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Board of Directors of
MARINER'S COVE ASSOCIATION

Independent Auditor's Report

I have audited the accompanying statement of cash receipts and disbursements, and change in cash balance, and the related notes of MARINER'S COVE ASSOCIATION, for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 auditors consider 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.

As described in Note 2, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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

Qualified Opinion

In my opinion, except for being prepared on the cash basis mentioned above, the statement mentioned above presents fairly, in all material respects, the cash receipts and disbursements, and change in cash balance of MARINER'S COVE ASSOCIATION for the year ended December 31, 2013 on the basis of accounting described in Note 2.

Supplemental Information on Future Major Repairs and Replacements

The Supplemental Information on Future Major Repairs and Replacements which accompany these financial statements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which primarily consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Daniel J Sullivan CPA

Honolulu, Hawaii
February 26, 2014

MARINER'S COVE ASSOCIATION
Statement of Cash Receipts and Disbursements
and Changes in Cash Balance
For the Year Ended December 31, 2013

Cash Receipts:		
Community Association Dues	\$ 148,398	
Boat Storage	5,240	
Clubhouse Rent	800	
Late Fees	760	
Interest	<u>603</u>	
Total Cash Receipts		\$ 155,801
Cash Disbursements:		
Repairs and Maintenance:		
Reserve Expenditures -Pool Deck/Other	41,309	
Repairs, Purchases and Other	6,868	
Pool	3,409	
Grounds	<u>1,488</u>	53,074
Utilities:		
Water	5,550	
Electricity	5,398	
Communications	<u>1,296</u>	12,244
Personnel:		
Wages	41,268	
Payroll Taxes, Benefits and Other	<u>7,223</u>	48,491
Administration:		
Management Fee	18,216	
Office and Administrative	<u>8,736</u>	26,952
Other:		
Insurance	10,605	
Net Professional Fees	1,853	
Hawaii General Excise Tax	322	
Real Property Tax	<u>300</u>	<u>13,080</u>
Total Cash Disbursements		153,841
Increase (Decrease) in Total Cash		1,960
Cash Balance: January 1, 2013		<u>212,823</u>
Cash Balance: December 31, 2013		<u>\$ 214,783</u>

MARINER'S COVE ASSOCIATION

Notes to the Financial Statements

December 31, 2013

NOTE 1. Nature of Organization:

This residential association, located on the island of Oahu, Hawaii, is organized for the purposes of maintaining and preserving common property of the association.

NOTE 2. Summary of Significant Accounting Policies:

Member Assessments: Association members are assessed monthly to provide for operating expenses, improvements, replacements and major repairs. The annual budget and assessments of owners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Basis of Accounting: In accordance with industry practice, the financial statement is presented on the basis of cash receipts and disbursements; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

NOTE 3. Ending Cash Balance:

The balance at December 31, 2013 is comprised of:

Operating Cash	\$ 24,896
Reserves	<u>189,887</u>
Total Cash	\$ <u>214,783</u>

NOTE 4. Federal and State Income Taxes:

MARINER'S COVE ASSOCIATION has qualified under Section 501 (c)(7) of the Internal Revenue Code as a tax-exempt organization. The Association files annual returns and pays federal tax at 15% on its net unrelated business income after a specific deduction of \$1,000.

NOTE 5. Surprise Cash Confirmation:

I performed a surprise cash confirmation as of November 30, 2013. Balances shown on Hawaiian Property LTD's books were confirmed directly with MARINER'S COVE ASSOCIATION'S financial institutions who responded that the balances indicated were in agreement with their records.

NOTE 6. Future Major Repairs and Replacements:

MARINER'S COVE ASSOCIATION'S board of directors updated their study in 2013 to estimate the remaining useful lives and replacement costs of the components of common property.

Funds are presently being accumulated for replacements based on estimated future costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors of the Association has the right to increase regular assessments, or pass special assessments, until enough funds are available.

MARINER'S COVE ASSOCIATIONSupplementary Information on Future Major Repairs and Replacements
(Unaudited)
December 31, 2013

The board of directors updated the reserve study in 2013 to estimate the remaining useful lives and replacement costs of the components of common property. The following table is based upon the study, and presents significant information about the components of the common property.

	Estimated Remaining Useful Lives	Estimated Future Costs
Asphalt Seal/Repair	0	\$ 18,800
Chain Link Fence	0	17,392
Wood Surfaces Repaint	0	5,525
Kitchen	1	6,656
Pool Retile	2	39,322
Stucco Repaint	2	7,324
Wading Pool Retile	2	9,437
Others (Under \$5,000)	0-4	19,480
Elastomeric Deck Resurface	5	33,362
Tile Roof	5	79,995
Wood Surfaces Repaint	5	6,221
Asphalt Seal/Repair	6	21,675
Pool Furniture	6	5,476
Sliding Glass Doors	7	8,854
Vinyl Fence	7	12,042
Asphalt Resurface	8	113,639
Solar Hot Water	8	26,657
Pole Lights	8	26,151
Others (Under \$5,000)	5-9	21,224
Dock	10	16,860
Wood Surfaces Repaint	10	7,004
Bathroom	11	8,437
Pool Deck (Partial	11	5,192
Asphalt Seal/Repair	12	24,989
Pool Furniture	12	6,314
Kitchen	13	8,847
Pool Salt Chorine Generator	14	5,468
Signage	14	5,227
Others (Under \$5,000)	10-14	11,547
Chain Link Fence	15	24,823
Wood Surfaces Repaint	15	7,886
Stucco Repaint	16	10,209
Elastomeric Deck Resurface	17	44,345
Asphalt Seal/Repair	18	28,811
Pool Furniture	18	7,279
Pool Salt Chorine Generator	19	6,156
Tile Roof	19	11,770
Others (Under \$5,000)	15-19	<u>25,581</u>
		<u>\$ 745,977</u>

Unaudited