

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.

**FINANCIAL STATEMENTS
(Unaudited)**

Year Ended March 31, 2014

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

White Horse Park Community Association, Inc.
Berlin, Maryland

We have compiled the accompanying balance sheet of White Horse Park Community Association, Inc. as of March 31, 2014, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by 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.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 11 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. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, we do not express an opinion or provide any assurance on such required supplementary information.

Gregory & Associates, LLC

Ocean City, Maryland
June 4, 2014

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
March 31, 2014

	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>
ASSETS			
Current Assets			
Checking/Savings			
PNC Bank Checking	\$ 92,154	\$ -	\$ 92,154
PNC Bank Reserve Money Market	110,163	-	110,163
Bank of Ocean City CD	-	101,722	101,722
Bank of Ocean City Checking Marina	-	18,602	18,602
Bank of Ocean City Saving	-	188,188	188,188
CDARS#2 & 52 Week CDs	-	150,099	150,099
Petty Cash	800		800
Total Checking/Savings	<u>203,117</u>	<u>458,611</u>	<u>661,728</u>
 Total Accounts Receivable	 <u>19,273</u>	 <u>-</u>	 <u>19,273</u>
 Other Current Assets			
Due from Reserve Fund	21,354	-	21,354
Prepaid Insurance	12,138	-	12,138
Total Other Current Assets	<u>33,492</u>	<u>-</u>	<u>33,492</u>
 Fixed Assets			
Land/Building Improvements	79,068	-	79,068
Furniture & Fixtures	83,399	-	83,399
Gate & Entry	11,337	-	11,337
Equipment	5,780	-	5,780
Water System Replacement	332,810	-	332,810
Electric Line Replacement PH1	64,514	-	64,514
Electric Line Replacement PH2	15,823	-	15,823
Clubhouse-Restore	143,066	-	143,066
Backhoe & Trucks	49,265	-	49,265
Pool Resurface	9,614	-	9,614
Capital Impr. Spec.Asses 2006	270,263	-	270,263
Marina Improvements	495,626	-	495,626
 Accumulated Depreciation	 (531,749)	 -	 (531,749)
Total Fixed Assets	<u>1,028,816</u>	<u>-</u>	<u>1,028,816</u>
 TOTAL ASSETS	 <u>\$ 1,284,698</u>	 <u>\$ 458,611</u>	 <u>\$ 1,743,309</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REPORT

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
March 31, 2014

	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>
LIABILITIES & MEMBERS' EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	21,727	-	21,727
Due to Operating Fund	-	21,354	21,354
Payroll Liabilities	6,010	-	6,010
Prepaid Dues	191,312	-	191,312
Tax Liabilities	524	-	524
Bank of OC Marina Line of Credit	91,973	-	91,973
Total Current Liabilities	<u>311,546</u>	<u>21,354</u>	<u>332,900</u>
Long Term Liabilities			
Bank of OC Marina Note Payable	99,326	-	99,326
Total Long Term Liabilities	<u>99,326</u>	<u>21,354</u>	<u>99,326</u>
Total Liabilities	<u>410,872</u>	<u>21,354</u>	<u>432,226</u>
Fund Balance			
Capital Assets - Net of Related Debt	837,517		837,517
Appropriated		437,257	437,257
Unappropriated	36,309	-	36,309
Total Equity	<u>873,826</u>	<u>437,257</u>	<u>1,311,083</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 1,284,698</u>	<u>\$ 458,611</u>	<u>\$ 1,743,309</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REPORT

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the year ending March 31, 2014

	OPERATING	RESERVE	TOTAL
Ordinary Revenue and Expense			
Revenues			
Homeowner Assessments	390,667	111,600	502,267
Homeowner Water & Sewer	195,379	-	195,379
Homeowner Electric Billing	215,345	-	215,345
Fee Income	101,712	-	101,712
Fine Income	1,721	-	1,721
Marina Slip Income	28,885	-	28,885
Marina Sticker Sales	5,845	-	5,845
Ice Sales	1,198	-	1,198
Interest Income	152	1,339	1,491
Total Revenues	<u>940,904</u>	<u>112,939</u>	<u>1,053,843</u>
Expense			
Advertising	200	-	200
Automobile Expense	3,985	-	3,985
Automobile Gas	3,472	-	3,472
Bank Service Charges	117	-	117
Depreciation	47,533	-	47,533
Dues and Subscriptions	557	-	557
Equipment Gas	2,084	-	2,084
Equipment Rental	296	-	296
Insurance	24,762	-	24,762
Interest	4,426	-	4,426
Licenses and Permits	1,775	-	1,775
Management for Pool & Supplies	21,880	-	21,880
Marina Expenses	5,041	-	5,041
Miscellaneous	3,442	-	3,442
Payroll Expenses	220,053	-	220,053
Postage and Delivery	2,646	-	2,646
Printing and Reproduction	3,467	-	3,467

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REPORT

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the year ending March 31, 2014

	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>
Expense (Continued)			
Professional Fees	4,420	-	4,420
Repairs (Grounds/Elec/Equip/Bldg)	115,947	-	115,947
Clubhouse Activities	9,924	-	9,924
Supplies (Ice/Passes/Office)	6,066	-	6,066
Taxes	3,422	-	3,422
Telephone/Internet/Fax	4,115	-	4,115
Trash Collection	22,670	-	22,670
Utilities	481,237	-	481,237
Total Expense	<u>993,537</u>	<u>-</u>	<u>993,537</u>
Net Revenue over Expenses	(52,633)	112,939	60,306
Beginning Fund Balance	1,154,197	113,585	1,267,782
Prior Period Adjustment	(15,876)	(1,129)	(17,005)
Transfers	(211,862)	211,862	-
Ending Fund Balance	<u>\$ 873,826</u>	<u>\$ 437,257</u>	<u>\$ 1,311,083</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REPORT

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
March 31, 2014

	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net revenues over expenses	\$ (52,633)	\$ 112,939	\$ 60,306
Depreciation	47,533	-	47,533
Accounts receivable - (increase) decrease	7,319	-	7,319
Prepaid insurance - (increase) decrease	(519)	-	(519)
Accounts payable - increase (decrease)	19,421	(1,129)	18,292
Prior period adjustment (accounts payable)	(15,876)	-	15,876
Payroll liabilities - increase (decrease)	(5,260)	-	(5,260)
Prepaid dues - increase (decrease)	24,366	-	24,366
Due to/from Operating/Reserve - increase (dec)	(21,354)	21,354	-
Income taxes payable - increase (decrease)	8	-	8
Net cash provided by operating activities	<u>3,005</u>	<u>133,164</u>	<u>136,169</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
Note payable - Bank of Ocean City	91,298	-	91,298
Net cash provided (used) by financing activities	<u>91,298</u>	<u>-</u>	<u>91,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Furniture/Fixtures/Equipment	(19,934)	-	(19,934)
Marina Improvements	(115,960)	-	(115,960)
Net cash provided (used) by investing activities	<u>(135,894)</u>	<u>-</u>	<u>(135,894)</u>
NET INCREASE (DECREASE) IN CASH	(41,591)	133,164	91,573
TRANSFERS	(211,862)	211,862	-
CASH AT BEGINNING OF YEAR	<u>456,570</u>	<u>113,585</u>	<u>570,155</u>
CASH AT END OF YEAR	<u>\$ 203,117</u>	<u>\$ 458,611</u>	<u>\$ 661,728</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REPORT

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE A - NATURE OF ORGANIZATION

The White Horse Park Community Association, Inc. is a statutory community association organized as a not-for-profit corporation for the purposes of maintaining and preserving common property of White Horse Park. White Horse Park Community Association, Inc. consists of 465 mobile home units occupying a site of approximately 7 acres located at 11647 Beauchamp Road, Berlin, MD 21811-3112. The Association began its operations in March 1983.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Pervasiveness of Estimates. The preparation of financial statements to conform to generally accepted accounting principles requires management to make estimates and assumptions that affect the 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. Actual results could differ from those estimates.
2. Recognition of assets and depreciation policy. The Association recognizes personal property assets at cost. The property is depreciated over its estimated useful life.
3. Accounting method. The Association uses the accrual method of accounting for all its operations.
4. Concentrations of risk do not apply at this time since temporary FDIC insurance coverage is unlimited for non-interest bearing accounts through 12/31/2014.

NOTE C - OWNER'S ASSESSMENTS

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

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS -CONTINUED
March 31, 2014

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. The amounts in the replacement fund are not property components. If the amounts in the replacement fund are not adequate to meet all future needs for major repairs and replacements, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE E - FEDERAL AND STATE TAXES

The Board of Directors has elected to file form 1120-H for the year ended March 31, 2014 in accordance with Internal Revenue Code Section 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments and other charges to owners. As of March 31, 2014, the tax years that remain subject to examination by taxing authorities begin with 2011.

NOTE F - ASSESSMENTS RECEIVABLE

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are in arrears. It is the opinion of the Board of Directors that the Association will ultimately prevail against the remaining homeowners whose assessments are delinquent, and, accordingly, no allowance for uncollectible accounts is deemed necessary. As of March 31, 2014, Assessment Receivables were \$19,273.

NOTE G - DEBT

The Association posted Certificates of Deposit from Bank of Ocean City as collateral against a loan from Bank of Ocean City in the amount of \$100,000 at an interest rate of 2.8% for one year, to be used for the purpose of capital improvements to be made to the marina. Interest is to be paid monthly. The balance of the secured loan at March 31, 2014, was \$99,326. The unsecured loan balance from Bank of Ocean City was \$91,973.

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS -CONTINUED
March 31, 2014

NOTE H - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Board of Directors approved a study to update the estimated remaining useful lives and replacement costs of components of common property. The estimates were obtained from interviews with contractors and Association employees who were familiar with the park properties and insurance estimates when available. Replacement costs were based on the estimated costs to repair or replace common property components at the date of the update. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

NOTE I - PRIOR PERIOD ADJUSTMENT

There are prior period adjustments. The electricity expense and insurance expense were overstated in the prior Financial Statements. Also, there was a cash and accounts payable adjustment of \$1,129. The overstated amount was \$13,551 and \$2,325 respectively. These amounts should have been reflected as Accounts Payable in the prior period.

SUPPLEMENTAL INFORMATION

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
STATEMENT OF OWNER'S SUPPORT, REVENUE, EXPENSES, AND OTHER CASH FLOW
ITEMS - ACTUAL AND BUDGET
For the year ending March 31, 2014

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Revenues			
Homeowner Assessments	\$ 502,267	\$ 502,200	\$ 67
Homeowner Water & Sewer	195,379	195,300	79
Homeowner Electric Billing	215,345	225,000	(9,655)
Fee Income	101,712	84,160	17,552
Fine Income	1,721	500	1,221
Marina Slip Income	28,885	30,000	(1,115)
Marina Sticker Sales	5,845	7,000	(1,155)
Ice Sales	1,198	1,500	(302)
Interest	1,491	800	691
Total Revenues	<u>\$ 1,053,843</u>	<u>\$ 1,046,460</u>	<u>\$ 7,383</u>
Expense			-
Advertising	200	300	(100)
Automobile Expense	3,985	800	3,185
Automobile Gas	3,472	4,200	(728)
Bad Debt	-	700	(700)
Bank Service Charges	117	100	17
Depreciation/Loan Repayment/Reserves	47,533	114,210	(66,677)
Drug and Alcohol Testing	276	1,200	(924)
Dues and Subscriptions	557	200	357
Equipment Gas	2,084	2,500	(416)
Interest	4,426	-	4,426
Equipment Rental	296	500	(204)
Insurance	24,762	26,800	(2,038)
Licenses and Permits	1,775	350	1,425
Marina Expenses	5,041	4,000	1,041
Management for Pool & Supplies	21,880	25,000	(3,120)
Miscellaneous	3,166	3,000	166
Payroll Expenses	220,053	242,600	(22,547)
Postage and Delivery	2,646	2,000	646
Printing and Reproduction	3,467	2,500	967
Professional Fees	4,420	5,600	(1,180)
Repairs	115,947	69,000	46,947
Social and Clubhouse Activities	9,924	6,000	3,924
Supplies	6,066	6,900	(834)
Taxes	3,422	5,200	(1,778)
Telephone	4,115	3,500	615
Trash Collection	22,670	24,000	(1,330)
Utilities	481,237	495,300	(14,063)
Total Expense	<u>\$ 993,537</u>	<u>\$ 1,046,460</u>	<u>\$ (52,923)</u>

SEE INDEPENDENT ACCOUNTANT'S REPORT

WHITE HORSE PARK COMMUNITY ASSOCIATION, INC.
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 MARCH 31, 2014

The Association's Board of Directors conducted a study to estimate the remaining useful life and the replacement costs of the components of common property. Replacement costs were based on the estimated cost and repair or replace the common property components.

The following information is based on the study and presents information about components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life Years</u>	<u>Estimated Current Replacement Cost</u>
Building Replacement		
• Club House	50-80 years	263,104.00
• Bath House 1	50-80 years	112,500.00
• Bath House 2	50-80 years	154,714.00
• Office	15-20 years	112,500.00
• Guard House	10-20 years	21,104.00
• Maintenance Garage	10-15 years	51,199.00
Pool	10-20 years	88,000.00
Marina		
• Phase 1 & Phase 2	48 years	450,000.00
• Gazebo	48 years	22,000.00
• Dock House	20 years	12,000.00
Water Replacement	1-15 years	278,400.00
Electric Replacement	1-30 years	600,000.00
Sewer Replacement	53-192 years	644,000.00
Vehicles		
• Guard Truck (2008)	7 years	30,000.00
• Maintenance Truck (2005)	4 years	30,000.00
Office Equipment		
•		
• Copy Machine	6 years	5,000.00
Maintenance Equipment		
• Kubota	6 years	25,000.00
• Riding Mowers (Big Red)	1 years	5,000.00
Old Blue	0 years	5,000.00
New Blue	6 years	5,000.00
Gate System		
• Front Gate	4 years	12,000.00
• Rear Gate	9 years	<u>10,000.00</u>
Total:		2,936,521.00

SEE INDEPENDENT ACCOUNTANT'S REPORT