

**HAWAII LOA RIDGE OWNERS ASSOCIATION**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
AND SUPPLEMENTARY INFORMATION**

**(WITH INDEPENDENT AUDITOR'S REPORT)**

**DECEMBER 31, 2019**

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## T Wong CPA, LLC

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Honolulu, Hawaii 96813

### **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 statement of cash receipts and disbursements of the Hawaii Loa Ridge Owners Association, for the year ended December 31, 2019, 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. 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 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 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 of the Hawaii Loa Ridge Owners 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 statements, which describes the basis of accounting. The 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 this matter.

***Restricted Use***

This report is intended solely for the information and use of the board of directors and members of Hawaii Loa Ridge Owners Association and should not be used by anyone other than these specified parties.

T Wong CPA, LLC

T Wong CPA, LLC  
Honolulu, Hawaii  
March 17, 2020

**HAWAII LOA RIDGE OWNERS ASSOCIATION**  
**Statement of Cash Receipts and Disbursements**  
**Year Ended December 31, 2019**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Totals</u>
<b>Cash receipts</b>			
Maintenance assessments	\$ 1,509,760	144,415	1,654,175
Special assessment	527,850	-	527,850
Late charges and fines	44,268	-	44,268
Insurance claims proceeds	21,874	-	21,874
Design review fees	20,929	-	20,929
Other income	10,207	-	10,207
Interest income	2,707	5,185	7,892
Legal fee reimbursements	196	-	196
<b>Total cash receipts</b>	<u>2,137,791</u>	<u>149,600</u>	<u>2,287,391</u>
<b>Cash disbursements</b>			
Utilities			
Water	60,060	-	60,060
Electricity	27,337	-	27,337
Telephone and communications	9,987	-	9,987
Sewer	1,963	-	1,963
Repairs and maintenance			
Grounds	418,797	-	418,797
Vehicle	22,674	-	22,674
Miscellaneous repairs and purchases	21,168	-	21,168
Security equipment	13,696	-	13,696
Janitorial	9,428	-	9,428
Plumbing	8,015	-	8,015
Maintenance equipment	2,665	-	2,665
Pest control	2,241	-	2,241
Electrical/lighting	2,213	-	2,213
Major repair and replacements	59,969	-	59,969
Payroll and benefits			
Salaries and wages	574,609	-	574,609
Payroll insurance	86,943	-	86,943
Payroll taxes	43,664	-	43,664
Payroll preparation	2,742	-	2,742
Administrative expenses	63,595	-	63,595
Professional fees	59,468	-	59,468
Property management fees	19,344	-	19,344
Insurance	66,195	-	66,195
Real property tax	15,746	-	15,746

See accompanying notes to statement of cash receipts and disbursements.

**HAWAII LOA RIDGE OWNERS ASSOCIATION**  
**Statement of Cash Receipts and Disbursements**  
**Year Ended December 31, 2019**  
**(Continued)**

Insurance claims	15,644	-	15,644
General excise tax	<u>2,501</u>	-	<u>2,501</u>
<b>Total cash disbursements</b>	<u>1,610,664</u>	<u>-</u>	<u>1,610,664</u>
<b>Increase (decrease) in cash</b>	527,127	149,600	676,727
<b>Cash balance</b>			
Beginning of the year	708,341	92,441	800,782
Increase (decrease) in security deposits	(29,125)	-	(29,125)
Interfund transfer	<u>(155,585)</u>	<u>155,585</u>	<u>-</u>
<b>End of the year</b>	<u>\$ 1,050,758</u>	<u>397,626</u>	<u>1,448,384</u>
<b>Cash summary</b>			
Checking	\$ 950,862	-	950,862
Savings and money market	<u>99,896</u>	<u>397,626</u>	<u>497,522</u>
<b>Total cash</b>	<u>\$ 1,050,758</u>	<u>397,626</u>	<u>1,448,384</u>

See accompanying notes to statement of cash receipts and disbursements.

**HAWAII LOA RIDGE OWNERS ASSOCIATION**  
**Notes to Statement of Cash Receipt and Disbursements**  
**December 31, 2019**

**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 557-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 has been prepared 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. Under this basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized.

*Fund Accounting* – The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement generally may be made only for designated purposes.

*Capital Assets and Depreciation Policy* - The Association has not capitalized real and personal common area property contributed by the developer. Replacements and improvements to real property are also not capitalized; rather, they are charged to the respective fund in the period the cost is incurred.

*Cash and Cash Equivalents* - Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit. Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times such accounts may be in excess of the FDIC insurance limit.

*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

See independent auditor's report.

**HAWAII LOA RIDGE OWNERS ASSOCIATION**  
**Notes to Statement of Cash Receipt and Disbursements**  
**December 31, 2019**  
**(Continued)**

NOTE 3 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

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, subject to its governing documents, on behalf of the Association may increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. As of December 31, 2019, the balance in the replacement reserves was \$397,626.

NOTE 4 – MAJOR REPAIR AND REPLACEMENT EXPENSES

Major repair and replacement expenses consisted of the following at December 31, 2019:

Playground equipment	\$ 44,472
Tennis court resurfacing	15,497
	<u>\$ 59,969</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, janitorial, grounds, and pest control.

NOTE 7 – RESTRICTED CASH

The December 31, 2019, year-end operating cash balances included the following amounts of cash are restricted and a liability of the Association.

See independent auditor's report.

**HAWAII LOA RIDGE OWNERS ASSOCIATION**  
**Notes to Statement of Cash Receipt and Disbursements**  
**December 31, 2019**  
**(Continued)**

NOTE 7 – RESTRICTED CASH (CONTINUED)

Security deposit - keys	\$ 69,893
Security deposit - construction	103,398
ARC deposit	4,804
	<u>\$ 178,095</u>

NOTE 8 – SPECIAL ASSESSMENT

In November 2019, the Association ratified a special assessment in the amount of \$1,704,420 to fund the upcoming asphalt road project. The special assessment of \$3,060 per lot has been assessed effective January 1, 2020 and is due by January 31, 2020. During the year, the Association has collected a total of \$527,850 in special assessments.

NOTE 9 – SUBSEQUENT EVENTS

In preparing these financial statements, Management has evaluated events and transactions for potential recognition or disclosure through March 17, 2020, the date the financial statements were available to be issued.

See independent auditor's report.