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INDEPENDENT AUDITOR'S REPORT

Board of Directors
MARINER'S COVE ASSOCIATION

Report on the Financial Statement:

We have audited the accompanying financial statement of cash receipts and disbursements and changes in cash balances of MARINER'S COVE ASSOCIATION, for the year ended December 31, 2018, and the related notes to the financial statement.

Management's Responsibilities:

Management is responsible for the preparation and fair presentation of this financial statement 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 Responsibilities: We are responsible to express our 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 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 Association'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 Association'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, well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash receipts and disbursements and the changes in cash balances of MARINER'S COVE ASSOCIATION for the year-ended December 31, 2018 in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting:

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is 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. My opinion is not modified with respect to this matter.

Disclaimer of Opinion on the Required Supplemental Information on Future Major Repairs and Replacements:

Accounting principles generally accepted in the United States of America require that information on Future Major Repairs and Replacements which accompany this financial statement be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statement, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Restriction on Use:

This report is intended solely for the information and use of the Board of Directors and Members of MARINER'S COVE ASSOCIATION and is not intended to be used and should not be used by anyone other than these specified parties.

Felice Valmas

Felice Valmas, CPA
May 1, 2019

MARINER'S COVE ASSOCIATION

Statement of Cash Receipts and Disbursements and Changes in Cash Balance For the Year Ended December 31, 2018

Cash Receipts:		
Community Association Dues	\$ 167,908	
Boat Storage	6,975	
Interest	3,531	
Late Fees	2,400	
Clubhouse Rent	<u>1,780</u>	
Total Cash Receipts		\$ 182,594
Cash Disbursements:		
Repairs and Maintenance:		
Pool	5,460	
Net Repairs, Purchases and Other	4,352	
Grounds	2,994	
Sewer	<u>1,587</u>	14,393
Utilities:		
Water	6,416	
Electricity	3,609	
Communications	<u>1,176</u>	11,201
Personnel:		
Wages	47,784	
Payroll Taxes, Benefits and Other	<u>5,272</u>	53,056
Administration:		
Management Fee	19,680	
Office and Administrative	<u>11,839</u>	31,519
Other:		
Insurance	9,604	
Net Professional Fees	3,161	
Hawaii General Excise Tax	546	
Real Property Tax	<u>300</u>	<u>13,611</u>
Total Cash Disbursements		123,780
Increase (Decrease) in Total Cash		58,814
Cash Balance: January 1, 2018		<u>365,838</u>
Cash Balance: December 31, 2018		<u>\$ 424,652</u>

MARINER'S COVE ASSOCIATION

Notes to the Financial Statements

December 31, 2018

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 accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the financial statement. The cash basis differs from generally accounting principles primarily because the effects of accounts receivable and accounts payable are not reflected in the accompanying financial statement.

NOTE 3. Ending Cash Balance:

The balance at December 31, 2018 is comprised of:

Operating Cash	\$ 83,757
Reserves	<u>340,895</u>
Total Cash	\$ <u>424,652</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:

In conformity with Hawaii State law, a surprise cash verification was conducted during the fiscal year. No material discrepancies were encountered.

NOTE 6. Future Major Repairs and Replacements:

MARINER'S COVE ASSOCIATION'S board of directors updated their study in 2018 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, 2018

The board of directors updated the reserve study in 2018 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 <u>Lives</u>	Estimated Future <u>Costs</u>
Pool Retile	0	\$ 57,977
Pool Furniture/Salt Chlorine Generator	0	10,183
Signage	0	4,571
Stucco Repaint	0	9,589
Wading Pool Tile	0	13,915
Wood Surfaces Repaint	0	7,147
Elastomeric Deck Resurface	0	37,580
Kitchen	1	9,102
Pump Shut Offs	1	5,346
Sliding Glass Doors	2	12,305
Vinyl Fence	2	13,728
Solar Hot Water	3	29,677
Pole Lights	4	34,657
Pool Salt Chlorine Generator	4	4,722
Wood Surfaces Repaint	4	7,891
Others (Under \$4,000)	0-4	16,392
Asphalt Seal/Repair	5	18,951
Dock	5	17,900
Pool Furniture	5	6,651
Pool Deck Partial	6	5,032
Kitchen	7	8,406
Bathroom	9	8,677
Pool Salt Chlorine Generator	9	5,213
Signage	9	5,573
Utility Doors Partial	9	4,285
Wood Surfaces Repaint	9	8,712
Others (Under \$4,000)	5-9	11,811
Tile Roof	10	156,884
Chain Link Fence	11	26,702
Elastomeric Deck Resurface	11	4,173
Pool Furniture	11	7,490
Pump Shut Offs	11	6,517
Asphalt Resurface	12	130,077
Asphalt Seal/Repair	12	21,768
Elastomeric Deck Resurface	12	47,661
Electronic Entry	12	4,745
Kitchen	13	11,543
Stucco Repaint	13	12,652
Pool Salt Chlorine Generator	14	5,756
Utility Doors Partial	14	4,731
Wood Surfaces Repaint	14	9,619
Elastomeric Deck Resurface	15	4,517
Pool Furniture	17	8,435
Vinyl Fence	17	18,476
CVT Floor Replace	18	4,607
Pool Deck Partial	18	6,381
Solar Hot Water	18	39,942
Others (Under \$4,000)	15-19	<u>5,646</u>
		<u>\$ 914,315</u>