

OCEAN PINES ASSOCIATION, INC.

FINANCIAL REPORT

APRIL 30, 2021

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Herbert J. Geary III
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Mark A. Welsh



INDEPENDENT AUDITORS' REPORT

Board of Directors
Ocean Pines Association, Inc.
Ocean Pines, Maryland

We have audited the accompanying financial statements of Ocean Pines Association, Inc., which comprise the balance sheet as of April 30, 2021, and the related statement of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Association adopted Accounting Standards Update No. 2014-09, Revenue from contracts with Customers, (Topic 6060), on May 1, 2020.

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, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Ocean Pines Association, Inc. as of April 30, 2020, were audited by other auditors whose report dated July 16, 2020, expressed an unmodified opinion on those statements.

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, 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.

A handwritten signature in black ink that reads "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
July 22, 2021

OCEAN PINES ASSOCIATION, INC.

BALANCE SHEETS
As of April 30, 2021 and 2020

	2021	2020 (as restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,968,507	\$ 6,185,388
Certificates of deposit in other financial institutions	9,533,808	6,072,784
Accounts receivable:		
Property owners' assessments, net	2,375,799	4,655,581
Other, net	317,229	247,122
Inventories	376,606	324,255
Prepaid expenses	269,412	245,372
Total current assets	18,841,361	17,730,502
PROPERTY AND EQUIPMENT		
Land	4,579,367	4,579,367
Land improvements	11,166,992	10,585,885
Buildings and building improvements	17,627,719	16,168,494
Furniture and equipment	10,635,226	10,213,415
Roads	8,905,790	8,869,021
Construction in progress	6,720	712,835
	52,921,814	51,129,017
Less: accumulated depreciation	(28,436,928)	(26,504,386)
	24,484,886	24,624,631
Total assets	\$ 43,326,247	\$ 42,355,133
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,101,605	\$ 1,105,551
PPP Loan	-	1,103,938
Refundable deposits	130,885	91,025
Contract liability (assessments received in advance - reserve fund)	5,649,626	5,640,885
Deferred income:		
Property owners' assessments	9,360,522	9,141,091
Club membership dues	116,674	69,128
Casino funds	424,178	408,247
Other	862,880	421,543
Total current liabilities	17,646,370	17,981,408
COMMITMENTS AND CONTINGENCIES		
FUND BALANCES		
Operating surplus (deficit)	1,194,991	(250,906)
Investment in fixed assets	24,484,886	24,624,631
Total fund balances	25,679,877	24,373,725
Total liabilities and fund balances	\$ 43,326,247	\$ 42,355,133

The Notes to Financial Statements are an integral part of these statements.

OCEAN PINES ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended April 30, 2021
With Summarized Financial Information For 2020

	Operating Fund	Reserve Funds
REVENUES		
Assessments	\$ 6,034,683	\$ 3,083,257
Membership dues	297,469	-
Program registration	125,655	-
Architectural review fees	223,710	-
Golf course fees	846,991	-
Passes, coupons and guest fees	270,331	-
Food and beverage sales	3,166,736	-
County road taxes	93,946	-
Slip rental and fuel sales	1,011,648	-
Parking	382,283	-
Interest income	11,648	100,428
Casino funds released from restrictions	325,000	-
Other	2,591,256	-
Total revenues	15,381,356	3,183,685
Cost of Sales	1,721,562	-
Net revenues	13,659,794	3,183,685
EXPENSES		
Salaries, wages and payroll costs	7,209,586	92,784
Services and supplies	2,488,685	1,323
Repairs and maintenance	541,588	1,431,462
Utilities	510,941	32,429
Depreciation expense	2,088,269	4,014
Other expenses	1,176,276	540
Total expenses	14,015,345	1,562,552
Excess (deficiency) of revenues over expenses before other changes	(355,551)	1,621,133
OPERATING TRANSFERS AND OTHER CHANGES IN FUND BALANCES		
Current year fixed asset additions	(32,830)	(1,946,133)
Depreciation expense	2,092,283	-
Gain (loss) on disposal of fixed assets	-	-
Proceeds from sale of property and equipment	66,995	-
Transfer of Casino funds to Roads reserve	(325,000)	325,000
	1,801,448	(1,621,133)
Excess (deficiency) of revenues over expenses	1,445,897	-
Fund balances, beginning of year	(250,906)	-
Adjustments to Fund Balance (Note 8)	-	-
Fund Balances, end of year	\$ 1,194,991	\$ -

The Notes to Financial Statements are an integral part of these statements.

Investment in Fixed Assets	Totals	
	2021	2020 (as restated)
\$ -	\$ 9,117,940	\$ 9,056,751
-	297,469	600,614
-	125,655	172,995
-	223,710	152,115
-	846,991	808,891
-	270,331	454,607
-	3,166,736	3,278,021
-	93,946	88,344
-	1,011,648	965,685
-	382,283	417,099
-	112,076	262,560
-	325,000	325,000
-	2,591,256	1,169,669
-	18,565,041	17,752,351
-	1,721,562	1,658,686
-	16,843,479	16,093,665
-	7,302,370	7,120,976
-	2,490,008	1,207,091
-	1,973,050	1,989,394
-	543,370	700,558
-	2,092,283	1,918,466
-	1,176,816	2,719,828
-	15,577,897	15,656,313
-	1,265,582	437,352
1,978,963	-	-
(2,092,283)	-	-
40,570	40,570	(526,811)
(66,995)	-	-
-	-	-
(139,745)	40,570	(526,811)
(139,745)	1,306,152	(89,459)
24,624,631	24,373,725	30,103,421
-	-	(5,729,696)
\$ 24,484,886	\$ 25,679,877	\$ 24,373,725

OCEAN PINES ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
For the Year Ended April 30, 2021
With Summarized Financial Information For 2020

	Operating Fund	Reserve Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 1,445,897	\$ -
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation expense	2,088,269	4,014
Provision for bad debts	100,000	-
(Gain) loss on disposal of property and equipment	-	-
Forgiveness of PPP loan	(1,103,938)	-
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	2,109,675	-
(Increase) decrease in inventories	(52,351)	-
Increase in prepaid expenses	(24,040)	-
Decrease in water and sewer hookups	-	-
(Decrease) increase in accounts payable and accrued expenses	(3,946)	-
Increase (decrease) in refundable deposits	39,860	-
Increase in contract liability	-	8,741
Increase (decrease) in deferred income	724,245	-
Net cash provided by (used in) operating activities	5,323,671	12,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	-
Proceeds from sale of property and equipment	-	-
(Purchases) proceeds of certificate of deposit	(3,461,024)	-
Net cash used in investing activities	(3,461,024)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of PPP loan	-	-
Interfund transfers	(2,079,528)	(12,755)
Net cash provided by (used in) financing activities	(2,079,528)	(12,755)
Net decrease in cash	(216,881)	-
Cash, beginning of fiscal year	6,185,388	-
Cash, end of fiscal year	\$ 5,968,507	\$ -

The Notes to Financial Statements are an integral part of these statements.

Investment in Fixed <u>Assets</u>	<u>2021</u>	<u>Totals</u> <u>2020</u>
\$ (139,745) \$	1,306,152	\$ (89,459)
-	2,092,283	1,918,466
-	100,000	412,666
(40,570)	(40,570)	526,811
-	(1,103,938)	(39,555)
-	2,109,675	(1,484,753)
-	(52,351)	18,006
-	(24,040)	(160,701)
-	-	37,094
-	(3,946)	350,334
-	39,860	(12,180)
-	8,741	-
-	724,245	(417,775)
<u>(180,315)</u>	<u>5,156,111</u>	<u>1,058,954</u>
(1,978,963)	(1,978,963)	(4,741,843)
66,995	66,995	13,863
-	(3,461,024)	1,817,172
<u>(1,911,968)</u>	<u>(5,372,992)</u>	<u>(2,910,808)</u>
-	-	1,143,493
<u>2,092,283</u>	-	-
<u>2,092,283</u>	-	<u>1,143,493</u>
-	(216,881)	(708,361)
-	6,185,388	6,893,749
<u>\$ -</u>	<u>\$ 5,968,507</u>	<u>\$ 6,185,388</u>

NOTES TO FINANCIAL STATEMENTS

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 \$706,000 and \$729,000 at April 30, 2021 and 2020, 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.

NOTES TO FINANCIAL STATEMENTS

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.

	2021	2020
Balance, beginning of year	\$ 730,952	\$ 383,292
Provision for credit losses	100,000	412,666
Recoveries	8,093	11,679
Net charge-offs	(88,654)	(76,685)
Balance, end of year	\$ 750,391	\$ 730,952

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 \$3,091,998 in the Reserve Funds. The balance of contract liabilities (assessments received in advance – reserve funds) was \$5,649,626 and \$5,640,885 for the years ended April 30, 2021 and 2020, 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.

NOTES TO FINANCIAL STATEMENTS

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, 2021, 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, 2021 and 2020, totaled approximately **\$39,000** and \$57,000, respectively.

Note 2. Dues and Assessments

Annual dues to owners were \$986 for non-waterfront lots for both years ended April 30, 2021 and 2020, and **\$1,501** and \$1,451 for waterfront lots for the years ended April 30, 2021 and 2020, respectively. The following represents the amount of assessments that were budgeted and billed for operations and special purposes for the years ended April 30, 2021:

	2021	2020
Operations	\$ 736	\$ 735
Replacement reserve	250	250
New capital	-	1
Non-waterfront lots	986	986
Bulkhead differential	515	465
Waterfront lots	\$ 1,501	\$ 1,451

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.

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020.

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

Note 4. 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 12 consecutive months and 1,000 hours of service. Participants may contribute up to 100% of compensation, with a maximum contribution of **\$19,500** and \$19,000 for the years ended April 30, 2021 and 2020, respectively. The Association contributes up to a 3% match of compensation for all eligible employees that contribute to the plan, with the exception of police officers who receive an automatic 5% contribution in a separate plan. Association contributions to the plan were approximately **\$88,000** and \$75,000 for the years ended April 30, 2021 and 2020, respectively.

Note 5. 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 6. 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 **\$20,200** and \$22,000 have been recorded as revenue during each of the years ended April 30, 2021 and 2020, respectively, as reflected in services and supplies in the accompanying statements of revenues and expenses and changes in fund balances.

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments and Contingencies (Continued)

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 **\$209,000** and \$291,000 for the years ended April 30, 2021 and 2020, respectively, as reflected in the services and supplies expenses on the accompanying statements of revenues and expenses and changes in fund balances

Note 7. 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 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 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 **\$1,103,938** and \$39,555, as other revenue in the accompanying financial statements for the years ended April 30, 2021 and 2020, 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 8. Prior Period Adjustment

The Association restated their previously issued financial statements for the year ended April 30, 2020 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 \$88,811.

NOTES TO FINANCIAL STATEMENTS

Note 8. Prior Period Adjustment (Continued)

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.

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:

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Investment in Fixed Assets</u>	<u>Total</u>
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 8)	(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 9. COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. As a result, the Association moved the due dates for assessments for the year ended April 30, 2020, from May 1 to August 1. Assessment due dates for the year ended April 30, 2021 were not extended. The Association’s suppliers may also be adversely impacted as a result of the pandemic. Management is unable to predict the consequences of those impacts at the present time. The Association does not anticipate any long-term impacts.

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 22, 2021, 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, 2021 and 2020

	2021	2020	Schedule
General administration	\$ 7,084,475	\$ 6,031,861	4
Public relations and marketing	(195,775)	(209,047)	5
General Manager's office	(365,399)	(381,662)	6
Finance	(903,728)	(797,874)	7
Compliance, Permits, and Inspections (C.P.I.)	45,316	16,144	8
Fire and E.M.S. services	(697,525)	(692,961)	9
General maintenance	(637,299)	(664,864)	10
Public works	(1,613,022)	(1,832,230)	11
Recreation and parks	(640,338)	(642,128)	12
Police	(1,452,763)	(1,392,918)	13
Golf operations and maintenance	(508,337)	(574,629)	14
Aquatics operation	(565,918)	(277,130)	15
Tennis operation	(101,613)	(61,102)	16
Platform tennis operation	(14,209)	3,645	17
Pickleball	(4,406)	(5,420)	18
Marinas	216,938	197,732	19
Beach club	13,094	45,005	20
Beach parking	331,035	370,239	21
Yacht club	(299,632)	(107,536)	22
Clubhouse Grille	(46,445)	(61,794)	23
<hr/>			
Operating Fund revenues under expenses	(355,551)	(1,036,669)	
Reserve funds revenues over expenses	1,621,133	1,221,242	24
Restricted Funds Revenues	-	252,779	25
<hr/>			
Net revenues over expenses	\$ 1,265,582	\$ 437,352	

OCEAN PINES ASSOCIATION, INC.

SCHEDULE OF REVENUES
Years Ended April 30, 2021 and 2020

	2021	2020	Schedule
General administration	\$ 7,878,465	\$ 6,902,521	4
Public relations and marketing	82,963	57,311	5
Finance	16,665	10,392	7
C.P.I.	225,157	154,629	8
Public works	104,041	96,507	11
Recreation and parks	130,524	306,071	12
Police department	478,570	482,227	13
Golf operations and maintenance, net	1,024,712	970,948	14
Aquatics operation, net	431,250	926,225	15
Tennis operation	38,468	23,654	16
Platform tennis operation	9,156	16,477	17
Pickleball	35,405	35,538	18
Marina, net	381,903	359,254	19
Beach club, net	303,074	382,043	20
Beach parking	382,283	417,099	21
Yacht club, net	1,878,662	1,873,274	22
Clubhouse Grille, net	258,496	46,286	23
<hr/>			
Total Operating Fund revenues, net	13,659,794	13,060,456	
Reserve funds revenues	3,183,685	2,780,430	24
Restricted Funds Revenues	-	252,779	25
<hr/>			
Total revenues	\$ 16,843,479	\$ 16,093,665	

OCEAN PINES ASSOCIATION, INC.

SCHEDULE OF EXPENSES (INCLUDING DEPRECIATION)
Years Ended April 30, 2021 and 2020

	2021	2020	Schedule
General administration	\$ 793,990	\$ 870,660	4
Public relations and marketing	278,738	266,358	5
General manager's office	365,399	381,662	6
Finance	920,393	808,266	7
Compliance, Permits and Inspections	179,841	138,485	8
Fire and E.M.S. services	697,525	692,961	9
General maintenance	637,299	664,864	10
Public works	1,717,063	1,928,737	11
Recreation and parks	770,862	948,199	12
Police department	1,931,333	1,875,145	13
Golf operations and maintenance	1,533,049	1,545,577	14
Aquatics operation	997,168	1,203,355	15
Tennis operation	140,081	84,756	16
Platform tennis operation	23,365	12,832	17
Pickleball	39,811	40,958	18
Marinas	164,965	161,522	19
Beach club	289,980	337,038	20
Beach parking	51,248	46,860	21
Yacht club	2,178,294	1,980,810	22
Clubhouse Grille	304,941	108,080	23
<hr/>			
Total Operating Fund expenses	14,015,345	14,097,125	
<hr/>			
Reserve funds expenses	1,562,552	1,559,188	24
<hr/>			
Total expenses	\$ 15,577,897	\$ 15,656,313	

OCEAN PINES ASSOCIATION, INC.

GENERAL ADMINISTRATION REVENUES AND EXPENSES

Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Assessments	\$ 6,034,683	\$ 6,278,118
Delinquent charges	39,658	27,812
Casino Funds released from restrictions	325,000	325,000
Franchise fees	196,468	185,265
Interest income	10,201	5,470
PPP loan forgiveness	1,103,938	39,555
CARES grant	124,744	-
Miscellaneous	43,773	41,301
Total revenues	7,878,465	6,902,521
Expenses		
Payroll costs (taxes, health insurance, retirement, workers' compensation)	18,901	-
Accounting fees	47,991	43,287
Bad debts	100,000	412,666
Bank fees	96	275
Contract services	186,926	120,579
Legal fees	167,922	108,415
Miscellaneous	8,851	5,636
Supplies	31,859	9,905
Water and sewer	-	8,407
Board expense	16,590	14,338
Election and referendum	40,665	19,758
Insurance	102,659	50,195
Taxes	71,530	77,199
Total expenses	793,990	870,660
Net revenues over expenses	\$ 7,084,475	\$ 6,031,861

OCEAN PINES ASSOCIATION, INC.

PUBLIC RELATIONS AND MARKETING REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Advertising	\$ 57,260	\$ 32,416
Grants	-	10,000
Miscellaneous	25,703	14,895
Total revenues	82,963	57,311
Expenses		
Salaries and wages	112,225	110,683
Payroll costs (taxes, health insurance, retirement, workers' compensation)	39,734	19,032
Employee relations and training	367	457
Contract services	17,133	20,708
Gasoline and oil	-	69
Postage	13,171	17,638
Supplies	3,077	2,628
Electricity	741	1,143
Refuse removal	264	194
Telephone	2,505	2,551
Water and sewer	164	164
Printing	32,035	43,903
Dues and subscriptions	900	814
Insurance	696	720
Promotion and marketing	55,726	45,654
Total expenses	278,738	266,358
Net revenues under expenses	\$ (195,775)	\$ (209,047)

OCEAN PINES ASSOCIATION, INC.

GENERAL MANAGER'S OFFICE EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Salaries and wages	\$ 239,406	\$ 202,309
Payroll costs (taxes, health insurance, retirement, workers' compensation)	38,583	44,596
Employee relations and training	3,689	2,126
Contract services	1,290	49,406
Gas and oil	484	405
Postage	16	-
Supplies	3,768	4,220
Electricity	3,704	2,717
Refuse removal	264	339
Telephone	5,047	4,672
Water and sewer	598	601
Dues and subscriptions	362	145
Advertising	-	210
Repairs and maintenance	2,177	-
Insurance	1,716	1,788
<hr/>		
Total expenses, excluding depreciation	301,104	313,534
Depreciation expense	64,295	68,128
<hr/>		
Total expenses, including depreciation	\$ 365,399	\$ 381,662
<hr/>		

OCEAN PINES ASSOCIATION, INC.

FINANCE EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Miscellaneous	\$ 16,665	\$ 10,392
Total revenues	16,665	10,392
Expenses		
Salaries and wages	490,773	480,958
Payroll costs (taxes, health insurance, retirement, workers' compensation)	147,927	132,934
Employee relations and training	1,060	1,779
Advertising	1,126	204
Contract services	23,310	37,531
Gasoline and oil	419	684
Postage	9,023	10,702
Printing	-	903
Legal fees	4,504	-
Supplies	20,980	15,504
Electricity	7,408	6,434
Refuse removal	264	384
Telephone	5,950	5,194
Water and sewer	1,198	1,202
Dues and subscriptions	195	788
Equipment rental	1,990	1,990
Computer fees	370	-
Insurance	6,216	6,180
Total expenses, excluding depreciation	722,713	703,371
Net revenues under expenses, excluding depreciation	(706,048)	(692,979)
Depreciation expense	197,680	104,895
Net revenues under expenses, including depreciation	\$ (903,728)	\$ (797,874)

OCEAN PINES ASSOCIATION, INC.

COMPLIANCE, PERMITS, AND INSPECTIONS REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Inspection, filing & administration fees	\$ 48,340	\$ 39,165
Resale certificates	175,370	112,950
Interest income	1,447	2,514
Total revenues	225,157	154,629
Expenses		
Salaries and wages	106,222	86,103
Payroll costs (taxes, health insurance, retirement, workers' compensation)	28,612	23,187
Employee relations and training	378	59
Uniforms	579	151
Contract services	20,437	10,311
Gasoline and oil	988	3,644
Postage	-	2
Legal fees	6,504	660
Supplies	4,712	3,638
Repairs and maintenance	424	-
Electricity	320	2,409
Refuse removal	550	598
Telephone	5,748	4,635
Water and sewer	330	268
Insurance	2,520	2,820
Printing	57	-
Propane gas	1,460	-
Total expenses	179,841	138,485
Net revenues over expenses	\$ 45,316	\$ 16,144

OCEAN PINES ASSOCIATION, INC.**FIRE AND E.M.S. SERVICES EXPENSES**
Years Ended April 30, 2021 and 2020

	2021	2020
Operating expenses	\$ 697,525	\$ 692,961
Total expenses	\$ 697,525	\$ 692,961

OCEAN PINES ASSOCIATION, INC.

GENERAL MAINTENANCE EXPENSES

Years Ended April 30, 2021 and 2020

	2021	2020
Salaries and wages	\$ 266,007	\$ 309,095
Payroll costs (taxes, health insurance, retirement, workers' compensation)	129,644	141,960
Employee relations and training	918	294
Uniforms	2,156	2,706
Contract services	7,985	11,263
Supplies	12,571	7,521
Small tools	760	877
Gasoline and oil	2,938	6,150
Building repairs and maintenance	176,677	147,524
Equipment repairs and maintenance	-	97
Electricity	3,169	3,552
Propane gas	2,535	1,938
Refuse removal	800	800
Telephone	7,441	6,854
Water and sewer	330	268
Insurance	8,796	9,744
Dues and subscriptions	-	28
Postage	18	1
Repairs and maintenance	1,056	-
Permits and licenses	491	325
<hr/>		
Total expenses, excluding depreciation	624,292	650,997
Depreciation expense	13,007	13,867
<hr/>		
Total expenses, including depreciation	\$ 637,299	\$ 664,864
<hr/>		

OCEAN PINES ASSOCIATION, INC.

PUBLIC WORKS REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
County gas taxes	\$ 93,946	\$ 88,344
Miscellaneous	10,095	8,163
Total revenues	104,041	96,507
Expenses		
Salaries and wages	628,873	637,019
Capitalized/billed labor	-	159
Payroll costs (taxes, health insurance, retirement, workers' compensation)	274,740	294,560
Employee relations and training	2,732	4,232
Equipment rental	6,632	2,501
Uniforms	8,874	10,684
Contract services	54,209	71,843
Ground improvements	53,235	76,561
Road signs	10,816	3,633
Small tools	1,653	376
Snow removal	10,243	-
Gasoline and oil	28,557	46,670
Postage	25	-
Supplies	21,117	26,535
Repairs and maintenance	36,780	-
Auto and equipment repairs and maintenance	24,681	77,349
Drainage maintenance	96,626	87,347
Roads and bridges repairs and maintenance	21,258	35,927
Electricity	17,644	17,082
Propane gas	2,973	2,262
Refuse removal	69,660	123,053
Telephone	5,220	6,208
Water and sewer	4,630	4,069
Insurance	55,500	46,572
Permits and licenses	1,791	2,383
Credit card fees	926	227
Miscellaneous	360	-
Dues and subscriptions	127	82
Total expenses	1,439,882	1,577,334
Net revenues under expenses, excluding depreciation	(1,335,841)	(1,480,827)
Depreciation expense	277,181	351,403
Net revenues under expenses, including depreciation	\$ (1,613,022)	\$ (1,832,230)

OCEAN PINES ASSOCIATION, INC.

RECREATION AND PARKS REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Program registration	\$ 98,584	\$ 198,835
Special events	2,990	59,241
Donations	13,150	2,881
Facility rental	1,697	17,405
Dog Park license fees	5,435	6,676
Vending commissions	-	315
Grants	-	10,000
Miscellaneous	8,668	10,718
Total revenues	130,524	306,071
Expenses		
Salaries and wages	263,426	304,162
Payroll costs (taxes, health insurance, retirement, workers' compensation)	88,689	90,949
Employee relations and training	349	1,214
Advertising	-	167
Equipment rental	79	1,060
Uniforms	245	303
Contract services	45,971	41,547
Gasoline and oil	1,037	1,296
Auto and equipment repairs and maintenance	91	37
Supplies	9,549	12,500
Credit card fees	3,565	5,735
Repairs and maintenance	27,169	45,493
Electricity	21,193	28,668
Propane gas	8,302	5,229
Refuse removal	1,947	2,116
Telephone	7,201	7,832
Water and sewer	5,301	7,454
Dog Park expense	5,290	5,877
Program expenses	15,831	56,591
Special events	7,273	101,903
Printing	2,017	2,500
Dues and subscriptions	1,272	825
Insurance	38,040	29,940
Miscellaneous	6,953	1,563
Total expenses	560,790	754,961
 Net revenues under expenses, excluding depreciation	 (430,266)	 (448,890)
 Depreciation expense	 210,072	 193,238
 Net revenues under expenses, including depreciation	 \$ (640,338)	 \$ (642,128)

OCEAN PINES ASSOCIATION, INC.

POLICE DEPARTMENT REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Grants	\$ 475,000	\$ 478,317
Miscellaneous income	3,570	3,910
Total revenues	478,570	482,227
Expenses		
Salaries and wages	1,202,532	1,213,900
Payroll costs (taxes, health insurance, retirement, workers' compensation)	446,779	399,470
Employee relations and training	17,979	23,165
Employee ads	-	310
Equipment rental	4,829	34,806
Uniforms	16,051	13,277
Contract services	38,743	44,122
Gasoline and oil	15,876	21,827
Printing	562	414
Postage	33	27
Supplies	13,668	9,686
Auto and truck repairs and maintenance	8,303	6,474
Equipment repairs and maintenance	1,686	11,461
Electricity	6,667	5,790
Propane gas	1,054	260
Refuse removal	1,228	1,211
Telephone	14,170	14,542
Water and sewer	1,088	1,092
Insurance	33,720	17,594
Permits and licenses	-	275
Dues and subscriptions	295	733
Total expenses	1,825,263	1,820,436
Net revenues under expenses, excluding depreciation	(1,346,693)	(1,338,209)
Depreciation expense	106,070	54,709
Net revenues under expenses, including depreciation	\$ (1,452,763)	\$ (1,392,918)

OCEAN PINES ASSOCIATION, INC.

Golf Operations & Maintenance Revenue and Expenses
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Green fees	\$ 524,505	\$ 496,773
Cart fees	291,686	291,252
Membership dues	118,617	126,236
Merchandise	78,663	45,036
Miscellaneous	30,678	28,103
Driving range	30,800	20,866
Total Revenues	1,074,949	1,008,266
Cost of sales		
Beverage	250	-
Merchandise	49,987	37,318
Total cost of sales	50,237	37,318
Net revenues	1,024,712	970,948
Expenses		
Salaries and wages	503,416	518,061
Payroll costs (taxes, health insurance, retirement, workers' compensation)	106,824	128,444
Seed, fertilizer and chemicals	190,887	117,636
Advertising and marketing	37,990	57,123
Golf operations	5,103	47,277
Contract services	41,122	40,862
Electricity	39,057	38,974
Repairs and maintenance	34,129	36,534
Insurance	30,240	24,996
Gas and oil	18,254	22,905
Water and sewer	15,079	20,855
Supplies	37,585	19,911
Credit card fees	18,888	14,145
Refuse removal	7,514	12,403
Miscellaneous	-	9,899
Telephone	9,819	7,468
Sand, soil and gravel	8,509	3,445
Employee relations and training	4,043	2,956
Equipment rental	-	2,681
Uniforms and linens	3,675	1,299
Dues and subscriptions	1,621	1,251
Permits and licenses	665	885
Small tools	595	575
Propane gas	442	342
Auto and truck repairs and maintenance	1,358	152
Postage	323	58
Drainage maintenance	174	-
Ground improvements	4,358	-
Total expenses	1,121,670	1,131,137
Net revenues under expenses, excluding depreciation	(96,958)	(160,189)
Depreciation expense	411,379	414,440
Net revenues under expenses, including depreciation	\$ (508,337)	\$ (574,629)

OCEAN PINES ASSOCIATION, INC.

AQUATICS OPERATION REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Membership dues	\$ 129,720	\$ 414,353
Facility rental	19,233	13,891
Coupons	9,349	82,260
Cash fees	192,224	201,470
Swim classes	68,758	170,877
Food sales	-	13,965
Vending commissions	2,047	5,066
Merchandise	730	-
Miscellaneous	10,895	32,758
Total revenues	432,956	934,640
Cost of sales		
Merchandise	361	-
Food	1,345	8,415
Total cost of sales	1,706	8,415
Net revenues	431,250	926,225
Expenses		
Salaries and wages	369,256	475,660
Payroll costs (taxes, health insurance, retirement, workers' compensation)	88,566	123,287
Employee relations and training	3,494	4,907
Equipment rental	-	320
Uniforms	8,637	11,769
Class instruction	21,935	23,890
Contract services	12,329	12,620
Chemicals	15,525	26,160
Credit card fees	6,567	6,612
Gasoline and oil	184	854
Supplies	24,132	36,604
Paper goods	481	4,079
Repairs and maintenance	10,812	12,437
Electricity	40,930	56,566
Propane gas	41,672	52,667
Refuse removal	3,418	4,260
Telephone	7,550	7,227
Water and sewer	31,304	40,764
Dues and subscriptions	273	320
Postage	-	58
Insurance	38,196	31,812
Permits and licenses	1,805	2,035
Total expenses	727,066	934,908
 Net revenues under expenses, excluding depreciation	 (295,816)	 (8,683)
 Depreciation expense	 270,102	 268,447
 Net revenues under expenses, including depreciation	 \$ (565,918)	 \$ (277,130)

OCEAN PINES ASSOCIATION, INC.

TENNIS OPERATION REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Membership dues	\$ 20,855	\$ 19,504
Program registration	11,099	4,027
Facility rental	19	42
Miscellaneous	6,495	81
Total revenues	38,468	23,654
Expenses		
Salaries and wages	43,113	17,403
Payroll costs (taxes, health insurance, retirement, workers' compensation)	6,606	3,084
Employee relations and training	359	28
Uniforms	753	520
Contract services	31,515	7,965
Supplies	8,508	4,919
Refuse removal	1,132	1,040
Repairs and maintenance	5,058	1,314
Electricity	2,211	1,682
Telephone	24	16
Water and sewer	1,762	8,158
Insurance	1,728	852
Special events	1,285	-
Gas and oil	7	14
Credit card fees	900	-
Dues and subscriptions	-	152
Total expenses	104,961	47,147
Net revenues under expenses, excluding depreciation	(66,493)	(23,493)
Depreciation expense	35,120	37,609
Net revenues under expenses, including depreciation	\$ (101,613)	\$ (61,102)

OCEAN PINES ASSOCIATION, INC.

PLATFORM TENNIS OPERATION REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Membership dues	\$ 8,486	\$ 15,655
Program registration	398	697
Miscellaneous	272	125
Total revenues	9,156	16,477
Expenses		
Salaries and wages	14,423	5,491
Payroll costs (taxes, health insurance, retirement, workers' compensation)	2,109	722
Employee relations and training	-	28
Contract services	607	1,187
Supplies	4,727	3,090
Electricity	350	1,184
Telephone	161	322
Water and sewer	248	162
Insurance	-	48
Special events	-	371
Equipment repairs and maintenance	130	-
Dues and subscriptions	-	-
Total expenses	22,755	12,605
Net revenues (under) over expenses, excluding depreciation	(13,599)	3,872
Depreciation expense	610	227
Net revenues (under) over expenses, including depreciation	\$ (14,209)	\$ 3,645

OCEAN PINES ASSOCIATION, INC.

PICKLEBALL REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Membership dues	\$ 19,791	\$ 24,866
Program registration	15,574	9,972
Miscellaneous	40	700
Total revenues	35,405	35,538
Expenses		
Salaries and wages	13,130	13,884
Payroll costs (taxes, health insurance, retirement, workers' compensation)	1,801	2,098
Employee relations and training	-	-
Contract services	607	372
Supplies	4,742	4,901
Repairs and maintenance	352	-
Electricity	1,126	1,087
Telephone	161	161
Water and sewer	248	323
Insurance	4	-
Program expenses	-	-
Special events	-	146
Total expenses	22,171	22,972
Net revenues over expenses, excluding depreciation	13,234	12,566
Depreciation expense	17,640	17,986
Net revenues under expenses, including depreciation	\$ (4,406)	\$ (5,420)

OCEAN PINES ASSOCIATION, INC.

MARINA REVENUES AND EXPENSES

Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Food	\$ 8,091	\$ -
Fuel	827,202	784,697
Slip rental	184,446	180,940
Daily/ weekly rentals	-	48
Merchandise	2,394	-
Miscellaneous	-	11,152
Total revenues	1,022,133	976,837
Cost of sales		
Fuel	631,972	609,681
Food	4,088	-
Miscellaneous	4,170	7,902
Total cost of sales	640,230	617,583
Net revenues	381,903	359,254
Expenses		
Salaries and wages	60,333	60,959
Payroll costs (taxes, health insurance, retirement, workers' compensation)	13,353	12,827
Employee relations and training	248	18
Credit card fees	19,568	16,323
Uniforms	552	835
Contract services	11,284	11,888
Gasoline and oil	17	358
Supplies	7,113	1,982
Repairs and maintenance	2,335	480
Electricity	3,254	3,564
Refuse removal	2,012	4,086
Telephone	879	843
Water and sewer	2,359	3,394
Insurance	8,160	11,184
Permits and licenses	372	259
Total expenses	131,839	129,000
Net revenues over expenses, excluding depreciation	250,064	230,254
Depreciation expense	33,126	32,522
Net revenues over expenses, including depreciation	\$ 216,938	\$ 197,732

OCEAN PINES ASSOCIATION, INC.

BEACH CLUB REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Food	\$ 204,175	\$ 273,832
Beverage	201,926	257,365
Miscellaneous	496	-
Total revenues	406,597	531,197
Cost of sales		
Food	66,444	102,961
Beverage	37,079	46,193
Total cost of sales	103,523	149,154
Net revenues	303,074	382,043
Expenses		
Salaries and wages	103,384	128,253
Payroll costs (taxes, health insurance, retirement, workers' compensation)	21,064	17,488
Credit card fees	11,210	11,325
Entertainment	3,225	9,730
Uniforms	1,042	1,455
Contract services	7,365	4,679
Paper goods	6,008	11,850
Supplies	13,222	9,066
Repairs and maintenance	2,250	1,383
Electricity	7,512	7,063
Propane gas	5,120	6,437
Telephone	1,743	2,336
Water and sewer	8,099	6,905
Insurance	16,116	18,898
Permits and licenses	953	1,549
Management fees	-	17,509
Taxes	700	1,157
Equipment rental	1,287	-
Refuse removal	87	-
Total expenses	210,387	257,083
Net revenues over expenses, excluding depreciation	92,687	124,960
Depreciation expense	79,593	79,955
Net revenues over expenses, including depreciation	\$ 13,094	\$ 45,005

OCEAN PINES ASSOCIATION, INC.

BEACH PARKING REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Parking	\$ 382,283	\$ 417,099
Expenses		
Salaries and wages	27,752	25,441
Payroll costs (taxes, health insurance, retirement, workers' compensation)	5,149	4,139
Contract services	9,265	9,486
Supplies	6,181	5,422
Insurance	2,604	2,172
Permits and licenses	200	200
Uniforms	97	-
Total expenses	51,248	46,860
Net revenues over expenses	\$ 331,035	\$ 370,239

OCEAN PINES ASSOCIATION, INC.

YACHT CLUB REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Facility rental	\$ 20,268	\$ 32,887
Food	1,525,601	1,681,211
Merchandise	17,610	-
Beverage	843,356	971,539
PPP loan forgiveness	271,300	-
Total revenues	2,678,135	2,685,637
Cost of sales		
Food	614,772	611,572
Merchandise	6,434	-
Beverage	178,267	200,791
Total cost of sales	799,473	812,363
Net revenues	1,878,662	1,873,274
Expenses		
Salaries and wages	1,018,733	828,565
Payroll costs (taxes, health insurance, retirement, workers' compensation)	134,057	118,990
Credit card fees	58,328	57,093
Equipment rental	1,656	-
Entertainment	63,371	97,615
Uniforms and linens	5,028	13,730
Contract services	30,502	21,935
China, glass, and silver	1,276	2,642
Paper goods	21,762	48,224
Printing	7,980	165
Supplies	99,621	64,491
Repairs and maintenance	23,193	44,770
Electricity	46,674	59,330
Propane gas	21,057	30,270
Refuse removal	11,370	12,979
Telephone	6,281	6,547
Water and sewer	18,257	20,441
Insurance	79,456	60,463
Permits and licenses	3,802	3,802
Management fees	208,587	273,450
Taxes	3,494	7,210
Total expenses	1,864,485	1,772,712
Net revenues over expenses, excluding depreciation	14,177	100,562
Depreciation expense	313,809	208,098
Net revenues under expenses, including depreciation	\$ (299,632)	\$ (107,536)

OCEAN PINES ASSOCIATION, INC.

CLUBHOUSE GRILLE REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Food	\$ 198,708	\$ 25,053
Beverage	184,879	55,086
Merchandise	1,302	-
Total revenues	384,889	80,139
Cost of sales		
Food	81,830	15,489
Merchandise	1,318	-
Beverage	43,245	18,364
Total cost of sales	126,393	33,853
Net revenues	258,496	46,286
Expenses		
Salaries and wages	132,671	14,567
Payroll costs (taxes, health insurance, retirement, workers' compensation)	20,773	2,564
Credit card fees	9,986	-
Contract services	13,532	1,160
Paper goods	7,690	100
Supplies	19,131	505
Repairs and maintenance	7,276	-
Electricity	8,142	871
Propane gas	2,581	-
Refuse removal	1,439	1,490
Telephone	1,523	1,627
Water and sewer	2,538	2,662
Insurance	8,364	6,300
Management fees	1,500	-
Entertainment	3,171	-
Permits and licenses	6,039	3,729
Total expenses	246,356	35,575
Net revenues over expenses, excluding depreciation	12,140	10,711
Depreciation expense	58,585	72,505
Net revenues (under) over expenses, including depreciation	\$ (46,445)	\$ (61,794)

OCEAN PINES ASSOCIATION, INC.

RESERVE FUNDS REVENUES AND EXPENSES
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Assessments - replacement reserve	\$ 1,774,064	\$ 1,862,749
Assessments - bulkheads reserve	892,193	663,105
Assessments - drainage reserve	250,000	-
Assessments - new capital	167,000	-
Interest income	100,428	254,576
Total revenues	3,183,685	2,780,430
Expenses		
Salaries and wages	64,586	53,774
Payroll costs (taxes, health insurance, retirement, workers' compensation)	28,198	2,205
Gasoline and oil	1,323	2,078
Bulkhead repairs and maintenance	1,428,886	1,446,273
Canal repairs and maintenance	2,576	20,283
Contract services	-	476
Electricity	1,686	2,253
Equipment rental	28,000	28,000
Permits and licenses	-	275
Propane gas	768	493
Refuse removal	1,160	1,160
Supplies	65	112
Telephone	584	462
Uniforms	-	489
Water and sewer	166	135
Insurance	540	720
Depreciation	4,014	-
Total expenses	1,562,552	1,559,188
Net revenues over expenses	\$ 1,621,133	\$ 1,221,242

OCEAN PINES ASSOCIATION, INC.**RESTRICTED REVENUES AND EXPENSES**
Years Ended April 30, 2021 and 2020

	2021	2020
Revenues		
Assessments	\$ -	\$ 252,779
<hr/>		
Total revenues	\$ -	\$ 252,779
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OCEAN PINES ASSOCIATION, INC.

SCHEDULE OF CHANGES IN CONTRACT LIABILITIES (ASSESSMENTS RECEIVED IN ADVANCE - RESERVE FUND)
Years Ended April 30, 2021 and 2020

	<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, 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 (expense)	154,663	70,588	29,325	-	-	254,576
Restricted Contributions:						
Transfer of Casino funds to Roads reserve	-	-	325,000	-	-	325,000
Transfer of funds to Drainage reserve	-	-	(506,452)	506,452	-	-
Transfers to Operating Fund:						
Operating expenses	-	(1,559,188)	-	-	-	(1,559,188)
Capital additions	(3,793,009)	-	(948,834)	-	-	(4,741,843)
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

REQUIRED SUPPLEMENTARY INFORMATION

OCEAN PINES ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE REPAIRS AND REPLACEMENTS (UNAUDITED)
April 30, 2021

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, pools and bridges	\$ 16,000,000
Furniture and equipment	7,000,000
Other improvements	11,000,000
Mobile equipment	3,000,000
Vehicles	2,000,000
Roads	14,000,000
Bulkheads	<u>30,000,000</u>
	<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 (\$615 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.