

HAWAIIAN PARADISE PARK OWNERS ASSOCIATION
Financial Statements and Audit Opinion
For the Years Ended June 30, 2010 & 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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.
October 8, 2010

Hawaiian Paradise Park Owners Association
Statement of Financial Position
As of June 30, 2010

Assets	Notes	General	Roads	Property	Total 06/30/10	Total 06/30/09
Current Assets						
Petty Cash		300			300	300
Cash - Checking		79,255	22,044		101,299	123,703
Cash - Savings Accounts			967,204		967,204	823,664
Cash - Money Market Funds & Commercial Paper			531,538	5,589,507	6,121,045	8,896,845
Cash - Certificate Deposits		66,528	104,780		171,308	568,795
Total Cash	6	146,083	1,625,566	5,589,507	7,361,156	10,413,307
Receivables, Net of Allowance	7		595,326		595,326	434,585
Other Receivable			14,809		14,809	0
Prepaid Insurance		0	32,448		32,448	44,989
Current Assets		146,083	2,268,149	5,589,507	8,003,739	10,892,881
Fixed Assets:						
Building & Building Improvements				320,017	320,017	302,468
Road Improvements				8,833,525	8,833,525	5,658,679
Land Improvements				54,087	54,087	54,087
Equipment				582,075	582,075	578,273
				9,789,704	9,789,704	6,593,507
Less Accumulated Depreciation				(2,443,469)	(2,443,469)	(1,993,503)
Total Net Fixed Assets				7,346,235	7,346,235	4,600,004
Investment - Capital Corp. Investment Agreement	6			1,239,015	1,239,015	1,239,015
Prepaid Bond Expenses				431,483	431,483	459,690
Land				78,732	78,732	78,732
Total Assets		146,083	2,268,149	14,684,972	17,099,204	17,270,322

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Financial Position
As of June 30, 2010

	Notes	General	Roads	Property	Total 06/30/10	Total 06/30/09
Liabilities & Net Assets						
Current Liabilities						
Account Payable		130	31,568	62,316	94,014	279,967
Retainage Payable				131,479	131,479	15,651
Deferred Charges - Future Road Fees	8		946,607		946,607	853,026
Prepaid Road Fees			3,757		3,757	1,508
Accrued Payable			39,488		39,488	16,148
Interest Payable				418,141	418,141	418,141
Other Liabilities						
Activity Center Deposits		6,060			6,060	2,235
Coqui Eradication Fund		14,820			14,820	14,820
Total Current Liabilities		21,010	1,021,420	611,936	1,654,366	1,601,496
Noncurrent Liabilities						
Bond Payable	9			12,085,000	12,085,000	12,085,000
Total Liabilities		21,010	1,021,420	12,696,936	13,739,366	13,686,496
Net Assets						
Current Unrestricted		76,665	1,246,729	1,981,317	3,304,711	3,528,699
Current Restricted		48,408	0	6,719	55,127	55,127
Total Net Assets		125,073	1,246,729	1,988,036	3,359,838	3,583,826
Total Liabilities & Net Assets		146,083	2,268,149	14,684,972	17,099,204	17,270,322

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Activities & Changes in Net Assets
For the Year ended June 30, 2010

	Notes	General	Roads	Property	Total 06/30/10	Total 06/30/09
Revenues						
Road Fees			1,807,114		\$1,807,114	\$1,627,151
Recovered Foreclosure Costs			80,511		80,511	0
Bank Interest & Dividend		58	32,023	44,890	76,971	276,273
Road Fees Interest			64,642		64,642	79,259
Transfer Fees			63,875		63,875	68,000
Activities Center Income		12,995			12,995	12,280
Lien Fees			12,025		12,025	10,750
Misc. Income		4,590	100		4,690	3,934
Unrealized Gain/Loss on Investment				253	253	0
Realized Gain/Loss on Investment				20	20	0
Total Revenues	1,3	17,643	2,060,290	45,163	2,123,096	2,077,647
Expenses						
Bond Interest Expense				836,282	836,282	836,282
Depreciation	1			449,966	449,966	278,704
Personnel & Payroll Taxes		9,420	303,428		312,848	273,318
Direct Road Maintenance			294,110		294,110	282,598
Vehicle & Equipment Expense			75,520		75,520	55,564
Insurance			72,672		72,672	92,193
Shoulder Maintenance			62,917		62,917	5,240
Office Supplies & Expenses		226	60,726		60,952	26,502
Road Improvements Exp. through Bond				38,548	38,548	46,904
Bad Debt			35,429		35,429	0
Lien & Foreclosure Expenses			31,722		31,722	51,184
Professional & Legal Fees		150	22,868		23,018	13,854
Employee Benefits			18,566		18,566	42,470
Activity Center Expense		14,781			14,781	9,255
Property Expense		850	10,599		11,449	10,889
Shop Supplies & Expenses			8,304		8,304	3,265
Unrealized Gain/Loss on Investment					0	17,849
Total Expenses		25,427	996,861	1,324,796	2,347,084	2,046,071
Revenues over Expenses		(7,784)	1,063,429	(1,279,633)	(223,988)	31,576
Beginning Net Assets		84,464	1,133,448	2,365,914	3,583,826	3,552,250
Interfund transfers		48,393	(950,148)	901,755	0	0
Ending Net Assets		125,073	1,246,729	1,988,036	3,359,838	3,583,826

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association
Statement of Cash Flows
For the Year ended June 30, 2010

	Notes	General	Roads	Property	Total 06/30/10	Total 06/30/09
Cash provided (used) by:						
Operating Activities						
Excess of revenue over expense		(7,784)	1,063,429	(1,279,633)	(223,988)	31,576
Items not involving cash						
Depreciation	1			449,966	449,966	278,704
Subtotal		(7,784)	1,063,429	(829,667)	225,978	310,280
Changes in noncash balances						
Receivables	7		(175,550)		(175,550)	(125,814)
Prepaid Expenses			12,541		12,541	9,507
Deposits Payable		3,825			3,825	(15)
Prepaid Bond Expenses				28,207	28,207	18,310
Accounts Payable		(381)	13,475	(199,047)	(185,953)	(15,771)
Retainage Payable				115,828	115,828	424
Deferred Charges	8		95,830		95,830	76,807
Accrued Payable			23,340		23,340	5,956
Other Liabilities		0	0		0	516
		(4,340)	1,033,065	(884,679)	144,046	280,200
Investing Activities						
Purchases of Equipment				(3,803)	(3,803)	(57,393)
Purchases of Building Improvement				(17,548)	(17,548)	0
Purchases of Road Improvement				(3,174,846)	(3,174,846)	(2,022,822)
Purchase on Investment				0	0	(30,515)
Financing Activities						
Borrowings	9				0	0
Interfund Transfers		48,393	(950,148)	901,755	0	0
Increase (decrease) in cash		44,053	82,917	(3,179,121)	(3,052,151)	(1,830,530)
Cash, beginning of year		102,030	1,542,649	8,768,628	10,413,307	12,243,837
Cash, end of year	6	146,083	1,625,566	5,589,507	7,361,156	10,413,307

See Accompanying Notes to Financial Statements

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2010

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, 2010

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, 2010

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, 2010 road fees were assessed in January 2010 at a rate of \$216.59 per lot - base fee.

Fiscal year ending:	<u>2010</u>	<u>2009</u>
Road fees	1,807,114	1,627,151
Interest	64,642	79,259
Liens assessed and collected	<u>12,025</u>	<u>10,750</u>
Total road fees	<u>1,883,781</u>	<u>1,717,160</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. In April 2010, the Board approved to transfer the amount of \$50,000 to the General Fund for 2009 and 2008.

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 \$3,802 on equipment, \$17,549 on building improvement, and \$3,174,846 on road improvement.

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2010

6. Cash

The HPPOA maintains several cash accounts at banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. However, the amount of \$5,589,507 at Union Bank of CA is subject to a trust indenture effective June 21, 2007. This is the remaining proceeds received from the revenue bond issuance. See note #9 for more information. The HPPOA's uninsured cash balances not including these trust funds total \$1,166,569 and \$1,344,379 as of June 30, 2010 and 2009.

Cash balances as of June 30, 2010 are as follows:

	<u>General</u>	<u>Roads</u>	<u>Property</u>	<u>Total</u>
Cash - FHB	79,255	989,248		1,068,503
Cash - Homestreet Bank		104,780		104,780
Cash - Morgan Stanley	66,528	531,538		598,066
Cash - Union Bank of CA			5,589,507	5,589,507
Cash - On hand (petty cash)	300			300
	<u>146,083</u>	<u>1,625,566</u>	<u>5,589,507</u>	<u>7,361,156</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, 2010

7. Assessment Receivables

Assessment receivable balances as of June 30, 2010 and 2009 respectively are:

	<u>2010</u>	<u>2009</u>
Assessments Receivable	1,139,326	955,585
Allowance-Doubtful Accounts	<u>(544,000)</u>	<u>(521,000)</u>
Total	<u>595,326</u>	<u>434,585</u>

During the year, the HPPOA charged operations \$35,429 and \$0 as bad debt expense in 2010 and 2009 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 \$946,607 and \$853,026 for the years ended June 30, 2010 and 2009, 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.

Annual maturities of bond payable are as follows:

Year ending June 30,	
2011	\$ 100,000
2012	235,000
2013	365,000
2014	405,000
2015	455,000
Thereafter	<u>10,525,000</u>
Total	<u>12,085,000</u>

Hawaiian Paradise Park Owners Association

Notes to Financial Statements

June 30, 2010

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 \$2,532. After the fifth year, and at intervals of every ten years thereafter, the rental is subject to renegotiation. The lease expires May 31, 2079.

11. Related Party Transaction

HPPOA paid Kalaheo Trucking, LLC for truck rental and material in the amount of \$103,134 during the FYE 6/30/2010. This Company is owned by the Road Supervisor.