

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

KIHEI TIMESHARE OWNERS ASSOCIATION

December 31, 2020 and 2019

KIHEI TIMESHARE OWNERS ASSOCIATION  
AUDITED FINANCIAL STATEMENTS

December 31, 2020

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Board of Directors  
Kihei Timeshare Owners Association

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the Kihei Timeshare Owners Association, which is comprised of the statement of assets, liabilities and fund balances as of December 31, 2020 and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, 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 Financial Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs) issued by the American Institute of Certified Public Accountants, described in Note B; this includes determining that the Financial Reporting Framework for Small- and Medium-Sized Entities 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors  
Kihei Timeshare Owners Association

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kihei Timeshare Owners Association as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with the financial reporting framework for small- and medium-sized entities, described in Note B.

Basis of Accounting

I draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the financial reporting framework for small- and medium-sized entities, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

I have previously audited the financial statements of the Kihei Timeshare Owners Association for the year ended December 31, 2019, and I expressed an unmodified opinion on those financial statements in my report dated July 23, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the supplementary information on future major repairs and replacements that the financial reporting framework for small- and medium-sized entities require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Financial Accounting Standards 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. My opinion on the basic financial statements is not affected by this missing information.

Wailuku, Hawaii  
June 12, 2021

KIHEI TIMESHARE OWNERS ASSOCIATION  
 STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES  
 (FRF for SMEs Accounting Framework Basis)

	December 31, 2020			2019
	Operating Fund	Capital Reserve	Fund Totals	Fund Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 507,713	\$ 89,187	\$ 596,900	\$ 521,224
Assessment receivable	23,295	--	23,295	58,671
Bad debt allowance	(3,735)	--	(3,735)	--
Due from operating fund	--	69,002	69,002	--
Prepaid maintenance fees	7,245	--	7,245	7,130
Prepaid insurance	6,958	--	6,958	6,797
Prepaid general excise tax	8,933	--	8,933	5,286
Prepaid storage rent	2,210	--	2,210	2,110
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$ 552,619</u></b>	<b><u>\$ 158,189</u></b>	<b><u>\$ 710,808</u></b>	<b><u>\$ 601,218</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 972	\$ --	\$ 972	\$ 3,514
Due to capital reserve fund	69,002	--	69,002	--
Prepaid assessments	392,485	--	392,485	469,695
Deferred revenue	--	--	--	4,140
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>462,459</u></b>	<b><u>--</u></b>	<b><u>462,459</u></b>	<b><u>477,349</u></b>
<b>FUND BALANCES</b>	<b><u>90,160</u></b>	<b><u>158,189</u></b>	<b><u>248,349</u></b>	<b><u>123,869</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 552,619</u></b>	<b><u>\$ 158,189</u></b>	<b><u>\$ 710,808</u></b>	<b><u>\$ 601,218</u></b>

See notes to financial statements.

KIHEI TIMESHARE OWNERS ASSOCIATION  
 STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES  
 (FRF for SMEs Accounting Framework Basis)

	Year ended December 31, 2020			2019
	Operating Fund	Capital Reserve	Fund Totals	Fund Totals
<b>REVENUES</b>				
Maintenance fees	\$ 399,195	\$ --	\$ 399,195	\$ 400,395
Special assessment	--	70,800	70,800	74,100
Rental income	10,816	--	10,816	24,560
Late fees	4,415	--	4,415	735
Transfer fees	1,953	--	1,953	700
Interval disposition net proceeds	700	--	700	--
Interest	--	18	18	444
<b>TOTAL REVENUES</b>	<b>417,079</b>	<b>70,818</b>	<b>487,897</b>	<b>500,934</b>
<b>OPERATING EXPENSES</b>				
Property management	89,999	--	89,999	89,999
Maintenance fees	85,792	--	85,792	85,837
Real property tax	73,910	--	73,910	67,757
Custodial	29,171	--	29,171	71,860
General excise tax	19,185	--	19,185	21,374
Insurances	11,145	--	11,145	10,984
Timeshare occupancy tax	8,540	--	8,540	19,486
Unit maintenance	8,338	--	8,338	15,511
Electricity	8,029	--	8,029	18,930
Bad debts	4,800	--	4,800	15,577
Audit and tax preparation	4,583	--	4,583	4,453
Computer and software	3,372	--	3,372	3,300
Supplies	2,684	--	2,684	2,628
Utilities/internet	2,641	--	2,641	2,510
Storage	2,551	--	2,551	2,532
Check-in fees	1,045	--	1,045	1,650
Administrative	592	--	592	888
Appliance maintenance	458	--	458	836
Legal fees	376	--	376	2,904
Other professional fees	364	--	364	416
Online payment fees	217	--	217	496
Meetings	76	--	76	877
<b>TOTAL OPERATING EXPENSE</b>	<b>357,868</b>	<b>--</b>	<b>357,868</b>	<b>440,805</b>
<b>SPECIAL ASSESSMENT EXPENDITURES</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>73,297</b>
<b>RESERVE EXPENDITURES</b>	<b>--</b>	<b>5,549</b>	<b>5,549</b>	<b>24,373</b>
<b>TOTAL EXPENSES</b>	<b>357,868</b>	<b>5,549</b>	<b>363,417</b>	<b>538,475</b>
<b>REVENUES OVER (UNDER) EXPENSES</b>	<b>59,211</b>	<b>65,269</b>	<b>124,480</b>	<b>(37,541)</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>30,949</b>	<b>92,920</b>	<b>123,869</b>	<b>161,410</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 90,160</b>	<b>\$ 158,189</b>	<b>\$ 248,349</b>	<b>\$ 123,869</b>

See notes to financial statements.

KIHEI TIMESHARE OWNERS ASSOCIATION  
 STATEMENTS OF CASH FLOWS  
 (FRF for SMEs Accounting Framework Basis)

	Year ended December 31, 2020			2019
	Operating Fund	Capital Reserve	Fund Totals	Fund Totals
<b>OPERATING ACTIVITIES</b>				
Revenues over (under) expenses	\$ 59,211	\$ 65,269	\$ 124,480	\$ (37,541)
Adjustments to reconcile revenues over (under) expenses to net cash provided by (used in) operating activities:				
Bad debt provision	4,800	--	4,800	5,000
Change in operating assets and liabilities:				
(Increase) decrease in:				
Assessment receivable	34,311	--	34,311	23,965
Due from operating fund	--	(69,002)	(69,002)	--
Prepaid maintenance fees	(115)	--	(115)	275
Prepaid general excise tax	(3,647)	--	(3,647)	1,939
Prepaid insurances	(161)	--	(161)	155
Prepaid storage rent	(100)	--	(100)	--
Increase (decrease) in:				
Accounts payable	(2,542)	--	(2,542)	1,016
Due to capital reserve fund	69,002	--	69,002	--
Prepaid assessments	(77,210)	--	(77,210)	(3,120)
Deferred revenue	(4,140)	--	(4,140)	3,998
<b>NET CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>	79,409	(3,733)	75,676	(4,313)
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>428,304</u>	<u>92,920</u>	<u>521,224</u>	<u>525,537</u>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<u>\$ 507,713</u>	<u>\$ 89,187</u>	<u>\$ 596,900</u>	<u>\$ 521,224</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>				
Interest paid	\$ --	\$ --	\$ --	\$ --
Income taxes paid	\$ --	\$ --	\$ --	\$ --

See notes to financial statements.





KIHEI TIMESHARE OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A – NATURE OF ASSOCIATION

Nature of Association: Kihei Timeshare Owners Association, also known as Kihei Akahi Timeshare Owners Association (the Association), was incorporated on March 11, 1988. The Association was formed for the purpose of providing for the management, maintenance and care of certain condominium units within the Kihei Akahi property. The Association manages a group of eleven condominium units. Individual owners have the right to use or rent the units for a predetermined number of weeks within the year.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements have been prepared in accordance with the Financial Reporting Framework for Small-and Medium-Sized Entities (FRF for SMEs) issued by the American Institute of Certified Public Accountants, which is a special purpose framework and not U.S. generally accepted accounting principles (U.S. GAAP). The accounting principles that compose the framework are appropriate for the preparation and presentation of small-and medium-sized entity financial statements, based on the needs of the financial statement users and cost and benefit considerations. This special purpose framework, unlike U.S. GAAP, does not recognize FASB ASC 606, which recognizes capital reserve assessments when related capital reserve expenditures are incurred and unspent capital reserves as a contract liability. The financial statements reflect capital reserve assessments as revenue when assessed and unspent reserves as fund balance in equity.

Fund Accounting: To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established to their nature and purpose:

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

Capital Reserve - This fund is used to accumulate resources designated for future major repairs and replacements.

Statement of Cash Flows: Cash equivalents, if any, reflected in the financial statements include certificates of deposit and other investments with original maturities of three months or less.

Member Assessments: Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from individual timeshare owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. The Association specifically identifies owner accounts which may become uncollectible and establishes an allowance for doubtful accounts. Any excess assessments at year-end are retained by the Association for use in future years.

KIHEI TIMESHARE OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS-Continued

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment: The Association capitalizes at cost all property and equipment to which it holds title or has other evidence of ownership. Real property owned in common and property originally contributed to the Association by the developer and related improvements made by the Association to such property are not capitalized in the financial statements. There are no assets capitalized as of December 31, 2020.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Association qualifies to file its tax returns under Internal Revenue Code Section 528. Under that section the Association is not taxed on income and expenses related to its exempt purpose. The Association is taxed on its nonexempt function income such as interest earnings less related expenses at a federal tax rate of 30% and an effective state tax rate of 4.4%.

Tax positions taken by the Association are required to be evaluated and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no tax audits in progress. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2017. There were no penalties and interest incurred for the years ended December 31, 2020 and 2019.

NOTE C - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 12, 2021, the date the financial statements were available to be issued.

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Funds are being accumulated in the Capital Reserve fund for repairs and replacements of unit furniture, appliances and major repairs and replacements. Amounts accumulated in the Capital Reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular maintenance fees, pass special assessments, or delay expenditures until the funds are available.

NOTE E - SPECIAL ASSESSEMNTS

The Association's board of directors authorized special assessments for the years ended December 31, 2020 and 2019 in the amounts of \$70,800 and \$77,500, respectively to assist with the financing of unit renovation projects.

KIHEI TIMESHARE OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS-Continued

NOTE F - UNINSURED CASH BALANCES

The Association maintains deposits in a financial institution that exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) at December 31, 2020 by \$344,352.