

**Ahuimanu Homeowners Association**

**Statement of Cash Receipts and Disbursements  
(with Independent Auditor's Report)**

**Year Ended December 31, 2020**

# Ahuimanu Homeowners Association

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Ahuimanu Homeowners Association

**Report on the Financial Statements**

We have audited the accompanying statement of cash receipts and disbursements and changes in cash balances of **Ahuimanu Homeowners Association** for the year ended **December 31, 2020**, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statement in the circumstances. Management is also responsible for 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statement 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 Association'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 statement.

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 statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of **Ahuimanu Homeowners Association** for the year ended **December 31, 2020**, in accordance with the cash basis of accounting described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Restriction on Use**

This report is intended solely for the information and use of the Board of Directors and Members of **Ahuimanu Homeowners Association** and is not intended to be used and should not be used by anyone other than these specified parties.



Honolulu, Hawaii  
September 14, 2021

**Ahuimanu Homeowners Association**  
**Statement of Cash Receipts and Disbursements**  
**Year Ended December 31, 2020**

CASH RECEIPTS	
Maintenance Assessments	\$ 110,137
Clubhouse Usage Fees	1,040
TOTAL CASH RECEIPTS	<u>111,177</u>
CASH DISBURSEMENTS	
Audit and Tax Returns	3,590
Bookkeeping Service	10,680
Clubhouse Rental Management	8,615
Ground Maintenance	22,888
Insurance	15,254
Legal Services	13
Office Supplies	704
Real Property Tax	900
Rental Deposit Refund	1,600
Repairs and Maintenance:	
Clubhouse Repair	12,541
Clubhouse Supplies	45
Pool	4,461
Refuse Collection	2,800
Tree Trimming	20,754
Utilities:	
Electricity	3,205
Telephone	2,097
Water	6,673
TOTAL CASH DISBURSEMENTS	<u>116,820</u>
NET DECREASE IN CASH	(5,643)
CASH BALANCE	
Beginning of the Year	<u>97,501</u>
End of the Year	<u>\$ 91,858</u>
SUMMARY OF CASH	
Checking	91,420
Petty Cash in Checking	438
	<u>\$ 91,858</u>

See accompanying notes to financial statement.

## **NOTE 1 – NATURE OF ORGANIZATION**

**Ahuimanu Homeowners Association** (Association), which was formed as a nonprofit corporation on February 15, 1967, is governed by Chapter 414D of the Hawaii Revised Statutes and certain provisions of Chapters 514B and 421J of the Hawaii Revised Statutes. The purpose of the Association is to provide for the architectural control of the residence Lots and maintenance, preservation and architectural control of the Common Area and to promote the health, safety and welfare of the residents within the property situated at Ahuimanu, District of Koolaupoko, City and County of Honolulu in the State of Hawaii.

The Association consists of 260 lot owners and owns, operates and maintains all of the common areas and all facilities situated upon the common area, including the clubhouse and a pool. The Association charges admission and other fees to its members for the use of recreational facilities.

Due to COVID-19 stay at home order, the Board of Directors determined to temporarily close the recreational facilities during 2020.

The Association is self-managed by volunteer members. The Association has all powers and authority granted pursuant to Chapters 514B and 421J of the Hawaii Revised Statutes and its governing documents. All lot owners are members of the Association and are allocated a vote on matters affecting the operations of the Association, including election of directors.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

The financial statement of **Ahuimanu Homeowners Association** is presented on the basis of cash receipts and disbursements; consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

### **Cash**

The Association's cash consists of checking accounts held with a bank and the Association may deposit or withdraw funds at any time without prior notice or penalty.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### **Member Assessment**

The Association's members are subject to annual maintenance assessments to provide funds for the Association's operating expenses and for the improvement and maintenance of the common area, services, and facilities. For the year ended December 31, 2020, annual maintenance assessment charged to a lot owner was \$425.

In addition to the annual assessments, the Association may levy in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a capital improvement upon the common area. Further, in the event the Association determine that its budget will become inadequate to meet all expenses, it can levy a special assessment for emergency needs.

The Association's policy is to retain legal counsel if certain other collection efforts have failed and to place liens on those lot owners whose assessments are delinquent. At December 31, 2020, the balance of members receivable was \$8,502.

### **Property and Equipment**

Property and equipment that is designated as common area by the Association's governing documents for which the Association has title or other evidence of ownership, is capitalized at cost. The Association acquired real property and the common area from the developer in 1964. The Association owns the common area in fee simple, containing the parking areas, walkways, recreational areas, storage and trash areas and all other areas not a part of the residential lots.

### **Income Taxes**

Homeowners' associations may be taxed either as a homeowners' association (Form 1120-H) under Internal Revenue Code Section 528, if it qualifies with those requirements (60% income test; 90% expenditure test; and 85% residential use test), or as a regular corporation (Form 1120) under Internal Revenue Code Section 277.

For the year ended December 31, 2020, the Association qualifies as a tax-exempt homeowner's association under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose. Nonexempt function income, which includes interest and nonrefundable key income, is taxed at 30% by the federal government and at 4.4% by the State of Hawaii.

**NOTE 3 – FUNDS**

At December 31, 2020, the Association's fund of \$91,858 is held in checking accounts and is used for the day-to-day operations of the Association and any other appropriate purposes determined and approved by the Board of Directors.

**NOTE 4 – CONCENTRATION OF RISK**

The Association maintains its cash deposit at the Bank of Hawaii. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

**Agreements**

The Association has various contract services including the clubhouse rental management, pool cleaning, ground maintenance and tree trimming.

**Legal Services**

The Association may be involved from time to time in various legal actions associated with the collection of delinquent assessments and general consulting matters that arise in the normal course of business.

**NOTE 6 – RELATED PARTY TRANSACTION**

The Association contracts the services of one of its members to provide bookkeeping services. For the year ended December 31, 2020, the Association paid \$10,680 to this member for monthly bookkeeping services to collect payments and pay expenses and prepare annual financial statements.



**NOTE 7 – DATE OF MANAGEMENT REVIEW**

In preparing the financial statement, the Association has evaluated events and transactions for potential recognition or disclosure through September 14, 2021, the date the financial statement was available to be issued.

Due to COVID-19 stay at home order, the reservations for clubhouse rental have been canceled during the year. Loss of potential earnings from the clubhouse rental impacted the Association's financial position for the year ended December 31, 2020.