

Ocean Pines Association, Inc.

AUDITED FINANCIAL STATEMENTS

For the year ended April 30, 2022

Ocean Pines Association, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Ocean Pines Association, Inc.

Opinion

We have audited the accompanying financial statements of Ocean Pines Association, Inc., which comprise the balance sheet as of April 30, 2022, and the related statements of revenues, expenses, and changes in fund balance 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 Ocean Pines Association, Inc. as of April 30, 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 audit 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 Ocean Pines Association, Inc. 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.

Prior Period Financial Statements

The financial statements of Ocean Pines Association, Inc. as of April 30, 2021 were audited by TGM Group LLC, who merged with UHY LLP as of January 3, 2022, and whose report dated July 22, 2021 expressed an unmodified opinion on those statements.

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 Ocean Pines 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 Ocean Pines 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 Ocean Pines 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of revenues and expenses and changes in contract liabilities (assessments received in advance – reserve fund), as listed in the table of contents, is presented for purposes of additional analysis and is 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future repairs and replacements, as listed in the table of contents, 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.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, simpler font.

UHY LLP

Salisbury, Maryland

July 25, 2022

Ocean Pines Association, Inc.
BALANCE SHEETS
As of April 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,783,489	\$ 5,968,507
Certificates of deposit in other financial institutions	8,647,203	9,533,808
Accounts receivable:		
Property owners' assessments, net	2,349,376	2,375,799
Other, net	433,642	317,229
Inventories	457,694	376,606
Prepaid expenses	161,713	269,412
Total current assets	20,833,117	18,841,361
PROPERTY AND EQUIPMENT		
Land	4,579,367	4,579,367
Land improvements	11,797,469	11,166,992
Buildings and building improvements	17,623,580	17,627,719
Furniture and equipment	10,830,599	10,635,226
Roads	9,114,369	8,905,790
Construction in progress	135,929	6,720
	54,081,313	52,921,814
Less: accumulated depreciation	(30,058,573)	(28,436,928)
	24,022,740	24,484,886
Total assets	\$ 44,855,857	\$ 43,326,247
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,360,398	\$ 1,101,605
Refundable deposits	174,660	130,885
Contract liability (assessments received in advance - reserve fund)	6,146,765	5,649,626
Deferred income:		
Property owners' assessments	8,539,094	9,360,522
Club membership dues	166,082	116,674
Casino funds	464,819	424,178
Other	873,596	862,880
Total current liabilities	17,725,414	17,646,370
COMMITMENTS AND CONTINGENCIES		
FUND BALANCES		
Operating surplus	3,107,703	1,194,991
Investment in fixed assets	24,022,740	24,484,886
Total fund balances	27,130,443	25,679,877
Total liabilities and fund balances	\$ 44,855,857	\$ 43,326,247

Ocean Pines Association, Inc.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended April 30, 2022
With Summarized Financial Information for 2021

	Operating Fund	Reserve Funds	Investment in Fixed Assets	<u>2022</u>	<u>Totals</u> <u>2021</u>
REVENUES					
Assessments	\$ 6,466,264	\$ 2,384,980	\$ -	\$ 8,851,244	\$ 9,117,940
Membership dues	494,269	-	-	494,269	297,469
Program registration	190,103	-	-	190,103	125,655
Architectural review fees	195,661	-	-	195,661	223,710
Golf course fees	1,148,066	-	-	1,148,066	846,991
Passes, coupons and guest fees	473,322	-	-	473,322	270,331
Food and beverage sales	4,643,876	-	-	4,643,876	3,166,736
County road taxes	151,187	-	-	151,187	93,946
Slip rental and fuel sales	1,188,547	-	-	1,188,547	1,011,648
Parking	563,257	-	-	563,257	382,283
Interest income	3,833	95,130	-	98,963	112,076
Casino funds released from restrictions	350,000	-	-	350,000	325,000
Grant funds released from restrictions	402,554	-	-	402,554	-
Other	1,713,082	-	-	1,713,082	2,591,256
Total revenues	<u>17,984,021</u>	<u>2,480,110</u>	<u>-</u>	<u>20,464,131</u>	<u>18,565,041</u>
Cost of Sales	2,392,526	-	-	2,392,526	1,721,562
Net revenues	<u>15,591,495</u>	<u>2,480,110</u>	<u>-</u>	<u>18,071,605</u>	<u>16,843,479</u>
EXPENSES					
Salaries, wages and payroll costs	7,438,211	98,077	-	7,536,288	7,302,370
Services and supplies	2,687,411	3,903	-	2,691,314	2,490,008
Repairs and maintenance	634,968	1,406,052	-	2,041,020	1,973,050
Utilities	657,562	37,330	-	694,892	543,370
Depreciation expense	2,163,929	-	-	2,163,929	2,092,283
Other expenses	1,478,830	-	-	1,478,830	1,176,816
Total expenses	<u>15,060,911</u>	<u>1,545,362</u>	<u>-</u>	<u>16,606,273</u>	<u>15,577,897</u>
Excess (deficiency) of revenues over expenses before other changes	<u>530,584</u>	<u>934,748</u>	<u>-</u>	<u>1,465,332</u>	<u>1,265,582</u>
OPERATING TRANSFERS AND OTHER CHANGES IN FUND BALANCES					
Current year fixed asset additions	(41,397)	(1,687,302)	1,728,699	-	-
Depreciation expense	2,163,929	-	(2,163,929)	-	-
Gain (loss) on disposal of fixed assets	-	-	(14,766)	(14,766)	40,570
Proceeds from sale of property and equipment	12,150	-	(12,150)	-	-
Transfer of Casino funds to Drainage reserve	(350,000)	350,000	-	-	-
Transfer of Grant funds to Drainage reserve	(402,554)	402,554	-	-	-
	<u>1,382,128</u>	<u>(934,748)</u>	<u>(462,146)</u>	<u>(14,766)</u>	<u>40,570</u>
Excess (deficiency) of revenues over expenses	1,912,712	-	(462,146)	1,450,566	1,306,152
Fund balances, beginning of year	<u>1,194,991</u>	<u>-</u>	<u>24,484,886</u>	<u>25,679,877</u>	<u>24,373,725</u>
Fund Balances, end of year	<u>\$ 3,107,703</u>	<u>\$ -</u>	<u>\$ 24,022,740</u>	<u>\$ 27,130,443</u>	<u>\$ 25,679,877</u>

Ocean Pines Association, Inc.
STATEMENTS OF CASH FLOWS
For the Year Ended April 30, 2022
With Summarized Financial Information for 2021

	Operating Fund	Reserve Funds	Investment in Fixed Assets	<u>Totals</u> <u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenses	\$ 1,912,712	\$ -	\$ (462,146)	\$ 1,450,566	\$ 1,306,152
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:					
Depreciation expense	2,163,929	-	-	2,163,929	2,092,283
Provision for bad debts	112,500	-	-	112,500	100,000
Loss (gain) on disposal of property and equipment	-	-	14,766	14,766	(40,570)
Forgiveness of PPP loan	-	-	-	-	(1,103,938)
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(202,490)	-	-	(202,490)	2,109,675
Increase in inventories	(81,088)	-	-	(81,088)	(52,351)
Decrease (increase) in prepaid expenses	107,699	-	-	107,699	(24,040)
Increase (decrease) in accounts payable and accrued expenses	258,793	-	-	258,793	(3,946)
Increase in refundable deposits	43,775	-	-	43,775	39,860
Increase in contract liability	-	497,139	-	497,139	8,741
(Decrease) increase in deferred income	(720,663)	-	-	(720,663)	724,245
Net cash provided by (used in) operating activities	<u>3,595,167</u>	<u>497,139</u>	<u>(447,380)</u>	<u>3,644,926</u>	<u>5,156,111</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	-	-	(1,728,699)	(1,728,699)	(1,978,963)
Proceeds from sale of property and equipment	-	-	12,150	12,150	66,995
Proceeds (purchases) of certificate of deposit	886,605	-	-	886,605	(3,461,024)
Net cash provided by (used in) investing activities	<u>886,605</u>	<u>-</u>	<u>(1,716,549)</u>	<u>(829,944)</u>	<u>(5,372,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Interfund transfers	(1,666,790)	(497,139)	2,163,929	-	-
Net cash (used in) provided by financing activities	<u>(1,666,790)</u>	<u>(497,139)</u>	<u>2,163,929</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	2,814,982	-	-	2,814,982	(216,881)
Cash, beginning of fiscal year	5,968,507	-	-	5,968,507	6,185,388
Cash, end of fiscal year	<u>\$ 8,783,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,783,489</u>	<u>\$ 5,968,507</u>

Ocean Pines Association, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

Note 1. The Association and Its Significant Accounting Policies

Ocean Pines Association, Inc. (the "Association") is a not-for-profit homeowners' association incorporated in 1968 and located in Worcester County, Maryland. The Association is governed by a board of directors and is responsible for providing the following services to its members: administrative and finance, clubs, architectural control, public safety, public works, and recreation. The Association consists of 8,452 platted residential lots located on approximately 3,500 acres in Ocean Pines, Maryland.

Significant accounting policies not disclosed elsewhere in the financial statements are as follows:

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

The Association uses fund accounting, which requires that funds, such as operating funds and funds used for major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from these funds are at the discretion of the Board of Directors.

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Reserve Funds – These funds are established by the Association's By-laws and/or Board of Directors for the purpose of accounting for specific projects or areas maintained by the Association.

Investment in Fixed Assets – This account represents the cumulative activity within property and equipment which includes additions, disposals, and associated depreciation expense.

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the reserve assessments are satisfied when these funds are expended for their designated purpose. Golf fees and cart rentals, pro shop, and food and beverage sales are recognized as revenue at point of sale. Member dues, parking, program registration, and marina slip rentals are recognized as revenue in the applicable membership period.

Assessments receivable at the balance sheet date represent fees due from lot owners. Included in accounts receivable are receivables which were more than 90 days past due of approximately **\$650,000** and \$706,000 at April 30, 2022 and 2021, respectively. These receivables include member assessments, which are billed annually on May 1, and related interest and other charges. Past due member assessments, in accordance with Association policy, have liens placed against the property.

Ocean Pines Association, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

Note 1. The Association and Its Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts

The Association uses the allowance method to account for uncollectible receivables. The allowance is based on prior years' experience and management's analysis of possible bad debts. Bad debt recoveries are credited to the allowance account as realized.

	2022	2021
Balance, beginning of year	\$ 750,391	\$ 730,952
Provision for credit losses	112,500	100,000
Recoveries	23,236	8,093
Net charge-offs	(46,634)	(88,654)
Balance, end of year	\$ 839,493	\$ 750,391

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Contract Liabilities (Assessments Received in Advance – Reserve Funds)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – reserve funds) are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to reserve funds assessments. During the current year, the Association assessed and received \$3,634,673 in the Reserve Funds. The balance of contract liabilities (assessments received in advance – reserve funds) was **\$6,146,765** and \$5,649,626 for the years ended April 30, 2022 and 2021, respectively.

Deferred Revenue

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Therefore, such amounts are reported within the accompanying financial statements as cash and/or receivables and are offset by a deferred revenue account.

Cash and Cash Equivalents

The Association considers cash, money market accounts, and other demand deposits as cash equivalents.

Credit Risk

Deposit accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Association, during the course of the year, may have deposits in financial institutions which are in excess of insured limits covered by the FDIC. This credit risk is managed by maintaining all deposits in high-quality financial institutions and by securities pledged as collateral in certain local banks. Management considers this to be normal business risk.

Ocean Pines Association, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

Note 1. The Association and Its Significant Accounting Policies (Continued)

Property and Equipment

The Association's policy is to capitalize all property and equipment with a cost of \$2,000 or more to which it has title or other evidence of ownership. The Association is responsible for preserving and maintaining all common property other than the individual lots owned by members. Property and equipment purchased is recorded at cost. Donated assets are recorded at their estimated fair market value at the time of their donation. Depreciation is being provided on the straight-line method over the estimated useful lives of the related assets. Construction-in-progress relates to a project underway, but not completed.

Long-Lived Assets

The carrying value of long-lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the year ended April 30, 2022, no impairment has been recognized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

Advertising Expense

The Association expenses all advertising costs as they are incurred. Advertising costs for the years ended April 30, 2022 and 2021, totaled approximately **\$34,000** and \$39,000, respectively.

Financial Statement Presentation

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Ocean Pines Association, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

Note 2. Dues and Assessments

Annual dues to owners were **\$996** and \$986 for non-waterfront lots for the years ended April 30, 2022 and 2021, respectively. Annual dues to owners were **\$1,611** and \$1,501 for waterfront lots for the years ended April 30, 2022 and 2021, respectively. The following represents the amount of assessments that were budgeted and billed for operations and special purposes for the years ended April 30, 2022:

	2022	2021
Operations	\$ 749	\$ 736
Replacement reserve	247	250
Non-waterfront lots	996	986
Bulkhead differential	615	515
Waterfront lots	\$ 1,611	\$ 1,501

The annual budget and membership dues are determined by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Note 3. Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(4) of the IRC, except on net income derived from unrelated business activities.

ACS 740, Income Taxes, prescribes the recognition and measurement of a tax position taken, or expected to be taken, in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

The Association recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Association has not accrued interest and penalties as of April 30, 2022 and 2021.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

Note 4. Line of Credit

During April 2022, the Association entered into a line of credit arrangement with The Bank of Ocean City with a maximum borrowing of \$43,250 with principal due on demand. The line bears interest at a rate of 2.25% per annum. The line is secured by the Association's certificate of deposit account held with The Bank of Ocean City. There was no outstanding balance on the line at April 30, 2022.

Ocean Pines Association, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

Note 5. Retirement Plan

The Association has two defined contribution retirement (401k) plans, which cover all full and part-time employees over 20.5 years of age and having at least 1,000 hours of service in the plan year. Participants may contribute up to 100% of compensation with a maximum contribution as permitted by the IRS, currently \$20,500 in calendar year 2022. The Association contributes up to a 3% match of compensation for all eligible employees that contribute to the plan and have been with the company for at least 12 consecutive months, with the exception of police officers who receive an automatic 5% contribution in a separate plan. Association contributions to the plan were approximately **\$97,000** and **\$88,000** for the years ended April 30, 2022 and 2021, respectively.

Note 6. Major Repairs and Replacements

The Association annually determines the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. When replacement funds are needed to meet future needs for major repairs and replacements, the Association may borrow, utilize reserve funds, increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time. The Association currently funds depreciation expense through current year assessments and deposits such funds in the Major Maintenance and Replacement Reserve Fund, which provides funding for future capital asset repairs and replacements.

Note 7. Commitments and Contingencies

In December 2015, the Association concluded discussions with Sandpiper Energy to facilitate the conversion of the Ocean Pines community from propane to natural gas over the next several years. The resulting agreement between Sandpiper and the Association includes provisions that provide Sandpiper with certain easements, right-of-ways and a land lease related to installation, operation and maintenance of a gas distribution system. The agreement also provides that Sandpiper pay to the Association certain fees, commencing in fiscal year 2016. Required payments of approximately **\$16,200** and **\$20,200** have been recorded as revenue during each of the years ended April 30, 2022 and 2021, respectively, as reflected in services and supplies in the accompanying statements of revenues and expenses and changes in fund balances.

In August 2019, the Association entered into a management agreement with Matt Ortt Companies ("MOC") to provide management and operational services for the Yacht Club and Beach Club for at least three years commencing on May 1, 2020. There is an option to add an additional fourth or fifth year if certain circumstances are achieved, as defined in the agreement. Under the terms of this agreement, the Association is required to pay \$25,000 per month for the first eight months of the fiscal year. In addition to this \$200,000, MOC may be eligible for an additional profit bonus if a target operating profit is achieved, as defined in the agreement. MOC will split (50%) of any profits in excess of this target operating profit. These amounts will be payable at the conclusion of the corresponding fiscal year. If MOC does not achieve the target operating profit there is a clawback feature contained within the contract whereby MOC is required to pay back 50% of this shortfall from the determined clawback threshold of \$100,000. Upon termination for any reason, MOC shall be paid the management fee due through the date of termination. In the event that the Association terminates this agreement without cause, MOC shall be paid a liquidated damage equal to \$75,000.

The Association paid management fees of approximately **\$503,000** and **\$209,000** for the years ended April 30, 2022 and 2021, respectively, as reflected in the services and supplies expenses on the accompanying statements of revenues and expenses and changes in fund balances.

Ocean Pines Association, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

Note 7. Commitments and Contingencies (Continued)

In the normal course of business the Association is a party to lawsuits. In the opinion of counsel and management, the ultimate disposition of these lawsuits will have no adverse impact on the financial position of the Association.

Note 8. Paycheck Protection Program

The Corona Virus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law during March 2020 in response to the COVID-19 crisis. The CARES Act established the Paycheck Protection Program (the "PPP"). The PPP is implemented by the Small Business Administration (the "SBA") and allows approved SBA lenders to provide small businesses with loans to pay eligible payroll costs and eligible nonpayroll costs. Lenders will not charge fees on the loans and the loans have a maturity of no more than five years and an interest rate of 1.00%. No collateral or guarantees are required. The loans will be fully forgiven if the funds are used for eligible costs with at least 60.00% being used for eligible payroll. The employer must also maintain certain headcount and salary levels.

During April 2020, the Association applied for the PPP loan with its lender and received \$1,143,493. The Association elected to account for the loan as a conditional grant during 2021. Accordingly, the Association recorded the initial receipt of the loan as a loan payable in the accompanying balance sheets and has recognized the earnings impact of the grant as other income when eligible expenses, as stipulated by the loan agreement, are paid. The Association has recognized the earnings impact of \$0 and \$1,103,938, as other revenue in the accompanying financial statements for the years ended April 30, 2022 and 2021, respectively, as the eligible expenses as stipulated in the loan agreement have been paid. During June 2021, the SBA approved full forgiveness of the PPP loan to the Association in the amount of \$1,143,493.

The Association's management company, MOC, also applied for a PPP loan during the year ended April 30, 2021, under the management company's name. Funds totaling \$271,300 were received and utilized for employee payroll costs that were originally funded by the Association. The Association has recognized the earnings impact of \$271,300 as other revenue in the accompanying financial statements for the year ended April 30, 2021, as the eligible expenses stipulated in the loan agreement have been paid. During December 2020, the SBA approved full forgiveness of the PPP loan to MOC in the amount of \$271,300.

Note 9. Prior Period Adjustment

FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Association, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for the goods or services.

Ocean Pines Association, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended April 30, 2022 and 2021

Note 9. Prior Period Adjustment (Continued)

The Association adopted the requirements of the new guidance as of May 1, 2020 using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of May 1, 2020. Adoption of the new guidance resulted in changes to the Association's accounting policies for assessment revenue and contract liabilities related to the reserve funds, as previously described in Note 1.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of May 1, 2020:

	Operating Fund	Reserve Fund	Investment in Fixed Assets	Total
Fund Balance, as previously reported at				
May 1, 2020	\$ (162,095)	\$ 5,640,885	\$24,624,631	\$30,103,421
Prior Period Adjustment (see Note 9)	(88,811)	(5,640,885)	-	(5,729,696)
Fund balance, as restated, at May 1, 2020	<u>\$ (250,906)</u>	<u>\$ -</u>	<u>\$24,624,631</u>	<u>\$24,373,725</u>

Note 10. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 25, 2022, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Ocean Pines Association, Inc.
SCHEDULE OF NET REVENUES AND EXPENSES
(INCLUDING DEPRECIATION) BY DEPARTMENT
Years Ended April 30, 2022 and 2021

	2022	2021	Schedule
General administration	\$ 6,958,576	\$ 7,084,475	4
Public relations and marketing	(231,687)	(219,958)	5
General Manager's office	(324,489)	(365,399)	6
Finance	(933,708)	(903,728)	7
Compliance, Permits, and Inspections (C.P.I.)	(10,839)	45,316	8
Fire and E.M.S. services	(744,446)	(697,525)	9
General maintenance	(614,588)	(637,299)	10
Public works	(1,845,583)	(1,617,036)	11
Recreation and parks	(661,878)	(616,155)	12
Police	(1,405,243)	(1,452,763)	13
Golf operations and maintenance	(84,246)	(549,577)	14
Aquatics operation	(262,229)	(565,918)	15
Tennis operation	(84,830)	(101,613)	16
Platform tennis operation	340	(14,209)	17
Pickleball	36,621	(4,406)	18
Marinas	201,600	216,938	19
Beach club	82,245	13,094	20
Beach parking	519,850	331,035	21
Yacht club	25,965	(196,533)	22
Clubhouse grille	(90,847)	(108,304)	23
Operating Fund revenues over (under) expenses	<u>\$ 530,584</u>	<u>\$ (359,565)</u>	

Ocean Pines Association, Inc.
SCHEDULE OF REVENUES
Years Ended April 30, 2022 and 2021

	2022	2021	Schedule
General administration	\$ 7,736,110	\$ 7,878,465	4
Public relations and marketing	66,890	58,780	5
Finance	41,826	16,665	7
C.P.I.	200,467	225,157	8
Public works	151,817	104,041	11
Recreation and parks, net	306,361	154,707	12
Police department	501,563	478,570	13
Golf operations and maintenance, net	1,387,343	1,024,712	14
Aquatics operation, net	828,047	431,250	15
Tennis operation, net	36,061	38,468	16
Platform tennis operation, net	15,462	9,156	17
Pickleball	85,471	35,405	18
Marina, net	372,686	381,903	19
Beach club, net	445,751	303,074	20
Beach parking	563,257	382,283	21
Yacht club, net	2,521,860	1,878,662	22
Clubhouse grille, net	330,523	258,496	23
	<hr/>	<hr/>	
Total Operating Fund revenues	\$ 15,591,495	\$ 13,659,794	

Ocean Pines Association, Inc.
SCHEDULE OF EXPENSES (INCLUDING DEPRECIATION)
Years Ended April 30, 2022 and 2021

	2022	2021	Schedule
General administration	\$ 777,534	\$ 793,990	4
Public relations and marketing	298,577	278,738	5
General manager's office	324,489	365,399	6
Finance	975,534	920,393	7
Compliance, Permits and Inspections	211,306	179,841	8
Fire and E.M.S. services	744,446	697,525	9
General maintenance	614,588	637,299	10
Public works	1,997,400	1,721,077	11
Recreation and parks	968,239	770,862	12
Police department	1,906,806	1,931,333	13
Golf operations and maintenance	1,471,589	1,574,289	14
Aquatics operation	1,090,276	997,168	15
Tennis operation	120,891	140,081	16
Platform tennis operation	15,122	23,365	17
Pickleball	48,850	39,811	18
Marinas	171,086	164,965	19
Beach club	363,506	289,980	20
Beach parking	43,407	51,248	21
Yacht club	2,495,895	2,075,195	22
Clubhouse grille	421,370	366,800	23
	<hr/>	<hr/>	
Total Operating Fund expenses	\$ 15,060,911	\$ 14,019,359	

Ocean Pines Association, Inc.
GENERAL ADMINISTRATION REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Assessments	\$ 6,466,264	\$ 6,034,683
Delinquent charges	38,690	39,658
Casino funds released from restrictions	350,000	325,000
Franchise fees	225,000	196,468
Interest income	1,877	10,201
PPP loan forgiveness	-	1,103,938
CARES grant	40,869	124,744
Grant income	402,908	-
Miscellaneous	210,502	43,773
Total revenues	<u>7,736,110</u>	<u>7,878,465</u>
Expenses		
Payroll costs (taxes, health insurance, retirement, workers' compensation)	1,089	18,901
Accounting fees	43,000	47,991
Bad debts	112,500	100,000
Contract services	164,079	186,926
Legal fees	138,434	167,922
Miscellaneous	17,035	8,947
Supplies	18,956	31,859
Board expense	26,431	16,590
Election and referendum	46,460	40,665
Insurance	145,874	102,659
Taxes	63,676	71,530
Total expenses	<u>777,534</u>	<u>793,990</u>
Net revenues over expenses	<u>\$ 6,958,576</u>	<u>\$ 7,084,475</u>

Ocean Pines Association, Inc.
PUBLIC RELATIONS AND MARKETING REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Advertising	\$ 66,890	\$ 57,260
Miscellaneous	-	1,520
Total revenues	<u>66,890</u>	<u>58,780</u>
Expenses		
Salaries and wages	116,640	112,225
Payroll costs (taxes, health insurance, retirement, workers' compensation)	36,022	39,734
Employee relations and training	471	367
Contract services	16,057	17,133
Gasoline and oil	22	-
Postage	21,009	13,171
Supplies	4,492	3,077
Electricity	736	741
Refuse removal	232	264
Telephone	4,450	2,505
Water and sewer	168	164
Printing	45,678	32,035
Dues and subscriptions	843	900
Insurance	858	696
Taxes	1,821	-
Promotion and marketing	49,078	55,726
Total expenses	<u>298,577</u>	<u>278,738</u>
Net revenues under expenses	<u>\$ (231,687)</u>	<u>\$ (219,958)</u>

Ocean Pines Association, Inc.
GENERAL MANAGER'S OFFICE EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Salaries and wages	\$ 225,260	\$ 239,406
Payroll costs (taxes, health insurance, retirement, workers' compensation)	19,461	38,583
Employee relations and training	5,396	3,689
Contract services	700	1,290
Gas and oil	1,431	484
Postage	-	16
Supplies	2,593	3,768
Electricity	3,737	3,704
Refuse removal	232	264
Telephone	4,487	5,047
Water and sewer	615	598
Dues and subscriptions	665	362
Advertising	297	-
Repairs and maintenance	-	2,177
Insurance	2,662	1,716
	<hr/>	<hr/>
Total expenses, excluding depreciation	267,536	301,104
	<hr/>	<hr/>
Depreciation expense	56,953	64,295
	<hr/>	<hr/>
Total expenses, including depreciation	\$ 324,489	\$ 365,399
	<hr/>	<hr/>

Ocean Pines Association, Inc.
FINANCE EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Miscellaneous	\$ 41,826	\$ 16,665
Total revenues	<u>41,826</u>	<u>16,665</u>
Expenses		
Salaries and wages	553,746	490,773
Payroll costs (taxes, health insurance, retirement, workers' compensation)	133,146	147,927
Employee relations and training	971	1,060
Advertising	2,084	1,126
Contract services	27,593	23,310
Gasoline and oil	26	419
Postage	14,325	9,023
Legal Fees	-	4,504
Repairs and maintenance	42	-
Supplies	23,940	20,980
Electricity	7,440	7,408
Refuse removal	232	264
Telephone	5,822	5,950
Water and sewer	1,230	1,198
Dues and subscriptions	2,440	195
Equipment rental	2,512	1,990
Computer fees	-	370
Insurance	7,777	6,216
Total expenses, excluding depreciation	<u>783,326</u>	<u>722,713</u>
Net revenues under expenses, excluding depreciation	(741,500)	(706,048)
Depreciation expense	<u>192,208</u>	<u>197,680</u>
Net revenues under expenses, including depreciation	<u>\$ (933,708)</u>	<u>\$ (903,728)</u>

Ocean Pines Association, Inc.**COMPLIANCE, PERMITS, AND INSPECTIONS REVENUES AND EXPENSES****Years Ended April 30, 2022 and 2021**

	2022	2021
Revenues		
Inspection, filing & administration fees	\$ 51,651	\$ 48,340
Resale certificates	144,010	175,370
Interest income	1,956	1,447
Miscellaneous	2,850	-
Total revenues	200,467	225,157
Expenses		
Salaries and wages	149,551	106,222
Payroll costs (taxes, health insurance, retirement, workers' compensation)	28,423	28,612
Employee relations and training	669	378
Uniforms	541	579
Contract services	10,364	20,437
Copmuter Fees	3,154	-
Gasoline and oil	3,705	988
Postage	5	-
Legal fees	-	6,504
Supplies	4,703	4,712
Equipment repairs and maintenance	-	424
Electricity	540	320
Refuse removal	550	550
Telephone	4,696	5,748
Water and sewer	222	330
Insurance	2,695	2,520
Printing	-	57
Propane gas	1,488	1,460
Total expenses	211,306	179,841
Net revenues (under) over expenses, including depreciation	\$ (10,839)	\$ 45,316

Ocean Pines Association, Inc.
FIRE AND E.M.S. SERVICES EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Operating expenses	<u>\$ 744,446</u>	<u>\$ 697,525</u>
Total expenses	<u>\$ 744,446</u>	<u>\$ 697,525</u>

Ocean Pines Association, Inc.
GENERAL MAINTENANCE EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Salaries and wages	\$ 297,969	\$ 266,007
Payroll costs (taxes, health insurance, retirement, workers' compensation)	119,223	129,644
Employee relations and training	1,244	918
Uniforms	1,393	2,156
Contract services	19,415	7,985
Supplies	6,813	12,571
Small tools	329	760
Gasoline and oil	6,587	2,938
Building repairs and maintenance	129,037	176,677
Electricity	3,751	3,169
Propane gas	2,224	2,535
Refuse removal	800	800
Telephone	5,725	7,441
Water and sewer	222	330
Insurance	6,710	8,796
Postage	12	18
Repairs and maintenance	507	1,056
Permits and licenses	352	491
	<hr/>	<hr/>
Total expenses, excluding depreciation	602,313	624,292
	<hr/>	<hr/>
Depreciation expense	12,275	13,007
	<hr/>	<hr/>
Total expenses, including depreciation	\$ 614,588	\$ 637,299

Ocean Pines Association, Inc.
PUBLIC WORKS REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
County gas taxes	\$ 151,187	\$ 93,946
Donations	500	-
Miscellaneous	130	10,095
Total revenues	<u>151,817</u>	<u>104,041</u>
Expenses		
Salaries and wages	648,346	628,873
Payroll costs (taxes, health insurance, retirement, workers' compensation)	264,587	274,740
Employee relations and training	1,823	2,732
Equipment rental	101	6,632
Uniforms	5,901	8,874
Contract services	38,588	54,209
Ground improvements	85,562	53,235
Road signs	8,625	10,816
Small tools	1,792	1,653
Snow removal	23,111	10,243
Gasoline and oil	67,699	28,557
Postage	-	25
Supplies	24,256	21,117
Repairs and maintenance	39,825	36,780
Auto and equipment repairs and maintenance	12,103	24,681
Drainage maintenance	135,102	96,626
Roads and bridges repairs and maintenance	36,867	21,258
Electricity	18,677	17,644
Propane gas	2,741	2,973
Refuse removal	73,673	69,660
Telephone	5,165	5,220
Water and sewer	3,848	4,630
Insurance	54,142	55,500
Permits and licenses	2,380	1,791
Credit card fees	938	926
Miscellaneous	130	360
Dues and subscriptions	196	127
Total expenses	<u>1,556,178</u>	<u>1,439,882</u>
Net revenues under expenses, excluding depreciation	(1,404,361)	(1,335,841)
Depreciation expense	<u>441,222</u>	<u>281,195</u>
Net revenues under expenses, including depreciation	<u>\$ (1,845,583)</u>	<u>\$ (1,617,036)</u>

Ocean Pines Association, Inc.
RECREATION AND PARKS REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Program registration	\$ 182,578	\$ 98,584
Special events	23,676	2,990
Donations	17,131	13,150
Facility rental	12,406	1,697
Dog Park license fees	7,750	5,435
Vending commissions	2,105	-
Miscellaneous	62,228	32,851
Total revenues	<u>307,874</u>	<u>154,707</u>
Cost of Sales	1,513	-
Net revenues	<u>306,361</u>	<u>154,707</u>
Expenses		
Salaries and wages	288,273	263,426
Payroll costs (taxes, health insurance, retirement, workers' compensation)	77,544	88,689
Employee relations and training	1,117	349
Equipment rental	1,120	79
Uniforms	291	245
Contract services	43,397	45,971
Gasoline and oil	2,438	1,037
Auto and equipment repairs and maintenance	44	91
Supplies	12,531	9,549
Credit card fees	6,985	3,565
Repairs and maintenance	53,090	27,169
Electricity	24,518	21,193
Propane gas	9,845	8,302
Refuse removal	1,738	1,947
Telephone	9,078	7,201
Water and sewer	5,803	5,301
Dog Park expense	168	5,290
Program expenses	66,623	15,831
Special events	67,246	7,273
Printing	-	2,017
Dues and subscriptions	1,111	1,272
Insurance	42,988	38,040
Taxes	2,460	-
Miscellaneous	33,724	6,953
Total expenses	<u>752,132</u>	<u>560,790</u>
Net revenues under expenses, excluding depreciation	(445,771)	(406,083)
Depreciation expense	<u>216,107</u>	<u>210,072</u>
Net revenues under expenses, including depreciation	<u>\$ (661,878)</u>	<u>\$ (616,155)</u>

Ocean Pines Association, Inc.
POLICE DEPARTMENT REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Grants	\$ 497,249	\$ 475,000
Miscellaneous income	4,314	3,570
Total revenues	<u>501,563</u>	<u>478,570</u>
Expenses		
Salaries and wages	1,202,930	1,202,532
Payroll costs (taxes, health insurance, retirement, workers' compensation)	399,702	446,779
Employee relations and training	9,709	17,979
Employee ads	152	-
Equipment rental	-	4,829
Uniforms	2,222	16,051
Contract services	47,489	38,743
Gasoline and oil	40,177	15,876
Printing	-	562
Postage	-	33
Supplies	14,301	13,668
Auto and truck repairs and maintenance	9,966	8,303
Equipment repairs and maintenance	486	1,686
Electricity	6,679	6,667
Propane gas	1,428	1,054
Refuse removal	1,043	1,228
Telephone	13,740	14,170
Water and sewer	1,118	1,088
Insurance	26,961	33,720
Dues and subscriptions	366	295
Total expenses	<u>1,778,469</u>	<u>1,825,263</u>
Net revenues under expenses, excluding depreciation	(1,276,906)	(1,346,693)
Depreciation expense	<u>128,337</u>	<u>106,070</u>
Net revenues under expenses, including depreciation	<u>\$ (1,405,243)</u>	<u>\$ (1,452,763)</u>

Ocean Pines Association, Inc.
Golf Operations & Maintenance Revenue and Expenses
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Green fees	\$ 770,825	\$ 524,505
Cart fees	337,006	291,686
Membership dues	135,675	118,617
Merchandise	138,263	78,663
Food and beverage	1,567	-
Miscellaneous	52,681	30,678
Driving range	40,235	30,800
Total Revenues	<u>1,476,252</u>	<u>1,074,949</u>
Cost of sales		
Food and beverage	1,609	250
Merchandise	87,300	49,987
Total cost of sales	<u>88,909</u>	<u>50,237</u>
Net revenues	<u>1,387,343</u>	<u>1,024,712</u>
Expenses		
Salaries and wages	516,103	503,416
Payroll costs (taxes, health insurance, retirement, workers' compensation)	110,107	106,824
Seed, fertilizer and chemicals	118,982	190,887
Advertising and marketing	31,621	37,990
Golf operations	-	5,103
Contract services	43,895	41,122
Electricity	39,883	39,057
Repairs and maintenance	31,696	34,129
Insurance	31,658	30,240
Gas and oil	27,687	18,254
Water and sewer	12,373	15,079
Supplies	33,006	37,585
Credit card fees	32,931	18,888
Refuse removal	7,075	7,514
Miscellaneous	5,479	-
Telephone	8,966	9,819
Sand, soil and gravel	15,050	8,509
Employee relations and training	6,802	4,043
Uniforms and linens	1,366	3,675
Dues and subscriptions	2,132	1,621
Permits and licenses	1,030	665
Small tools	2,504	595
Propane gas	850	442
Auto and truck repairs and maintenance	(63)	1,358
Postage	113	323
Drainage maintenance	3,375	174
Ground improvements	13,469	4,358
Total expenses	<u>1,098,090</u>	<u>1,121,670</u>
Net revenues over (under) expenses, excluding depreciation	289,253	(96,958)
Depreciation expense	<u>373,499</u>	<u>452,619</u>
Net revenues under expenses, including depreciation	<u>\$ (84,246)</u>	<u>\$ (549,577)</u>

Ocean Pines Association, Inc.
AQUATICS OPERATION REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Membership dues	\$ 277,760	\$ 129,720
Facility rental	59,557	19,233
Coupons	13,699	9,349
Cash fees	331,963	192,224
Swim classes	127,660	68,758
Vending commissions	27,121	2,047
Merchandise	1,223	730
Miscellaneous	4,300	10,895
Total revenues	<u>843,283</u>	<u>432,956</u>
Cost of sales		
Merchandise	703	361
Food	14,533	1,345
Total cost of sales	<u>15,236</u>	<u>1,706</u>
Net revenues	<u>828,047</u>	<u>431,250</u>
Expenses		
Salaries and wages	420,506	369,256
Payroll costs (taxes, health insurance, retirement, workers' compensation)	87,862	88,566
Employee relations and training	1,446	3,494
Uniforms	10,437	8,637
Advertising and marketing	511	-
Class instruction	16,351	21,935
Contract services	19,534	12,329
Chemicals	25,901	15,525
Credit card fees	11,728	6,567
Gasoline and oil	3,481	184
Supplies	29,071	24,132
Paper goods	461	481
Repairs and maintenance	4,963	10,812
Electricity	46,023	40,930
Propane gas	57,182	41,672
Refuse removal	3,414	3,418
Telephone	5,993	7,550
Water and sewer	32,820	31,304
Dues and subscriptions	55	273
Postage	21	-
Insurance	38,753	38,196
Permits and licenses	1,845	1,805
Total expenses	<u>818,358</u>	<u>727,066</u>
Net revenues over (under) expenses, excluding depreciation	9,689	(295,816)
Depreciation expense	<u>271,918</u>	<u>270,102</u>
Net revenues under expenses, including depreciation	<u>\$ (262,229)</u>	<u>\$ (565,918)</u>

Ocean Pines Association, Inc.
TENNIS OPERATION REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Membership dues	\$ 23,130	\$ 20,855
Program registration	7,499	11,099
Facility rental	708	19
Racquet sports grant	876	-
Miscellaneous	6,721	6,495
Total revenues	38,934	38,468
Cost of Sales	2,873	-
Net revenues	36,061	38,468
Expenses		
Salaries and wages	41,520	43,113
Payroll costs (taxes, health insurance, retirement, workers' compensation)	7,097	6,606
Employee relations and training	100	359
Class instruction	633	-
Uniforms	(158)	753
Contract services	18,643	31,515
Supplies	2,111	8,508
Postage	12	-
Refuse removal	1,494	1,132
Repairs and maintenance	4,652	5,058
Electricity	3,210	2,211
Telephone	25	24
Water and sewer	1,885	1,762
Insurance	1,122	1,728
Special events	556	1,285
Gas and oil	-	7
Credit card fees	640	900
Total expenses	83,542	104,961
Net revenues under expenses, excluding depreciation	(47,481)	(66,493)
Depreciation expense	37,349	35,120
Net revenues under expenses, including depreciation	\$ (84,830)	\$ (101,613)

Ocean Pines Association, Inc.
PLATFORM TENNIS OPERATION REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Membership dues	\$ 14,772	\$ 8,486
Program registration	26	398
Miscellaneous	730	272
Total revenues	<u>15,528</u>	<u>9,156</u>
Cost of Sales	66	-
Net revenues	<u>15,462</u>	<u>9,156</u>
Expenses		
Salaries and wages	9,343	14,423
Payroll costs (taxes, health insurance, retirement, workers' compensation)	1,468	2,109
Class instruction	199	-
Contract services	595	607
Supplies	531	4,727
Electricity	350	350
Telephone	161	161
Water and sewer	274	248
Equipment repairs and maintenance	1,394	130
Dues and subscriptions	50	-
Total expenses	<u>14,365</u>	<u>22,755</u>
Net revenues over (under) expenses, excluding depreciation	1,097	(13,599)
Depreciation expense	<u>757</u>	<u>610</u>
Net revenues over (under) expenses, including depreciation	<u>\$ 340</u>	<u>\$ (14,209)</u>

Ocean Pines Association, Inc.
PICKLEBALL REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Membership dues	\$ 42,932	\$ 19,791
Facility rental	23,139	-
Program registration	-	15,574
Miscellaneous	19,400	40
Total revenues	<u>85,471</u>	<u>35,405</u>
Expenses		
Salaries and wages	13,735	13,130
Payroll costs (taxes, health insurance, retirement, workers' compensation)	1,961	1,801
Class instruction	1,068	-
Contract services	735	607
Dues and subscriptions	1,500	-
Supplies	541	4,742
Repairs and maintenance	2,795	352
Electricity	1,637	1,126
Telephone	161	161
Water and sewer	274	248
Insurance	-	4
Special events	10,141	-
Total expenses	<u>34,548</u>	<u>22,171</u>
Net revenues over expenses, excluding depreciation	50,923	13,234
Depreciation expense	<u>14,302</u>	<u>17,640</u>
Net revenues over (under) expenses, including depreciation	<u>\$ 36,621</u>	<u>\$ (4,406)</u>

Ocean Pines Association, Inc.
MARINA REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Food	\$ 7,655	\$ 8,091
Fuel	989,898	827,202
Slip rental	198,649	184,446
Merchandise	2,037	2,394
Total revenues	<u>1,198,239</u>	<u>1,022,133</u>
Cost of sales		
Fuel	818,958	631,972
Food	4,653	4,088
Miscellaneous	1,942	4,170
Total cost of sales	<u>825,553</u>	<u>640,230</u>
Net revenues	<u>372,686</u>	<u>381,903</u>
Expenses		
Salaries and wages	62,756	60,333
Payroll costs (taxes, health insurance, retirement, workers' compensation)	14,601	13,353
Employee relations and training	22	248
Credit card fees	25,899	19,568
Uniforms	-	552
Contract services	10,204	11,284
Gasoline and oil	-	17
Supplies	1,267	7,113
Repairs and maintenance	4,284	2,335
Electricity	3,899	3,254
Refuse removal	2,614	2,012
Telephone	881	879
Water and sewer	2,654	2,359
Insurance	8,712	8,160
Permits and licenses	484	372
Total expenses	<u>138,277</u>	<u>131,839</u>
Net revenues over expenses, excluding depreciation	234,409	250,064
Depreciation expense	<u>32,809</u>	<u>33,126</u>
Net revenues over expenses, including depreciation	<u>\$ 201,600</u>	<u>\$ 216,938</u>

Ocean Pines Association, Inc.
BEACH CLUB REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Food	\$ 307,589	\$ 204,175
Beverage	287,507	201,926
Facility rental	450	-
Miscellaneous	862	496
Total revenues	<u>596,408</u>	<u>406,597</u>
Cost of sales		
Food	94,990	66,444
Beverage	55,667	37,079
Total cost of sales	<u>150,657</u>	<u>103,523</u>
Net revenues	<u>445,751</u>	<u>303,074</u>
Expenses		
Salaries and wages	129,093	103,384
Payroll costs (taxes, health insurance, retirement, workers' compensation)	21,544	21,064
Credit card fees	18,259	11,210
Entertainment	800	3,225
Uniforms	643	1,042
Contract services	9,804	7,365
Paper goods	9,529	6,008
Supplies	8,986	13,222
Repairs and maintenance	2,438	2,250
Electricity	12,366	7,512
Propane gas	3,603	5,120
Telephone	1,587	1,743
Water and sewer	5,971	8,099
Insurance	15,289	16,116
Permits and licenses	2,726	953
Management fees	43,500	-
Taxes	181	700
Equipment rental	-	1,287
Refuse removal	139	87
Total expenses	<u>286,458</u>	<u>210,387</u>
Net revenues over expenses, excluding depreciation	159,293	92,687
Depreciation expense	<u>77,048</u>	<u>79,593</u>
Net revenues over expenses, including depreciation	<u>\$ 82,245</u>	<u>\$ 13,094</u>

Ocean Pines Association, Inc.
BEACH PARKING REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Parking	\$ 563,257	\$ 382,283
Expenses		
Salaries and wages	21,568	27,752
Payroll costs (taxes, health insurance, retirement, workers' compensation)	4,824	5,149
Contract services	7,450	9,265
Supplies	4,100	6,181
Insurance	2,651	2,604
Permits and licenses	260	200
Repairs and maintenance	2,385	-
Uniforms	169	97
Total expenses	43,407	51,248
Net revenues over expenses	\$ 519,850	\$ 331,035

Ocean Pines Association, Inc.
YACHT CLUB REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Facility rental	\$ 78,190	\$ 20,268
Food	2,184,811	1,525,601
Merchandise	41,101	17,610
Beverage	1,362,021	843,356
PPP loan forgiveness	-	271,300
Total revenues	3,666,123	2,678,135
Cost of sales		
Food	848,804	614,772
Merchandise	22,487	6,434
Beverage	272,972	178,267
Total cost of sales	1,144,263	799,473
Net revenues	2,521,860	1,878,662
Expenses		
Salaries and wages	1,039,516	1,018,733
Payroll costs (taxes, health insurance, retirement, workers' compensation)	187,342	134,057
Credit card fees	82,252	58,328
Equipment rental	-	1,656
Entertainment	101,549	63,371
Uniforms and linens	19,744	5,028
Contract services	24,323	30,502
China, glass, and silver	3,324	1,276
Paper goods	14,111	21,762
Printing	885	7,980
Supplies	141,766	99,621
Repairs and maintenance	54,523	23,193
Electricity	53,218	46,674
Propane gas	39,390	21,057
Refuse removal	4,994	11,370
Telephone	6,237	6,281
Water and sewer	20,073	18,257
Insurance	44,561	79,456
Permits and licenses	3,696	3,802
Management fees	459,750	208,587
Taxes	8,464	3,494
Total expenses	2,309,718	1,864,485
Net revenues over expenses, excluding depreciation	212,142	14,177
Depreciation expense	186,177	210,710
Net revenues over (under) expenses, including depreciation	\$ 25,965	\$ (196,533)

Ocean Pines Association, Inc.
CLUBHOUSE GRILLE REVENUES AND EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Revenues		
Food	\$ 263,620	\$ 198,708
Beverage	229,106	184,879
Facility rental	274	-
Merchandise	1,538	1,302
Total revenues	494,538	384,889
Cost of sales		
Food	114,586	81,830
Merchandise	784	1,318
Beverage	48,645	43,245
Total cost of sales	164,015	126,393
Net revenues	330,523	258,496
Expenses		
Salaries and wages	160,159	132,671
Payroll costs (taxes, health insurance, retirement, workers' compensation)	25,694	20,773
Credit card fees	14,842	9,986
Contract services	15,587	13,532
Paper goods	11,754	7,690
Supplies	19,375	19,131
Repairs and maintenance	6,422	7,276
Electricity	8,697	8,142
Propane gas	4,885	2,581
Refuse removal	1,650	1,439
Telephone	3,448	1,523
Water and sewer	2,538	2,538
Insurance	7,799	8,364
Management fees	3,000	1,500
Entertainment	2,271	3,171
Taxes	5,923	-
Permits and licenses	4,359	6,039
Total expenses	298,403	246,356
Net revenues over expenses, excluding depreciation	32,120	12,140
Depreciation expense	122,967	120,444
Net revenues under expenses, including depreciation	\$ (90,847)	\$ (108,304)

Ocean Pines Association, Inc.
RESERVE FUNDS SCHEDULE OF EXPENSES
Years Ended April 30, 2022 and 2021

	2022	2021
Expenses		
Salaries and wages	\$ 59,022	\$ 64,586
Payroll costs (taxes, health insurance, retirement, workers' compensation)	39,055	28,198
Gasoline and oil	3,084	1,323
Bulkhead repairs and maintenance	1,399,696	1,428,886
Canal repairs and maintenance	6,310	2,576
Equipment repairs and maintenance	46	-
Contract services	27	-
Electricity	2,130	1,686
Equipment rental	32,000	28,000
Propane gas	721	768
Refuse removal	1,160	1,160
Supplies	-	65
Telephone	621	584
Uniforms	587	-
Water and sewer	111	166
Insurance	792	540
	<hr/>	<hr/>
Total expenses	\$ 1,545,362	\$ 1,558,538

Ocean Pines Association, Inc.**SCHEDULE OF CHANGES IN CONTRACT LIABILITIES (ASSESSMENTS RECEIVED IN ADVANCE - RESERVE FUND)****Years Ended April 30, 2022 and 2021**

	<u>Major Maintenance and Replacements</u>	<u>Buckheads and Waterways</u>	<u>Roads</u>	<u>Drainage</u>	<u>New Capital</u>	<u>Total</u>
Contract liability (assessments received in advance - reserve fund), April 30, 2020	\$ 3,481,454	\$ 1,652,979	\$ -	\$ 506,452	\$ -	\$ 5,640,885
Transfers from Operating Fund:						
Contributions from assessments	1,782,805	892,193	-	250,000	167,000	3,091,998
Interest income (expense)	62,022	27,477	1,766	8,423	740	100,428
Restricted Contributions:						
Transfer of Casino funds to Roads reserve	-	-	325,000	-	-	325,000
Transfers to Operating Fund:						
Operating expenses	-	(1,562,552)	-	-	-	(1,562,552)
Capital additions	(1,473,731)	-	(110,444)	(296,270)	(65,688)	(1,946,133)
Contract liability (assessments received in advance - reserve fund), April 30, 2021	3,852,550	1,010,097	216,322	468,605	102,052	5,649,626
Transfers from Operating Fund:						
Contributions from assessments	1,647,559	1,053,850	-	-	180,710	2,882,119
Interest income (expense)	65,275	17,015	723	8,860	3,257	95,130
Restricted Contributions:						
Transfer of Casino funds to Drainage reserve	-	-	-	350,000	-	350,000
Transfer of Grant funds to Drainage reserve	-	-	-	402,554	-	402,554
Transfers to Operating Fund:						
Operating expenses	-	(1,545,362)	-	-	-	(1,545,362)
Capital additions	(795,989)	-	(212,379)	(543,005)	(135,929)	(1,687,302)
Contract liability (assessments received in advance - reserve fund), April 30, 2022	\$ 4,769,395	\$ 535,600	\$ 4,666	\$ 687,014	\$ 150,090	\$ 6,146,765

REQUIRED SUPPLEMENTARY INFORMATION

Ocean Pines Association, Inc.**SUPPLEMENTARY INFORMATION ON FUTURE REPAIRS AND REPLACEMENTS (UNAUDITED)**
April 30, 2022

In 2021, Design Management Associates, Inc (DMA), an independent contractor, updated its 2017 Reserve Study of the Association's assets to estimate the remaining useful lives and the replacement costs of the components of buildings and improvements, as well as all other assets, including furniture and fixtures, equipment, vehicles, pools, bridges, land improvements and bulkheads. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives, assuming an annual inflation rate of 3.08%.

The DMA Report is currently being utilized by management for budget and asset replacement decision making. Information set forth below is based on the Report. The future replacement cost information for certain asset categories are approximations:

<u>Components</u>	<u>Estimated Future Replacement Cost</u>
Bulkheads	\$ 38,500,000
Other improvements	16,500,000
Roads	16,000,000
Buildings and pools	14,500,000
Mobile outdoor equipment (mowers) and vehicles	4,500,000
Furniture and technology	<u>3,000,000</u>
	<u>\$ 93,000,000</u>

Note: The Association has been replacing bulkheads on a 35-year program. The Association currently has approximately 109,000 linear feet of bulkheads, approximately 92% of which is the financial responsibility of property owners, who currently pay a Bulkhead Differential as part of their annual assessment (\$615 in FY 2022). As part of the follow-up to the Reserve Study, management and the Board of Directors will continue to evaluate the current Bulkhead Replacement Program.