

HAWAIIAN PARADISE PARK OWNERS ASSOCIATION
Financial Statements and Audit Opinion
For the Years Ended June 30, 2008 & 2007

Ron Dolan, CPA & Associates, Inc.
An Accountancy Corporation
16A Railroad Avenue
Hilo, HI 96720

Independent Auditor's Report

To the Board of Directors of
The Hawaiian Paradise Park Owners Association

We have audited the accompanying statement of financial position of Hawaiian Paradise Park Owners Association (a nonprofit organization) as of June 30, 2008 and 2007, and the related statement of activities and changes in net assets for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawaiian Paradise Park Owners Association (a nonprofit organization) as of June 30, 2008 and 2007, and the results of its activities and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Ron Dolan, CPA & Associates, Inc.
September 25, 2008

Hawaiian Paradise Park Owners Association
Statement of Financial Position
As of June 30, 2008

	Notes	General	Roads	Property	Total 06/30/08	Total 06/30/07
Assets						
Current Assets						
Petty Cash		465			465	465
Cash - Checking		122,541	23,698		146,239	52,090
Cash - Savings Accounts			581,801		581,801	763,393
Cash - Money Market Funds & Commercial Paper			100,457	10,962,390	11,062,847	11,845,071
Cash - Certificate Deposits			452,485		452,485	607,567
Total Cash	6	123,006	1,158,441	10,962,390	12,243,837	13,268,586
Receivables, Net of Allowance						
Prepaid Insurance	7	0	308,771		308,771	264,517
Current Assets		123,006	1,521,708	10,962,390	12,607,104	13,592,135
Fixed Assets:						
Building & Building Improvements				302,468	302,468	294,271
Road Improvements				3,635,857	3,635,857	2,955,745
Land Improvements				54,087	54,087	54,087
Equipment				520,880	520,880	393,076
				4,513,292	4,513,292	3,697,179
Less Accumulated Depreciation				(1,714,799)	(1,714,799)	(1,492,096)
Total Net Fixed Assets				2,798,493	2,798,493	2,205,083
Investment - Capital Corp. Investment Agreement						
Prepaid Bond Expenses	6			1,208,500	1,208,500	0
Land				478,000	478,000	503,158
				78,732	78,732	78,732
Total Assets		123,006	1,521,708	15,526,115	17,170,829	16,379,108

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Financial Position
As of June 30, 2008

	Notes	General	Roads	Property	Total 06/30/08	Total 06/30/07
Liabilities & Net Assets						
Current Liabilities						
Account Payable			6,414	289,324	295,738	86,076
Retainage Payable				15,227	15,227	0
Deferred Charges - Future Road Fees	8		775,518		775,518	706,198
Prepaid Road Fees			2,209		2,209	956
Accrued Payable			10,192		10,192	10,192
Interest Payable				418,141	418,141	22,912
Other Liabilities						
Activity Center Deposits		2,250			2,250	0
Coqui Eradication Fund		14,304			14,304	14,520
Total Current Liabilities		16,554	794,333	722,692	1,533,579	840,854
Noncurrent Liabilities						
Bond Payable	9			12,085,000	12,085,000	12,085,000
Total Liabilities		16,554	794,333	12,807,692	13,618,579	12,925,854
Net Assets						
Current Unrestricted		58,044	727,375	2,711,704	3,497,123	3,398,127
Current Restricted		48,408	0	6,719	55,127	55,127
Total Net Assets		106,452	727,375	2,718,423	3,552,250	3,453,254
Total Liabilities & Net Assets		123,006	1,521,708	15,526,115	17,170,829	16,379,108

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Activities & Changes in Net Assets
For the Year ended June 30, 2008

	Notes	General	Roads	Property	Total 06/30/08	Total 06/30/07
Revenues						
Road Fees			1,481,715		\$1,481,715	\$1,349,574
Bank Interest & Dividend		21	32,023	438,052	470,096	48,142
Transfer Fees			82,170		82,170	53,475
Road Fees Interest			62,207		62,207	49,633
Realized Gain/Loss on Investment				39,200	39,200	0
Misc. Income		9,724	16,561		26,285	9,361
Unrealized Gain/Loss on Investment				18,592	18,592	0
Lien Fees			11,375		11,375	10,951
Activities Center Income		10,628			10,628	11,862
Total Revenues	1,3	20,373	1,686,051	495,844	2,202,268	1,532,998
Expenses						
Bond Interest Expense				836,600	836,600	22,912
Direct Road Maintenance			396,627		396,627	338,867
Personnel & Payroll Taxes			239,732		239,732	216,550
Depreciation	1			222,703	222,703	200,502
Insurance		1777	90,621		92,398	94,824
Road Improvements Exp. through Bond			58,008	25,158	83,166	0
Office Supplies & Expenses		3,272	34,233		37,505	39,848
Lien & Foreclosure Expenses			36,934		36,934	4,712
Vehicle & Equipment Expense			36,778		36,778	30,911
Employee Benefits			31,880		31,880	26,966
Activity Center Expense		25,490			25,490	30,963
Professional & Legal Fees		819	23,738		24,557	18,840
Shoulder Maintenance			19,007		19,007	11,498
Property Expense		850	16,154		17,004	13,077
Shop Supplies & Expenses			2,891		2,891	6,775
Mowing			0		0	116,850
Misc. Expense			0		0	8,139
Total Expenses		32,208	986,603	1,084,461	2,103,272	1,182,234
Revenues over Expenses		(11,835)	699,448	(588,617)	98,996	350,764
Beginning Net Assets		48,413	960,066	2,444,775	3,453,254	3,102,490
Interfund transfers		69,874	(932,139)	862,265	0	0
Ending Net Assets		106,452	727,375	2,718,423	3,552,250	3,453,254

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Cash Flows
For the Year ended June 30, 2008

	Notes	General	Roads	Property	Total 06/30/08	Total 06/30/07
Cash provided (used) by:						
Operating Activities						
Excess of revenue over expense		(11,835)	699,448	(588,617)	98,996	350,764
Items not involving cash						
Depreciation	1			222,703	222,703	200,502
Gain on Sales of Equipment				0	0	0
Subtotal		(11,835)	699,448	(365,914)	321,699	551,266
Changes in noncash balances						
Receivables	7		(44,254)		(44,254)	(125,258)
Prepaid Expenses			4,536		4,536	4,548
Deposits Payable		2,250			2,250	(20)
Prepaid Bond Expenses				25,158	25,158	(503,158)
Accounts Payable			6,414	203,248	209,662	67,988
Retainage Payable				15,227	15,227	0
Deferred Charges	8		70,573		70,573	59,081
Accrued Payable			0		0	10,192
Interest Payable				395,229	395,229	22,912
Other Liabilities		(216)	0		(216)	(2,513)
Net Assets					0	0
		(9,801)	736,717	272,948	999,864	85,038
Investing Activities						
Purchases of Equipment				(127,804)	(127,804)	(21,562)
Purchases of Building Improvement				(8,197)	(8,197)	0
Purchases of Road Improvement				(680,112)	(680,112)	(441,139)
Purchase on Investment				(1,208,500)	(1,208,500)	0
Financing Activities						
Borrowings	9				0	12,085,000
Interfund Transfers		69,874	(932,139)	862,265	0	0
Increase (decrease) in cash		60,073	(195,422)	(889,400)	(1,024,749)	11,707,337
Cash, beginning of year		62,933	1,353,863	11,851,790	13,268,586	1,561,249
Cash, end of year	6	123,006	1,158,441	10,962,390	12,243,837	13,268,586

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2008

1. Nature of Organization

General

Hawaiian Paradise Park Owners Association (HPPOA) which was formerly known as (fka) Paradise Hui Hanalike (the Hui) is a private nonprofit membership corporation. It was incorporated on December 22, 1972, under the laws of the State of Hawaii. The HPPOA is an owner association serving the property owners of Hawaiian Paradise Park, a subdivision located in the Puna District of the County of Hawaii, State of Hawaii. The HPPOA is responsible for maintaining approximately 147 miles of roadways and 191 acres of real property for the benefit of the owners of the subdivision's 8,835 lots. It was organized for the purpose of promoting the welfare, beauty and safety of the subdivision.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in United States of America.

Fund Accounting

In order to observe the limitations and restrictions placed on the use of resources available to the HPPOA, the accounts of the HPPOA are maintained in accordance with the principles of fund accounting. The assets, liabilities, and net assets of the HPPOA are reported in three self-balancing fund groups as follows:

The current unrestricted fund represents operating resources over which the governing board of directors has discretionary control. Such resources arise from membership fees, fund-raising, rent and contributions upon which the donor has placed no restriction.

The current restricted fund is used to account for those resources that are currently available for use but expendable only for operating purposes specified by the assessment or donor.

The property and equipment fund represents the net investment in property and equipment. Current funds used for property acquisitions are accounted for as transfers to the property and equipment fund.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2008

2. Summary of Significant Accounting Policies - Continued

Income Taxes

Hawaiian Paradise Park Owners Association is determined to be a tax-exempt organization under Section 501(c)(4) of the U.S. Internal Revenue Code. The HPPOA is recognized to be exempt from Federal and State income taxes.

Property and Depreciation

Property is stated at cost or at value established by the Board of Directors at date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the properties.

Lease

Leases that transfer substantially all of the benefits and risks of ownership are classified capital leases. All other leases are shown as operating leases.

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated Materials

The HPPOA assigns values to donated materials based on historical cost or fair value at the date of gift if it can be determined in the absence of adequate cost records.

Donated Services

Volunteers provide assistance to the HPPOA for various program and support activities. The HPPOA assigns values to such services performed when such services would otherwise be performed by salaried personnel. No amounts have been reflected in the accompanying financial statements for donated services in as much as no objective basis is available to measure the value of such donated services; however, a substantial number of volunteers have donated significant amounts of their time to the organization.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2008

3. Road Maintenance Fund

The HPPOA is responsible for the maintenance of approximately 147 miles of roadways in the Hawaiian Paradise Park Subdivision. These activities are funded through the mandatory road maintenance assessments paid by the property owners of Hawaiian Paradise Park Owners Association. For the fiscal year ending June 30, 2008 road fees were assessed in January 2008 at a rate of \$179.00 per lot - base fee.

Fiscal year ending:	<u>2008</u>	<u>2007</u>
Road fees	1,481,715	1,349,574
Interest	62,207	49,633
Liens assessed and collected	<u>11,375</u>	<u>10,951</u>
Total road fees	<u>1,555,297</u>	<u>1,410,158</u>

4. Transfer of Road Maintenance Fund

The HPPOA amended the Bylaws on June 12, 2004. The amended Bylaws requires \$24,000 of road maintenance funds to be transferred to the General Fund for the administration purposes for the fiscal year 2004-2005. Thereafter, the amount of transfer which should not exceed 5% of road maintenance funds collected in that year is determined annually by the Board. The amount of \$38,240 and \$56,625 of road maintenance funds were transferred to the General Fund for 2008 and 2007, respectively.

5. Property Fund

The property and equipment fund represents the net investment, at cost, in property and equipment. During the period under audit the corporation spent \$127,804 on Equipment, \$8,197 on building improvement, and \$680,112 on road improvement.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2008

6. Cash

The HPPOA maintains several cash accounts at banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. However, the amount of \$10,962,390 at Union Bank of CA is subject to a trust indenture effective June 21, 2007. It is proceed received from the revenue bond issuance. See note #9 for more information. The HPPOA's uninsured cash balances not including these trust funds total \$981,807 and \$1,122,998 as of June 30, 2008 and 2007.

Cash balances as of June 30, 2008 are as follows:

	<u>General</u>	<u>Roads</u>	<u>Property</u>	<u>Total</u>
Cash - FHB	122,541	605,447		727,988
Cash - CU Hawaii	0	52		52
Cash - Homestreet Bank		99,123		99,123
Cash - Morgan Stanley		453,819		453,819
Cash - Union Bank of CA			10,962,390	10,962,390
Cash - On hand (petty cash)	465			465
	<u>123,006</u>	<u>1,158,441</u>	<u>10,962,390</u>	<u>12,243,837</u>

The HPPOA holds a corporation investment agreement of \$1,208,500 in the debt service reserve fund at Union Bank of CA. The interest of this agreement is 5.050% and the maturity date is 12/31/2026. The HPPOA intends to hold it until it matures.

7. Assessment Receivables

Assessment receivable balances as of June 30, 2008 and 2007 respectively are:

	<u>2008</u>	<u>2007</u>
Assessments Receivable	829,771	785,517
Allowance-Doubtful Accounts	<u>(521,000)</u>	<u>(521,000)</u>
Total	<u>308,771</u>	<u>264,517</u>

During the year, the HPPOA charged operations \$0 as bad debt expense in 2008 and 2007 for additions to the allowance for doubtful accounts for old amounts that may not be collectible.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2008

8. Net Assets - Adjustment for Reporting Deferred Charges

The amounts billed but not recognized are shown as "Deferred Charges- Future Road Fees" in the amounts of \$775,518 and \$706,198 for the years ended June 30, 2008 and 2007, respectively. The amount of deferred charges represents 50% of the road fees which are billed in January each year.

9. Bonds Payable

On June 21, 2007, the HPPOA issued \$12,085,000 in revenue bonds (Series 2007 Revenue Bonds) to fund the construction of major improvements (primarily paving) to HPPOA's roadways. The trustee of the bond issue is Union Bank of California. The bond issue is at 6.92% interest rate per annum. The interest is payable on every January 1 and July 1 of each year. The maturity of the bond issue is on January 1, 2027. The bond issue is subject to optional redemption at the direction of the issuer, at any time on and after January 1, 2018, as a whole or in part, at a redemption price equals to 102% of the principal amount to be redeemed plus accrued interest to the redemption date. The first interest payment is due on January 1, 2008.

Annual maturities of bond payable are as follows:

Year ending June 30,	
2009	\$ 0
2010	0
2011	0
2012	100,000
2013	235,000
Thereafter	<u>11,750,000</u>
Total	<u>12,085,000</u>

10. Lease Commitments

The corporation leases 20-acres of land to Malamalama School, Inc. under the terms of a 99-year lease which began June 1, 1980. Under the current lease terms in effect, rent is payable monthly at a rate of \$1 per student enrolled while school is in session. When school is not in session, no rent is due or payable. During the current fiscal year rents received under this lease were \$2,688. After the fifth year, and at intervals of every ten years thereafter, the rental is subject to renegotiation. The lease expires May 31, 2079.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2008

11. Capital Lease

The HPPOA leases its grader from Allied Machinery Corporation, under a capital lease in the amount of \$4,850. The economic substance of the lease is that HPPOA is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the assets and liabilities. The lease was paid off during the fiscal year 2006.