

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

KIHEI TIMESHARE OWNERS ASSOCIATION

December 31, 2025 and 2024

KIHEI TIMESHARE OWNERS ASSOCIATION
AUDITED FINANCIAL STATEMENTS

December 31, 2025

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Board of Directors
Kihei Timeshare Owners Association

INDEPENDENT AUDITOR'S REPORT

Opinion

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, 2025 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.

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, 2025, and the results of its operations and its cash flows for the year then ended in accordance with the Financial Reporting Framework for Small- and Medium-Sized Entities, described in Note B.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the Kihei Timeshare Owners Association and to meet my ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kihei Timeshare Owners Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Board of Directors
Kihei Timeshare Owners Association

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, 2024, and I expressed an unmodified opinion on those financial statements in my report dated July 2, 2025. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
Kihei Timeshare Owners Association

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.

 CRA, LLC

Wailuku, Hawaii
August 6, 2026

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

	December 31, 2025			2024
	Operating Fund	Capital Reserve	Fund Totals	Fund Totals
ASSETS				
CURRENT ASSETS				
Cash	\$ 118,104	568,805	686,909	\$ 599,709
Assessment receivable	67,121	--	67,121	49,057
Allowance for doubtful accounts	(1,016)	--	(1,016)	--
Interfund receivable	501,197	--	501,197	6,417
Prepaid maintenance fees	10,422	--	10,422	9,759
Prepaid insurance	14,445	--	14,445	9,553
Prepaid general excise tax	12,548	--	12,548	11,358
Prepaid property taxes	12,223	--	12,223	11,191
Prepaid income taxes	2,314	--	2,314	4,149
TOTAL CURRENT ASSETS	<u>\$ 737,358</u>	<u>\$ 568,805</u>	<u>\$1,306,163</u>	<u>\$ 701,193</u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	\$ 1,826	\$ --	\$ 1,826	\$ 1,553
Interfund payable	--	501,197	501,197	6,417
Deferred assessments	728,892	--	728,892	612,738
TOTAL CURRENT LIABILITIES	<u>730,718</u>	<u>501,197</u>	<u>1,231,915</u>	<u>620,708</u>
FUND BALANCES	<u>6,640</u>	<u>67,608</u>	<u>74,248</u>	<u>80,485</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 737,358</u>	<u>\$ 568,805</u>	<u>\$1,306,163</u>	<u>\$ 701,193</u>

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, 2025			2024
	Operating Fund	Capital Reserve	Fund Totals	Fund Totals
REVENUES				
Maintenance fees	\$ 564,738	\$ 48,000	\$ 612,738	\$ 525,979
Rental income	13,977	--	13,977	7,543
Interest	--	6,806	6,806	6,928
Late fees	3,200	--	3,200	1,800
Transfer fees	--	--	--	150
TOTAL REVENUES	581,915	54,806	636,721	542,400
OPERATING EXPENSES				
Real property tax	139,450	--	139,450	122,995
Maintenance fees	128,306	--	128,306	104,457
Property management	104,796	--	104,796	99,769
Custodial	93,194	--	93,194	97,025
Timeshare occupancy tax	33,183	--	33,183	27,938
General excise tax	28,546	--	28,546	21,719
Electricity	24,031	--	24,031	24,118
Insurances	19,647	--	19,647	15,083
Unit maintenance	15,555	--	15,555	19,601
Appliance maintenance	6,958	--	6,958	4,278
Audit and tax preparation	5,209	--	5,209	5,000
Bad debt provision	4,800	--	4,800	14,078
Storage	4,335	--	4,335	3,782
Utilities/internet	3,238	--	3,238	2,796
Supplies	2,848	--	2,848	4,414
Computer and software	1,986	--	1,986	1,249
Income taxes	1,835	--	1,835	839
Administrative	1,369	--	1,369	1,019
Online payment fees	1,292	--	1,292	782
Linen replacement	535	--	535	--
Meetings	209	--	209	486
Legal	126	--	126	510
Check-in fees	(125)	--	(125)	375
TOTAL OPERATING EXPENSES	621,323	--	621,323	572,313
RESERVE EXPENDITURES	--	21,635	21,635	32,471
TOTAL EXPENSES	621,323	21,635	642,958	604,784
REVENUES OVER (UNDER) EXPENSES	(39,408)	33,171	(6,237)	(62,384)
FUND BALANCES BEGINNING OF YEAR	46,048	34,437	80,485	142,869
FUND BALANCES END OF YEAR	\$ 6,640	\$ 67,608	\$ 74,248	\$ 80,485

See notes to financial statements.

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

	Year ended December 31, 2025			2024
	Operating Fund	Capital Reserve	Fund Totals	Fund Totals
OPERATING ACTIVITIES				
Revenues over (under) expenses	\$ (39,408)	\$ 33,171	\$ (6,237)	\$ (62,384)
Adjustments to reconcile revenues over (under) expenses to net cash provided by (used in) operating activities:				
Bad debt provision	4,800	--	4,800	4,800
Change in operating assets and liabilities:				
(Increase) decrease in:				
Assessment receivable	(21,848)	--	(21,848)	(48,908)
Interfund receivable	(494,780)	--	(494,780)	(4,283)
Prepaid maintenance fees	(663)	--	(663)	(1,265)
Prepaid insurances	(4,892)	--	(4,892)	(58)
Prepaid general excise tax	(1,190)	--	(1,190)	(1,599)
Prepaid property taxes	(1,032)	--	(1,032)	(1,614)
Prepaid income taxes	1,835	--	1,835	839
Prepaid storage rent	--	--	--	2,698
Increase (decrease) in:				
Accounts payable	273	--	273	(1,043)
Interfund payable	--	494,780	494,780	4,283
Deferred assessments	116,154	--	116,154	143,431
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(440,751)	527,951	87,200	34,897
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	558,855	40,854	599,709	564,812
CASH AND EQUIVALENTS AT END OF YEAR	\$ 118,104	\$ 568,805	\$ 686,909	\$ 599,709
SUPPLEMENTAL DISCLOSURE:				
Interest paid	\$ --	\$ --	\$ --	\$ --
Income taxes paid	\$ --	\$ --	\$ --	\$ --

See notes to financial statements.

KIHEI TIMESHARE OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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.

This special purpose framework, unlike U.S. GAAP, does not capitalize furniture, appliances and equipment acquired with reserve funds and the related depreciation.

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 represents 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 does not capitalize furniture, appliances and equipment and the related depreciation.

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 elects to file its income tax returns as a tax-exempt homeowners' association 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 the sale of intervals, rental income and interest earnings less related expenses at a flat federal tax rate of 32% and an effective state tax rate of 4.4%.

Tax positions taken by the Association are evaluated and a tax liability recognized 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, 2022. There were no penalties and interest incurred for the years ended December 31, 2025 and 2024.

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 August 6, 2026, 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. Expenditures charged to the Capital Reserve fund during the years ended December 31, 2025 and 2024 amounted to \$21,635 and \$32,471, respectively.

NOTE E - 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, 2025 by \$413,278.