
J^{ay} M^{iyaki}, CPA, LLC

**PACIFIC
PALISADES
COMMUNITY
ASSOCIATION**

Statements of Cash Receipts and Disbursements
For the Years Ended December 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Pacific Palisades Community Association:

We have audited the accompanying statements of cash receipts and disbursements of the Pacific Palisades Community Association (a Hawaii nonprofit Corporation) for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note B; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 this financial statement 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 statement is 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 in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of the Pacific Palisades Community Association for the years ended December 31, 2019 and 2018 in accordance with the cash basis of accounting described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Jay Miyaki, CPA, LLC". The signature is written in a cursive, flowing style.

November 18, 2020
Honolulu, Hawaii

PACIFIC PALISADES COMMUNITY ASSOCIATION
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
AND NOTES TO FINANCIAL STATEMENT

For the Years Ended December 31, 2019 and 2018

PACIFIC PALISADES COMMUNITY ASSOCIATION
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH RECEIPTS		
Dues and fees	\$134,875	\$ 50,515
Rental fees	50,119	38,250
Interest income	2,237	364
Other income	<u>57</u>	<u>722</u>
Total cash receipts	<u>187,288</u>	<u>89,851</u>
CASH DISBURSEMENTS		
Payroll	34,029	37,265
Insurance	24,082	11,931
Utilities	15,378	14,550
Maintenance and repairs	14,644	15,339
Printing and postage	3,301	1,423
Supplies	2,443	1,033
Taxes	1,877	3,073
Professional services	1,853	5,278
Events	800	1,454
Rent	765	436
Office expense	678	-
Other expense	<u>2,010</u>	<u>5,962</u>
Total cash disbursements	<u>101,860</u>	<u>97,744</u>
INCREASE (DECREASE) IN CASH	85,428	(7,893)
CASH – Beginning of year	<u>100,135</u>	<u>108,028</u>
CASH – End of year	<u>\$185,563</u>	<u>\$100,135</u>

The accompanying notes are an integral part of the financial statements.

PACIFIC PALISADES COMMUNITY ASSOCIATION

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

NOTE A – ORGANIZATION

Pacific Palisades Community Association (Association) is a Hawaii nonprofit corporation, organized under the laws of the State of Hawaii on August 17, 1961, that is responsible for the operation and maintenance of common property within the Pacific Palisades community. The Association's membership consists of 1,551 resident members. The Association is located in Pearl City, Hawaii, and is governed by an elected Board of Directors who control the Association for the benefit of its members.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statement of the Association is prepared using the cash basis of accounting. This basis differs from generally accepted accounting principles in that certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Concentrations of Credit Risk – Financial instruments that potentially subject the Association to credit risk include cash. At December 31, 2019 and 218, the Association's cash balances did not exceed the related federal deposit insurance.

Other Concentrations – The Association operates primarily in Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects, if any, on the financial statement of the Association from such changes in economic conditions are not presently determinable.

Member Association Dues – Members are assessed association dues to provide funds to cover operating expenses, improvements, replacements, and major repairs. Receipts from association dues comprise approximately 72% of the total receipts of the Association. Any excess association dues at year-end are retained by the Association for use in future years.

Income and Other Taxes – The Association has qualified under Section 501(c)(7) of the Internal Revenue Code as a tax-exempt organization. The Association files information returns and pays federal income tax of 15% on its unrelated business income, if any, after a specific deduction of \$1,000. The Association's tax filings are open for examination by federal and state tax authorities, generally for three years after they were filed. Interest and penalties, if any, are classified as income tax expense. Member dues and certain other assessments are not subject to Hawaii general excise tax and the City and County of Honolulu surcharge.

NOTE C – CASH

As of December 31, 2019 and 2018, cash is comprised of the following accounts:

	<u>2019</u>	<u>2018</u>
Operating checking	\$ 96,292	\$ 18,725
Savings designated for capital improvements	84,514	81,410
PayPal	<u>4,757</u>	<u>-</u>
Total cash	<u>\$185,563</u>	<u>\$100,135</u>

NOTE D – MAJOR REPAIRS AND REPLACEMENTS

The board of directors does not consider it necessary to perform a study to determine the estimated funding needed for future major repairs and replacements. The Association funds major repairs and replacements through the reserve funds it has accumulated or through special assessments.

NOTE E – LIQUIDITY AND AVAILABILITY

The Association's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash	<u>\$185,563</u>	<u>\$100,135</u>
Total financial assets available	<u>\$185,563</u>	<u>\$100,135</u>

NOTE F – SUBSEQUENT EVENTS

In February 2020, the impact of a world-wide pandemic due to COVID-19 has severely slowed the economy of the United States of America, including Hawaii. The effects due to this pandemic on the financial statements of the Association are not presently determinable.

The date to which events occurring after December 31, 2019, the ending date of the statement of cash receipts and disbursements, have been evaluated for possible adjustment to the statement or disclosure is the date of the independent auditor's report, which is the date the financial statement was available to be issued.
