

Hawaiian Inn Beach Resort Condominium Association, Inc.

Financial Statements

December 31, 2019

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Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hawaiian Inn Beach Resort Condominium Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hawaiian Inn Beach Resort Condominium Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 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, 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, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawaiian Inn Beach Resort Condominium Association, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Future Major Repairs and Replacement on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 statements. 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.

Cina Property Management Corp.

September 17, 2022
Ormond Beach, Florida

Financial Statements

Hawaiian Inn Beach Resort Condominium Association, Inc.

Balance Sheet

December 31, 2019

	Operating Fund	Replacement Fund	Insurance Fund	Special Assessment Fund	Total
Assets					
Cash and cash equivalents	\$ 18,248	\$ 140,947	\$ 4,501	\$ -	\$ 163,696
Accounts receivable	18,794	-	-	4,048	22,842
Due from operating fund	-	40,302	-	-	40,302
Due from insurance fund	-	29,672	-	-	29,672
Due from special assess. fund	-	40,000	-	-	40,000
Prepaid insurance	-	-	28,945	-	28,945
Prepaid expenses	-	3,217	-	-	3,217
Property and equipment, net	54,654	-	-	-	54,654
Utility deposits	-	-	-	-	-
Total assets	\$ 91,696	\$ 254,138	\$ 33,446	\$ 4,048	\$ 383,328
Liabilities and Fund Balances					
Liabilities					
Accrued expenses	\$ 24,581	\$ -	\$ -	\$ -	\$ 24,581
Insurance payable	-	-	13,114	-	13,114
Due to replacement fund	40,302	-	29,672	40,000	109,974
Prepaid assessments	19,985	-	-	-	19,985
Total liabilities	84,868	-	42,786	40,000	167,654
Fund balances	6,828	254,138	(9,340)	(35,952)	215,674
Total Liabilities and Fund Balances	\$ 91,696	\$ 254,138	\$ 33,446	\$ 4,048	\$ 383,328

Hawaiian Inn Beach Resort Condominium Association, Inc.

Statement of Revenues and Expenses
and Changes in Fund Balances

For the Year Ended December 31, 2019

	Operating Fund	Replacement Fund	Insurance Fund	Special Assessment Fund	Total
Revenues					
Maintenance fees	\$ 1,197,000	\$ -	\$ -	\$ 84,000	\$ 1,281,000
Replacement Fund Allocation	(126,000)	126,000	-	-	-
Insurance Fund Allocation	(94,440)	-	94,440	-	-
Interest income	-	2,145	-	-	2,145
Laundry and vending income	4,415	-	-	-	4,415
Total revenues	<u>980,975</u>	<u>128,145</u>	<u>94,440</u>	<u>84,000</u>	<u>1,287,560</u>
Expenses					
Bank charges	4,388	-	-	-	4,388
Cable and Internet	92,252	-	-	-	92,252
Contract labor	7,838	-	-	-	7,838
Depreciation	8,444	-	-	-	8,444
Electric and gas	195,348	-	-	-	195,348
Elevator	66,911	-	-	-	66,911
Fire safety and surveillance	6,825	-	-	-	6,825
HVAC	75,193	-	-	-	75,193
Insurance	-	-	108,281	-	108,281
Landscaping and lawn services	37,964	-	-	-	37,964
Legal	2,500	-	-	-	2,500
Licenses / permits	2,191	-	-	-	2,191
Maintenance supplies	48,914	-	-	-	48,914
Management contract	28,800	-	-	-	28,800
Office expense	4,235	-	-	-	4,235
Owner expense	475	-	-	-	475
Payroll and taxes	139,816	-	-	-	139,816
Payroll Fees	3,218	-	-	-	3,218
Pest Control	16,096	-	-	-	16,096
Pool maintenance	29,066	-	-	-	29,066
Pool supplies	15,877	-	-	-	15,877
Repairs and maintenance	83,913	154,878	-	85,392	324,183
Security	26,156	-	-	-	26,156
Telephone	3,579	-	-	-	3,579
Trash and Sewer	188,655	-	-	-	188,655
Water	84,624	-	-	-	84,624
Total expenses	<u>1,173,278</u>	<u>154,878</u>	<u>108,281</u>	<u>85,392</u>	<u>1,521,829</u>
Excess of revenues (expenses) over expenses (revenues)	(192,303)	(26,733)	(13,841)	(1,392)	(234,269)
Fund balances, beginning of year	199,131	280,871	4,501	(34,560)	449,943
Fund balances, end of year	<u>\$ 6,828</u>	<u>254,138</u>	<u>(9,340)</u>	<u>(35,952)</u>	<u>\$ 215,674</u>

Hawaiian Inn Beach Resort Condominium Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2019

	Operating Fund	Replacement Fund	Insurance Fund	Special Assessment Fund	Total
Cash flows from operating activities:					
Cash received from Owners	\$ 1,200,633	\$ 115,500	\$ 92,316	\$ 84,000	\$ 1,492,449
Cash received from Third Parties	4,415	-	-	-	4,415
Deduct: Cash payments for expenses	(1,173,278)	(273,121)	(108,281)	(85,392)	(1,640,072)
Net cash flow from operating activities	31,770	(157,621)	(15,965)	(1,392)	(143,208)
Cash flows from investing activities:					
Deduct: Cash payments for fixed assets	-	-	-	-	-
Cash flows from financing activities:					
Interfund activities	(33,747)	6,309	10,012	1,392	(16,034)
Cash received for interest	-	2,145	-	-	2,145
Net cash flow from financing activities	(33,747)	8,454	10,012	1,392	(13,889)
Increase(Decrease) in cash	\$ (1,977)	\$ (149,167)	\$ (5,953)	\$ -	\$ (157,097)
Cash and cash equivalents at the beginning of the year	20,225	290,114	10,454	-	320,793
Cash and cash equivalents at the end of the year	\$ 18,248	\$ 140,947	\$ 4,501	\$ -	\$ 163,696

Hawaiian Inn Beach Resort Condominium Association, Inc.

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies and practices of Hawaiian Inn Beach Resort Condominium Association, Inc. (the "Association"), which affect significant elements of the accompanying financial statements.

Organization - The Association was incorporated in the State of Florida as a not-for-profit corporation located in Daytona Beach Shores, Florida. The Association is responsible for the operation and maintenance of the common property of the condominium. The condominium consists of 210 units (208 condominium studio-type hotel units and 2 commercial units).

Prepaid Assessments - Revenue from maintenance fees is recognized in the period to which it applies. Payments made in advance are deferred to the appropriate future period. Prepaid assessments at December 31, 2019 were \$19,985.

Income Taxes - The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2019. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of the Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government. Years that remain open for examination by the IRS are 2019, 2018, and 2017.

Common Areas - As provided in the Declaration of Condominium, each owner owns an undivided share in the common elements of the condominium. In conformity with industry practice, the Association recognizes the following common property as assets:

- (i) Common personal property used by the Association in operating, preserving, maintaining, repairing and replacing common property and providing other services.
- (ii) Common real property to which the Association has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Accordingly, the Association recognizes computer equipment, furniture and fixtures, and machinery and equipment over \$1,000 as assets at cost on the date it is acquired. Other common property including building roofs, elevator, parking lots, and swimming pool are not recognized as assets.

Depreciation is computed using straight-line methods over the estimated useful lives of the property.

Hawaiian Inn Beach Resort Condominium Association, Inc.

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - For purposes of reporting cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase as cash equivalents. On December 31, 2019, all bank balances were fully covered under FDIC protection.

Fund Accounting - The Association uses fund accounting which requires that funds, such as operating funds, special assessments, and funds designated for future major repairs and replacement costs, be classified separately for accounting and reporting purposes. The disbursements from the operating fund are generally at the discretion of the Board of Directors and management and are used for operating expenses. The disbursements from the replacement fund and special assessments may only be utilized in accordance with the established purposes for accumulation.

Maintenance Assessments - Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and future repairs and replacements. The Association is dependent upon the receipt of members' monthly assessments for operating and reserve expenditures. Assessments receivable as of the balance sheet date represent fees due from unit owners. The Association's policy is to charge late fees on delinquent assessments. The Association has no policy requiring collateral or other security to support its assessment receivables, although it has statutory rights to file liens on real property for amounts owed the Association. The Association's Declaration of Condominium provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner and obtaining judgment on other assets of the unit owner. As of December 31, 2019, the Association determined a \$0 allowance for uncollectible accounts was necessary. In 2019, monthly assessments were \$475.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 17, 2019, the date the financial statements were available to be issued. No subsequent events requiring disclosure have been identified.

Hawaiian Inn Beach Resort Condominium Association, Inc.

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (Continued)

Inventory – unit weeks – Inventory of unit weeks is stated at the lower of cost (first-in, first-out) or market value. On December 31, 2019, the Association owned no units.

2. Replacement and Major Repair Reserve

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements unless waived by the Association. The Board of Directors has reviewed the major components of common property and engaged the services for a reserve study in January 2018. The Association uses the cash flow method ("Pooling") to calculate reserves. For 2019, interest income was allocated to the roof replacement component.

This method requires the Association to identify each item to be included in the pool, along with the estimated cost of replacement of deferred maintenance, and the remaining lives of each of the items within the pool. 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 Association has the right, subject to Board of Directors approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The Association's membership approved not to fully fund the major repair and replacement reserves for the year ended December 31, 2019.

3. Related Party Transactions

During the 2019 year, there were no recorded related party transactions between the Association, its Board of Directors, Officers, or unit owners.

4. Windstorm

The insurance policy for windstorm coverage renewed in December 2019. The deductible for named storms is 3% of the insured value of the residential building subject to a \$50,000 minimum. The deductible for all other wind damage is \$50,000 per occurrence. The Association would therefore be responsible for the losses up to this amount.

Hawaiian Inn Beach Resort Condominium Association, Inc.

Notes to Financial Statements

December 31, 2019

5. Assessment Receivables

The Association has a net balance of \$18,794 consisting of accounts receivable of \$18,794 and allowance for doubtful accounts of \$0. There is no indication that it is reasonably possible that a change in this estimate will occur in the near term.

6. Property and Equipment

Property and equipment consist of the following on December 31, 2019:

Machinery and Equipment	134,790
Less Accumulated Depreciation	<u>80,136</u>
Total Net Assets	\$ 54,654

Depreciation expense for the year ended December 31, 2019, is \$8,444.

7. Date of Management Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 17, 2019, the date that the financial statements were available to be issued.

8. Special Assessment

On September 21, 2019, the Association approved a special assessment to fund the lobby roof and south elevator repairs. The special assessment was \$400 per unit due in one installment on November 1, 2019. During the year ended December 31, 2019, the Association recorded special assessment revenue of \$84,000 and expenses of \$85,392.

Supplementary Information

Exhibit I
Hawaiian Inn Beach Resort Condominium Association, Inc.
Supplementary Information on Future Major Repairs and Replacements

From the Year Ended December 31, 2019

The Association engaged a professional engineering service to prepare a reserve study in January 2018. Replacement costs and remaining useful lives were based on the estimated costs to repair or replace common property components at the date of the study. However, for 2019 and 2020, the membership voted to waive the statutory straight line funding and instead voted to less than fully fund the replacement fund. Every three years, the Board of Directors will have the engineering firm update the study.

<u>Component</u>	<u>Years Useful Life</u>	<u>Years Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>Fully Funded 2019 Contribution</u>	<u>Partially Funded 2019 Contribution</u>
Common Area Interiors	10--30	1--9	98,928	10,992	
Elevators	35	2	261,360	130,680	
Fire Safety System	35	29	151,200	5,214	
Mechanical/HVAC equipment	1--32	7	406,000	58,000	
Painting	10--20	3	370,913	123,638	
Pavement Resurfacing	5--25	1	67,331	67,331	
Pools and Spas	5--30	29	119,830	4,132	
Railings	30	20	214,618	10,731	
Roof Replacement	18--30	24	602,001	25,083	
Seawall	40	2	291,540	145,770	
Pooled Reserve			-	-	126,000
Total Replacement			<u><u>2,583,721</u></u>	<u><u>581,571</u></u>	<u><u>\$ 126,000</u></u>

The activity of the replacement fund account under the pooling method for 2019 is as follows:

Fund Balance - December 31, 2018	\$ 280,871
Income	
Allocation from Assessments	126,000
Interest	2,145
Expenditure by component	
Common Area Interiors	72,603
Elevators	62,775
Mechanical/HVAC equipment	
Pools and Spas	19,500
Railings	-
Roof Replacement	-
Total Expenditure	154,878
Fund Balance - December 31, 2019	<u><u>\$254,138</u></u>