

Ahuimanu Homeowners Association

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

Year Ended December 31, 2019

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, 2019**, 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, 2019**, 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.

A handwritten signature in black ink, appearing to read 'M. H. O.', with a circular flourish at the end.

Honolulu, Hawaii
September 20, 2020

Ahuimanu Homeowners Association
Statement of Cash Receipts and Disbursements
Year Ended December 31, 2019

CASH RECEIPTS	
Maintenance Assessments	\$ 113,606
Clubhouse Usage Fees	9,477
Key Receipts	150
TOTAL CASH RECEIPTS	<u>123,233</u>
CASH DISBURSEMENTS	
Audit and Tax Returns	3,361
Bookkeeping	10,681
Clubhouse Rental Management	8,815
Ground Maintenance	22,884
Insurance	14,773
Legal Services	878
Office Supplies	1,535
Real Property Tax	900
Repairs and Maintenance:	
Clubhouse	6,408
Clubhouse Supplies	1,480
Pest Control	444
Pool	6,173
Refuse Collection	3,220
Tree Trimming	11,722
Utilities:	
Electricity	3,815
Telephone	1,976
Water	5,946
TOTAL CASH DISBURSEMENTS	<u>105,011</u>
CASH RECEIPTS IN EXCESS OF DISBURSEMENTS	18,222
CASH BALANCE	
Beginning of the Year	<u>79,279</u>
End of the Year	<u>\$ 97,501</u>
SUMMARY OF CASH	
Checking	96,399
Petty Cash in Checking	1,102
	<u>\$ 97,501</u>

See accompanying notes to financial statement.

NOTE 1 – NATURE OF ORGANIZATION

Ahuimanu Homeowners Association (Association) was formed as a nonprofit corporation on February 15, 1967 which is governed by Chapter 414D of the Hawaii Revised Statutes and certain provisions of Chapter 514B 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 Heeia, Kahaluu and 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 facility.

The Association is self-managed and administers and performs their duties by volunteer members. All lot owners are members of the Association and are allocated a vote in the general common element 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 account and petty cash held in a checking account.

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 devoted to this purpose and related to the use and enjoyment of the common area. For the year ended December 31, 2019, annual maintenance assessment charged to a lot owner was \$425.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Member Assessment-Continued

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, 2019, the balance of member's receivable was \$6,210.

Property and Equipment

Property and equipment that is designated as common area by the Association's governing documents and that 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 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, 2019, 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. Ne 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, 2019, the Association's funds of \$97,501 are held in checking accounts which are 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 deposits in 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. For the year ended December 31, 2019, the legal service fees were \$878.

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, 2019, the Association paid \$10,681 to this member for monthly bookkeeping services to collect payments and pay expenses and prepare annual financial statement.

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 20, 2020, the date the financial statement was available to be issued.