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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, 2014.

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, 2014 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 13, 2015

MARINER'S COVE ASSOCIATION
Statement of Cash Receipts and Disbursements
and Changes in Cash Balance
For the Year Ended December 31, 2014

Cash Receipts:		
Community Association Dues	\$ 147,067	
Boat Storage	6,540	
Late Fees	2,820	
Clubhouse Rent	1,883	
Interest	<u>724</u>	
Total Cash Receipts		\$ 159,034
Cash Disbursements:		
Repairs and Maintenance:		
Reserve Disbursements-Asphalt	16,734	
Reserve Disbursements-Kitchen	6,920	
Repairs, Purchases and Other	5,089	
Pool	4,970	
Grounds	3,155	
Reserve Disbursements-Fence	<u>2,400</u>	39,268
Utilities:		
Electricity	5,654	
Water	5,161	
Communications	<u>1,091</u>	11,906
Personnel:		
Wages	46,830	
Payroll Taxes, Benefits and Other	<u>7,773</u>	54,603
Administration:		
Management Fee	18,216	
Office and Administrative	<u>11,415</u>	29,631
Other:		
Insurance	10,879	
Net Professional Fees	2,992	
Hawaii General Excise Tax	407	
Real Property Tax	<u>300</u>	<u>14,578</u>
Total Cash Disbursements		149,986
Increase (Decrease) in Total Cash		9,048
Cash Balance: January 1, 2014		<u>214,783</u>
Cash Balance: December 31, 2014		<u>\$ 223,831</u>

MARINER'S COVE ASSOCIATION

Notes to the Financial Statements

December 31, 2014

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, 2014 is comprised of:

Operating Cash	\$ 25,608
Reserves	<u>198,223</u>
Total Cash	\$ <u>223,831</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 September 30, 2014. 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 2014 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, 2014

The board of directors updated the reserve study in 2014 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
Chain Link Fence	0	\$ 17,225
Kitchen	0	6,500
Wood Surfaces Repaint	0	5,525
Pool/Wading Pool Retile	1	47,337
Stucco Repaint	1	7,111
Elastomeric Deck Resurface	4	31,823
Tile Roof	4	76,305
Others (Under \$5,000)	0-4	22,122
Asphalt Seal/Repair	5	18,295
Wood Surfaces Repaint	5	6,040
Pool Furniture	6	5,287
Sliding Glass Doors	6	8,347
Vinyl Fence	6	11,352
Asphalt Resurface	7	106,503
Solar Hot Water	7	24,983
Pole Lights	8	24,366
Dock	9	15,616
Others (Under \$5,000)	5-9	16,866
Bathroom	10	7,769
Wood Surfaces Repaint	10	6,604
Asphalt Seal/Repair	11	20,362
Kitchen	11	8,065
Kitchen	12	8,052
Pool Furniture	12	5,884
Chain Link Fence	14	6,253
Others (Under \$5,000)	10-14	28,941
Chain Link Fence	15	22,510
Stucco Repaint	15	9,128
Wood Surfaces Repaint	15	7,220
Elastomeric Deck Resurface	16	39,419
Asphalt Seal/Repair	17	22,663
Pool Furniture	18	6,549
Pool Salt Chlorine Generator	18	5,409
Tile Floor	18	10,340
Others (Under \$5,000)	15-19	<u>18,906</u>
		<u>\$ 685,677</u>