

HAWAIIAN PARADISE PARK OWNERS ASSOCIATION
Financial Statements and Audit Opinion
For the Years Ended June 30, 2009 & 2008

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Hawaiian Paradise Park Owners Association

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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, 2009 and 2008, 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, 2009 and 2008, 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, 2009

Hawaiian Paradise Park Owners Association
Statement of Financial Position
As of June 30, 2009

Assets	Notes	General	Roads	Property	Total 06/30/09	Total 06/30/08
Current Assets						
Petty Cash		300			300	465
Cash - Checking		35,606	88,097		123,703	146,239
Cash - Savings Accounts		124	823,540		823,664	581,801
Cash - Money Market Funds & Commercial Paper			128,217	8,768,628	8,896,845	11,062,847
Cash - Certificate Deposits		66,000	502,795		568,795	452,485
Total Cash	6	102,030	1,542,649	8,768,628	10,413,307	12,243,837
Receivables, Net of Allowance	7		434,585		434,585	308,771
Prepaid Insurance		0	44,989		44,989	54,496
Current Assets		102,030	2,022,223	8,768,628	10,892,881	12,607,104
Fixed Assets:						
Building & Building Improvements				302,468	302,468	302,468
Road Improvements			5,658,679		5,658,679	3,635,857
Land Improvements				54,087	54,087	54,087
Equipment				578,273	578,273	520,880
Less Accumulated Depreciation				6,593,507	6,593,507	4,513,292
Total Net Fixed Assets				(1,993,503)	(1,993,503)	(1,714,799)
				4,600,004	4,600,004	2,798,493
Investment - Capital Corp. Investment Agreement	6			1,239,015	1,239,015	1,208,500
Prepaid Bond Expenses				459,690	459,690	478,000
Land				78,732	78,732	78,732
Total Assets		102,030	2,022,223	15,146,069	17,270,322	17,170,829

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Financial Position
As of June 30, 2009

	Notes	General	Roads	Property	Total 06/30/09	Total 06/30/08
Liabilities & Net Assets						
Current Liabilities						
Account Payable		511	18,093	261,363	279,967	295,738
Retainage Payable				15,651	15,651	15,227
Deferred Charges - Future Road Fees	8		853,026		853,026	775,518
Prepaid Road Fees			1,508		1,508	2,209
Accrued Payable			16,148		16,148	10,192
Interest Payable				418,141	418,141	418,141
Other Liabilities						
Activity Center Deposits		2,235			2,235	2,250
Coqui Eradication Fund		14,820			14,820	14,304
Total Current Liabilities		17,566	888,775	695,155	1,601,496	1,533,579
Noncurrent Liabilities						
Bond Payable	9			12,085,000	12,085,000	12,085,000
Total Liabilities		17,566	888,775	12,780,155	13,686,496	13,618,579
Net Assets						
Current Unrestricted		36,056	1,133,448	2,359,195	3,528,699	3,497,123
Current Restricted		48,408	0	6,719	55,127	55,127
Total Net Assets		84,464	1,133,448	2,365,914	3,583,826	3,552,250
Total Liabilities & Net Assets		102,030	2,022,223	15,146,069	17,270,322	17,170,829

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Activities & Changes in Net Assets
For the Year ended June 30, 2009

	Notes	General	Roads	Property	Total 06/30/09	Total 06/30/08
Revenues						
Road Fees			1,627,151		\$1,627,151	\$1,481,715
Bank Interest & Dividend	29		32,023	244,221	276,273	470,096
Road Fees Interest			79,259		79,259	62,207
Transfer Fees			68,000		68,000	82,170
Activities Center Income		12,280			12,280	10,628
Lien Fees			10,750		10,750	11,375
Misc. Income		3,227	707		3,934	26,285
Realized Gain/Loss on Investment					0	39,200
Unrealized Gain/Loss on Investment					0	18,592
Total Revenues	1,3	15,536	1,817,890	244,221	2,077,647	2,202,268
Expenses						
Bond Interest Expense				836,282	836,282	836,600
Direct Road Maintenance			282,598		282,598	396,627
Depreciation	1			278,704	278,704	222,703
Personnel & Payroll Taxes		5,347	267,971		273,318	239,732
Insurance		958	91,235		92,193	92,398
Vehicle & Equipment Expense			55,564		55,564	36,778
Lien & Foreclosure Expenses			51,184		51,184	36,934
Road Improvements Exp. through Bond			21,746	25,158	46,904	83,166
Employee Benefits			42,470		42,470	31,880
Office Supplies & Expenses		79	26,423		26,502	37,505
Unrealized Gain/Loss on Investment				17,849	17,849	0
Professional & Legal Fees			13,854		13,854	24,557
Property Expense		850	10,039		10,889	17,004
Activity Center Expense		9,255			9,255	25,490
Shoulder Maintenance			5,240		5,240	19,007
Shop Supplies & Expenses			3,265		3,265	2,891
Total Expenses		16,489	871,589	1,157,993	2,046,071	2,103,272
Revenues over Expenses		(953)	946,301	(913,772)	31,576	98,996
Beginning Net Assets		106,452	727,375	2,718,423	3,552,250	3,453,254
Interfund transfers		(21,035)	(540,228)	561,263	0	0
Ending Net Assets		84,464	1,133,448	2,365,914	3,583,826	3,552,250

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Cash Flows
For the Year ended June 30, 2009

	Notes	General	Roads	Property	Total 06/30/09	Total 06/30/08
Cash provided (used) by:						
Operating Activities						
Excess of revenue over expense		(953)	946,301	(913,772)	31,576	98,996
Items not involving cash						
Depreciation	1			278,704	278,704	222,703
Subtotal		(953)	946,301	(635,068)	310,280	321,699
Changes in noncash balances						
Receivables	7		(125,814)		(125,814)	(44,254)
Prepaid Expenses			9,507		9,507	4,536
Deposits Payable		(15)			(15)	2,250
Prepaid Bond Expenses				18,310	18,310	25,158
Accounts Payable		511	11,679	(27,961)	(15,771)	209,662
Retainage Payable				424	424	15,227
Deferred Charges	8		76,807		76,807	70,573
Accrued Payable			5,956		5,956	0
Interest Payable				0	0	395,229
Other Liabilities		516	0		516	(216)
Net Assets					0	0
		59	924,436	(644,295)	280,200	999,864
Investing Activities						
Purchases of Equipment				(57,393)	(57,393)	(127,804)
Purchases of Building Improvement				0	0	(8,197)
Purchases of Road Improvement				(2,022,822)	(2,022,822)	(680,112)
Purchase on Investment				(30,515)	(30,515)	(1,208,500)
Financing Activities						
Borrowings	9				0	0
Interfund Transfers		(21,035)	(540,228)	561,263	0	0
Increase (decrease) in cash		(20,976)	384,208	(2,193,762)	(1,830,530)	(1,024,749)
Cash, beginning of year		123,006	1,158,441	10,962,390	12,243,837	13,268,586
Cash, end of year	6	102,030	1,542,649	8,768,628	10,413,307	12,243,837

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2009

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, 2009

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, 2009

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, 2009 road fees were assessed in January 2009 at a rate of \$196.90 per lot - base fee.

Fiscal year ending:	<u>2009</u>	<u>2008</u>
Road fees	1,627,151	1,481,715
Interest	79,259	62,207
Liens assessed and collected	<u>10,750</u>	<u>11,375</u>
Total road fees	<u>1,717,160</u>	<u>1,555,297</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 \$0 and \$38,240 of road maintenance funds were transferred to the General Fund for 2009 and 2008, 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 \$57,393 on Equipment, and \$2,022,822 on road improvement.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2009

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 \$ 8,768,628 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 \$1,344,379 and \$981,807 as of June 30, 2009 and 2008.

Cash balances as of June 30, 2009 are as follows:

	<u>General</u>	<u>Roads</u>	<u>Property</u>	<u>Total</u>
Cash - FHB	35,606	911,637		947,243
Cash - Homestreet Bank		102,795		102,795
Cash - Morgan Stanley	66,124	528,217		594,341
Cash - Union Bank of CA			8,768,628	8,768,628
Cash - On hand (petty cash)	300			300
	<u>102,030</u>	<u>1,542,649</u>	<u>8,768,628</u>	<u>10,413,307</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.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2009

7. Assessment Receivables

Assessment receivable balances as of June 30, 2009 and 2008 respectively are:

	<u>2009</u>	<u>2008</u>
Assessments Receivable	955,585	829,771
Allowance-Doubtful Accounts	<u>(521,000)</u>	<u>(521,000)</u>
Total	<u>434,585</u>	<u>308,771</u>

During the year, the HPPOA charged operations \$0 as bad debt expense in 2009 and 2008 for additions to the allowance for doubtful accounts for old amounts that may not be collectible.

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 \$853,026 and \$775,518 for the years ended June 30, 2009 and 2008, 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,	
2010	\$ 0
2011	100,000
2012	235,000
2013	365,000
2014	405,000
Thereafter	<u>10,980,000</u>
Total	<u>12,085,000</u>

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2009

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 \$2,136. After the fifth year, and at intervals of every ten years thereafter, the rental is subject to renegotiation. The lease expires May 31, 2079.