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Board of Directors
MARINER'S COVE ASSOCIATION

Independent Auditor's Report

I have audited the accompanying statement of cash receipts and disbursements, and change in cash balance of MARINER'S COVE ASSOCIATION for the year ended December 31, 2011. This financial statement is the responsibility of the Association's management. My responsibility is to express an opinion on this financial statement based upon my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurances about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the statement mentioned above presents fairly, in all material respects, the cash receipts and disbursements, and change in cash balance of MARINER'S COVE ASSOCIATION for the year ended December 31, 2011 on the basis of accounting described in Note 1.

Daniel J. Sullivan C.P.A.

Honolulu, Hawaii
March 1, 2012

MARINER'S COVE ASSOCIATION
Statement of Cash Receipts and Disbursements
and Changes in Cash Balance
For the Year Ended December 31, 2011

Cash Receipts:		
Community Association Dues	\$ 102,096	
Boat Storage	4,471	
Interest	1,453	
Late Fees	<u>550</u>	
Total Cash Receipts		\$ 108,570
Cash Disbursements:		
Repairs and Maintenance:		
Pool	5,967	
Repairs, Purchases and Other	4,796	
Grounds	<u>2,241</u>	13,004
Utilities:		
Electricity	8,409	
Water and Sewer	4,663	
Communications	<u>1,274</u>	14,346
Personnel:		
Wages	33,469	
Payroll Taxes, Benefits and Other	<u>5,387</u>	38,856
Administration:		
Management Fee	18,216	
Office and Administrative	<u>7,085</u>	25,301
Other:		
Insurance	12,394	
Net Professional Fees	4,663	
Hawaii General Excise Tax	326	
Real Property Tax	300	
Federal Income Tax	<u>54</u>	<u>17,737</u>
Total Cash Disbursements		109,244
Increase (Decrease) in Total Cash		(674)
Cash Balance: January 1, 2011		<u>202,995</u>
Cash Balance: December 31, 2011		<u>\$ 202,321</u>

MARINER'S COVE ASSOCIATION

Notes to the Statement of
Cash Receipts and Disbursements
and Change in Cash Balance
December 31, 2011

NOTE 1. Organization and Accounting Policies:

This community association, located on the island of Oahu, Hawaii, is organized for the purposes of maintaining and preserving common property of the association.

In accordance with industry practice, the financial statement is presented on the basis of cash receipts and disbursements; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

The annual budget and assessments of owners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

NOTE 2. Ending Cash Balance:

The balance at December 31, 2011 is comprised of:

Operating Cash	\$ 19,176
Reserves	<u>183,145</u>
Total	\$ <u>202,321</u>

NOTE 3. Federal and State Income Taxes:

MARINER'S COVE ASSOCIATION has qualified under Section 501 (c)(7) of the Internal Revenue Code as a tax-exempt organization. The Association files annual returns and pays federal tax at 15% on its net unrelated business income after a specific deduction of \$1,000.

NOTE 4. Surprise Cash Confirmation:

I performed a surprise cash confirmation as of September 30, 2011. Balances shown Hawaiian Properties LTD's books were confirmed directly with MARINER'S COVE ASSOCIATION's financial institutions who responded that the balances indicated were in agreement with their records.

NOTE 5. Future Major Repairs and Replacements:

MARINER'S COVE ASSOCIATION's board of directors conducted a study in 2011 to estimate the remaining useful lives and replacement costs of the components of common property. The resulting Supplemental Information on Future Major Repairs and Replacements which accompany these financial statements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which primarily consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Funds are presently being accumulated for replacements based on estimated future costs for repairs and replacements of common property components. 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 Board of Directors of the Association has the right to increase regular assessments, or pass special assessments, until enough funds are available.

MARINER'S COVE ASSOCIATIONSupplementary Information on Future Major Repairs and Replacements
December 31, 2011

The board of directors updated the reserve study in 2011 to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements consider an annual inflation rate and interest, net of taxes, on amounts funded for future major repairs and replacements. Associations are allowed to chose either the straight line method, or the cash flow method to fund their replacement reserve requirements. Associations who select the straight line method are required to have accumulated at least 50% of anticipated full replacement reserves. Associations that select the cash flow method must currently fully fund their reserves, using cash flow requirements. The following table is based upon the study, and presents significant information about the components of the common property.

	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Future Replacement Costs</u>
Asphalt Seal/Repair	0	\$ 18,800
Chain Link Fence	0	17,392
Elastomeric Deck Seal/Repair	0	7,645
Wood Surfaces Repaint	0	5,525
Bathroom Refurbish	1	6,604
Kitchen Refurbish	3	6,817
Elastomeric Deck Seal/Repair	4	8,146
Pool /Wading Pool Retile	4	49,548
Stucco Repaint	4	7,443
Others (Under \$5,000)	0-4	7,972
Wood Surfaces Repaint	5	5,981
Asphalt Seal/Repair	6	20,679
Elastomeric Deck Resurface	7	13,980
Pool Furniture	7	5,308
Tile Roof	7	79,400
Elastomeric Deck Seal/Repair	8	8,680
Sliding Glass Doors	9	8,652
tile Floor	9	8,652
Vinyl Fence	9	11,766
Others (Under \$5,000)	5-9	23,884
Asphalt Resurface	10	110,170
Solar Hot Water	10	25,843
Wood Surfaces Repaint	10	6,475
Pole Lights	11	25,155
Asphalt Seal/Repair	12	22,745
Dock Replace	12	16,091
Elastomeric Deck Seal/Repair	12	9,249
Bathroom Refurbish	13	7,990
Pool Furniture	13	5,839
Others (Under \$5,000)	10-14	3,688
Chain Link Fence	15	22,068
Kitchen Refurbish	15	8,247
Wood Surfaces Repaint	15	7,010
Elastomeric Deck Seal/Repair	16	9,855
Asphalt Seal/Repair	18	25,018
Stucco Repaint	18	9,295
Elastomeric Deck Resurface	19	16,914
Pool Deck (Replace 10%)	19	5,111
Pool Furniture	19	6,422
Others (Under \$5,000)	15-19	20,843
		<u>\$ 686,902</u>