

**WHITE HORSE PARK  
COMMUNITY ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2021**

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
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**FOR THE YEAR ENDED MARCH 31, 2021**

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## ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of  
White Horse Park Community Association, Inc.  
Berlin, Maryland

We have compiled the accompanying financial statements of White Horse Park Community Association, Inc., which comprise the balance sheet as of March 31, 2021, and the related statement of revenues, expenses and changes in fund balances for the fiscal year then ended, and related statement of cash flows for the fiscal year then ended, and the related notes to the financial statements. We did not audit or review the financial statements and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Our responsibility is to conduct the compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

We are not independent with respect to White Horse Park Community Association, Inc. as of and for the year ended March 31, 2021, because we perform certain accounting services that impaired our independence.



Berlin, Maryland  
June 1, 2021

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**BALANCE SHEET**  
**MARCH 31, 2021**

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<b>ASSETS</b>	<b><u>OPERATING</u></b>	<b><u>RESERVE</u></b>	<b><u>TOTAL</u></b>
<b>CURRENT ASSETS</b>			
Cash - undesignated	\$ 133,294	\$ -	\$ 133,294
Cash - designated for future repairs and improvements	-	379,451	379,451
Assessment dues, net of allowance for doubtful accounts	9,660	-	9,660
Prepaid & accrued Assets	<u>47,584</u>	<u>-</u>	<u>47,584</u>
<b>TOTAL CURRENT ASSETS</b>	<u>190,538</u>	<u>379,451</u>	<u>569,989</u>
<b>PROPERTY AND EQUIPMENT</b>			
Property and Equipment	1,919,003	-	1,919,003
Less: Accumulated depreciation	<u>913,132</u>	<u>-</u>	<u>913,132</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>1,005,871</u>	<u>-</u>	<u>1,005,871</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,196,409</u>	<u>\$ 379,451</u>	<u>\$ 1,575,860</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 11,929	\$ -	\$ 11,929
Accrued other liabilities	81,398	-	81,398
Payroll Liabilities	2,854	-	2,854
Prepaid assessment dues	<u>141,369</u>	<u>-</u>	<u>141,369</u>
<b>TOTAL CURRENT LIABILITIES</b>	237,550	-	237,550
<b>FUND BALANCES</b>			
Undesignated	958,859	-	958,859
Designated for future repairs and replacements	<u>-</u>	<u>379,451</u>	<u>379,451</u>
<b>TOTAL FUND BALANCES</b>	<u>958,859</u>	<u>379,451</u>	<u>1,338,310</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,196,409</u>	<u>\$ 379,451</u>	<u>\$ 1,575,860</u>

See accompanying notes and accountant's report.

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2021**

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	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>
<b>OPERATING REVENUES</b>			
Assessment dues	\$ 509,469	\$ 70,340	\$ 579,809
Cable charges	154,895	-	154,895
Electric charges	238,587	-	238,587
Marina	41,945	-	41,945
Miscellaneous	32,210	-	32,210
Water and sewer fees	<u>256,772</u>	<u>-</u>	<u>256,772</u>
<b>TOTAL OPERATING REVENUES</b>	<b>1,233,878</b>	<b>70,340</b>	<b>1,304,218</b>
<b>OPERATING EXPENSES</b>			
Automobile	1,775	-	1,775
Cable	152,557	-	152,557
Clubhouse	13	-	13
Depreciation	49,524	-	49,524
Dues & subscriptions	6,592	-	6,592
Electric	200,593	-	200,593
Insurance	25,818	-	25,818
Lawn services	60,450	-	60,450
Marina	16,212	-	16,212
Miscellaneous	9,428	-	9,428
Office	1,808	-	1,808
Payroll	115,843	-	115,843
Pool management	43,743	-	43,743
Professional fees	72,780	-	72,780
Repairs & maintenance	37,506	-	37,506
Security services	132,002	-	132,002
Taxes - payroll	9,714	-	9,714
Taxes - other	3,406	-	3,406
Trash collection	26,480	-	26,480
Utilities - other	7,715	-	7,715
Water & sewer	<u>325,035</u>	<u>-</u>	<u>325,035</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,298,994</b>	<b>-</b>	<b>1,298,994</b>
<b>NET OPERATING INCOME</b>	<b>(65,116)</b>	<b>70,340</b>	<b>5,224</b>
<b>TRANSFERS</b>	<b>(1,806)</b>	<b>1,806</b>	<b>-</b>
<b>INTEREST INCOME</b>	<b>-</b>	<b>4,093</b>	<b>4,093</b>
<b>NET INCOME</b>	<b>(66,922)</b>	<b>76,239</b>	<b>9,317</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,025,781</b>	<b>303,212</b>	<b>1,328,993</b>
<b>FUND BALANCES -END OF YEAR</b>	<b><u>\$ 958,859</u></b>	<b><u>\$ 379,451</u></b>	<b><u>\$ 1,338,310</u></b>

See accompanying notes and accountant's report.

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2021**

	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income	\$ (65,116)	\$ 70,340	\$ 5,224
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	49,524	-	49,524
Changes in assets and liabilities:			
Assessment dues	45	-	45
Prepaid & accrued assets	(31,672)	-	(31,672)
Accounts Payable	(28,323)	-	(28,323)
Accrued other liabilities	77,251	-	77,251
Payroll Liabilities	(2,718)	-	(2,718)
Prepaid assessment dues	(8,069)	-	(8,069)
Rounding	(4)	4	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>(9,082)</u>	<u>70,344</u>	<u>61,262</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	-	4,093	4,093
Purchase of property & equipment	<u>(7,950)</u>	<u>-</u>	<u>(7,950)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>\$ (7,950)</u>	<u>\$ 4,093</u>	<u>\$ (3,857)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(17,032)	74,437	57,405
<b>CASH AT BEGINNING OF YEAR</b>	<u>150,326</u>	<u>305,014</u>	<u>455,340</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 133,294</u>	<u>\$ 379,451</u>	<u>\$ 512,745</u>

See accompanying notes and accountant's report.

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

White Horse Park Community Association, Inc. was formed on January 16, 1983 as a Maryland non-stock, non-profit corporation to provide services for the benefit of the lot owners of White Horse Park.

The Association is responsible for operation and maintenance of the common property within the development. The development consists of 465 lots occupying a site of approximately 7 acres located at 11647 Beauchamp Road, Berlin, MD 21811-3112 located in Worcester County, Maryland.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Association prepares its financial statements in accordance with principles generally accepted in the United States of America, in which income is recognized when earned and expenses are recognized when incurred.

**Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose.

**Operating Fund** – Used to account for financial resources available for the general operations of the Association.

**Reserve Fund** – Used to accumulate financial resources designated for future major repairs and replacements.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable on the balance sheet date represent fees due from unit owners. An allowance in the amount of \$20,455 for the year ended March 31, 2021 has been established for potential uncollectible accounts receivable. Accounts receivable are considered uncollectible when management believes the receivable is impaired or collection is doubtful. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are delinquent. Because of inherent uncertainties in estimating the allowance for doubtful accounts, it is reasonably possible that estimates will change in the near term.

The COVID-19 pandemic and resulting courthouse closures and foreclosure moratoriums have delayed foreclosure proceedings on liens. The ultimate effect of these temporary closures and moratoriums on future financial statements is unknown as of June 1, 2021.

**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment**

Property and equipment that are purchased or acquired with an original cost of \$2,500 or more and have a useful life greater than one year are capitalized and reported at historical cost. Depreciation for property and equipment is calculated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 – 39 years
Furniture and Equipment	5 – 7 years
Vehicles	5 – 7 years

Depreciation for the year ending March 31, 2021 was \$49,524. Expenditures for maintenance and repairs are charged to expense as incurred.

**Compensated Absences**

The Association accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employees, which will be paid to the employees upon separation from the Association's service. All accrued unpaid vacation is estimated to be used in subsequent years.

**Unit Owner Assessments**

The annual budget and assessments of unit owners are determined by the Board of Directors and are presented to the owners. The Association retains excess operating funds, if any, for use in future operating periods.

**Interfund Activity**

Interfund Activity is reported as transfers and is subject to elimination upon consolidation.

**Future Major Repairs and Replacements**

The Association's Board of Directors commissioned a study to estimate the remaining useful lives and the replacement costs of the common property components. The study recommends reserve contributions of \$121,050, \$123,835, \$126,683, \$129,597 for calendar years 2020, 2021, 2022 and 2023, respectively. \$70,340 was contributed to the Reserve Fund for the fiscal year ending March 31, 2021. The Board of Directors has budgeted \$68,435 of Reserve Fund contributions for the fiscal year ending March 31, 2022. As of March 31, 2021 and March 31, 2020 the cash balance of the Reserve Fund was \$379,451 and \$305,014, respectively. Actual expenditures may vary from the estimated amounts and variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may incur borrowings or delay major repairs and replacements until funds are available.

**Income Taxes**

The Association has elected to be taxed under the provisions of Section 528 of the Internal Revenue Code for the year ended March 31, 2021. This section provides that the Association is exempt from taxation on amounts received as exempt function income, such as membership dues, fees and assessments, but non-member interest is taxable.

Although the Association was not under examination at March 31, 2021 by any major taxing authority, the Association is subject to examination for tax years ending March 31, 2021, 2020, 2019 and 2018. All required federal and state tax returns were filed by their due dates as of March 31, 2021.



**WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – CASH FLOWS DISCLOSURES**

Cash paid for interest for the fiscal year ended March 31, 2021 was \$0.  
Cash paid for income taxes for the fiscal year ended March 31, 2021 was \$0.

**NOTE 3- CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANKS**

The Association maintains cash balances at Farmers Bank of Willards. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At March 31, 2021, the Association had \$2,628 of uninsured balance in excess of the FDIC coverage.

The Association participates in an Insured Cash Sweep service used by Farmers Bank of Willards to place deposits received by customers into interest-bearing accounts at other FDIC-insured banks. At March 31, 2021, the Association had \$253,040 of cash in the Insured Cash Sweep service, the entirety of which is insured by the FDIC.

**NOTE 4 – COVID-19**

The Association's community property was temporarily closed for recreational purposes on April 2, 2020 due to the COVID-19 pandemic and mandatory closures of campgrounds put in place by the Governor of Maryland. The restrictions on campgrounds closures were lifted on May 7, 2020. The Association continued to collect monthly assessments from all members during the fiscal year, but income and expenses related to community events normally held during the summer were significantly reduced, and additional expenses were incurred for operating the community pool. The Association expects to return to more normal operations for the 2021-2022 fiscal year.

**NOTE 5 – CHANGES IN ACCOUNTING POLICIES**

The Association bills lot owners quarterly for an electric usage reimbursement. The May 15, 2021 electric reimbursement billing represents the January, February and March 2021 electric usage and therefore generally accepted accounting principles require the accrual of the May 15, 2021 electric billing of \$33,295 in the prior fiscal year. A similar accrual was not recorded on the March 31, 2020 financial statements. The effect of this change in accounting policy is an increase of \$33,295 to Operating Revenue, Net Income and Prepaid & accrued assets in the fiscal year ending March 31, 2021. The effect will be reversed in the next fiscal year.

The Association is billed quarterly for water & sewer usage. The April 2021 water & sewer billing represents the January, February and March 2021 water & sewer usage and therefore generally accepted accounting principles require the accrual of the April 2021 water & sewer billing of \$65,565 in the prior fiscal year. A similar accrual was not recorded on the March 31, 2020 financial statements. The effect of this change in accounting policy is an increase of \$65,565 to Operating Expenses and Accrued other liabilities and a \$65,565 decrease in Net Income in the fiscal year ending March 31, 2021. The effect will be reversed in the next fiscal year.

The net effect of all changes in accounting policies is a decrease in Net Income of \$32,270. Restatement of prior period financial statements was deemed impracticable.

**NOTE 6 – SUBSEQUENT EVENTS**

The Association has examined all subsequent events through June 1, 2021, the date the financial statements were available to be issued. The Association was a party to a lawsuit that was settled out-of-court in May 2021. The conditions of the settlement are not anticipated to be material to future financial statements. Legal fees of \$42,000 were included in the operating budget for 2021-2022 fiscal year to account for fees related to the resolution of the lawsuit and ordinary legal services for the Association.