

OCEAN PINES ASSOCIATION

**Financial Statements
Together with Independent Auditors' Report
For the Years Ended April 30, 2019 and 2018**

OCEAN PINES ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 44 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 46 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 30, 2019

OCEAN PINES ASSOCIATION

	Balance Sheets	
<i>As of April 30,</i>	<i>2019</i>	<i>2018</i>
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,893,749	\$ 10,620,968
Certificates of deposit	7,889,956	2,676,962
Accounts receivable		
Property owners' assessments, net	3,620,259	3,340,191
Other, net	210,357	365,689
Inventories	342,261	334,244
Prepaid expenses	84,671	137,857
Total Current Assets	19,041,253	17,475,911
Non-Current Assets		
Water and sewer hookups	37,094	37,094
Property and Equipment, net		
Land	4,579,367	4,579,367
Land improvements	10,226,053	10,206,809
Buildings and building improvements	15,670,189	15,256,793
Furniture and equipment	9,749,868	9,436,272
Roads	7,975,571	7,918,048
	48,201,048	47,397,289
Less: accumulated depreciation	(26,320,527)	(24,687,608)
	21,880,521	22,709,681
Construction in progress	461,407	412,666
Total Property and Equipment, net	22,341,928	23,122,347
Total Non-Current Assets	22,379,022	23,159,441
Total Assets	\$ 41,420,275	\$ 40,635,352
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued expenses	\$ 755,217	\$ 880,255
Refundable deposits	103,205	84,705
Deferred revenue		
Property owners' assessments	9,073,122	8,783,243
Membership dues	375,087	451,063
Casino funds	388,965	306,481
Other	441,536	728,470
Total Current Liabilities	11,137,132	11,234,217
Commitments (Note 4)		
Fund Balances		
Operating fund	(895,271)	(1,611,331)
Reserve funds	8,836,486	7,890,119
Investment in fixed assets	22,341,928	23,122,347
Total Fund Balances	30,283,143	29,401,135
Total Liabilities and Fund Balances	\$ 41,420,275	\$ 40,635,352

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, 2019
(With Comparative Totals for 2018)

	Operating Fund	Reserve Funds	Restricted Fund	Investment in Fixed Assets	Total 2019	Total 2018
Revenues						
Assessments	\$ 5,819,038	\$ 2,340,450	\$ 600,265	\$ -	\$ 8,759,753	\$ 8,515,628
Membership dues	616,491	-	-	-	616,491	684,697
Program registration	281,706	-	-	-	281,706	270,890
Architectural review fees	173,855	-	-	-	173,855	159,370
Golf course fees	759,077	-	-	-	759,077	817,269
Passes, coupons, and guest fees	627,281	-	-	-	627,281	561,073
Food and beverage sales	2,941,441	-	-	-	2,941,441	1,877,287
County road taxes	55,000	-	-	-	55,000	57,530
Slip rental and fuel sales	886,950	-	-	-	886,950	764,329
Parking	373,635	-	-	-	373,635	330,387
Interest income	21,238	183,798	-	-	205,036	65,535
Casino funds released from restrictions	325,000	-	-	-	325,000	300,000
Other income	1,227,472	-	-	-	1,227,472	1,195,171
Total Revenues	14,108,184	2,524,248	600,265	-	17,232,697	15,599,166
Cost of Sales	1,601,323	-	-	-	1,601,323	1,255,218
Net Revenues	12,506,861	2,524,248	600,265	-	15,631,374	14,343,948
Expenses						
Salaries, wages and payroll costs	7,206,101	1,642	-	-	7,207,743	7,093,103
Services and supplies	1,797,821	1,160	-	-	1,798,981	1,755,608
Repairs and maintenance	487,979	712,026	-	-	1,200,005	592,510
Utilities	601,700	4,412	-	-	606,112	630,436
Depreciation	1,824,840	-	-	-	1,824,840	1,806,780
Other expenses	1,951,576	2,184	-	-	1,953,760	1,951,010
Total Expenses	13,870,017	721,424	-	-	14,591,441	13,829,447
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	514,501
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)	(94,900)
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)	(94,900)
Net Revenues (under) over Expenses after Operating Transfers and Other Changes in Fund Balances	115,795	946,367	600,265	(780,419)	882,008	419,601
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	28,981,534
Fund Balances, end of year	\$ (895,271)	\$ 8,836,486	\$ -	\$ 22,341,928	\$ 30,283,143	\$ 29,401,135

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, 2018

	Operating Fund	Reserve Funds	Investment in Fixed Assets	Total
Revenues				
Assessments	\$ 5,364,901	\$ 3,150,727	\$ -	\$ 8,515,628
Membership dues	684,697	-	-	684,697
Program registration	270,890	-	-	270,890
Architectural review fees	159,370	-	-	159,370
Golf course fees	817,269	-	-	817,269
Passes, coupons, and guest fees	561,073	-	-	561,073
Food and beverage sales	1,877,287	-	-	1,877,287
County road taxes	57,530	-	-	57,530
Slip rental and fuel sales	764,329	-	-	764,329
Parking	330,387	-	-	330,387
Interest income	7,218	58,317	-	65,535
Casino funds released from restrictions	300,000	-	-	300,000
Other income	1,195,171	-	-	1,195,171
Total Revenues	12,390,122	3,209,044	-	15,599,166
Cost of Sales	1,255,218	-	-	1,255,218
Net Revenues	11,134,904	3,209,044	-	14,343,948
Expenses				
Salaries, wages and payroll costs	7,047,601	45,502	-	7,093,103
Services and supplies	1,754,504	1,104	-	1,755,608
Repairs and maintenance	483,248	109,262	-	592,510
Utilities	626,910	3,526	-	630,436
Depreciation	1,802,965	3,815	-	1,806,780
Other expenses	1,948,264	2,746	-	1,951,010
Total Expenses	13,663,492	165,955	-	13,829,447
Net Revenues (under) over Expenses before Operating Transfers and Other Changes in Fund Balances	(2,528,588)	3,043,089	-	514,501
Operating Transfers and Other Changes in Fund Balances				
Current year fixed asset additions	(225,883)	(889,333)	1,115,216	-
Depreciation expense	1,806,780	-	(1,806,780)	-
Loss on disposal of property and equipment	-	-	(94,900)	(94,900)
Transfer of Casino funds to Roads Reserve	(300,000)	300,000	-	-
Operating Transfers and Other Changes in Fund Balances, net	1,280,897	(589,333)	(786,464)	(94,900)
Net Revenues (under) over Expenses after Operating Transfers and Other Changes in Fund Balances	(1,247,691)	2,453,756	(786,464)	419,601
Fund Balances, beginning of year	(363,640)	5,436,363	23,908,811	28,981,534
Fund Balances, end of year	\$ (1,611,331)	\$ 7,890,119	\$ 23,122,347	\$ 29,401,135

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

OCEAN PINES ASSOCIATION

**Statements of Cash Flows
For the Year Ended April 30, 2019
(With Comparative Totals for 2018)**

	<i>Operating Fund</i>	<i>Reserve Funds</i>	<i>Restricted Fund</i>	<i>Investment in Fixed Assets</i>	<i>2019</i>	<i>2018</i>
Cash Flows from Operating Activities						
Net revenues (under) over Expenses after Operating Transfers and Other Changes in Fund Balances	\$ 115,795	\$ 946,367	\$ 600,265	\$ (780,419)	\$ 882,008	\$ 419,601
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	1,806,780
Provision for bad debts	201,590	-	-	-	201,590	254,252
Loss on disposal of property and equipment	-	-	-	157,925	157,925	94,900
Changes in operating assets and liabilities						
Accounts receivable	(326,326)	-	-	-	(326,326)	(154,779)
Inventories	(8,017)	-	-	-	(8,017)	(8,989)
Prepaid expenses	53,186	-	-	-	53,186	28,215
Accounts payable and accrued expenses	(125,038)	-	-	-	(125,038)	(173,837)
Refundable deposits	18,500	-	-	-	18,500	(9,240)
Deferred revenue	9,453	-	-	-	9,453	469,678
Cash and Cash Equivalents Provided by (Used in) Operating Activities	1,763,983	946,367	600,265	(622,494)	2,688,121	2,726,581
Cash Flows from Investing Activities						
Acquisition of property and equipment	-	-	-	(1,209,074)	(1,209,074)	(1,115,216)
Proceeds from sale of property and equipment	6,728	-	-	-	6,728	-
Purchases of certificates of deposit	(5,212,994)	-	-	-	(5,212,994)	(2,676,962)
Cash and Cash Equivalents Used in Investing Activities	(5,206,266)	-	-	(1,209,074)	(6,415,340)	(3,792,178)
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)	(1,065,597)
Cash and Cash Equivalents, beginning of year	10,620,968	-	-	-	10,620,968	11,686,565
Cash and Cash Equivalents, end of year	\$ 6,893,749	\$ -	\$ -	\$ -	\$ 6,893,749	\$ 10,620,968

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

OCEAN PINES ASSOCIATION

**Statement of Cash Flows
For the Year Ended April 30, 2018**

	<i>Operating Fund</i>	<i>Reserve Funds</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	\$ (1,247,691)	\$ 2,453,756	\$ (786,464)	\$ 419,601
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	1,802,965	3,815	-	1,806,780
Provision for bad debts	254,252	-	-	254,252
Loss on disposal of property and equipment	-	-	94,900	94,900
Changes in operating assets and liabilities				
Accounts receivable	(154,779)	-	-	(154,779)
Inventories	(8,989)	-	-	(8,989)
Prepaid expenses	28,215	-	-	28,215
Accounts payable and accrued expenses	(173,837)	-	-	(173,837)
Refundable deposits	(9,240)	-	-	(9,240)
Deferred revenue	469,678	-	-	469,678
Cash and Cash Equivalents Provided by (Used in) Operating Activities	960,574	2,457,571	(691,564)	2,726,581
Cash Flows from Investing Activities				
Acquisition of property and equipment	-	-	(1,115,216)	(1,115,216)
Purchases of certificates of deposit	(2,676,962)	-	-	(2,676,962)
Cash and Cash Equivalents Used in Investing Activities	(2,676,962)	-	(1,115,216)	(3,792,178)
Cash Flows from Financing Activities				
Interfund transfers	650,791	(2,457,571)	1,806,780	-
Cash and Cash Equivalents Provided by (Used in) Financing Activities	650,791	(2,457,571)	1,806,780	-
Net Decrease in Cash and Cash Equivalents	(1,065,597)	-	-	(1,065,597)
Cash and Cash Equivalents, beginning of year	11,686,565	-	-	11,686,565
Cash and Cash Equivalents, end of year	\$ 10,620,968	\$ -	\$ -	\$ 10,620,968

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

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2019 and 2018

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 8,542 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, 2019 and 2018

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.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2019 and 2018

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

Property Owners' Assessments Receivable – continued

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

	<i>2019</i>	<i>2018</i>
Balance, beginning of the year	\$ 300,000	\$ 225,000
Provision for bad debts	201,590	254,252
Recoveries	8,292	888
Net charge-offs	(126,590)	(180,140)
Balance, end of year	\$ 383,292	\$ 300,000

Accounts Receivable

Included in accounts receivable are receivables which are more than 90 days past due totaling approximately \$780,000 and \$944,000 as of April 30, 2019 and 2018, respectively. These receivables include member assessments (approximately \$389,000 and \$412,000, respectively), 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.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2019 and 2018

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

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

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 investment in fixed assets fund for the period. Depreciation expense for the years ended April 30, 2019 and 2018 totaled approximately \$1,825,000 and \$1,807,000, respectively.

Valuation of Long-Lived Assets

The Association accounts for the valuation of long-lived assets under 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, 2019 and 2018, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2019 and 2018

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

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. In addition, the Association has developed a supplemental funding plan to provide funding for Major Repairs and Replacements, which are estimated to be required in future years. The continuation of this supplemental funding, which was first implemented in 2010, and the amount of such funding, if any, is subject to annual determination by the Board of Directors. For the year 2019, the Association eliminated the supplemental funding. Other reserves for certain future capital expenditures are funded through current assessments (Note 2), as determined by the Board of Directors.

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.

Accounting Standards Codification (ASC) 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, 2019 and 2018.

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

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2019 and 2018

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

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued 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 August 2015, the FASB deferred the effective date of the revenue recognition guidance for non-public entities to reporting periods beginning after December 15, 2018. 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.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows Restricted Cash (Topic 230)*, to clarify how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. Under this new guidance, entities will be required to show the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows. This new guidance is effective for annual reporting periods beginning after December 15, 2018. The Association is currently evaluating the impact of adopting the new restricted cash standard on its financial statements.

Advertising Expense

The Company expenses all advertising costs as they are incurred. Advertising costs for the year ended April 30, 2019 and 2018, totaled approximately \$68,000 and \$57,000, respectively.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These classifications have no effect on the previously reported results of operations or fund balances.

Subsequent Events

The Association evaluated for disclosure any subsequent events through July 30, 2019, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2019 and 2018

2. DUES AND ASSESSMENTS

Annual dues to owners for the years ended April 30, 2019 and 2018 totaled \$951 and \$921 for non-waterfront lots and \$1,416 and \$1,386 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,:

	<i>2019</i>	<i>1900</i>
Operations	\$ 679	\$ 609
Replacement reserve	270	275
Bulkhead reserve	-	19
New capital	2	18
Non-waterfront lots	951	921
Bulkhead differential	465	465
Waterfront lots	\$ 1,416	\$ 1,386

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 \$18,500. The Association contributes 3% of compensation for all eligible employees. Contributions made to the Plan by the Association were approximately \$71,000 and \$86,000 for the years ended April 30, 2019 and 2018, respectively.

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, 2019 and 2018.

OCEAN PINES ASSOCIATION

Notes to Financial Statements For the Years Ended April 30, 2019 and 2018

4. COMMITMENTS – continued

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 is 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 exceeds 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 allows for a year two bonus if the net combined income of both facilities is greater than the previous year. In year two, a bonus is paid for every dollar above the prior year net combined income according to the scale above. The Association paid management fees of approximately \$199,000 for the year ended April 30, 2019.

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>2019</i>	<i>2018</i>	<i>Schedule</i>
General administration	\$ 5,630,170	\$ 5,264,463	4
Public relations and marketing	(253,965)	(281,013)	5
General Manager's office	(455,233)	(293,629)	6
Finance	(693,767)	(733,685)	7
Compliance, Permits, and Inspections (C.P.I.)	18,291	25,440	8
Fire and E.M.S. services	(588,724)	(642,049)	9
General maintenance	(903,482)	(860,801)	10
Public works	(1,750,183)	(1,762,229)	11
Recreation and parks	(613,604)	(609,917)	12
Police department	(1,272,043)	(1,342,682)	13
Club membership	-	(80,800)	14
Golf	(509,381)	(396,587)	15
Aquatics	(107,096)	(116,559)	16
Tennis	(68,073)	(41,687)	17
Platform tennis	(17,998)	(5,748)	18
Pickleball	1,171	1,702	19
Marina	176,891	162,094	20
Beach Club	26,720	(143,604)	21
Beach Parking	343,403	297,716	22
Yacht Club	(289,813)	(896,930)	23
Tern Grille	(36,440)	(72,083)	24
<hr/>			
Operating Fund Revenues under Expenses	(1,363,156)	(2,528,588)	
Reserve Funds Revenues over Expenses	1,802,824	3,043,089	25
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Net Revenues over Expenses	\$ 439,668	\$ 514,501	

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>2019</i>	<i>2018</i>	<i>Schedule</i>
General administration	\$ 6,598,929	\$ 6,099,812	4
Public relations and marketing	60,303	54,662	5
Finance	4,535	-	7
Compliance, Permits and Inspections	175,549	160,036	8
Public works	68,228	59,164	11
Recreation and parks	305,212	299,896	12
Police department	487,239	479,694	13
Club membership	-	13,730	14
Golf, net	940,276	1,014,538	15
Aquatics, net	1,114,930	1,096,438	16
Tennis	26,708	22,891	17
Platform tennis	15,579	13,123	18
Pickleball	29,351	17,678	19
Marina, net	316,317	296,629	20
Beach Club, net	337,407	265,822	21
Beach Parking	373,713	330,387	22
Yacht Club, net	1,566,000	781,606	23
Tern Grille, net	86,585	128,798	24
Total Operating Fund Revenues, Net	12,506,861	11,134,904	
Total Reserve Funds Revenues	2,524,248	3,209,044	25
Total Net Revenues	\$ 15,031,109	\$ 14,343,948	

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>2019</i>	<i>2018</i>	<i>Schedule</i>
General administration	\$ 968,759	\$ 835,349	4
Public relations and marketing	314,268	335,675	5
General manager's office	455,233	293,629	6
Finance	698,302	733,685	7
Compliance, Permits and Inspections	157,258	134,596	8
Fire and E.M.S. services	588,724	642,049	9
General maintenance	903,482	860,801	10
Public works	1,818,411	1,821,393	11
Recreation and parks	918,816	909,813	12
Police department	1,759,282	1,822,376	13
Club membership	-	94,530	14
Golf	1,449,657	1,411,125	15
Aquatics	1,222,026	1,212,997	16
Tennis	94,781	64,578	17
Platform tennis	33,577	18,871	18
Pickleball	28,180	15,976	19
Marinas	139,426	134,535	20
Beach Club	310,687	409,426	21
Beach Parking	30,310	32,671	22
Yacht Club	1,855,813	1,678,536	23
Tern Grille	123,025	200,881	24
Total Operating Fund Expenses	13,870,017	13,663,492	
Total Reserve Funds Expenses	721,424	165,955	25
Total Expenses	\$ 14,591,441	\$ 13,829,447	

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>2019</i>	<i>2018</i>
Revenues		
Assessments	\$ 5,819,038	\$ 5,364,901
Casino Funds released from restrictions	325,000	300,000
Delinquent charges	198,153	187,159
Franchise fees	162,410	165,390
Interest income	19,544	6,552
Miscellaneous	74,784	75,810
Total Revenues	6,598,929	6,099,812
Expenses		
Accounting fees	226,344	50,566
Bad debts	201,590	254,252
Contract services	169,079	216,002
Legal fees	147,378	107,270
Taxes	80,981	69,216
Insurance	58,692	78,505
Payroll costs (taxes, health insurance, retirement, workers' compensation)	24,972	-
Board expense	24,073	12,388
Election and referendum	13,524	12,414
Water and sewer	10,473	4,364
Supplies	5,550	4,558
Advertising bids	3,170	-
Propane gas	2,766	4,666
Bank fees	167	(20)
Miscellaneous	-	21,168
Total Expenses	968,759	835,349
Net Revenues over Expenses	\$ 5,630,170	\$ 5,264,463

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>2019</i>	<i>2018</i>
Revenues		
Advertising	\$ 31,138	\$ 32,537
Miscellaneous	19,165	12,125
Grants	10,000	10,000
Total Revenues	60,303	54,662
Expenses		
Salaries and wages	108,327	106,846
Promotion and marketing	98,330	111,438
Printing	46,860	50,475
Payroll costs (taxes, health insurance, retirement, workers' compensation)	18,559	20,195
Postage	15,548	20,442
Contract services	14,563	13,191
Supplies	4,705	4,693
Telephone	2,242	3,160
Dues and subscriptions	1,500	1,451
Electricity	1,125	1,097
Insurance	1,046	420
Employee relations and training	539	415
Water and sewer	132	144
Refuse removal	126	97
Gasoline and oil	107	464
Total Expenses excluding Depreciation	313,709	334,528
Net Revenues under Expenses, excluding Depreciation	(253,406)	(279,866)
Depreciation	559	1,147
Net Revenues under Expenses, including Depreciation	\$ (253,965)	\$ (281,013)

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>2019</i>	<i>2018</i>
Salaries and wages	\$ 301,321	\$ 161,620
Payroll costs (taxes, health insurance, retirement, workers' compensation)	58,442	35,645
Contract services	5,289	8,474
Telephone	5,277	4,900
Employee relations and training	4,645	1,637
Supplies	2,756	8,154
Electricity	2,626	2,514
Insurance	1,886	1,284
Dues and subscriptions	1,095	789
Gas and oil	898	455
Water and sewer	492	552
Refuse removal	420	323
Postage	74	97
Advertising	-	229
Total Expenses, excluding Depreciation	385,221	226,673
Depreciation	70,012	66,956
Total Expenses, including Depreciation	\$ 455,233	\$ 293,629

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>2019</i>	<i>2018</i>
Revenues		
Miscellaneous	\$ 4,535	\$ -
Total Revenues	4,535	-
Expenses		
Salaries and wages	428,167	364,580
Payroll costs (taxes, health insurance, retirement, workers' compensation)	140,233	130,805
Contract services	39,998	149,580
Supplies	17,181	24,470
Postage	7,770	9,496
Printing	7,092	3,763
Electricity	6,251	4,965
Telephone	6,089	6,219
Insurance	5,416	5,808
Employee relations and training	1,878	6,660
Dues and subscriptions	1,275	806
Water and sewer	984	948
Refuse removal	840	476
Advertising	511	1,023
Gasoline and oil	106	379
Repairs and maintenance	-	11
Total Expenses, excluding Depreciation	663,791	709,989
Net Revenues under Expenses, excluding Depreciation	(659,256)	(709,989)
Depreciation	34,511	23,696
Net Revenues under Expenses, including Depreciation	\$ (693,767)	\$ (733,685)

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>2019</i>	<i>2018</i>
Revenues		
Resale certificates	\$ 126,780	\$ 116,140
Inspection, filing & administration fees	47,075	43,230
Interest income	1,694	666
Total Revenues	175,549	160,036
Expenses		
Salaries and wages	92,848	75,510
Payroll costs (taxes, health insurance, retirement, workers' compensation)	26,999	29,595
Telephone	5,544	5,304
Gasoline and oil	4,428	3,532
Contract services	4,198	2,923
Insurance	2,918	2,340
Supplies	2,770	3,098
Electricity	2,380	1,553
Postage	1,079	777
Uniforms	1,059	247
Refuse removal	550	536
Employee relations and training	381	1,018
Permits and licenses	242	81
Water and sewer	204	264
Repairs and maintenance	-	180
Total Expenses excluding Depreciation	145,600	126,958
Net Revenues over Expenses, excluding Depreciation	29,949	33,078
Depreciation	11,658	7,638
Net Revenues over Expenses, including Depreciation	\$ 18,291	\$ 25,440

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>2019</i>	<i>2018</i>
Operating expenses	\$ 588,724	\$ 406,142
Debt service	-	235,907
Total Expenses	\$ 588,724	\$ 642,049

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 10 - General Maintenance Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Salaries and wages	\$ 406,409	\$ 367,763
Building repairs and maintenance	225,242	277,624
Payroll costs (taxes, health insurance, retirement, workers' compensation)	182,508	172,041
Contract services	26,114	4,050
Insurance	14,394	12,288
Telephone	8,754	9,507
Gasoline and oil	5,813	5,637
Supplies	5,080	5,757
Electricity	3,265	3,133
Uniforms	2,526	1,058
Propane gas	2,415	2,171
Auto and truck repairs and maintenance	1,458	1,401
Employee relations and training	1,203	1,929
Permits and licenses	1,158	678
Small tools	959	397
Refuse removal	800	750
Postage	690	514
Dues and subscriptions	536	194
Water and sewer	204	264
Equipment repairs and maintenance	87	85
Capitalized/billed labor	-	(21,820)
Total Expenses, excluding Depreciation	889,615	845,421
Depreciation	13,867	15,380
Total Expenses, including Depreciation	\$ 903,482	\$ 860,801

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>2019</i>	<i>2018</i>
Revenues		
County gas taxes	\$ 55,000	\$ 57,530
Miscellaneous	13,228	1,634
Total Revenues	68,228	59,164
Expenses		
Salaries and wages	626,118	682,305
Payroll costs (taxes, health insurance, retirement, workers' compensation)	287,394	307,575
Refuse removal	82,452	83,609
Roads and bridges repairs and maintenance	62,358	19,061
Contract services	55,434	44,136
Auto and equipment repairs and maintenance	52,566	67,151
Ground improvements	51,900	56,502
Gasoline and oil	44,312	41,688
Insurance	43,202	43,143
Drainage maintenance	33,985	18,835
Electricity	15,562	16,269
Supplies	14,406	14,412
Road signs	8,993	10,561
Telephone	8,816	8,958
Equipment rental	6,852	1,413
Permits and licenses	6,292	4,122
Uniforms	6,145	4,399
Water and sewer	3,864	3,463
Propane gas	2,780	2,760
Snow removal	2,370	10,986
Employee relations and training	1,812	2,782
Small tools	723	1,142
Postage	373	425
Dues and subscriptions	270	265
Advertisements	157	254
Capitalized/billed labor	-	(16,160)
Total Expenses excluding Depreciation	1,419,136	1,430,056
Net Revenues under Expenses, excluding Depreciation	(1,350,908)	(1,370,892)
Depreciation	399,275	391,337
Net Revenues under Expenses, including Depreciation	\$ (1,750,183)	\$ (1,762,229)

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>2019</i>	<i>2018</i>
Revenues		
Program registration	\$ 201,653	\$ 204,789
Special events	57,853	46,524
Facility rental	13,212	18,513
Miscellaneous	11,116	6,219
Donations	10,421	10,700
Grants	10,000	10,000
Vending commissions	747	1,161
Dog park license fees	210	1,990
Total Revenues	305,212	299,896
Expenses		
Salaries and wages	323,113	338,925
Payroll costs (taxes, health insurance, retirement, workers' compensation)	101,126	102,334
Special events	73,911	64,646
Program expenses	60,437	59,155
Insurance	33,364	29,776
Repairs and maintenance	33,071	36,882
Electricity	29,397	27,822
Supplies	16,846	12,700
Contract services	14,446	4,006
Credit card fees	8,945	5,859
Equipment rental	8,941	11,364
Propane gas	7,696	7,085
Telephone	7,628	8,135
Water and sewer	5,240	7,995
Dog park expense	4,386	570
Refuse removal	2,557	1,583
Postage	1,531	1,464
Permits and licenses	1,358	617
Gasoline and oil	1,220	1,165
Employee relations and training	1,219	926
Uniforms	944	1,062
Dues and subscriptions	734	760
Advertising	-	46
Total Expenses excluding Depreciation	738,110	724,877
Net Revenues under Expenses, excluding Depreciation	(432,898)	(424,981)
Depreciation	180,706	184,936
Net Revenues under Expenses, including Depreciation	\$ (613,604)	\$ (609,917)

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>2019</i>	<i>2018</i>
Revenues		
Grants	\$ 475,000	\$ 478,924
Miscellaneous	12,239	770
Total Revenues	487,239	479,694
Expenses		
Salaries and wages	1,142,700	1,161,482
Payroll costs (taxes, health insurance, retirement, workers' compensation)	401,918	431,399
Contract services	34,675	23,516
Insurance	30,148	29,604
Gasoline and oil	24,668	25,032
Employee relations and training	18,996	11,033
Telephone	14,003	12,824
Auto and truck repairs and maintenance	11,170	14,483
Supplies	8,495	17,049
Electricity	5,626	5,416
Uniforms	3,242	17,736
Dues and subscriptions	1,986	720
Water and sewer	1,016	1,008
Refuse removal	756	581
Equipment repairs and maintenance	577	31
Postage	465	576
Advertising	462	269
Printing	412	1,457
Propane gas	218	282
Permits and licenses	-	100
Total Expenses excluding Depreciation	1,701,533	1,754,598
Net Revenues under Expenses, excluding Depreciation	(1,214,294)	(1,274,904)
Depreciation	57,749	67,778
Net Revenues under Expenses, including Depreciation	\$ (1,272,043)	\$ (1,342,682)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 14 - Club Membership Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Associate dues	\$ -	\$ 11,290
Miscellaneous	-	2,440
Total Revenues	-	13,730
Expenses		
Salaries and wages	-	49,706
Supplies	-	2,263
Telephone	-	2,599
Electricity	-	1,053
Payroll costs (taxes, health insurance, retirement, workers' compensation)	-	10,490
Contract services	-	13,024
Refuse removal	-	129
Printing	-	2,896
Postage	-	1,650
Insurance	-	1,380
Employee relations and training	-	546
Water and sewer	-	192
Advertising	-	36
Total Expenses excluding Depreciation	-	85,964
Net Revenues under Expenses, excluding Depreciation	-	(72,234)
Depreciation	-	8,566
Net Revenues under Expenses, including Depreciation	\$ -	\$ (80,800)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 15 - Golf Operations & Maintenance Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Green fees	\$ 412,525	\$ 426,254
Cart fees	325,113	362,655
Membership dues	132,974	150,085
Merchandise	77,865	70,269
Driving range	21,439	28,360
Miscellaneous	18,459	30,095
Total Revenues	988,375	1,067,718
Cost of Sales		
Merchandise	48,099	53,180
Total Cost of Sales	48,099	53,180
Net Revenues	940,276	1,014,538
Expenses		
Salaries and wages	496,983	499,997
Payroll costs (taxes, health insurance, retirement, workers' compensation)	136,208	127,124
Seed, fertilizer and chemicals	131,361	75,409
Advertising and marketing	41,966	53,831
Electricity	35,524	31,576
Contract services	33,848	18,379
Repairs and maintenance	32,197	57,670
Supplies	27,458	17,373
Insurance	27,058	28,642
Gas and oil	22,021	21,128
Water and sewer	15,782	28,341
Credit card fees	13,022	11,807
Telephone	9,408	9,541
Sand, soil and gravel	6,688	6,971
Miscellaneous	4,695	2,972
Refuse removal	3,775	5,692
Employee relations and training	2,850	4,709
Uniforms and linens	2,367	2,548
Printing	1,972	-
Dues and subscriptions	1,204	902
Small tools	950	1,832
Permits and licenses	810	1,120
Propane gas	345	971
Postage	111	533
Equipment rental	27	191
Total Expenses excluding Depreciation	1,048,630	1,009,259
Net Revenues over (under) Expenses, excluding Depreciation	(108,354)	5,279
Depreciation	401,027	401,866
Net Revenues under Expenses, including Depreciation	\$ (509,381)	\$ (396,587)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 16 - Aquatics Operations Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Membership dues	\$ 427,629	\$ 488,920
Swim classes	245,508	244,492
Cash fees	205,141	216,231
Coupons	176,632	100,350
Miscellaneous	30,650	25,927
Facility rental	16,109	10,595
Food sales	16,050	-
Vending commissions	5,834	9,923
Total Revenues	1,123,553	1,096,438
Cost of Sales		
Food	8,623	-
Total Cost of Sales	8,623	-
Net Revenues	1,114,930	1,096,438
Expenses		
Salaries and wages	508,559	459,607
Payroll costs (taxes, health insurance, retirement, workers' compensation)	126,386	115,753
Electricity	45,852	44,116
Supplies	42,634	50,950
Propane gas	38,273	68,274
Insurance	36,082	36,777
Water and sewer	35,850	34,001
Chemicals	29,796	24,930
Class instruction	22,808	27,755
Uniforms	21,616	18,672
Contract services	14,488	25,396
Credit card fees	9,818	7,765
Employee relations and training	7,640	8,503
Telephone	7,588	8,034
Paper goods	5,892	685
Permits and licenses	3,174	2,639
Gasoline and oil	2,933	3,531
Refuse removal	2,910	2,178
Repairs and maintenance	2,112	8,363
Dues and subscriptions	298	177
Advertising	235	829
Special events	200	-
Equipment rental	90	83
Total Expenses excluding Depreciation	965,234	949,018
Net Revenues over Expenses, excluding Depreciation	149,696	147,420
Depreciation	256,792	263,979
Net Revenues under Expenses, including Depreciation	\$ (107,096)	\$ (116,559)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 17 - Tennis Operations Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Membership dues	\$ 20,815	\$ 18,469
Facility rental	2,715	615
Program registration	2,343	2,125
Miscellaneous	835	1,682
Total Revenues	26,708	22,891
Expenses		
Salaries and wages	24,199	6,527
Contract services	18,439	15,907
Supplies	4,154	2,153
Payroll costs (taxes, health insurance, retirement, workers' compensation)	3,769	1,248
Electricity	2,102	1,911
Uniforms	1,064	109
Refuse removal	1,001	-
Water and sewer	684	1,632
Insurance	672	576
Telephone	101	275
Employee relations and training	50	50
Total Expenses excluding Depreciation	56,235	30,388
Net Revenues under Expenses, excluding Depreciation	(29,527)	(7,497)
Depreciation	38,546	34,190
Net Revenues under Expenses, including Depreciation	\$ (68,073)	\$ (41,687)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 18 - Platform Tennis Operations Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Membership dues	\$ 15,236	\$ 12,858
Program registration	343	265
Total Revenues	15,579	13,123
Expenses		
Salaries and wages	7,215	1,921
Contract services	2,358	127
Supplies	2,178	4,375
Electricity	1,256	549
Payroll costs (taxes, health insurance, retirement, workers' compensation)	1,096	147
Water and sewer	684	216
Special events	291	-
Telephone	161	125
Insurance	108	72
Dues and subscriptions	50	-
Promotion	9	-
Total Expenses excluding Depreciation	15,406	7,532
Net Revenues over Expenses, excluding Depreciation	173	5,591
Depreciation	18,171	11,339
Net Revenues under Expenses, including Depreciation	\$ (17,998)	\$ (5,748)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 19 - Pickleball Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Membership dues	\$ 19,837	\$ 10,456
Program registration	9,514	7,187
Miscellaneous	-	35
Total Revenues	29,351	17,678
Expenses		
Salaries and wages	12,233	5,093
Contract services	9,348	6,960
Supplies	3,100	2,670
Payroll costs (taxes, health insurance, retirement, workers' compensation)	1,925	428
Water and sewer	684	216
Electricity	350	251
Telephone	161	53
Special events	80	6
Insurance	72	72
Total Expenses excluding Depreciation	27,953	15,749
Net Revenues over Expenses, excluding Depreciation	1,398	1,929
Depreciation	227	227
Net Revenues over Expenses, including Depreciation	\$ 1,171	\$ 1,702

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 20 - Marina Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Fuel	\$ 714,328	\$ 595,394
Slip rental	172,297	167,127
Merchandise	11,897	11,230
Daily / weekly rentals	325	1,808
Total Revenues	898,847	775,559
Cost of Sales		
Fuel	574,204	469,867
Merchandise	8,326	9,063
Total Cost of Sales	582,530	478,930
Net Revenues	316,317	296,629
Expenses		
Salaries and wages	55,100	53,658
Credit card fees	14,696	11,947
Payroll costs (taxes, health insurance, retirement, workers' compensation)	11,873	9,550
Insurance	11,508	11,501
Electricity	3,355	3,560
Supplies	3,134	2,084
Refuse removal	2,323	1,431
Water and sewer	2,040	2,040
Gasoline and oil	638	318
Telephone	579	604
Repairs and maintenance	540	3,227
Uniforms	402	887
Permit and licenses	372	372
Employee relations and training	358	143
Contract services	-	700
Advertising	-	36
Total Expenses excluding Depreciation	106,918	102,058
Net Revenues over Expenses, excluding Depreciation	209,399	194,571
Depreciation	32,508	32,477
Net Revenues over Expenses, including Depreciation	\$ 176,891	\$ 162,094

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 21 - Beach Club Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Food	\$ 267,446	\$ 215,709
Beverage	188,103	199,885
Facility rental	-	1,000
Total Revenues	455,549	416,594
Cost of Sales		
Food	82,456	105,599
Beverage	35,686	45,173
Total Cost of Sales	118,142	150,772
Net Revenues	337,407	265,822
Expenses		
Salaries and wages	105,413	176,593
Insurance	20,332	17,374
Supplies	17,607	10,146
Management fees	16,010	-
Payroll costs (taxes, health insurance, retirement, workers' compensation)	14,186	12,597
Credit card fees	9,622	8,617
Contract services	9,605	19,107
Water and sewer	8,889	9,838
Paper goods	8,705	13,713
Electricity	6,695	8,127
Entertainment	4,617	29,300
Permits and licenses	4,120	3,234
Propane gas	3,627	6,322
Uniforms and linens	3,004	2,574
Repairs and maintenance	2,792	5,984
Telephone	2,325	2,227
Taxes	1,532	-
Printing	585	-
Discounts/coupons	-	47,628
Employee relations and training	-	42
Total Expenses excluding Depreciation	239,666	373,423
Net Revenues over (under) Expenses, excluding Depreciation	97,741	(107,601)
Depreciation	71,021	36,003
Net Revenues over (under) Expenses, including Depreciation	\$ 26,720	\$ (143,604)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 22 - Beach Parking Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Parking	\$ 373,713	\$ 330,387
Total Revenues	373,713	330,387
Expenses		
Salaries and wages	20,204	13,139
Supplies	5,000	7,074
Payroll costs (taxes, health insurance, retirement, workers' compensation)	2,159	2,222
Contract services	1,906	7,640
Insurance	444	444
Uniforms	237	1,002
Permits and licenses	225	150
Employee relations and training	114	1,000
Maintenance	21	-
Total Expenses	30,310	32,671
Net Revenues over Expenses	\$ 343,403	\$ 297,716

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 23 - Yacht Club Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Food	\$ 1,478,117	\$ 777,579
Beverage	841,697	490,775
Facility rental	24,463	18,950
Other income	-	2,006
Total Revenues	2,344,277	1,289,310
Cost of Sales		
Food	601,862	356,127
Beverage	176,415	151,577
Total Cost of Sales	778,277	507,704
Net Revenues	1,566,000	781,606
Expenses		
Salaries and wages	808,185	719,410
Management Fees	183,127	-
Payroll costs (taxes, health insurance, retirement, workers' compensation)	114,795	158,342
Supplies	102,146	52,868
Entertainment	80,387	91,861
Credit card fees	60,232	33,733
Electricity	50,416	43,976
Insurance	47,837	27,323
Paper goods	39,851	14,967
Uniforms and linens	32,306	16,711
Propane gas	27,224	28,780
Contract services	24,176	73,028
Repairs and maintenance	23,718	4,134
Water and sewer	15,863	15,285
China, glass, and silver	8,866	18
Refuse removal	8,578	5,618
Taxes	8,225	-
Telephone	5,665	13,932
Permits and licenses	5,294	5,511
Printing	4,017	-
Flowers and decorations	947	317
Employee relations and training	566	176
Equipment rental	356	974
Promotion, coupons and discounts	-	150,588
Gasoline and oil	-	1,011
Advertising	-	55
Dues and subscriptions	-	35
Postage	-	12
Total Expenses excluding Depreciation	1,652,777	1,458,665
Net Revenues under Expenses, excluding Depreciation	(86,777)	(677,059)
Depreciation	203,036	219,871
Net Revenues under Expenses, including Depreciation	\$ (289,813)	\$ (896,930)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 24 - Tern Grille Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Beverage	\$ 80,920	\$ 102,994
Food	69,108	90,436
Facility Rental	2,209	-
Total Revenues	152,237	193,430
Cost of Sales		
Food	32,497	37,892
Beverage	33,155	26,740
Total Cost of Sales	65,652	64,632
Net Revenues	86,585	128,798
Expenses		
Salaries and wages	35,881	81,433
Electricity	8,384	9,711
Payroll costs (taxes, health insurance, retirement, workers' compensation)	6,739	11,602
Contract services	6,401	11,180
Paper goods	5,655	6,233
Insurance	5,550	4,792
Permits and licenses	4,636	4,673
Repairs and maintenance	3,552	1,952
Refuse removal	2,944	1,647
Telephone	2,432	1,712
Water and sewer	2,352	3,781
Supplies	2,074	3,465
Credit card fees	700	2,813
Gasoline and oil	270	560
Uniforms and linens	100	1,640
Promotion, coupons and discounts	72	9,553
Advertising	59	825
Propane gas	49	1,480
Entertainment	-	6,250
Total Expenses excluding Depreciation	87,850	165,302
Net Revenues under Expenses, excluding Depreciation	(1,265)	(36,504)
Depreciation	35,175	35,579
Net Revenues under Expenses, including Depreciation	\$ (36,440)	\$ (72,083)

See independent auditors' report on supplementary information.

OCEAN PINES ASSOCIATION

Schedule 25 - Reserve Funds Revenues and Expenses

<i>For the Years Ended April 30,</i>	<i>2019</i>	<i>2018</i>
Revenues		
Assessments - replacement reserve	\$ 1,677,345	\$ 2,328,360
Assessments - bulkheads reserve	663,105	822,367
Interest income	183,798	58,317
Total Revenues	2,524,248	3,209,044
Expenses		
Bulkhead repairs and maintenance	708,744	107,166
Canal repairs and maintenance	3,282	2,096
Gasoline and oil	2,120	1,290
Electricity	1,991	1,781
Payroll costs (taxes, health insurance, retirement, workers' compensation)	1,642	17,192
Refuse removal	1,160	1,104
Insurance	1,080	1,055
Propane gas	732	1,094
Miscellaneous	372	597
Telephone	197	323
Water and sewer	104	132
Depreciation	-	3,815
Salaries and wages	-	28,310
Total Expenses	721,424	165,955
Net Revenues over Expenses	\$ 1,802,824	\$ 3,043,089

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, 2017	\$ 3,112,412	\$ 1,815,219	\$ 508,732	\$ 5,436,363
Transfers from operating fund				
Contributions from assessments	2,328,360	822,367	-	3,150,727
Interest income (expense)	36,367	18,277	3,673	58,317
Restricted contributions				
Transfer of casino funds to roads reserve	-	-	300,000	300,000
Transfer to operating fund	-	-	-	-
Transfers to operating fund				
Operating expenses	-	(165,955)	-	(165,955)
Capital additions	(889,333)	-	-	(889,333)
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

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, 2019

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.

<u>Components</u>	<u>Estimated Future Replacement Cost</u>
Buildings and pools	\$ 16,400,000
Furniture and equipment	7,200,000
Other improvements	10,800,000
Mobile equipment	2,900,000
Vehicles	1,800,000
Roads and bridges	13,700,000
Bulkheads	25,000,000
	<u>\$ 77,800,000</u>

Note: The Association has been replacing bulkheads on a 35-year program. The Association currently has approximately 109,000 linear feet of bulkhead, approximately 92% of which is the financial responsibility of property owners, who currently pay a Bulkhead Differential as part of their annual assessment (\$465 in FY 2019). As part of the follow-up to the recently completed Reserve Study, management and the Board of Directors will be evaluating the current Bulkhead Replacement Program.