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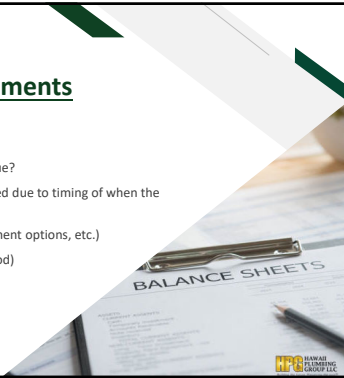
HAWAIIAN PROPERTIES, LTD.

Building Relationships that Last.

## Reviewing Financial Statements

What am I looking for?

- Variances (% +/-) YTD Actual vs. YTD Budget
- Tracking variances: True variances or timing issue?
- Monthly Actual vs. Budget Actual may be skewed due to timing of when the invoice was received and when it was paid
- Statement of Reserve Fund (FDIC limits, investment options, etc.)
- Paid Invoice Register (who was paid in this period)
- General Ledger (details, details, details)
- Delinquencies (30/60/90/Attorney)



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HAWAIIAN PROPERTIES, LTD.

1205 Keeahele, 30, 21 Floor  
Honolulu, HI 96813

Tel: (808) 534-8075

Fax: (808) 533-0754

### HAWAIIAN HALE

Unaudited Financial Statements

Period Ending May 31, 2020

**Contents:**

- Balance Sheet
- Receipts & Disbursement Statement
- Bank Reconciliation – Operating Account
- Reserve Accounts Summary
- Recordable Register
- Paid Invoice Register
- Current General Ledger



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1205 Keeahele, 30, 21 Floor  
Honolulu, HI 96813

Balance Sheet

Period = May 2020

Book = Cash ; Tree = 1999 In

	Current Balance
<b>ASSETS</b>	
CURRENT ASSETS	
OPERATING	10,981.82
1000 OPERATING CASH	10,981.82
<b>TOTAL OPERATING</b>	<b>10,981.82</b>
RESERVES	
1080 BANK OF THE OCEAN MM	247,862.34
1200 HONESTREET BANK-MM	174,000.89
<b>TOTAL RESERVES</b>	<b>421,863.23</b>
<b>TOTAL CURRENT ASSETS</b>	<b>432,845.05</b>
<b>TOTAL ASSETS</b>	<b>432,845.05</b>
<b>LIABILITIES AND EQUITY</b>	
EQUITY	
3000 RETAINED EARNINGS (PRIOR YEARS)	489,247.07
3000 RETAINED EARNINGS (CURRENT YEARS)	26,249.06
<b>TOTAL EQUITY</b>	<b>515,496.13</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>515,496.13</b>



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Hawaiian Hale (1999)									
Paid Invoice Register									
Period: 5/1/2020 - 5/1/2020									
CONTROL	Invoice #	Invoice Date	Invoice Post Date	Description	Account	Check Date	Check Number	Amount	
v0000154	Nickel's Mechanical Corp.	5/1/2020	5/1/2020	Water Leak Investigation	6112 - PUMP PUMPING	5/06/2020	4176	836.74	??
44475	22222								
Total								836.74	
v0000291	Card Services, Inc.	5/1/2020	5/1/2020	INTERACT CELL PHN REPAIR	6000 - COMMUNICATIONS/TELEPHONE	5/06/2020	4181	50.00	
45462	299-015320								
45477	299-015320			REPAIR ANNUAL MTC ROOM DEPOSIT	6010 - ADHOC SUPPLIES AND SERVICES	5/06/2020	4182	300.00	
Total								350.00	
v0000378	A000 Hawaiian Hale	5/1/2020	5/1/2020	PAINTABLE L1 X02	7040 - UNIT EXPENSE	5/1/2020	4183	1,397.20	
43103	1999-HA00THRE04103								
Total								1,397.20	
v0000380	A000 Hawaiian Hale	5/1/2020	5/1/2020	RT	8010 - TRANSFER TO RESERVES	5/06/2020	4177	7,639.80	
44191	1999-014050								
Total								7,639.80	
v0000414	Authorized Tech Services, Inc.	5/1/2020	5/1/2020	Water Report	6301 - PUMP-BUILDING PUMP GENERAL	5/06/2020	4178	78.53	
44173	11111								
Total								78.53	
v0000426	Board Of Water Supply	4/1/2020	4/1/2020	2104-401.71 224 Appl.	6020 - WATER	5/6/2020	4610	5,480.73	
42302	00000000-0420								
Total								5,480.73	
v0000524	City Mill Co., Ltd.	4/20/2020	5/1/2020	Cleaning Supplies	6230 - PUMP-CLEANING SUPPLIES	5/1/2020	4188	133.87	
43101	1222222								
43102	1222223			Cleaning Supplies	6230 - PUMP-CLEANING SUPPLIES	5/1/2020	4189	85.24	
Total								219.11	
v0001478	Hawaii Medical Service Assn.	5/1/2020	5/1/2020	4129 MEDICAL PROGRAM	6990 - INSURANCE-HEALTH CARE	5/17/2020	4184	800.12	
41731	0113125-0020								
Total								800.12	
v0001499	Hawaiian Electric Co., Inc.							618.12	

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# General Ledger

Book = Cash, Trac = 1999-01

6000

Hawaiian Hale

5/1/2020 01-01

RECURRING

5/1/2020 5/1/2020

5/1/2020 6000

6000 5/1/2020

6000 5/1/2020

6000 5/1/2020

36,416.10 Beginning Balance

36,416.10 Beginning Balance

Description

Expenses begin on the GL Report

Payee Name

6000

Hawaiian Hale

5/1/2020 01-01

RECURRING

5/1/2020 5/1/2020

5/1/2020 6000

6000 5/1/2020

6000 5/1/2020

6000 5/1/2020

4,300.00 Beginning Balance

4,300.00 Beginning Balance

Tracking Usage

6000

Hawaiian Hale

5/1/2020 01-01

RECURRING

5/1/2020 5/1/2020

5/1/2020 6000

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4,300.00 Beginning Balance

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Hawaiian Hale

5/1/2020 01-01

RECURRING

5/1/2020 5/1/2020

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4,300.00 Beginning Balance

4,300.00 Beginning Balance

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Hawaiian Hale

5/1/2020 01-01

RECURRING

5/1/2020 5/1/2020

5/1/2020 6000

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4,300.00 Beginning Balance

4,300.00 Beginning Balance

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Hawaiian Hale

5/1/2020 01-01

RECURRING

5/1/2020 5/1/2020

5/1/2020 6000

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4,300.00 Beginning Balance

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RECURRING

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Hawaiian Hale

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5/1/2020 01-01

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4,300.00 Beginning Balance

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Hawaiian Hale

5/1/2020 01-01

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4,300.00 Beginning Balance

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Hawaiian Hale

5/1/2020 01-01

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Hawaiian Hale

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Hawaiian Hale

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Hawaiian Hale

5/1/2020 01-01

RECURRING

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5/1/2020 6000

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4,300.00 Beginning Balance


4,300.00 Beginning Balance

6000

Hawaiian Hale

5/1/2020 01-01

RECURRING





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### Budget & Reserve Study Preparation and Timelines

What is the goal of an association's operating and reserve budget?

- Properly fund and complete maintenance of areas the association is obligated to maintain, and repair/replace capital components based on the current condition.
- Maintain property values
- Meet your duty as a Board Member

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### Timeline for the Completion of Calendar Year (Jan-Dec) Budgets:

July/ August	August/ September	September/ October	November	November/ December
Draft Budgets are prepared by PM.	Draft Budgets are presented to the Board for approval; changes may be made during this time; capital projects discussed, and timelines are established.	Board approves the final version of the Budget and Reserve Study at a Regular Board Meeting.	Approved Budget and Reserve Study is mailed to all owners if there is an INCREASE in maintenance fees.	Approved Budget and Reserve Study with NO increase in maintenance fees are mailed during this period.



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### Takeaways

- Review your financial statements *ahead* of time.
- Ask your PM questions for clarification and research *before* the board meeting.
- Budget review is an *on-going* process
- Review the needs of your association, along with the appropriate amounts in which to fund these needs.

**Remember:** Creating a budget is an activity that takes place using historical data and professionals as a *resource* to assist the board in making an *educated* guess at how and where to fund specific operational and reserve items throughout your association's budget.

Quote found on Google when Kanani typed in, "good quotes about budgets":  
*"Don't tell me what you value, show me your **budget**, and I'll tell you what you value."*



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## Rules Enforcement

By: Michael Gordon, PCAM®  
Vice President/Sr. Property Manager



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## Rules Enforcement

### Why Community Associations?

**Benefits:**

- Promotes a peaceful environment
- Protects and enhances the value of homes

**It is a Board Obligation and Fiduciary Duty to perform the uniform and consistent enforcement of the rules.**





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**Selective Enforcement of rules/covenants is one of the most common reasons why boards get sued.**

**Selective enforcement**—the board enforces a particular rule against a homeowner/group of homeowners and does not enforce the same rule against the entire community.

**Sometimes it's not intentional**

- If a board only enforces rules when a violation is reported, as opposed to doing routine inspections to determine if other violations of the same nature exist, the board's enforcement pattern then solely depends on one's immediate neighbors invested interest to report alleged violations.
- This can be perceived as unfair and cause for potential exposure.

**Before pursuing enforcement of a violation, make reasonable effort to identify others committing the same violations.**





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### Dangers of Exercising Discretion

DIFFICULT TO MAINTAIN CONSISTENCY

Overnight use of guest parking stalls is strictly prohibited, unless first authorized by the board.

**How to avoid this?**

- Don't adopt rules that obligate the board to exercise discretion
- Establish a policy of consistent measures to follow in circumstances where the board must exercise discretion.



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### General Rules of Enforcement Procedure

- Notice of Violation**  
Amicable solutions are always the best and should always be sought first.
- Levy fines for unabated/recurring violation(s)**  
Pursuant to a resolution adopted by the board that establishes a fining procedure that states the basis for the fine and allows an appeal to the board of the fine with notice and an opportunity to be heard and if necessary, the owner reserving the right to initiate a dispute resolution process as provided by law.
- Revoking rights/privileges**  
Check with counsel.
- Legal Remedies**  
Unfortunately, despite every effort to solve the problem by way of exercising the measures described above, the problem does not always get solved and in these situations, the board has no choice but to refer the matter to the association's legal counsel to take the appropriate legal remedies.



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- The enforcement of association rules must be strict and consistent.
- The board must follow the prescribed procedure expressly made in its rules and enforcement policies.
  - Encourage compliance using amicable means first, but be prepared to exercise other measures.
- The interpretation of the rules by the board must be reasonable and consistently uniform.
  - The board must adopt and maintain a consistent practice of procedural enforcement.



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## Role of the Board and its Fiduciary Duty

By: Lorie Sides

Condominium Education Specialist, Real Estate Branch,  
Professional & Vocational Licensing Division, Department of  
Commerce and Consumer Affairs



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## Board of Directors

- The association is governed by a board of directors elected by the unit owners to represent them in governing and managing the condominium.



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### Board Members Have a Responsibility to:

- Meet their fiduciary duty to the association in exercising their best judgment for the benefit of all owners and residents.
- Wisely budget, spend, and save association monies for the benefit of all owners and residents.
- Be responsive to an owner's requests for documents and records and fully comply with §§148-152, 153, 154, and 154.5, HRS.
- Conduct respectful, open, fair, and honest meetings with proper notice to allow all owners a chance to voice their concerns.
- Excuse themselves from any vote in which they have a conflict of interest.
- Conduct open and fair elections with proper notice.
- Provide an open and fair fining process and collect fees and fines promptly.

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HAWAIIAN PROPERTIES, LTD.  
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### Board Members Have a Responsibility to:

- Practice fair and consistent application of the bylaws and rules.
- Provide an appeals process and participate in mediation in good faith.
- Regularly review the bylaws, house rules, and any board resolutions to improve governance with the input of owners.
- Understand their governing documents and become educated on the relevant sections of Hawaii's condominium law.
- Educate new owners and residents on the governing documents and keep all owners and residents informed.
- Follow Federal and State laws regarding foreclosure proceedings and accept a cure or reasonable payment plan pursuant to §667-19, HRS, during a foreclosure.



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### Board Members Have a Right to:

- Expect unit owners will pay their financial obligations promptly.
- Expect all residents to understand and comply with the rules.
- Respectful, honest, and fair treatment by all residents.
- An engaged and informed association membership.
- Educational opportunities regarding their responsibilities to the association.
- Conduct open and transparent meetings without undue disruption.



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### Fiduciary Duty

The Condominium Law, Chapter 514B, Hawaii Revised Statutes, provides that every director owes the association a “fiduciary duty” in the performance of the director’s duties, to exercise the degree of care and loyalty required of an officer or director of a nonprofit corporation (HRS § 514B-106 (a)).



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Q & A

THANK YOU FOR ATTENDING OUR WEBINAR



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