

HAWAII LOA RIDGE OWNERS ASSOCIATION

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND SUPPLEMENTAL INFORMATION

(WITH INDEPENDENT AUDITOR'S REPORT)

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hawaii Loa Ridge Owners Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Hawaii Loa Ridge Owners Association, which comprise the statements of cash receipts and disbursements, and changes in cash balances for the year ended December 31, 2017, 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 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

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 that the financial statements are free of 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 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 the cash receipts and disbursements and changes in cash balances of the Hawaii Loa Ridge Owners Association for the year ended December 31, 2017 on the basis of accounting described in Note 2.

Basis of Accounting

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

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements 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 Standard 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



T WONG CPA, LLC
Honolulu, Hawaii
March 15, 2018

HAWAII LOA RIDGE OWNERS ASSOCIATION
Statement of Cash Receipts and Disbursements and
Changes in Cash Balances
Year Ended December 31, 2017

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Totals</u>
Cash receipts			
Maintenance assessments	\$ 1,480,475	-	1,480,475
Design review fees	37,461	-	37,461
Late charges and fines	12,007	-	12,007
Other income	8,283	-	8,283
Interest income	128	1,530	1,658
Legal fee reimbursements	1,350	-	1,350
Total cash receipts	<u>1,539,704</u>	<u>1,530</u>	<u>1,541,234</u>
Cash disbursements			
Utilities			
Water	76,375	-	76,375
Electricity	26,792	-	26,792
Telephone and communications	6,994	-	6,994
Sewer	2,953	-	2,953
Repairs and maintenance			
Grounds	384,958	-	384,958
Miscellaneous repairs and purchases	20,854	-	20,854
Vehicle	16,250	-	16,250
Security equipment	11,336	-	11,336
Janitorial	9,657	-	9,657
Plumbing	6,424	-	6,424
Electrical/lighting	5,471	-	5,471
Roof	5,303	-	5,303
Maintenance equipment	4,755	-	4,755
Pest control	1,958	-	1,958
Major repair and replacements	27,821	-	27,821
Payroll and benefits			
Salaries and wages	523,321	-	523,321
Payroll insurance	90,273	-	90,273
Payroll taxes	42,493	-	42,493
Payroll preparation	2,802	-	2,802
Professional fees	78,331	-	78,331
Administrative expenses	49,759	-	49,759
Property management fees	18,060	-	18,060
Insurance	60,262	-	60,262

See accompanying notes to financial statements.

HAWAII LOA RIDGE OWNERS ASSOCIATION
Statement of Cash Receipts and Disbursements and
Changes in Cash Balances
Year Ended December 31, 2017
(Continued)

Real property tax	15,430	-	15,430
General excise tax	2,225	-	2,225
Total cash disbursements	<u>1,490,857</u>	<u>-</u>	<u>1,490,857</u>
Increase (decrease) in cash	\$ 48,847	1,530	50,377
Cash balance			
Beginning of the year	592,876	68,993	661,869
Increase (decrease) in security deposits	30,425	-	30,425
Interfund transfer	<u>(420,641)</u>	<u>420,641</u>	<u>-</u>
End of the year	<u>251,507</u>	<u>491,164</u>	<u>742,671</u>
Cash summary			
Checking	251,406	-	251,406
Savings and money market	<u>101</u>	<u>491,164</u>	<u>491,265</u>
Total cash	<u>\$ 251,507</u>	<u>491,164</u>	<u>742,671</u>

See accompanying notes to financial statements.

HAWAII LOA RIDGE OWNERS ASSOCIATION

Notes to Financial Statements

December 31, 2017

NOTE 1 – NATURE OF ORGANIZATION

The Association is organized under the laws of the State of Hawaii for the purposes of operating, managing, maintaining, and preserving the common property of the Association. The Association consists of 556-lots located in Honolulu, Hawaii.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting – In accordance with industry standards, the financial statement of the 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.

Fund Accounting – The Association’s governing documents provide guidelines for managing its financial activities. To ensure compliance with limitations and restrictions on the use of financial resources, the Association uses fund accounting by separating operating funds from funds designated for future major repairs and replacements for accounting and reporting purposes.

Operating Fund – This fund is used to account for the financial resources available for the general operations of the association.

Reserve Fund – This fund is used to account for the financial resources available for future major repairs and replacements.

Member Assessments – Association members are subject to an assessment to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. The Association’s policy is to retain legal counsel and place liens on properties of owners whose assessments are delinquent. Any excess assessment at year-end are retained by the Association for use in the succeeding year.

NOTE 3 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Funds are being accumulated for future major repairs and replacements are held in separate accounts and are generally not available for operating purposes. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs or replacements until funds are available. As of December 31, 2017, the balance in the replacement reserves was \$491,164.

NOTE 4 – MAJOR REPAIR AND REPLACEMENT EXPENSES

Major repair and replacement expenses consisted of the following at December 31, 2017:

HAWAII LOA RIDGE OWNERS ASSOCIATION
Notes to Financial Statements
December 31, 2017
(Continued)

NOTE 4 – MAJOR REPAIR AND REPLACEMENT EXPENSES (CONTINUED)

Vehicle	\$ 27,821
	<u>\$ 27,821</u>

NOTE 5 - INCOME TAXES

For income tax purposes, the Association may elect annually to file either as an exempt association or as an association taxable as a corporation. As an exempt association, the Association’s net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. The Association’s federal and state tax returns for the past three years remain subject to examination by the taxing authorities.

NOTE 6 – COMMITMENTS

The Association has various contract services including, property management, refuse, janitorial, grounds, and pest control.

NOTE 7 – RESTRICTED CASH

The December 31, 2017 year end operating cash balances included the following amounts of cash are restricted and a liability of the Association.

Security deposit - keys	\$ 72,852
Security deposit - construction	104,614
ARC deposit	<u>6,400</u>
	<u>\$ 183,866</u>

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 15, 2018, the date the financial statements were available to be issued.