KULEANA CLUB OF INTERVAL OWNERS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024

TABLE OF CONTENTS

Cambaliza McGee LLP
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Owners
Kuleana Club of Interval Owners

Opinion

We have audited the financial statements of Kuleana Club of Interval Owners, which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kuleana Club of Interval Owners as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kuleana Club of Interval Owners and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kuleana Club of Interval Owners' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kuleana Club of Interval Owners' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kuleana Club of Interval Onwers' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary statement of revenues and expenses - budget to actual - operating fund, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note B to the financial statements, the Plan has changed their interpretation of ASC 606. Our opinion is not modified with respect to that matter.

Cambaliza McGee LLP

Cambaliza McGee LLP
Newport Beach, California
August 8, 2025

KULEANA CLUB OF INTERVAL OWNERS
BALANCE SHEET
AS OF DECEMBER 31, 2024

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash, cash equivalents, and restricted cash	$ 755,397	$ 199,293	$ 954,690
Investments (Note H)	-	502,515	502,515
Assessments receivables	939,165	55,284	994,449
Other receivables	45,866	-	45,866
Prepaid expenses and deposits	69,897	-	69,897
Land lease inventory for sale	106,252	-	106,252
Furniture and equipment, at cost (net of $625 accumulated depreciation)	375	-	375
Due (to) from other funds	587,036	(587,036)	-
Total assets	$ 2,503,988	$ 170,056	$ 2,674,044
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	$ 95,868	$ -	$ 95,868
Deferred assessments	1,860,784	97,696	1,958,480
Total liabilities	1,956,652	97,696	2,054,348
Fund balances	547,336	72,360	619,696
Total liabilities and fund balances	$ 2,503,988	$ 170,056	$ 2,674,044

See independent accountant's review report and accompanying notes to financial statements.

KULEANA CLUB OF INTERVAL OWNERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Operating Fund	Replacement Fund	Total
Revenues:			
Assessments	$ 1,104,231	$ 95,285	$ 1,199,516
Property tax assessments	200,838	-	200,838
Rental revenue	90,678	-	90,678
Room revenue and other	19,974	-	19,974
Amenities and resort fees	32,295	-	32,295
Housekeeping fees	45,270	-	45,270
Interest	33,328	28,048	61,376
Total revenues	1,526,614	123,333	1,649,947
Expenses:			
Operating expenses	696,621	-	696,621
Administrative and general expenses	649,802	-	649,802
Property taxes	356,244	-	356,244
Income taxes	-	-	-
Furniture & fixtures refurbishment	-	495,005	495,005
Appliances	-	1,445	1,445
Interior	-	25,297	25,297
Freight	-	74,958	74,958
Total expenses	1,702,667	596,705	2,299,372
Excess of expenses over revenue before depreciation	(176,053)	(473,372)	(649,425)
Depreciation	250	-	250
Excess of expenses over revenue	(176,303)	(473,372)	(649,675)
Beginning fund balances	723,639	545,732	1,269,371
Ending fund balances	$ 547,336	$ 72,360	$ 619,696

See independent accountant's review report and accompanying notes to financial statements.

KULEANA CLUB OF INTERVAL OWNERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Operating Fund	Replacement Fund	Total
Cash flow provided by operating activities:			
Excess of expenses over revenue	$ (176,303)	$ (473,372)	$ (649,675)
Adjustments to reconcile above to net cash provided by operating activities:			
Depreciation	250	-	250
(Increase) decrease in assessments and other receivables	(325,358)	(1,953)	(327,311)
(Increase) decrease in accounts receivable other	(45,866)	-	(45,866)
(Increase) decrease in prepaid expenses and deposits	(31,386)	7,078	(24,308)
(Decrease) increase in accounts payable and accrued expenses	3,296	-	3,296
(Decrease) increase in deferred assessments	531,281	(20,216)	511,065
Net cash used in operating activities	(44,086)	(488,463)	(532,549)
Cash flow from investing activities:			
Acquisition of investments	-	(506,251)	(506,251)
Maturity of investments	74,060	53,000	127,060
Net cash provided by (used in) investing activities	74,060	(453,251)	(379,191)
Cash flow from financing activities:			
Change in due/(to) other funds	(587,326)	587,326	-
Net cash used in financing activities	(587,326)	587,326	-
Net decrease in cash	(557,352)	(354,388)	(911,740)
Cash, beginning of year	1,312,749	553,681	1,866,430
Cash, end of year	$ 755,397	$ 199,293	$ 954,690

See independent accountant's review report and accompanying notes to financial statements.

NOTE A - ASSOCIATION

Kuleana Club of Interval Owners (the "Association") was incorporated in March 1981 specifically to operate, maintain, and repair time share condominium units located in Maui, Hawaii. The Association consists of 1,581 intervals in 31 condominium units, all located in the project known as Kuleana Club.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting
The books and records for the Association are maintained on the accrual basis of accounting. The tax returns are also reported on the accrual basis of accounting.

Capitalization Policy and Depreciation
In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. Replacements and improvements to the real property which are directly associated with the units are also not capitalized. They are instead charged directly to either operating or replacement funds in the period they are incurred.

Significant capital assets not directly associated with the units, referred to as personal property assets, and certain other expenditures relating to operations, are capitalized and depreciated over their estimated useful life using the straight-line method of depreciation over 5 years.

Fund Accounting
The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating fund
The operating fund reflects the operating portion of annual assessments paid by the interval owners to meet various day to day expenditures incurred in the administration, maintenance, and operation of the condominium and recreation facilities. In addition, ad valorem tax activity is recorded in this fund.

Replacement fund
The replacement fund is comprised of the portion of the annual assessments designated in the budget to fund future capital expenditures and deferred maintenance.

The Association prepares its financial statements on the accrual basis of accounting and in accordance with the "Real Estate - Common Interest Realty Association's topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimate 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 revenue and expenses during the period. Actual results could differ from those estimates.

Fund Transfers
As operating fund or replacement fund cash is disbursed for the Board of Directors (the "Board") approved capital expenditures, the assets are capitalized in the "fixed asset fund" and the related fund balances are transferred from the operating fund and the replacement fund, accordingly.

Investment Income
The Board's policy is to allocate interest earned on replacement fund cash accounts and investments to the replacement fund and to pay for the related income taxes out of the operating fund.

Cash and cash equivalents
For the purpose of reporting cash flows, the Association considers all short-term highly liquid investments purchase with an original maturity date of three months or less to be cash equivalents.

Restricted cash
Any cash that is legally restricted from use is recorded in restricted cash. Cash and deposits are considered restricted when they are subject to contingent rights of third parties.

Amounts included in restricted cash represent cash received as real estate tax assessments from interval owners which the Association transfer to the tax collector. Amounts are included prepaid assessments on the accompany balance sheet.

Assessments receivable
Association members are subject to annual assessments to provide funds for the Association's operating expenses (including real estate taxes), future capital acquisitions and major repairs and replacements.

Fair value of financial instruments
The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair value of financial instruments – (Continued)
Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use out of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Government securities – can be measured using a quoted price in an active market on which the security is traded at the measurement date.

Concentration of credit risk
The Association maintains accounts at financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billings to interval owners who pay annual assessment. The Association does not anticipate credit losses in the near future.

Property and equipment
Ownership of the commonly owned assets is vested directly or indirectly in the interval, and those assets are not deemed to be severable. As a result, commonly owned assets are not recorded on the Association's financial statements.

Common property of the Association is accounted for in accordance with ASC Subtopic 972-360, "Real Estate - Common Interest Realty Associations - Property, Plant, and Equipment". It is the Association's responsibility to preserve and maintain the common property.

Real property is not recognized as assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property and equipment – (Continued)
Common real property to which the Association has title, or other evidence of ownership, that is not recognized as assets in the Association's balance sheet consists of buildings, pools and roadways.

Acquisitions of reimbursements, building and site improvements and equipment are recorded as expenses of the period in which acquired.

Prepaid assessments
The Association billed for the subsequent year's assessments in the current year. Any subsequent year assessments collected by the Association in the current year are recorded as prepaid assessments on the accompanying balance sheet.

Revenue recognition
The following is a description of principal activities from which the Association generates its revenue.

Operating and replacement assessments
The Association's annual budget is the basis for establishing the annual assessment required from each interval owner to cover the Association's operating expenses and estimated future major repairs and replacements. Each interval owner is an Association member, and an equal portion of the assessment is assessed and payable annually. The Association recognizes revenue from operating and replacement assessments on a daily pro-rata basis using the input method to the extent that collection of the assessments is probable.

Ancillary operations
Ancillary operations describe any Association activities other than the ordinary maintenance, security, governance, and administrative activities common to most associations. The Association's ancillary operations include:

- Late fees
- Resale income
- Sales office rent
- Other income

The Association recognizes revenues from these ancillary operations as the Association's performance obligation for those operations is satisfied. Generally, this is at a point in time when the goods or services are provided.

Rental income
Rental income is derived from intervals rented out by the resort for delinquent owners and/or Association-owned units. Rental income is recognized as earned and is recorded net of broker fees.

NOTE C – ASSESSMENTS, ASSESSMENTS RECEIVABLE AND DEFERRED ASSESSMENTS

Association members are subject to paying assessments to fund for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association's governing documents provide for various collection remedies for delinquent assessments, including filing of liens on the owner's units, foreclosing on the unit owner, or obtaining judgement on other assets of the unit owner.

For 2024, each interval owner was assessed either $824 or $959 (depending on unit type), inclusive of the replacement fund assessment discussed below. The 2025 assessments of either $949 or $1,067 (depending on unit type), inclusive of replacement fund assessments, were billed in October 2024 and are included in the deferred assessments until earned. Additionally, owners are separately billed annual for their share of property taxes once assessed by the County of Maui.

<u>Allowance for credit losses</u>
It is the Association's policy to write off past due balances at the end of the year for assessments billed in the previous year. Correspondingly, any bad debt recovery is included in this account. During 2024, The Association wrote off $214,295 of 2024 assessments billed in 2023 and recovered $384 of assessments previously written-off. Assessments receivable at December 31, 2024 consist principally of advance assessments billings for the year ended December 31, 2024 and an allowance for doubtful accounts has not been established at December 31, 2024.

NOTE D – INCOME TAXES

The Association may elect to file its federal income tax return as either a regular corporation [under Revenue Code Section 277] or as a time share equivalent entity [under Internal Revenue Code Section 528]. For the year December 31, 2024, the Association elected to file as a time share entity, where generally the Association is taxed only on income unrelated to membership dues and assessments [such as interest income less related expenses] at a rate of 32%. For Hawaii state tax purposes, income tax is taxed similarly. For 2024, the federal and Hawaii income tax was $19,125 and $2,983.

The Association utilizes the liability method of accounting for income taxes. Under the liability method deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse.

The Association has adopted accounting standards for the accounting for uncertainty in income taxes. These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by the Association. Management believes that all of the positions taken by the Association in its federal income tax returns are more likely than not to be sustained upon examination. The Association's tax returns are subject to examination by the Internal Revenue Service ("IRS") for three years after they are filed.

NOTE E – REPLACEMENT FUNDING PROGRAM

In accordance with the Association's governing documents, the Association has established certain amounts as reserves for future capital expenditures. Members' assessments relating to the replacement funding program are considered capital contributions from members' dues and as such are restricted in usage. Disbursements are to be made only if specifically approved by the Board.

Generally, a reserve study is conducted in order to estimate the remaining useful lives and replacement costs of the components of common property. A current reserve study has not been conducted; however, the Association allocated $95,285 of 2024 assessments to the replacement fund during the year. The 2025 budget includes a provision for replacement funding of $98,233 subject to delinquencies. Replacement funds are being accumulated based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement funds 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 the Association's governing documents, to pass special assessments, increase monthly assessments, or delay replacement until funds are available.

NOTE F – INTERVALS HELD FOR SALE

As December 31, 2024, the Association had approximately 175 intervals which are held for sale. A value has not been assigned to these intervals in these financial statements.

NOTE G – LAND LEASE INVENTORY

The Association holds the fee simple interests in real property associated with certain intervals. The interest related to each interval is available for sale to the interval owner. Land lease inventory is recorded at cost.

As of December 31, 2024, the Association owns 175 and lease intervals that are available for sale. The total reported value of these intervals is based upon the ability to re-sell the respective intervals over a certain estimated period of time; however, it is possible that it may take longer than estimated to recover the stated value. An adjustment or provision has not been recorded in these financial statements to account for any discounts that would be necessary if the actual recovery period extends beyond the current estimated recovery period.

NOTE H – INVESTMENTS

The Association's investments represent zero coupon United States Treasury Bills. The Treasury Bills have matured at January 09, 2025.

NOTE I – MANAGEMENT AGREEMENT

The Association is operated under a management agreement with a professional property management company, Vacation Resorts International ("VRI"). Compensation for management services is based on the Association's approved operating budget.

NOTE J – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes totaled $0 during the year. There were no non-cash investing or financing transactions during the year.

NOTE K – OFFICE LEASE

The Association leases office space from the Master Association. The lease is currently on a month-to-month basis.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 8, 2025, which is the date the financial statements were available to be issued.

SUPPLAMENTARY INFORMATION

KULEANA CLUB OF INTERVAL OWNERS
STATEMENT OF REVENUE AND EXPENSES
BUDGET TO ACTUAL - OPERATING FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2024

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues:			
Assessments	** $ 1,104,231	** $ 1,045,881	$ 58,350
Property tax assessments	200,838	-	200,838
Room revenue and other	188,217	304,750	(116,533)
Interest revenue	33,328	-	33,328
Total revenues	1,526,614	1,350,631	175,983
Expenses - Operating:			
Salary & wages	228,067	211,480	(16,587)
Payroll taxes/benefits	46,842	45,910	(932)
Electricity	40,349	57,000	16,651
Water & sewer	1,391	-	(1,391)
Telephone - Association - Internet	6,750	7,000	250
Condo supplies	-	19,500	19,500
Condo accessories	2,695	15,000	12,305
Linen expense	16,607	15,750	(857)
Laundry	70,434	72,200	1,766
Uniforms	263	-	(263)
Maintenance general	50,887	25,000	(25,887)
Deep cleaning	43,074	30,552	(12,522)
Housekeeping service	189,262	207,000	17,738
Hospitality	-	3,000	3,000
Total operating expenses	696,621	709,392	12,771
Expenses - Administrative & General:			
Insurance	22,340	20,270	(2,070)
Property taxes	356,244	44,594	(311,650)
Corporate tax	-	12,687	12,687
G.E. tax	74,434	54,390	(20,044)
AOAO fees (Master Association)	350,863	306,000	(44,863)
Audit expense	5,125	4,250	(875)
Office expense/miscellaneous	12,843	11,184	(1,659)
Newsletter	2,253	1,600	(653)
Office rent	10,156	9,375	(781)

KULEANA CLUB OF INTERVAL OWNERS
STATEMENT OF REVENUE AND EXPENSES
BUDGET TO ACTUAL - OPERATING FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2024

	Actual	Budget	Variance Favorable (Unfavorable)
Bank charges	27,488	24,000	(3,488)
Management fee	126,318	126,889	571
Directors/meeting expense	15,518	18,000	2,482
Customer/guest relations	1,561	-	(1,561)
Postage	265	-	(265)
Legal & filing fees	638	8,000	7,362
Total administrative & general expenses	1,006,046	641,239	(364,807)
Total expenses	1,702,667	1,350,631	(352,036)
Excess of revenue over expenses before depreciation	$ (176,053)	$ -	$ (176,053)

** Net of bad debt expense