

OCEAN PINES ASSOCIATION

**Financial Statements
Together with Independent Auditors' Report
For the Years Ended April 30, 2020 and 2019**

OCEAN PINES ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ocean Pines Association:

Report on the Financial Statements

We have audited the accompanying financial statements of Ocean Pines Association (a nonprofit homeowners' association) (the Association), which comprise the balance sheets as of April 30, 2020 and 2019, the related statements of revenues and expenses and changes in fund balances, and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 Ocean Pines Association, Inc. as of April 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 appropriated owners' equity, as listed as pages 18 to 43 in the table of contents, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of 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 as page 45 in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with 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.

SC+H Attest Services, P.C.

July 16, 2020

OCEAN PINES ASSOCIATION

	Balance Sheets	
<i>As of April 30,</i>	<i>2020</i>	<i>2019 (as restated)</i>
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,185,388	\$ 6,893,749
Certificates of deposit	6,072,784	7,889,956
Accounts receivable		
Property owners' assessments, net	4,655,581	3,620,259
Other	247,122	210,357
Inventories	324,255	342,261
Prepaid expenses	245,372	84,671
Total Current Assets	17,730,502	19,041,253
Non-Current Assets		
Water and sewer hookups	-	37,094
Property and Equipment, net		
Land	4,579,367	4,579,367
Land improvements	10,585,885	10,226,053
Buildings and building improvements	16,168,494	15,670,189
Furniture and equipment	10,213,415	9,749,868
Roads	8,869,021	7,975,571
	50,416,182	48,201,048
Less: accumulated depreciation	(26,504,386)	(26,320,527)
	23,911,796	21,880,521
Construction in progress	712,835	461,407
Total Property and Equipment, net	24,624,631	22,341,928
Total Non-Current Assets	24,624,631	22,379,022
Total Assets	\$ 42,355,133	\$ 41,420,275
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,105,551	\$ 755,217
Loan payable (Note 6)	1,103,938	-
Refundable deposits	91,025	103,205
Deferred revenue		
Property owners' assessments	9,141,091	9,073,122
Membership dues	69,128	375,087
Casino funds	408,247	388,965
Other	332,732	531,799
Total Current Liabilities	12,251,712	11,227,395
Commitments and contingencies (Notes 4 and 6)		
Fund Balances		
Operating fund	(162,095)	(985,534)
Reserve funds	5,640,885	8,836,486
Investment in fixed assets	24,624,631	22,341,928
Total Fund Balances	30,103,421	30,192,880
Total Liabilities and Fund Balances	\$ 42,355,133	\$ 41,420,275

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

OCEAN PINES ASSOCIATION

**Statements of Revenues and Expenses and Changes in Fund Balances
For the Year Ended April 30, 2020
(With Comparative Totals for 2019)**

	<i>Operating Fund</i>	<i>Reserve Funds</i>	<i>Restricted Fund</i>	<i>Investment in Fixed Assets</i>	<i>Total 2020</i>	<i>Total 2019 (as restated)</i>
Revenues						
Assessments	\$ 6,278,118	\$ 2,525,854	\$ 252,779	\$ -	\$ 9,056,751	\$ 8,759,753
Membership dues	600,614	-	-	-	600,614	616,491
Program registration	172,995	-	-	-	172,995	281,706
Architectural review fees	152,115	-	-	-	152,115	173,855
Golf course fees	808,891	-	-	-	808,891	759,077
Passes, coupons, and guest fees	454,607	-	-	-	454,607	627,281
Food and beverage sales	3,278,021	-	-	-	3,278,021	2,941,441
County road taxes	88,344	-	-	-	88,344	55,000
Slip rental and fuel sales	965,685	-	-	-	965,685	886,950
Parking	417,099	-	-	-	417,099	373,635
Interest income	7,984	254,576	-	-	262,560	205,036
Casino funds released from restrictions	325,000	-	-	-	325,000	325,000
Other income	1,169,669	-	-	-	1,169,669	1,227,472
Total Revenues	14,719,142	2,780,430	252,779	-	17,752,351	17,232,697
Cost of Sales	1,658,686	-	-	-	1,658,686	1,601,323
Net Revenues	13,060,456	2,780,430	252,779	-	16,093,665	15,631,374
Expenses						
Salaries, wages and payroll costs	7,067,202	53,774	-	-	7,120,976	7,207,743
Services and supplies	1,178,122	28,969	-	-	1,207,091	1,798,981
Repairs and maintenance	518,824	1,470,570	-	-	1,989,394	1,200,005
Utilities	697,812	2,746	-	-	700,558	606,112
Depreciation	1,918,466	-	-	-	1,918,466	1,824,840
Other expenses	2,716,699	3,129	-	-	2,719,828	1,953,760
Total Expenses	14,097,125	1,559,188	-	-	15,656,313	14,591,441
Net Revenues (under) over Expenses before Operating Transfers and Other Changes in Fund Balances	(1,036,669)	1,221,242	252,779	-	437,352	1,039,933
Operating Transfers and Other Changes in Fund Balances						
Current year fixed asset additions	-	(4,741,843)	-	4,741,843	-	-
Depreciation expense	1,918,466	-	-	(1,918,466)	-	-
Loss on disposal of property and equipment	-	-	-	(526,811)	(526,811)	(157,925)
Proceeds from sale of property and equipment	13,863	-	-	(13,863)	-	-
Transfer of Casino funds to Roads Reserve	(325,000)	325,000	-	-	-	-
Operating Transfers and Other Changes in Fund Balances, net	1,607,329	(4,416,843)	-	2,282,703	(526,811)	(157,925)
Net Revenues (under) over Expenses after Operating Transfers and Other Changes in Fund Balances	570,660	(3,195,601)	252,779	2,282,703	(89,459)	882,008
Transfer of 2020 Assessment Restricted to Reduction of Operating Fund Deficit	252,779	-	(252,779)	-	-	-
Fund Balances, beginning of year	(985,534)	8,836,486	-	22,341,928	30,192,880	29,401,135
Adjustment to Fund Balance (Note 5)	-	-	-	-	-	(90,263)
Fund Balances, end of year	\$ (162,095)	\$ 5,640,885	\$ -	\$ 24,624,631	\$ 30,103,421	\$ 30,192,880

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

Statements of Revenues and Expenses and Changes in Fund Balances
For the Year Ended April 30, 2019 (as restated)

	Operating Fund	Reserve Funds	Restricted Fund	Investment in Fixed Assets	Total
Revenues					
Assessments	\$ 5,819,038	\$ 2,340,450	\$ 600,265	\$ -	\$ 8,759,753
Membership dues	616,491	-	-	-	616,491
Program registration	281,706	-	-	-	281,706
Architectural review fees	173,855	-	-	-	173,855
Golf course fees	759,077	-	-	-	759,077
Passes, coupons, and guest fees	627,281	-	-	-	627,281
Food and beverage sales	2,941,441	-	-	-	2,941,441
County road taxes	55,000	-	-	-	55,000
Slip rental and fuel sales	886,950	-	-	-	886,950
Parking	373,635	-	-	-	373,635
Interest income	21,238	183,798	-	-	205,036
Casino funds released from restrictions	325,000	-	-	-	325,000
Other income	1,227,472	-	-	-	1,227,472
Total Revenues	14,108,184	2,524,248	600,265	-	17,232,697
Cost of Sales	1,601,323	-	-	-	1,601,323
Net Revenues	12,506,861	2,524,248	600,265	-	15,631,374
Expenses					
Salaries, wages and payroll costs	7,206,101	1,642	-	-	7,207,743
Services and supplies	1,797,821	1,160	-	-	1,798,981
Repairs and maintenance	487,979	712,026	-	-	1,200,005
Utilities	601,700	4,412	-	-	606,112
Depreciation	1,824,840	-	-	-	1,824,840
Other expenses	1,951,576	2,184	-	-	1,953,760
Total Expenses	13,870,017	721,424	-	-	14,591,441
Net Revenues (under) over Expenses before Operating Transfers and Other Changes in Fund Balances	(1,363,156)	1,802,824	600,265	-	1,039,933
Operating Transfers and Other Changes in Fund Balances					
Current year fixed asset additions	(27,617)	(1,181,457)	-	1,209,074	-
Depreciation expense	1,824,840	-	-	(1,824,840)	-
Loss on disposal of property and equipment	-	-	-	(157,925)	(157,925)
Proceeds from sale of property and equipment	6,728	-	-	(6,728)	-
Transfer of Casino funds to Roads Reserve	(325,000)	325,000	-	-	-
Operating Transfers and Other Changes in Fund Balances, net	1,478,951	(856,457)	-	(780,419)	(157,925)
Net Revenues (under) over Expenses after Operating Transfers and Other Changes in Fund Balances	115,795	946,367	600,265	(780,419)	882,008
Transfer of 2019 Assessment Restricted to Reduction of Operating Fund Deficit	600,265	-	(600,265)	-	-
Fund Balances, beginning of year	(1,611,331)	7,890,119	-	23,122,347	29,401,135
Adjustment to Fund Balance (Note 5)	(90,263)	-	-	-	(90,263)
Fund Balances, end of year, as adjusted	\$ (985,534)	\$ 8,836,486	\$ -	\$ 22,341,928	\$ 30,192,880

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

OCEAN PINES ASSOCIATION

Statements of Cash Flows For the Year Ended April 30, 2020 (With Comparative Totals for 2019)

	<i>Operating Fund</i>	<i>Reserve Funds</i>	<i>Restricted Fund</i>	<i>Investment in Fixed Assets</i>	<i>2020</i>	<i>2019 (as restated)</i>
Cash Flows from Operating Activities						
Net revenues (under) over Expenses after Operating Transfers and Other Changes in Fund Balances	\$ 570,660	\$ (3,195,601)	\$ 252,779	\$ 2,282,703	\$ (89,459)	\$ 882,008
Adjustments to reconcile net revenues (under) over expenses after operating transfers and other changes in fund balances to cash and cash equivalents provided by (used in) operating activities:						
Depreciation	1,918,466	-	-	-	1,918,466	1,824,840
Provision for bad debts	412,666	-	-	-	412,666	201,590
Loss on disposal of property and equipment	-	-	-	526,811	526,811	157,925
Changes in operating assets and liabilities						
Accounts receivable	(1,484,753)	-	-	-	(1,484,753)	(326,326)
Inventories	18,006	-	-	-	18,006	(8,017)
Prepaid expenses	(160,701)	-	-	-	(160,701)	53,186
Water and sewer hookups	37,094	-	-	-	37,094	-
Accounts payable and accrued expenses	350,334	-	-	-	350,334	(125,038)
Refundable deposits	(12,180)	-	-	-	(12,180)	18,500
Deferred revenue	(417,775)	-	-	-	(417,775)	9,453
Cash and Cash Equivalents Provided by (Used in) Operating Activities	1,231,817	(3,195,601)	252,779	2,809,514	1,098,509	2,688,121
Cash Flows from Investing Activities						
Acquisition of property and equipment	-	-	-	(4,741,843)	(4,741,843)	(1,209,074)
Proceeds from sale of property and equipment	13,863	-	-	-	13,863	6,728
Proceeds (purchases) of certificates of deposit	1,817,172	-	-	-	1,817,172	(5,212,994)
Cash and Cash Equivalents Provided by (Used in) Investing Activities	1,831,035	-	-	(4,741,843)	(2,910,808)	(6,415,340)
Cash Flows from Financing Activities						
Proceeds from issuance of loan payable	1,103,938	-	-	-	1,103,938	-
Interfund transfers	(4,875,151)	3,195,601	(252,779)	1,932,329	-	-
Cash and Cash Equivalents Provided by (Used in) Financing Activities	(3,771,213)	3,195,601	(252,779)	1,932,329	1,103,938	-
Net Decrease in Cash and Cash Equivalents	(708,361)	-	-	-	(708,361)	(3,727,219)
Cash and Cash Equivalents, beginning of year	6,893,749	-	-	-	6,893,749	10,620,968
Cash and Cash Equivalents, end of year	\$ 6,185,388	\$ -	\$ -	\$ -	\$ 6,185,388	\$ 6,893,749

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

OCEAN PINES ASSOCIATION

Statement of Cash Flows For the Year Ended April 30, 2019 (as restated)

	<i>Operating Fund</i>	<i>Reserve Funds</i>	<i>Restricted Fund</i>	<i>Investment in Fixed Assets</i>	<i>Total</i>
Cash Flows from Operating Activities					
Net revenues (under) over Expenses after Operating Transfers, Other Changes in Fund Balances, and Non-recurring item	\$ 115,795	\$ 946,367	\$ 600,265	\$ (780,419)	\$ 882,008
Adjustments to reconcile net revenues (under) over expenses after operating transfers and other changes in fund balances to cash and cash equivalents provided by (used in) operating activities:					
Depreciation	1,824,840	-	-	-	1,824,840
Provision for bad debts	201,590	-	-	-	201,590
Loss on disposal of property and equipment	-	-	-	157,925	157,925
Changes in operating assets and liabilities					
Accounts receivable	(326,326)	-	-	-	(326,326)
Inventories	(8,017)	-	-	-	(8,017)
Prepaid expenses	53,186	-	-	-	53,186
Accounts payable and accrued expenses	(125,038)	-	-	-	(125,038)
Refundable deposits	18,500	-	-	-	18,500
Deferred revenue	9,453	-	-	-	9,453
Cash and Cash Equivalents Provided by (Used in) Operating Activities	1,763,983	946,367	600,265	(622,494)	2,688,121
Cash Flows from Investing Activities					
Acquisition of property and equipment	-	-	-	(1,209,074)	(1,209,074)
Proceeds from sale of property and equipment	6,728	-	-	-	6,728
Purchases of certificates of deposit	(5,212,994)	-	-	-	(5,212,994)
Cash and Cash Equivalents Used in Investing Activities	(5,206,266)	-	-	(1,209,074)	(6,415,340)
Cash Flows from Financing Activities					
Interfund transfers	(284,936)	(946,367)	(600,265)	1,831,568	-
Cash and Cash Equivalents Provided by (Used in) Financing Activities	(284,936)	(946,367)	(600,265)	1,831,568	-
Net Decrease in Cash and Cash Equivalents	(3,727,219)	-	-	-	(3,727,219)
Cash and Cash Equivalents, beginning of year	10,620,968	-	-	-	10,620,968
Cash and Cash Equivalents, end of year	\$ 6,893,749	\$ -	\$ -	\$ -	\$ 6,893,749

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

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Ocean Pines Association, Inc. (the Association) is a nonprofit homeowners' association, as defined by Section 501(c)(4) of the Internal Revenue Code (IRC), 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.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), whereby revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

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 of the Association.

The Association's funds consist of the following:

Operating Fund – This fund is used to account for financial resources available for the normal 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.

Restricted Funds – This fund is used to account for the allocation of income to fund prior operating fund deficits.

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments, money market accounts and other demand deposits with an original maturity of three months or less at the time of purchase.

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 a normal business risk.

Property Owners' Assessments Receivable

Association members are subject to property owner assessments to provide funds for the Association's operating expenses, capital acquisitions, and major repairs and replacements. Property owners' assessments receivable at the balance sheet date represent fees due from lot owners. Property owners' assessments receivable are carried at original assessment amounts less an estimate of an allowance for doubtful accounts.

The Association uses the allowance method to account for uncollectible receivables. Management determines the allowance for doubtful accounts by regularly evaluating individual property owners' assessment receivable balances considering their financial condition and credit history. Management also considers current economic conditions. The Association's policy is to retain legal counsel, place liens and, when appropriate, foreclose on the properties of lot owners whose accounts are delinquent. Bad debt recoveries are credited to the allowance account as realized.

The following represents activity within the allowance for doubtful accounts during the years ended April 30,:

	2020	2019
Balance, beginning of the year	\$ 383,292	\$ 300,000
Provision for bad debts	412,666	201,590
Recoveries	11,679	8,292
Net charge-offs	(76,685)	(126,590)
Balance, end of year	\$ 730,952	\$ 383,292

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property Owner's Assessment Receivable – continued

Included in property owner's assessment receivable are receivables which are more than 90 days past due totaling approximately \$729,000 and \$780,000 as of April 30, 2020 and 2019, respectively. These receivables include member assessments, which are billed annually on May 1st, and related interest and other charges. Past due member assessments, in accordance with Association policy, have liens placed against the property. Management believes these receivables, net of the allowance for doubtful accounts, are collectible.

Revenue Recognition

Assessments and membership dues are billed in advance and are recognized as income when earned. Revenue billed or received, but not earned, is shown as deferred revenue in the current liabilities section of the accompanying balance sheets. All other fees and charges are recognized when the Association's services have been provided.

Inventories

Inventories consist of food, beverages, merchandise, fuel, golf chemicals, pool chemicals and other miscellaneous items which are stated at the lower of cost or market, using the first-in, first-out method.

Property and Equipment

The Association's policy is to capitalize all property and equipment with a cost of \$5,000 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 is stated at cost, if purchased, or at the estimated fair value at the date of gift, if donated. Construction in progress relates to several projects underway, but not yet completed. Depreciation is computed using the straight line method over the estimated useful lives of the respective assets, as follows:

<u>Asset Category</u>	<u>Estimated Life</u>
Buildings, pools and bridges	7 - 50 years
Furniture and equipment	3 - 15 years
Other improvements	5 - 50 years
Mobile equipment	7 - 10 years
Vehicles	3 - 10 years
Roads	7 - 20 years
Drainage	25 years

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment – continued

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts. Any resulting gain or loss is reflected in the investment in fixed assets fund for the period. Depreciation expense for the years ended April 30, 2020 and 2019 totaled approximately \$1,918,000 and \$1,825,000, respectively.

Valuation of Long-Lived Assets

The Association accounts for the valuation of long-lived assets under Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. As of April 30, 2020 and 2019, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

Major Repairs and Replacements

The Association annually determines the remaining useful lives of the components of common property and current estimates 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 repairs and replacements.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2020 and 2019.

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

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 and most industry-specific guidance throughout the Industry Topics in the ASC. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2020, the FASB deferred the effective date of the revenue recognition guidance for non-public entities to reporting periods beginning after December 15, 2019. Early adoption is permitted. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Association is currently evaluating the impact of adopting the new revenue standard on its financial statements.

Advertising Expense

The Association expenses all advertising costs as they are incurred. Advertising costs for the years ended April 30, 2020 and 2019, totaled approximately \$57,000 and \$68,000, respectively.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Subsequent Events

The Association evaluated for disclosure any subsequent events through July 16, 2020, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure.

2. DUES AND ASSESSMENTS

Annual dues to owners for the years ended April 30, 2020 and 2019 totaled \$986 and \$951 for non-waterfront lots and \$1,451 and \$1,416 for waterfront lots, respectively. The following table represents the amounts of assessments that were budgeted and billed for operations and special purposes for the years ended April 30,:

	2020	2019
Operations	\$ 735	\$ 679
Replacement reserve	250	270
New capital	1	2
Non-waterfront lots	986	951
Bulkhead differential	465	465
Waterfront lots	\$ 1,451	\$ 1,416

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 periods.

3. RETIREMENT PLAN

The Association has a defined contribution retirement 401(k) plan, covering all full and part-time employees over 20.5 years of age and having at least 12 consecutive months and 1,000 hours of service. Participants may contribute up to 100% of compensation, with a maximum contribution of \$19,000 and \$18,500 for the years ended April 30, 2020 and 2019, respectively. The Association contributes up to a 3% match of compensation for all eligible employees that contribute to the plan. Contributions made to the plan by the Association were approximately \$75,000 and \$71,000 for the years ended April 30, 2020 and 2019, respectively.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

4. COMMITMENTS

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 \$22,000 have been recorded as revenue during each of the years ended April 30, 2020 and 2019, as reflected in services and supplies in the accompanying statements of revenues and expenses and changes in fund balances.

In March 2018, the Association entered into a management agreement with Matt Ort Companies, LLC ("MOC") to provide management and operational services for the Yacht Club and Beach Club for two years commencing on May 1, 2018. Under the terms of this agreement, the Association was required to pay MOC \$12,500 per month, and a bonus of fifty percent of every dollar of net income generated from the Yacht Club and Beach Club that exceeded the respective facility's budget with a limit up to \$50,000 per facility, and an additional year one bonus if the combined net income for the facilities is greater than the budgeted amount in accordance with the following scale:

One (1) dollar to \$25,000	10%
\$25,001 to \$50,000	20%
\$50,001 to \$75,000	30%
\$75,001 to \$100,000	40%
\$100,000 and above	50%

The management agreement also allowed for a year two bonus if the net combined income of both facilities was greater than the previous year. In year two, a bonus was paid for every dollar above the prior year net combined income according to the scale above.

The Association paid management fees of approximately \$291,000 and \$199,000 for the years ended April 30, 2020 and 2019, respectively, as reflected in the services and supplies expenses on the accompanying statements of revenues and expenses and changes in fund balances.

In August 2019, the Association entered into a new management agreement with 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.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2020 and 2019

5. PRIOR PERIOD ADJUSTMENT

The Association restated their previously issued financial statements for the year ended April 30, 2019 due to the extension of the expiration date relating to pool coupon cards, which resulted in an overstatement of previously reported operating funds and an understatement of deferred revenue in the amount of \$90,263.

6. CORONAVIRUS

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a Public Health Emergency of International Concern. In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by U.S. Federal and State governments, have caused numerous businesses to close or operate remotely in an effort to prevent COVID-19 from spreading more rapidly. These restrictions have directly impacted the Association as they moved the due date for assessments from May 1 to August 1 in the current year. Because of the size and duration of this pandemic, all of the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. The future impact of the pandemic is highly uncertain and cannot be predicted, but it could have a material adverse impact on the future results of operations and financial position of the Association.

In April 2020, the Association obtained a loan payable in the amount of \$1,143,493 with its lender under the U.S. Small Business Administration Paycheck Protection Program (PPP), which was established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is eligible for forgiveness pursuant to terms and conditions of the CARES Act. The portion of the loan that is not forgiven bears interest at 1.0% and is due in monthly payments over a period of two years, as agreed to by the Association and its lender.

The Association has elected to account for the loan as a conditional grant. Accordingly, the Association recorded the initial receipt of the loan as a loan payable in the accompanying balance sheets and will recognize the earnings impact of the grant as other income when eligible expenses, as stipulated in the loan agreement, are paid. As of April 30, 2020, the balance of the loan payable is \$1,103,938. During the year ended April 30, 2020, eligible expenses of \$39,555 have been incurred, but not paid, and are reflected in salaries, wages and payroll costs in the accompanying statements of revenues and expenses and changes in fund balances.

SUPPLEMENTARY INFORMATION

OCEAN PINES ASSOCIATION

Schedule 1 - Schedule of Net Revenues and Expenses (Including Depreciation) By Department

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>	<i>Schedule</i>
General administration	\$ 6,031,861	\$ 5,630,170	4
Public relations and marketing	(209,047)	(253,965)	5
General Manager's office	(381,662)	(455,233)	6
Finance	(797,874)	(693,767)	7
Compliance, Permits, and Inspections (C.P.I.)	16,144	18,291	8
Fire and E.M.S. services	(692,961)	(588,724)	9
General maintenance	(664,864)	(903,482)	10
Public works	(1,832,230)	(1,750,183)	11
Recreation and parks	(642,128)	(613,604)	12
Police department	(1,392,918)	(1,272,043)	13
Golf	(574,629)	(509,381)	14
Aquatics	(277,130)	(107,096)	15
Tennis	(61,102)	(68,073)	16
Platform tennis	3,645	(17,998)	17
Pickleball	(5,420)	1,171	18
Marina	197,732	176,891	19
Beach Club	45,005	26,720	20
Beach Parking	370,239	343,403	21
Yacht Club	(107,536)	(289,813)	22
Tern Grille	(61,794)	(36,440)	23
Operating Fund Revenues under Expenses	(1,036,669)	(1,363,156)	
Reserve Funds Revenues over Expenses	1,221,242	1,802,824	24
Restricted Funds Revenues	252,779	600,265	24
Net Revenues over Expenses	\$ 437,352	\$ 1,039,933	

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 2 - Schedule of Net Revenues

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>	<i>Schedule</i>
General administration	\$ 6,902,521	\$ 6,598,929	4
Public relations and marketing	57,311	60,303	5
Finance	10,392	4,535	7
Compliance, Permits and Inspections	154,629	175,549	8
Public works	96,507	68,228	11
Recreation and parks	306,071	305,212	12
Police department	482,227	487,239	13
Golf, net	970,948	940,276	14
Aquatics, net	926,225	1,114,930	15
Tennis	23,654	26,708	16
Platform tennis	16,477	15,579	17
Pickleball	35,538	29,351	18
Marina, net	359,254	316,317	19
Beach Club, net	382,043	337,407	20
Beach Parking	417,099	373,713	21
Yacht Club, net	1,873,274	1,566,000	22
Tern Grille, net	46,286	86,585	23
 Total Operating Fund Revenues, Net	 13,060,456	 12,506,861	
 Total Reserve Funds Revenues	 2,780,430	 2,524,248	24
Total Restricted Funds Revenues	252,779	600,265	24
 Total Net Revenues	 \$ 16,093,665	 \$ 15,631,374	

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 3 - Schedule of Expenses (Including Depreciation)

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>	<i>Schedule</i>
General administration	\$ 870,660	\$ 968,759	4
Public relations and marketing	266,358	314,268	5
General manager's office	381,662	455,233	6
Finance	808,266	698,302	7
Compliance, Permits and Inspections	138,485	157,258	8
Fire and E.M.S. services	692,961	588,724	9
General maintenance	664,864	903,482	10
Public works	1,928,737	1,818,411	11
Recreation and parks	948,199	918,816	12
Police department	1,875,145	1,759,282	13
Golf	1,545,577	1,449,657	14
Aquatics	1,203,355	1,222,026	15
Tennis	84,756	94,781	16
Platform tennis	12,832	33,577	17
Pickleball	40,958	28,180	18
Marinas	161,522	139,426	19
Beach Club	337,038	310,687	20
Beach Parking	46,860	30,310	21
Yacht Club	1,980,810	1,855,813	22
Tern Grille	108,080	123,025	23
 Total Operating Fund Expenses	 14,097,125	 13,870,017	
 Total Reserve Funds Expenses	 1,559,188	 721,424	 24
 Total Expenses	 \$ 15,656,313	 \$ 14,591,441	

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 4 - General Administration Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Assessments	\$ 6,278,118	\$ 5,819,038
Casino Funds released from restrictions	325,000	325,000
Interest income	5,470	19,544
Franchise fees	185,265	162,410
Miscellaneous	80,856	74,784
Delinquent charges	27,812	198,153
 Total Revenues	 6,902,521	 6,598,929
Expenses		
Bad debts	412,666	201,590
Contract services	120,579	169,079
Legal fees	108,415	147,378
Taxes	77,199	80,981
Insurance	50,195	58,692
Accounting fees	43,287	226,344
Election and referendum	19,758	13,524
Board expense	14,338	24,073
Supplies	9,905	5,550
Water and sewer	8,407	10,473
Miscellaneous	5,636	-
Bank fees	275	167
Advertising bids	-	3,170
Propane gas	-	2,766
Payroll costs (taxes, health insurance, retirement, workers' compensation)	-	24,972
 Total Expenses	 870,660	 968,759
 Net Revenues over Expenses	 \$ 6,031,861	 \$ 5,630,170

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 5 - Public Relations and Marketing Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Advertising	\$ 32,416	\$ 31,138
Miscellaneous	14,895	19,165
Grants	10,000	10,000
 Total Revenues	 57,311	 60,303
Expenses		
Salaries and wages	110,683	108,327
Promotion and marketing	45,654	98,330
Printing	43,903	46,860
Contract services	20,708	14,563
Payroll costs (taxes, health insurance, retirement, workers' compensation)	19,032	18,559
Postage	17,638	15,548
Supplies	2,628	4,705
Telephone	2,551	2,242
Electricity	1,143	1,125
Dues and subscriptions	814	1,500
Insurance	720	1,046
Employee relations and training	457	539
Refuse removal	194	126
Water and sewer	164	132
Gasoline and oil	69	107
 Total Expenses excluding Depreciation	 266,358	 313,709
 Net Revenues under Expenses, excluding Depreciation	 (209,047)	 (253,406)
Depreciation	-	559
 Net Revenues under Expenses, including Depreciation	 \$ (209,047)	 \$ (253,965)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 6 - General Manager's Office Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Salaries and wages	\$ 202,309	\$ 301,321
Contract services	49,406	5,289
Payroll costs (taxes, health insurance, retirement, workers' compensation)	44,596	58,442
Telephone	4,672	5,277
Supplies	4,220	2,756
Electricity	2,717	2,626
Employee relations and training	2,126	4,645
Insurance	1,788	1,886
Water and sewer	601	492
Gas and oil	405	898
Refuse removal	339	420
Advertising	210	-
Dues and subscriptions	145	1,095
Postage	-	74
 Total Expenses, excluding Depreciation	 313,534	 385,221
 Depreciation	 68,128	 70,012
 Total Expenses, including Depreciation	 \$ 381,662	 \$ 455,233

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 7 - Finance Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Miscellaneous	\$ 10,392	\$ 4,535
Total Revenues	10,392	4,535
Expenses		
Salaries and wages	480,958	428,167
Payroll costs (taxes, health insurance, retirement, workers' compensation)	132,934	140,233
Contract services	37,531	39,998
Supplies	15,504	17,181
Postage	10,702	7,770
Electricity	6,434	6,251
Insurance	6,180	5,416
Telephone	5,194	6,089
Equipment rental	1,990	-
Employee relations and training	1,779	1,878
Water and sewer	1,202	984
Printing	903	7,092
Dues and subscriptions	788	1,275
Gasoline and oil	684	106
Refuse removal	384	840
Advertising	204	511
Total Expenses, excluding Depreciation	703,371	663,791
Net Revenues under Expenses, excluding Depreciation	(692,979)	(659,256)
Depreciation	104,895	34,511
Net Revenues under Expenses, including Depreciation	\$ (797,874)	\$ (693,767)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 8 - Compliance, Permits, and Inspections Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Resale certificates	\$ 112,950	\$ 126,780
Inspection, filing & administration fees	39,165	47,075
Interest income	2,514	1,694
Total Revenues	154,629	175,549
Expenses		
Salaries and wages	86,103	92,848
Payroll costs (taxes, health insurance, retirement, workers' compensation)	23,187	26,999
Contract services	10,311	4,198
Telephone	4,635	5,544
Gasoline and oil	3,644	4,428
Supplies	3,638	2,770
Insurance	2,820	2,918
Electricity	2,409	2,380
Legal fees	660	-
Refuse removal	598	550
Water and sewer	268	204
Uniforms	151	1,059
Employee relations and training	59	381
Postage	2	1,079
Permits and licenses	-	242
Total Expenses excluding Depreciation	138,485	145,600
Net Revenues over Expenses, excluding Depreciation	16,144	29,949
Depreciation	-	11,658
Net Revenues over Expenses, including Depreciation	\$ 16,144	\$ 18,291

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 9 - Fire and E.M.S. Services Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Operating expenses	\$ 692,961	\$ 588,724
Total Expenses	\$ 692,961	\$ 588,724

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 10 - General Maintenance Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Salaries and wages	\$ 309,095	\$ 406,409
Building repairs and maintenance	147,524	225,242
Payroll costs (taxes, health insurance, retirement, workers' compensation)	141,960	182,508
Contract services	11,263	26,114
Insurance	9,744	14,394
Supplies	7,521	5,080
Telephone	6,854	8,754
Gasoline and oil	6,150	5,813
Electricity	3,552	3,265
Uniforms	2,706	2,526
Propane gas	1,938	2,415
Small tools	877	959
Refuse removal	800	800
Permits and licenses	325	1,158
Employee relations and training	294	1,203
Water and sewer	268	204
Equipment repairs and maintenance	97	87
Dues and subscriptions	28	536
Postage	1	690
Auto and truck repairs and maintenance	-	1,458
 Total Expenses, excluding Depreciation	 650,997	 889,615
Depreciation	13,867	13,867
 Total Expenses, including Depreciation	 \$ 664,864	 \$ 903,482

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 11 - Public Works Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
County gas taxes	\$ 88,344	\$ 55,000
Miscellaneous	8,163	13,228
Total Revenues	96,507	68,228
Expenses		
Salaries and wages	637,019	626,118
Payroll costs (taxes, health insurance, retirement, workers' compensation)	294,560	287,394
Refuse removal	123,053	82,452
Drainage maintenance	87,347	33,985
Auto and equipment repairs and maintenance	77,349	52,566
Ground improvements	76,561	51,900
Contract services	71,843	55,434
Gasoline and oil	46,670	44,312
Insurance	46,572	43,202
Roads and bridges repairs and maintenance	35,927	62,358
Supplies	26,535	14,406
Electricity	17,082	15,562
Uniforms	10,684	6,145
Telephone	6,208	8,816
Employee relations and training	4,232	1,812
Water and sewer	4,069	3,864
Road signs	3,633	8,993
Equipment rental	2,501	6,852
Permits and licenses	2,383	6,292
Propane gas	2,262	2,780
Small tools	376	723
Credit card fees	227	-
Capitalized/billed labor	159	-
Dues and subscriptions	82	270
Snow removal	-	2,370
Postage	-	373
Advertisements	-	157
Total Expenses excluding Depreciation	1,577,334	1,419,136
Net Revenues under Expenses, excluding Depreciation	(1,480,827)	(1,350,908)
Depreciation	351,403	399,275
Net Revenues under Expenses, including Depreciation	\$ (1,832,230)	\$ (1,750,183)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 12 - Recreation and Parks Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Program registration	\$ 198,835	\$ 201,653
Special events	59,241	57,853
Facility rental	17,405	13,212
Miscellaneous	10,718	11,116
Grants	10,000	10,000
Dog park license fees	6,676	210
Donations	2,881	10,421
Vending commissions	315	747
 Total Revenues	 306,071	 305,212
Expenses		
Salaries and wages	304,162	323,113
Special events	101,903	73,911
Payroll costs (taxes, health insurance, retirement, workers' compensation)	90,949	101,126
Program expenses	56,591	60,437
Repairs and maintenance	45,493	33,071
Contract services	41,547	14,446
Insurance	29,940	33,364
Electricity	28,668	29,397
Supplies	12,500	16,846
Telephone	7,832	7,628
Water and sewer	7,454	5,240
Dog park expense	5,877	4,386
Credit card fees	5,735	8,945
Propane gas	5,229	7,696
Printing	2,500	-
Refuse removal	2,116	2,557
Permits and licenses	1,563	1,358
Gasoline and oil	1,296	1,220
Employee relations and training	1,214	1,219
Equipment rental	1,060	8,941
Dues and subscriptions	825	734
Uniforms	303	944
Advertising	167	-
Auto and equipment repairs and maintenance	37	-
Postage	-	1,531
 Total Expenses excluding Depreciation	 754,961	 738,110
 Net Revenues under Expenses, excluding Depreciation	 (448,890)	 (432,898)
 Depreciation	 193,238	 180,706
 Net Revenues under Expenses, including Depreciation	 \$ (642,128)	 \$ (613,604)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 13 - Police Department Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Grants	\$ 478,317	\$ 475,000
Miscellaneous	3,910	12,239
Total Revenues	482,227	487,239
Expenses		
Salaries and wages	1,213,900	1,142,700
Payroll costs (taxes, health insurance, retirement, workers' compensation)	399,470	401,918
Contract services	44,122	34,675
Equipment rental	34,806	-
Employee relations and training	23,165	18,996
Gasoline and oil	21,827	24,668
Insurance	17,594	30,148
Telephone	14,542	14,003
Uniforms	13,277	3,242
Equipment repairs and maintenance	11,461	577
Supplies	9,686	8,495
Auto and truck repairs and maintenance	6,474	11,170
Electricity	5,790	5,626
Refuse removal	1,211	756
Water and sewer	1,092	1,016
Dues and subscriptions	733	1,986
Printing	414	412
Advertising	310	462
Permits and licenses	275	-
Propane gas	260	218
Postage	27	465
Total Expenses excluding Depreciation	1,820,436	1,701,533
Net Revenues under Expenses, excluding Depreciation	(1,338,209)	(1,214,294)
Depreciation	54,709	57,749
Net Revenues under Expenses, including Depreciation	\$ (1,392,918)	\$ (1,272,043)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 14 - Golf Operations & Maintenance Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Green fees	\$ 496,773	\$ 412,525
Cart fees	291,252	325,113
Membership dues	126,236	132,974
Merchandise	45,036	77,865
Miscellaneous	28,103	18,459
Driving range	20,866	21,439
Total Revenues	1,008,266	988,375
Cost of Sales		
Merchandise	37,318	48,099
Total Cost of Sales	37,318	48,099
Net Revenues	970,948	940,276
Expenses		
Salaries and wages	518,061	496,983
Payroll costs (taxes, health insurance, retirement, workers' compensation)	128,444	136,208
Seed, fertilizer and chemicals	117,636	131,361
Advertising and marketing	57,123	41,966
Golf operations	47,277	-
Contract services	40,862	33,848
Electricity	38,974	35,524
Repairs and maintenance	36,534	32,197
Insurance	24,996	27,058
Gas and oil	22,905	22,021
Water and sewer	20,855	15,782
Supplies	19,911	27,458
Credit card fees	14,145	13,022
Refuse removal	12,403	3,775
Miscellaneous	9,899	4,695
Telephone	7,468	9,408
Sand, soil and gravel	3,445	6,688
Employee relations and training	2,956	2,850
Equipment rental	2,681	27
Uniforms and linens	1,299	2,367
Dues and subscriptions	1,251	1,204
Permits and licenses	885	810
Small tools	575	950
Propane gas	342	345
Auto and truck repairs and maintenance	152	-
Postage	58	111
Printing	-	1,972
Total Expenses excluding Depreciation	1,131,137	1,048,630
Net Revenues under Expenses, excluding Depreciation	(160,189)	(108,354)
Depreciation	414,440	401,027
Net Revenues under Expenses, including Depreciation	\$ (574,629)	\$ (509,381)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 15 - Aquatics Operations Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Membership dues	\$ 414,353	\$ 427,629
Cash fees	201,470	205,141
Swim classes	170,877	245,508
Coupons	82,260	176,632
Miscellaneous	32,758	30,650
Food sales	13,965	16,050
Facility rental	13,891	16,109
Vending commissions	5,066	5,834
 Total Revenues	 934,640	 1,123,553
Cost of Sales		
Food	8,415	8,623
 Total Cost of Sales	 8,415	 8,623
 Net Revenues	 926,225	 1,114,930
Expenses		
Salaries and wages	475,660	508,559
Payroll costs (taxes, health insurance, retirement, workers' compensation)	123,287	126,386
Electricity	56,566	45,852
Propane gas	52,667	38,273
Water and sewer	40,764	35,850
Supplies	36,604	42,634
Insurance	31,812	36,082
Chemicals	26,160	29,796
Class instruction	23,890	22,808
Contract services	12,620	14,488
Repairs and maintenance	12,437	2,112
Uniforms	11,769	21,616
Telephone	7,227	7,588
Credit card fees	6,612	9,818
Employee relations and training	4,907	7,640
Refuse removal	4,260	2,910
Paper goods	4,079	5,892
Permits and licenses	2,035	3,174
Gasoline and oil	854	2,933
Dues and subscriptions	320	298
Equipment rental	320	90
Postage	58	-
Advertising	-	235
Special events	-	200
 Total Expenses excluding Depreciation	 934,908	 965,234
 Net Revenues (under) over Expenses, excluding Depreciation	 (8,683)	 149,696
 Depreciation	 268,447	 256,792
 Net Revenues under Expenses, including Depreciation	 \$ (277,130)	 \$ (107,096)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 16 - Tennis Operations Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Membership dues	\$ 19,504	\$ 20,815
Program registration	4,027	2,343
Miscellaneous	81	835
Facility rental	42	2,715
 Total Revenues	 23,654	 26,708
Expenses		
Salaries and wages	17,403	24,199
Water and sewer	8,158	684
Contract services	7,965	18,439
Supplies	4,919	4,154
Payroll costs (taxes, health insurance, retirement, workers' compensation)	3,084	3,769
Electricity	1,682	2,102
Maintenance	1,314	-
Refuse removal	1,040	1,001
Insurance	852	672
Uniforms	520	1,064
Dues and subscriptions	152	-
Employee relations and training	28	50
Telephone	16	101
Gas and oil	14	-
 Total Expenses excluding Depreciation	 47,147	 56,235
 Net Revenues under Expenses, excluding Depreciation	 (23,493)	 (29,527)
 Depreciation	 37,609	 38,546
 Net Revenues under Expenses, including Depreciation	 \$ (61,102)	 \$ (68,073)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 17 - Platform Tennis Operations Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Membership dues	\$ 15,655	\$ 15,236
Program registration	697	343
Miscellaneous	125	-
Total Revenues	16,477	15,579
Expenses		
Salaries and wages	5,491	7,215
Supplies	3,090	2,178
Payroll costs (taxes, health insurance, retirement, workers' compensation)	722	1,096
Contract services	1,187	2,358
Electricity	1,184	1,256
Water and sewer	162	684
Telephone	322	161
Special events	371	291
Insurance	48	108
Dues and subscriptions	-	50
Promotion	-	9
Employee relations and training	28	-
Total Expenses excluding Depreciation	12,605	15,406
Net Revenues over Expenses, excluding Depreciation	3,872	173
Depreciation	227	18,171
Net Revenues over (under) Expenses, including Depreciation	\$ 3,645	\$ (17,998)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 18 - Pickleball Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Membership dues	\$ 24,866	\$ 19,837
Program registration	9,972	9,514
Miscellaneous	700	-
Total Revenues	35,538	29,351
Expenses		
Salaries and wages	13,884	12,233
Supplies	4,901	3,100
Payroll costs (taxes, health insurance, retirement, workers' compensation)	2,098	1,925
Electricity	1,087	350
Contract services	372	9,348
Water and sewer	323	684
Telephone	161	161
Special events	146	80
Insurance	-	72
Employee relations and training	-	-
Total Expenses excluding Depreciation	22,972	27,953
Net Revenues over Expenses, excluding Depreciation	12,566	1,398
Depreciation	17,986	227
Net Revenues (under) over Expenses, including Depreciation	\$ (5,420)	\$ 1,171

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 19 - Marina Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Fuel	\$ 784,697	\$ 714,328
Slip rental	180,940	172,297
Merchandise	11,152	11,897
Daily / weekly rentals	48	325
 Total Revenues	 976,837	 898,847
Cost of Sales		
Fuel	609,681	574,204
Merchandise	7,902	8,326
 Total Cost of Sales	 617,583	 582,530
 Net Revenues	 359,254	 316,317
Expenses		
Salaries and wages	60,959	55,100
Credit card fees	16,323	14,696
Payroll costs (taxes, health insurance, retirement, workers' compensation)	12,827	11,873
Contract services	11,888	-
Insurance	11,184	11,508
Refuse removal	4,086	2,323
Electricity	3,564	3,355
Water and sewer	3,394	2,040
Supplies	1,982	3,134
Telephone	843	579
Uniforms	835	402
Repairs and maintenance	480	540
Gasoline and oil	358	638
Permit and licenses	259	372
Employee relations and training	18	358
 Total Expenses excluding Depreciation	 129,000	 106,918
 Net Revenues over Expenses, excluding Depreciation	 230,254	 209,399
 Depreciation	 32,522	 32,508
 Net Revenues over Expenses, including Depreciation	 \$ 197,732	 \$ 176,891

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 20 - Beach Club Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Food	\$ 273,832	\$ 267,446
Beverage	257,365	188,103
Total Revenues	531,197	455,549
Cost of Sales		
Food	102,961	82,456
Beverage	46,193	35,686
Total Cost of Sales	149,154	118,142
Net Revenues	382,043	337,407
Expenses		
Salaries and wages	128,253	105,413
Insurance	18,898	20,332
Management fees	17,509	16,010
Payroll costs (taxes, health insurance, retirement, workers' compensation)	17,488	14,186
Paper goods	11,850	8,705
Credit card fees	11,325	9,622
Entertainment	9,730	4,617
Supplies	9,066	17,607
Electricity	7,063	6,695
Water and sewer	6,905	8,889
Propane gas	6,437	3,627
Contract services	4,679	9,605
Telephone	2,336	2,325
Permits and licenses	1,549	4,120
Uniforms and linens	1,455	3,004
Repairs and maintenance	1,383	2,792
Taxes	1,157	1,532
Printing	-	585
Total Expenses excluding Depreciation	257,083	239,666
Net Revenues over Expenses, excluding Depreciation	124,960	97,741
Depreciation	79,955	71,021
Net Revenues over Expenses, including Depreciation	\$ 45,005	\$ 26,720

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 21 - Beach Parking Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Parking	\$ 417,099	\$ 373,713
Total Revenues	417,099	373,713
Expenses		
Salaries and wages	25,441	20,204
Contract services	9,486	1,906
Supplies	5,422	5,000
Payroll costs (taxes, health insurance, retirement, workers' compensation)	4,139	2,159
Insurance	2,172	444
Permits and licenses	200	225
Uniforms	-	237
Employee relations and training	-	114
Maintenance	-	21
Total Expenses	46,860	30,310
Net Revenues over Expenses	\$ 370,239	\$ 343,403

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 22 - Yacht Club Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Food	\$ 1,681,211	\$ 1,478,117
Beverage	971,539	841,697
Facility rental	32,887	24,463
Total Revenues	2,685,637	2,344,277
Cost of Sales		
Food	611,572	601,862
Beverage	200,791	176,415
Total Cost of Sales	812,363	778,277
Net Revenues	1,873,274	1,566,000
Expenses		
Salaries and wages	828,565	808,185
Management Fees	273,450	183,127
Payroll costs (taxes, health insurance, retirement, workers' compensation)	118,990	114,795
Entertainment	97,615	80,387
Supplies	64,491	102,146
Insurance	60,463	47,837
Electricity	59,330	50,416
Credit card fees	57,093	60,232
Paper goods	48,224	39,851
Repairs and maintenance	44,770	23,718
Propane gas	30,270	27,224
Contract services	21,935	24,176
Water and sewer	20,441	15,863
Uniforms and linens	13,730	32,306
Refuse removal	12,979	8,578
Taxes	7,210	8,225
Telephone	6,547	5,665
Permits and licenses	3,802	5,294
China, glass, and silver	2,642	8,866
Printing	165	4,017
Flowers and decorations	-	947
Employee relations and training	-	566
Equipment rental	-	356
Total Expenses excluding Depreciation	1,772,712	1,652,777
Net Revenues over (under) Expenses, excluding Depreciation	100,562	(86,777)
Depreciation	208,098	203,036
Net Revenues under Expenses, including Depreciation	\$ (107,536)	\$ (289,813)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 23 - Tern Grille Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Beverage	\$ 55,086	\$ 80,920
Food	25,053	69,108
Facility Rental	-	2,209
Total Revenues	80,139	152,237
Cost of Sales		
Beverage	18,364	33,155
Food	15,489	32,497
Total Cost of Sales	33,853	65,652
Net Revenues	46,286	86,585
Expenses		
Salaries and wages	14,567	35,881
Insurance	6,300	5,550
Permits and licenses	3,729	4,636
Water and sewer	2,662	2,352
Payroll costs (taxes, health insurance, retirement, workers' compensation)	2,564	6,739
Telephone	1,627	2,432
Refuse removal	1,490	2,944
Contract services	1,160	6,401
Electricity	871	8,384
Supplies	505	2,074
Paper goods	100	5,655
Repairs and maintenance	-	3,552
Credit card fees	-	700
Gasoline and oil	-	270
Uniforms and linens	-	100
Promotion, coupons and discounts	-	72
Advertising	-	59
Propane gas	-	49
Total Expenses excluding Depreciation	35,575	87,850
Net Revenues over (under) Expenses, excluding Depreciation	10,711	(1,265)
Depreciation	72,505	35,175
Net Revenues under Expenses, including Depreciation	\$ (61,794)	\$ (36,440)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 24 - Reserve Funds Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Assessments - replacement reserve	\$ 1,862,749	\$ 1,677,345
Assessments - bulkheads reserve	663,105	663,105
Interest income	254,576	183,798
 Total Revenues	 2,780,430	 2,524,248
Expenses		
Bulkhead repairs and maintenance	1,446,273	708,744
Salaries and wages	53,774	-
Equipment rental	28,000	-
Canal repairs and maintenance	20,283	3,282
Electricity	2,253	1,991
Payroll costs (taxes, health insurance, retirement, workers' compensation)	2,205	1,642
Gasoline and oil	2,078	2,120
Refuse removal	1,160	1,160
Insurance	720	1,080
Propane gas	493	732
Uniforms	489	-
Contract services	476	-
Telephone	462	197
Permits and licenses	275	-
Water and sewer	135	104
Supplies	112	-
Miscellaneous	-	372
 Total Expenses	 1,559,188	 721,424
 Net Revenues over Expenses	 \$ 1,221,242	 \$ 1,802,824

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 25 - Restricted Revenues

<i>For the Years Ended April 30,</i>	<i>2020</i>	<i>2019</i>
Revenues		
Assessments	\$ 252,779	\$ 600,265
Total Revenues	\$ 252,779	\$ 600,265

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 26 - Schedule of Changes in Appropriated Owners' Equity

	<i>Major Maintenance and Replacements</i>	<i>Bulkheads and Waterways</i>	<i>Roads</i>	<i>Total</i>
Balance, April 30, 2018	\$ 4,587,806	\$ 2,489,908	\$ 812,405	\$ 7,890,119
Transfers from operating fund				
Contributions from assessments	1,677,345	663,105	-	2,340,450
Interest income	109,396	53,323	21,079	183,798
Restricted contributions				
Transfer of casino funds to roads reserve	-	-	325,000	325,000
Transfers to operating fund				
Operating expenses	-	(721,424)	-	(721,424)
Capital additions	(1,117,496)	(6,438)	(57,523)	(1,181,457)
Balance, April 30, 2019	5,257,051	2,478,474	1,100,961	8,836,486
Transfers from operating fund				
Contributions from assessments	1,862,749	663,105	-	2,525,854
Interest income	154,663	70,588	29,325	254,576
Restricted contributions				
Transfer of casino funds to roads reserve	-	-	325,000	325,000
Transfers to operating fund				
Operating expenses	-	(1,559,188)	-	(1,559,188)
Capital additions	(3,793,009)	-	(948,834)	(4,741,843)
Balance April 30, 2020	\$ 3,481,454	\$ 1,652,979	\$ 506,452	\$ 5,640,885

See independent auditors' report on supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

OCEAN PINES ASSOCIATION

Schedule 27 - Supplementary Information on Future Repairs and Replacements (Unaudited) as of April 30, 2020

In 2017, Design Management Associates, Inc (DMA), an independent contractor, updated its 2015/2016 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%.

The DMA Report was updated and issued in September 2018 and 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, as the Report summarization for some asset categories was not broken out.

Components	Estimated Future Replacement Cost
Buildings and pools	\$ 16,000,000
Furniture and equipment	7,000,000
Other improvements	11,000,000
Mobile equipment	3,000,000
Vehicles	2,000,000
Roads and bridges	14,000,000
Bulkheads	30,000,000
	<u>\$ 83,000,000</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 (\$515 in FY 2021). 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.