

*Ahuimanu
Homeowners
Association*

*Financial Statements and Notes to the Financial Statements
for the Year Ended December 31, 2016
and Independent Auditors' Report*



G. USHIJIMA CPA LLC

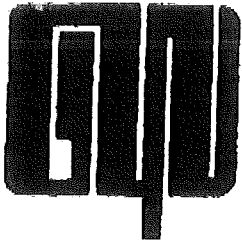
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AHUIMANU HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ahuimanu Homeowners Association

We have audited the accompanying financial statements of Ahuimanu Homeowners Association, which comprise the statement of cash receipts and disbursements, and changes in cash balances for the year ended December 31, 2016, 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation 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 these financial statements 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 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 auditor's 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 cash receipts and disbursements, and changes in cash balances of Ahuimanu Homeowners Association as of December 31, 2016, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. These financial statements are 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.

G. Ushijima CPA LLC

G. Ushijima CPA LLC

Honolulu, HI

July 17, 2018

Ahuimanu Homeowners Association
Statement of Cash Receipts and Disbursements
For the year ended December 31, 2016

	<u>2016</u>
Cash receipts	
Member assessments	\$ 106,555
Clubhouse reservation deposits	15,000
Miscellaneous income	<u>1,210</u>
Total cash receipts	\$ 122,765
 Cash disbursements	
Grounds maintenance	\$ 21,948
Insurance	15,028
Pool maintenance/repairs	10,168
Tree trimming & removal	10,017
Clubhouse deposit refunds	9,835
Bookkeeping	8,796
Clubhouse maintenance/repairs	8,292
Clubhouse utilization	7,073
Water	5,542
Electricity	3,009
Legal	2,987
Refuse collection	2,978
Audit & tax returns	2,648
Pest control	2,094
Telephone	1,920
Real property & general excise tax	900
Clubhouse supplies/replacements	859
Office supplies & admin expenses	<u>667</u>
Total cash disbursements	\$ 114,761
 Cash receipts in excess (deficit) of cash disbursement	 <u><u>\$ 8,004</u></u>

See accompanying notes to the financial statements

Ahuimanu Homeowners Association
Statement of Changes in Cash Balances
For the year ended December 31, 2016

	<u>Operating Account</u>	<u>Reserve Account</u>	<u>Total</u>
Cash balances, December 31, 2015	\$ 88,873	\$ 945	\$ 89,818
Cash receipts in excess (deficit) of cash disbursements	8,004	-	8,004
Funds transferred from operating account to reserve account	-	-	-
Funds transferred from reserve account to operating account	321	(321)	-
Interest retained in reserve accounts	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances, December 31, 2016	<u>\$ 97,198</u>	<u>\$ 624</u>	<u>\$ 97,822</u>

See accompanying notes to the financial statements

AHUIMANU HOMEOWNERS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016

1. Nature of Organization and Significant Account Policy:

The Association is organized to hold title to and maintain the common area real property for homeowners in the Ahuimanu Estates subdivision in Windward Oahu, Hawaii. The Association is self-managed by volunteer members. The Association collects member assessments, clubhouse reservation deposits, interest, late fees and other receipts and pays operating expenses.

The Association maintains its books of account and prepares its income tax returns on the cash basis of accounting. Under the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

2. Member Assessments:

At December 31, 2016, the Association had \$2,357 in member assessments receivable (including related late charges). There were no member assessments paid in advance as of December 31, 2016.

3. Basis of Member Assessment Allocation:

Members are assessed annually an equal share of budgeted Association expenditures for maintenance of the common areas. Until January 1, 2014, owners of each of the 261 lots in the Ahuimanu Estates subdivision are members. Under the terms of a settlement agreement reached in 2014 with the owner of Lot 263 regarding delinquent member assessments, the Association received a payment of \$20,000 in satisfaction of all claims, and Lot 263 was removed from the Association. Accordingly, effective in 2014, the Association consists of 260 members. Annual assessments were \$375 per member for the year ended December 31, 2016.

4. Prepaid Expenses:

At December 31, 2016, the Association had prepaid insurance premiums totaling \$5,009.

5. Reserve Accounts:

The total amount of Operating and Reserves in the Bank of Hawaii checking account is \$97,822, which are insured by FDIC.

6. Clubhouse Repairs, Maintenance and Replacements:

In the year ended December 31, 2016, the Association expended funds for the following clubhouse repairs, maintenance and replacements:

	<u>2016</u>
New Fence/Gates	\$ 6,000
Gate Locks/Misc. Repairs	110
Plumbing Repairs	<u>2,182</u>
Total	<u>\$ 8,292</u>

7. Income Taxes:

Condominium associations may be taxed either as a homeowner's association or as a regular corporation. For the year ended December 31, 2016, the Association was taxed as a homeowners association. Under the homeowners' election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

8. Future Major Repairs and Replacements:

The State of Hawaii's Condominium Property Regime Act, which requires condominium associations to accumulate funds for future major repairs and replacements, does not apply to homeowners' associations. Accordingly, although a reserve study is not required by law, the Board of Directors monitors the Association's reserves on a monthly basis and has concluded that a formal accumulation of funds is not required as of December 31, 2016. The Board of Directors recognizes that additional financing alternatives are available to the Association if necessary, including commercial borrowing and the declaration of a special assessment.

9. Related Party Transaction:

The Association contracts the services of one of its members to provide professional bookkeeping services. For the year ended December 31, 2016, the Association paid \$8,796 to this member for monthly bookkeeping, accounting, and financial statement preparation services.

10. Date of Management Evaluation:

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through July 17, 2018, the date on which the financial statements were available to be issued. In management's judgement, there were no events or transaction which would modify the accompanying financial statements.