

MAUNA LANI RESORT ASSOCIATION

Financial Statements and
Supplementary Information

years ended December 31, 2023 and 2022

MAUNA LANI RESORT ASSOCIATION

Report and Certification of the Treasurer

To the Board of Directors
Mauna Lani Resort Association

The accompanying balance sheet of Mauna Lani Resort Association as of December 31, 2023 and 2022, and the related statements of revenues and expenses and changes in fund balance, and statement of cash flows for the year ended December 31, 2023 and 2022 have been prepared in accordance with generally accepted accounting principles and submitted pursuant to the by-laws of Mauna Lani Resort Association.

The CPA firm of Carr & Nuti is currently completing an audit of the association's 2023 financial records. They will certify that the 2023 and 2022 financial statements present fairly, in all material respects, the financial position of Mauna Lani Resort Association as of December 31, 2023 and 2022, and the results of its operations and cash flows for the year then ended are in conformity with accounting principles generally accepted in the United States.

In my capacity as Treasurer of Mauna Lani Resort Association, I certify that the financial statements were prepared from the books and records of the Association without independent audit or review.

April 30, 2024



David Y. Gross
Treasurer

MAUNA LANI RESORT ASSOCIATION

Balance Sheets

December 31, 2023 and 2022

Assets	2023	2022
ASSETS		
Cash in checking	\$ 42,298	\$ 484,548
Restricted cash	177,867	719,267
Savings	513,827	501,588
Short-term certificates of deposit	1,372,803	1,713,770
Long-term certificates of deposit	232,000	232,000
Interfund receivable (replacement fund)		222,668
Assessments Receivable	1,828,452	1,364,745
less allowance for doubtful accounts	(1,561,335)	(1,308,740)
Other Receivables	4,345	12,450
Prepaid Expenses	352,858	393,247
Right of use (copier)	6,893	9,755
TOTAL ASSETS	\$ 2,970,008	\$ 4,345,298
Liabilities and Member's Equity		
LIABILITIES		
Accounts Payable and accrued expenses	\$ 103,344	\$ 95,052
Prepaid assessments & deferred income	43,817	36,352
Interfund payable (operating)		222,668
Lease liability	6,893	9,755
Deposits	891,490	742,490
Contract liabilities (assessments received in advance - replacement fund)	2,136,704	3,238,981
TOTAL LIABILITIES	3,182,248	4,345,298
MEMBER'S EQUITY		
Revenues in excess (short of expenses)	(212,240)	-
Undesignated funds	-	-
TOTAL MEMBER'S EQUITY	(212,240)	-
TOTAL LIABILITIES & MEMBER'S EQUITY	\$ 2,970,008	\$ 4,345,298

MAUNA LANI RESORT ASSOCIATION

Statement of Revenues & Expenses and Changes in Members' Equity

years ended December 31, 2023 and 2022

	<u>2023</u>	<u>Budget</u>	<u>2022</u>
REVENUES			
Association Dues	\$ 3,375,687	\$ 3,375,490	\$ 3,445,197
Contract revenues	1,246,138	1,235,119	(7,988)
Interest	99,555	38,966	36,436
Rents	36,000	36,000	36,000
Watercraft storage	7,200	-	-
Green Waste Disposal	68,551	88,770	88,318
Other income	10		
TOTAL REVENUES	<u>4,833,141</u>	<u>4,774,345</u>	<u>3,597,963</u>
EXPENSES			
Major replacements and repairs - schedule	1,246,138	1,235,119	319,997
Utilities - schedule	427,878	366,890	348,229
Maintenance and Repair - schedule	1,328,111	1,264,104	1,204,603
Security	993,264	993,264	945,966
Management fees			
Construction design committee (net of recoveries)	184,387	183,318	114,683
Fiscal	55,116	55,119	54,038
Property	392,338	392,222	380,798
Other professional fees	27,171	32,004	9,877
Insurance	42,485	57,158	45,749
Administrative	7,638	5,856	1,774
Beach & high season parking attendant	112,626	122,626	107,263
Bad debt expense	223,594	61,439	59,650
Lease expense	3,860	4,560	3,463
Real Property Tax	800	804	800
Miscellaneous	(25)	-	1,073
TOTAL EXPENSES	<u>5,045,381</u>	<u>4,774,483</u>	<u>3,597,963</u>
Revenues in excess (short) of expenses	(212,240)	(138)	-
Members' equity, beginning balance	-	-	-
MEMBERS' EQUITY, ENDING BALANCE	<u>\$ (212,240)</u>	<u>\$ (138)</u>	<u>\$ -</u>

MAUNA LANI RESORT ASSOCIATION

Statement of Cash Flows

years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Revenues in excess (short) of expenses	\$ (212,240)	\$ -
Adjustments to reconcile revenues in excess of expenses to net cash provided by operating activities		
Bad debts	252,595	59,649
Net member receivables	(463,707)	(20,111)
Other receivables	8,105	-
Other assets	40,389	(119,265)
Right of use of asset	2,862	2,746
Accounts payable and accrued liabilities	8,292	(28,670)
Prepaid assessments & deferred income	7,465	-
Lease liability	(2,862)	(2,746)
Deposits	149,000	144,000
Contract liabilities	(1,102,277)	7,988
Net cash flows from operating activities	<u>(1,312,378)</u>	<u>43,591</u>
Cash flows from investing activities:		
Long-term certificates of deposit (purchased)	-	298,887
Net cash flows from investing activities	<u>-</u>	<u>298,887</u>
Net cash flows	(1,312,378)	342,478
Cash and restricted cash, beginning of year	<u>3,419,173</u>	<u>3,076,695</u>
Cash and restricted cash, end of year	\$ <u><u>2,106,795</u></u>	\$ <u><u>3,419,173</u></u>
no financing activities		

Schedules of Major Replacements & Repairs and Other Expenses

years ended December 31, 2023 and 2022

	<u>2023</u>	<u>Budget</u>	<u>2022</u> memo only
Major replacements and repairs:	\$	\$	\$ 319,997
beach club renovation	774,826	840,900	
beach club fire systems	54,295	-	
Capital improvements	1,191	-	
FF&E	-	3,000	
Reserve Study Update	-	6,000	
Cabana hoods (18) and cushions (36)	-	19,700	
Extraordinary items - non restaurant	76,569	9,000	
Cabanas (12) Keiki Beach	-	23,500	
Beach safety officer rescue station & storage	-	15,000	
Beach attendant greeter station & storage	-	15,000	
Makaha concrete wall repair	-	16,500	
Flush valve replacement (4)	3,187	3,200	
John Deere club carts (2)	27,118	27,300	
Toro Sandpro 5040 pre-owned	15,602	15,600	
Sand rake parts	8,734	8,200	
Extraordinary items - landscape	-	12,000	
Highway entry & traffic circle lighting redesign	-	80,000	
Intersection Street signs	-	2,800	
Metering & electrical enclosures (2)	53,184	53,200	
Street light pole bases (8)	51,939	50,000	
Extraordinary items - roadways	49,003	20,004	
Security camera back parking area	2,715	2,265	
NVR security surveillance system	3,108	8,200	
Street cones and sidewalk signs	2,702	3,050	
SEC Refrigerator	-	700	
	\$ 1,124,175	\$ 1,235,119	\$ 319,997
prior year beach club construction deposits	121,964	-	-
total	1,246,138	1,235,119	319,997
	-		
Utilities			
Electricity	\$ 32,071	\$ 35,426	\$ 36,317
Refuse	9,708	9,030	8,620
Telephone & communications	18,085	16,452	16,472
Water & sewer	368,015	305,982	286,820
total	\$ 427,879	\$ 366,890	\$ 348,229
Maintenance and Repair			
Building	\$ 10,538	12,900	\$ 8,796
Composting	79,387	79,387	75,606
Equipment	5,759	1,200	-
Gate	-	804	-
Grounds	1,050,165	1,033,173	988,295
Pest Control	524	2,000	393
Roadway & signage	3,821	2,400	4,772
Supplies	3,659	5,040	4,451
Tree Trimming	174,260	127,200	122,290
total	\$ 1,328,113	\$ 1,264,104	\$ 1,204,603

NOTES TO THE FINANCIAL STATEMENTS
MAUNA LANI RESORT ASSOCIATION
December 31, 2023 and 2022

1. Nature of organization

Mauna Lani Resort Association (Association) was organized on June 3, 1982 as a non-profit corporation that is responsible for the operation and maintenance of the common area property within the Mauna Lani Resort. The development is made up of approximately 2,500 units on 3,200 acres on the Kohala Coast, Island of Hawaii. The association is comprised of homeowners' associations, hotels, shops, recreational facilities and several parcels of land under development. The affairs of the association are overseen by a board of directors pursuant to the association's bylaws.

2. Summary of significant accounting policies

Basis of accounting: The association's financial statements are presented on accrual basis of accounting in accordance with accounting standards generally accepted in the United States. Under the accrual accounting basis, revenues are recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents: For purposes of the statement of cash flows, the association considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents and short-term certificates of deposit which are easily convertible to cash and are subject to minimal risk when converted to cash equivalents.

Investments: Certificates of deposit with maturities of one year or more are considered to be long-term investments and are being carried at cost.

Security deposits & Restricted Cash: The association requires construction deposits from developments under construction in the resort. The deposits are refunded to the developers of the projects after the end of construction and on approval by the Community Design Committee. As of December 31, 2023, the Association held security deposits of \$891,490.

Member receivables: Member receivables at the balance sheet date represent fees due from Association member. The Association's collection policy includes late fees and interest on balances outstanding and to retain legal counsel and place liens on the properties of owners who are highly delinquent after standard collection procedures have failed.

Allowance for doubtful accounts: The Association creates an allowance for doubtful accounts when highly delinquent accounts are considered uncollectible. Management considers past experience with delinquent accounts and susceptibility to factors outside the Association's control prior to writing off the accounts.

Prepaid Assessments: Assessments received in advance amounted to \$23,388 as of December 31, 2023.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Fair value of financial instruments: The carrying amounts of financial instruments including cash and cash equivalents, members' receivable, prepaid expenses, accounts payable, and prepaid maintenance assessments approximate their fair value due to the short-term maturities and nature of these instruments.

Revenue Recognition: Replacement fund revenue is recognized when the obligations under the terms of the contract with members are satisfied. In general, the satisfaction of performance obligations, transfer of controls and revenue recognition happens as services are provided to the members. The price charges and the amount of consideration receivable in exchange for the services provided are established and approved by the board of directors annually. Revenue is recognized through the following steps: 1) identify the contract with the member (or customer); 2) identify the performance obligations in the contract; 3) determine the transaction prices; 4) allocate the transaction prices to the performance obligations; 5) recognize revenue when or as each performance obligation is satisfied. All other revenues are recognized as the services are provided.

Income taxes: The Association qualified under Section 501(c)(4) of the Internal Revenue Code as a tax-exempt organization. The Association files annual information returns and pays federal tax at 15% on its unrelated business income after a specific deduction of \$1,000. The Association had no tax liability for the years ended December 31, 2023.

Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. The Board of Directors and management has evaluated the association's tax position as of December 31, 2023 and for the years then ended, by reviewing its income tax returns and conferring with its tax advisors and determined that it had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. With few exceptions, the association is no longer subject to examination by tax authorities for the years before December 31, 2020.

General excise tax: State statute allows tax exempt organizations to obtain a General Excise Tax (GET) exemption on certain activities. Income from Association dues, startup fees, investment income, covenant violations, late charges and certain other assessments are not subject to GET.

FASB ASC 606 New Accounting Guidance Implementation: The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in The Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an association expects to be entitled in exchange for those goods or services.

The association adopted the requirements of the new guidance as of January 1, 2022.

3. Cash

As of December 31, 2023, total cash and cash equivalents, including restricted cash consisted of the following:

	<u>2023</u>
Cash in checking	\$ 42,298
Savings	691,694
Short-term investments	<u>1,372,803</u>
	<u>\$ 2,106,795</u>

4. Long-term Certificates of Deposit

As of December 31, 2023, the Association held two long-term certificates of deposit (CDs) worth \$127,000 and \$105,000. These certificates mature in November and December, 2024.

5. Member & Other Receivables

As of December 31, 2023, member receivables and allowance for doubtful accounts were as follows:

	<u>2023</u>
Master association dues	\$ 1,348,662
Interest charges	475,709
Green waste disposal & others	<u>4,081</u>
	1,828,452
Less allowance for doubtful accounts	<u>(1,561,335)</u>
Total	<u>\$ 267,117</u>

6. Future Major Repairs and Replacements

In June 2018, Akamai Reserves conducted a site inspection of the property and in October 2018 provided a reserve study to estimate the remaining useful lives and replacement costs of the common property components of the Association. The estimates were based on current estimated replacement costs of 2.5% and interest of 0.00% on amounts accumulated for future major repairs and replacements. The Association is funding for major repairs and replacements using the cash-flow method, based on the study's estimates and considering amounts previously accumulated in the replacement fund. Accordingly, the Association assessed its members \$173,063 in the past year for future major repairs and replacements, and \$190,369 has been included in the next fiscal year budget.

7. Commitments

The association has various contract services including property and fiscal management, grounds, maintenance, pest control and security.

8. Uninsured Cash Balances

The Association maintains its cash balances at several financial institutions in Honolulu, Hawaii. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. There are no uninsured cash balances as of December 31, 2023.

9. Leases

A part of the Declarant's conveyance of common property included two telecommunication-site lease agreements. The term of the leases run from March 1, 2008 through February 28, 2028. For both agreements, lease rent of \$1,000 a month is due on the first 10 years of the lease and goes up to \$1,500 for the next 10 years. The lease agreements require the lessee to reimburse the Association for utilities and property taxes if applicable. The future minimum lease rent payments to be received are as follows:

Year ending December 31,

2024	36,000
2025	36,000
2026	36,000
2027	36,000
2028	6,000
Total	<u>\$ 150,000</u>

10. Allowance for Doubtful Accounts

In 2023 the Association recorded an allowance for doubtful accounts in the amount of \$252,595. \$61,439 is attributed to Exclusive Resorts at Pauoa Beach and \$ 191,156 to ML Leasehold HI, LLC the owner of the Shops at Mauna Lani.

11. Date of Management Review

In preparing the financial statements, the Association has evaluated subsequent events and transactions for potential recognition or disclosure through April 30, 2024 the date that the financial statements were available to be issued.

ADDITIONAL TREASURER'S NOTES:

1. Regarding the decrease in assets between 2023 and 2022: \$1.375M decrease in assets is primarily caused by the \$1.312M decrease in cash. This decrease in cash is detailed in the statement of cashflows and the two largest items causing this decrease in cash are \$1.1M decrease in contract liability - this is cash spent on the reserve expenditures, \$464K increase in Accounts Receivable - \$447K of which is from association members not paying their assessments prior to year end.
2. The Beach Club remodel was originally pegged to be under \$1 million based on construction bids and cost of materials. With delays to construction and a change from the original contractor, cost increases to materials, and the need to add sprinklers for compliance with building code, the total remodel is estimated to be approximately \$1.6 million. The plans as presented to the County will be implemented except that there will be only a partial buildout extension for the prep kitchen in order to save additional expense.
3. There will be a new reserve study in 2024. The goal is to have the reserve study completed after the Beach Club remodel so that all the new components of the remodel are accounted for and included in the reserve study. Based on the additional costs incurred with the remodel, the funding for the reserve is estimated to be under 50% in 2024.

I am sorry that I am unable to attend the annual meeting as I had a previously scheduled 5 week trip that conflicted with the date of annual meeting.

Mahalo,

David Gross
Treasurer/Secretary