,317
Special Assessment	36,308	89,475	-	70,957	-	70,957	71,872
Other Revenue	755,885	128,408	75,922	70,957	-	125,783	89,746
<b>Total Revenues</b>						<u>1,031,172</u>	<u>988,935</u>
<b>Expenses:</b>							
Administration	259,973	-	4,621	-	-	264,594	269,598
Amenities	31,859	-	8,925	-	-	40,784	53,781
Roads	12,168	-	-	-	-	12,168	377,076
Sewer	98,436	-	-	-	-	98,436	145,958
Water	127,750	-	-	-	-	127,750	120,913
Security	48,024	-	2,501	-	-	50,525	49,675
Maintenance	110,579	12,076	17,490	-	-	140,145	158,472
Interest	4,763	-	-	8,474	-	13,237	18,621
<b>Total Expenses</b>	<u>693,552</u>	<u>12,076</u>	<u>33,537</u>	<u>8,474</u>	<u>-</u>	<u>747,639</u>	<u>1,194,094</u>
<b>Excess / (Deficit) of Revenues Over (Under) Expenses</b>	<u>62,333</u>	<u>116,332</u>	<u>42,385</u>	<u>62,483</u>	<u>-</u>	<u>283,533</u>	<u>(205,159)</u>
<b>Other Income and (Expenses):</b>							
Interest Income	2,016	105	234	-	-	2,355	2,144
Gain on Sale of Fixed Asset	8,750	-	-	-	-	8,750	-
Sale of Property	-	4,555	-	-	-	4,555	-
Net Insurance Proceeds	-	-	-	-	-	-	4,486
Depreciation	(31,452)	-	-	-	-	(31,452)	(39,370)
<b>Total Other Income and (Expenses)</b>	<u>(20,686)</u>	<u>4,660</u>	<u>234</u>	<u>-</u>	<u>-</u>	<u>(15,792)</u>	<u>(32,740)</u>
<b>Excess / (Deficit) of Revenues Over (Under) Expenses</b>	<u>41,647</u>	<u>120,992</u>	<u>42,619</u>	<u>62,483</u>	<u>-</u>	<u>267,741</u>	<u>(237,899)</u>
<b>Beginning Fund Balances</b>	<u>273,606</u>	<u>59,493</u>	<u>33,994</u>	<u>(148,788)</u>	<u>-</u>	<u>218,305</u>	<u>456,204</u>
<b>Transfer Between Funds</b>	<u>39,982</u>	<u>(39,982)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending Fund Balances</b>	<u>\$ 355,235</u>	<u>\$ 140,503</u>	<u>\$ 76,613</u>	<u>\$ (86,305)</u>	<u>\$ -</u>	<u>\$ 486,046</u>	<u>\$ 218,305</u>

"See independent auditor's report and accompanying notes to financial statements"



The Escape Property Owners Association Inc.  
Notes to Financial Statements  
December 31, 2020

1. **ORGANIZATION**

The Escape Property Owners Association was incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania on May 15, 1978 and organized exclusively for homeowner association purposes pursuant to Section 528 of the Internal Revenue Code. The Association is responsible for the operation and maintenance of the common property within the development. On June 15, 1994, the Association purchased the common facilities within the development, including water wells and delivery system, sewage pipe and treatment system, and amenities. The development is located in Greentown in Greene and Palmyra Townships, Pike County, Pennsylvania, and includes four hundred seventy-three lots with eight miles of roads.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Accounting**

The Association has adopted the modified cash method of accounting for tax and financial reporting purposes. Consequently, revenues are recognized when received, and expenditures are recognized when disbursed, which differs from General Accepted Accounting Principles, only loan balances, fixed assets, and intercompany receivables and payables are recorded as assets and liabilities in addition to cash.

B. **Basis of Presentation**

The Association maintains its accounts using fund accounting, classified as follows:

*Operating fund* - used to account for resources available for the general operations of the Association

*Capital Replacement fund* - used to accumulate resources designated for capital expenditures

*Dock fund* - received from Dock Owners designated for dock related expenditures

*Special Assessment fund* - designated for generators, paving, tennis courts, Southerton pool repairs and maintenance, and the related loan payment

The Escape Property Owners Association Inc.  
Notes to Financial Statements  
December 31, 2020

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. **Member Assessments**

Association members are subject to periodic assessments to provide funds for the Association's operating expenses. Current recurring assessments include:

Annual Dues	\$ 50
Sewer and Water (Invoiced Monthly)(Annual Fee)	682
Annual Maintenance (Invoiced Monthly)(Annual Fee)	1,118

Upon transfer of a property there is a Capital Improvement Fee imposed on the property payable by either/or the buyer/seller at time of settlement.

Developed Lots	\$1,800
Undeveloped Lots	900

The Association's governing documents generally provide for the levying of special assessments, when capital expenditures are necessary. Currently, there is one special assessment as discussed in Note 3.

The Association's policy is to retain legal counsel and place liens on properties of homeowners' delinquent in payment of assessments. Subsequent to the June 15, 1994 amenities and utilities purchase, the Association's governing documents provide for suspension of utility service for unpaid utility assessments. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

D. **Fixed Assets Depreciation**

The Association capitalizes all property and equipment, to which it has evidence of ownership. Property and equipment acquired by the Association are recorded at cost. Property and equipment is depreciated over its estimated useful life primarily using the straight-line method. Rates used to compute depreciation, using the straight-line method, are based on the following estimated useful lives:

<u>Classification</u>	<u>Years</u>
Buildings and Amenities	40
Sewer Plant and Water System	7-40
Equipment and Furnishings	3-5
Closing Costs	3-6

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. **Common Property**

The Association has adopted the accounting principles prescribed by the audit and accounting guide, Audits of Common Interest Realty Associations, issued by the American Institute of Certified Public Accountants.

The Association's policy is to expense improvements to common real property whether or not directly associated with the lots in the year the costs are incurred.

Common Property recognized as an asset in these financial statements is the office building.

Common property not recognized as assets in these financial statements includes the clubhouse, tennis area, other amenities, and the roads and common areas located within the development.

Although the Association is responsible for the repair and replacement of the common real property, it is unable to sell or otherwise dispose of this property without membership approval.

F. **Income Taxes**

The Association may elect to file form 1120H, as a homeowners' association, under IRS Code Section 528 or file form 1120 under IRS Code Section 277. Under the homeowners' association election, the Association is taxed on its net nonexempt function income at a flat rate of 30%. Exempt function income, which consists primarily of members' assessments, is not taxable. As a corporation filing under Section 277, the Association is usually taxed only on net non-membership income that is not received from members of the Association, such as interest income. Membership income may be excluded from taxation if certain elections are made. The Association is tax-exempt for Pennsylvania purposes.

For the year ended December 31, 2020, the Association elected to file Form 1120H.

G. **Concentration of Credit Risk**

The Association maintains its cash balances at local financial institutions in northeast Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The Escape Property Owners Association Inc.  
Notes to Financial Statements  
December 31, 2020

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Economic Dependency**

The Association's members are primarily from Northeastern Pennsylvania, New Jersey and New York. The ability of these members to honor their obligations to the Association is dependent on the economy of the region. The Association has the right to file liens on the property of any homeowner who fails to pay dues and assessments.

**I. Estimates**

The preparation of financial statements, in conformity with the modified cash basis of accounting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. SPECIAL ASSESSMENT**

During 2016, the Association voted to enact a special assessment necessary to fund the purchase of generators mandated by DEP, paving, tennis courts, and the Southerton pool. Each member is assessed \$164 annually for 5.5 years.

**4. CASH AND CASH EQUIVALENTS**

The Association considers all certificates of deposits with original maturities of three months or less to be cash equivalents.

**5. FIXED ASSETS**

Fixed assets consist of the following:

	<u>December 31, 2020</u>
Land and Amenities	\$ 325,142
Sewer Plant and Water System	865,324
Equipment and Furnishings	<u>127,608</u>
Total Fixed Assets	<u>1,318,074</u>
Less: Accumulated Depreciation	<u>(1,059,392)</u>
Net Fixed Assets	<u>\$ 258,682</u>

Depreciation expense for the year ended December 31, 2020 was \$31,452.

The Escape Property Owners Association Inc.  
Notes to Financial Statements  
December 31, 2020

6. **FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The Board of Directors has established a replacement fund in which funds are designated for repairs and replacements. The amount of funds set aside and restricted for that use total \$118,077 as of December 31, 2020.

Amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors may increase regular assessments, pass special assessments, borrow funds or delay major repairs and replacement until funds are available.

6. **LITIGATION, CLAIMS AND ASSESSMENTS**

In the normal course of business, the Association may periodically be named as a defendant in litigation. Presently, the Association has one pending lawsuit, which management believes is fully covered by insurance and should have no material effect on the finances of the Association.

7. **LONG-TERM DEBT**

The following loans were outstanding as of December 31, 2020:

	Loan Balances at 12/31/2020
Dime Bank Special Assessment Loan: Note payable with a 5.5% interest rate and term of 66 months due April 2022. Payments for the first six months are interest only calculated on outstanding balance. After the first six months, interest and principal are payable in monthly installments of \$6,598. Secured by accounts receivable.	\$ 97,078
Dime Bank Road Loan Note payable with a term of 36 months, interest rate of 5.5%, monthly payments of \$3,326, due April 2022, secured by accounts receivable, member dues, equipment, furniture and fixtures.	51,109
Total Debt	148,187
Less: Unamortized Debt Issuance Costs	(1,980)
Long-Term Debt Less Unamortized Debt Issuance Costs	146,207
Less: Current Portion	(113,288)
Long-Term Portion of Debt	\$ 32,919

The Escape Property Owners Association Inc.  
Notes to Financial Statements  
December 31, 2020

7. **LONG-TERM DEBT (CONTINUED)**

Amortization of the debt issuance costs is reported as interest expense in the statement of revenues, expenses, and changes in fund balances – modified cash basis.

Maturities of long-term debt are as follows:

2021	113,288
2022	34,899
Total	<u>\$ 148,187</u>

8. **DATE OF MANAGEMENT**

Management has evaluated subsequent events through January 29, 2021, the date on which the financial statements were available to be issued, as more fully disclosed in Note 9 and 10.

9. **SUBSEQUENT EVENTS**

As of January 29, 2021, the estimated subsequent borrowings related to the sewer treatment improvement project will be approximately \$1.5 million. In addition, engineering estimates for recommended improvements to the water system are also estimated at \$2 million to \$2.5 million.

10. **COVID-19 (CONRONVIRUS)**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad impact on commerce and financial markets around the world. The United States and global markets experienced significant volatility resulting from uncertainty caused by the pandemic. The Association is closely monitoring its liquidity and is actively working to minimize the impact of this issue. Management is continually monitoring the situation and evaluating its financial performance during this time. Accordingly, the extent to which COVID-19 may impact the Association, future potential impacts may include continued disruptions or restrictions on our employees' ability to work and provide services. The future effects of these issues are unknown. The financial statements include no adjustments relating to the effects of this pandemic.

Supplementary Information

**The Escape Property Owners Association, Inc.**  
**Schedules of Operating Expenses**  
**For the Year Ended December 31, 2020**

	<b>2020</b>
<b>Schedule A</b>	
<b>Administrative</b>	
Accounting	\$ 10,301
Dues and Subscriptions	535
Electric-Office	1,871
Insurance	55,250
Benefits	22,239
Legal Fees	5,385
Salaries and Wages	103,337
Miscellaneous	11,189
Office Supplies and Postage	17,129
Collection Costs	1,274
Payroll Taxes	24,628
Telephone	6,835
<b>Total Administrative</b>	<b>\$ 259,973</b>
 <b>Schedule B</b>	
<b>Amenities</b>	
Electric	\$ 5,944
Lifeguards	6,136
Recreation Supplies	6,898
Repairs and Maintenance	12,881
<b>Total Amenities</b>	<b>\$ 31,859</b>
 <b>Schedule C</b>	
<b>Security</b>	
Contracted Security	\$ 45,739
Constable Service	2,285
<b>Total Security</b>	<b>\$ 48,024</b>

“See independent auditor’s report and accompanying notes to financial statements”



**The Escape Property Owners Association, Inc.**  
**Schedules of Operating Expenses (Continued)**  
**For the Year Ended December 31, 2020**

	2020
<b>Schedule D</b>	
<b>Roads</b>	
Road Repairs	\$ 6,919
Snow Removal	5,249
<b>Total Roads</b>	\$ 12,168
<b>Schedule E</b>	
<b>Utilities-Sewer</b>	
Chemicals and Supplies	\$ 14,794
Electric-Sewage System	14,732
Repairs and Maintenance	62,665
Sewage Testing	6,245
<b>Total Utilities-Sewer</b>	\$ 98,436
<b>Schedule F</b>	
<b>Utilities-Water</b>	
Chemicals and Supplies	\$ 98,283
Electric-Water System	14,956
Repairs and Maintenance	2,600
Lab Testing	11,911
<b>Total Utilities-Water</b>	\$ 127,750
<b>Schedule G</b>	
<b>Maintenance</b>	
Wages	\$ 66,801
Vehicles	30,122
Supplies	7,367
Garbage	6,289
<b>Total Maintenance</b>	\$ 110,579

“See independent auditor’s report and accompanying notes to financial statements”

**The Escape Property Owners Association, Inc.**  
**Schedules of Operating Expenses (Continued)**  
**For the Year Ended December 31, 2020**

	<u>2020</u>
<b>Schedule H</b>	
Replacement Fund	
Replacement Expense	\$ 12,076
<b>Total Replacement Fund</b>	<u>\$ 12,076</u>

“See independent auditor’s report and accompanying notes to financial statements”