

Kenny Jim, CPA, LLC
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October 28, 2018

To the Board of Directors:
Banyan Harbor Timeshare Association
c/o OLS Hotels & Resorts
3411 Wilcox Road
Lihue, Hawaii 96766

Re: Communication with Those Charged with Governance at Audit Conclusion

We have audited the financial statements of Banyan Harbor Timeshare Association for the year ended December 31, 2017 and have issued our report thereon dated October 28, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Banyan Harbor Timeshare Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Our work will not include any procedures to discover defalcations or other irregularities.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant disclosures to the financial statements for the year under audit.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures to the financial statements for the year under audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

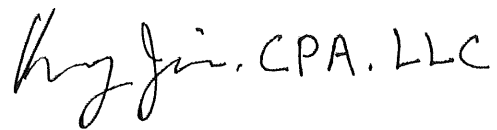
Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during

the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines; however, we will not express an opinion or any assurance on the information.

This information is intended solely for the use of management and the board of directors of Banyan Harbor Timeshare Association and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

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

Kenny Jim, CPA, LLC

BANYAN HARBOR TIMESHARE ASSOCIATION
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
AS OF SEPTEMBER 30, 2017

Kenny Jim, CPA, LLC
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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To the Board of Directors of
Banyan Harbor Timeshare Association

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and the Management Agent of Banyan Harbor Timeshare Association, on the cash balances of Banyan Harbor Timeshare Association as of September 30, 2017, included in the accompanying information provided to us by the Management Agent of the Association. The Association is responsible for the cash balances of the Association as of September 30, 2017, included in the accompanying information provided to us by the Management Agent of the Association. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below whether for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

Cash

1. For the bank accounts listed below, we obtained
 - a. The September 30, 2017, bank reconciliations and/or bank statements from the Association's Management Agent and
 - b. The September 30, 2017, general ledger from the Association's Management Agent.
2. We performed the following procedures:
 - a. Compare the balance on the bank statement to the amount shown on the respective bank reconciliation and financial statement.
 - b. Mathematically checked the bank reconciliations.
 - c. Vouched reconciling items from bank reconciliation to bank statement.
 - d. Vouched unreconciling items from bank reconciliation to subsequent bank statement
 - e. Traced transaction listed on bank statement to general ledger.
 - f. Compared the cash balances per book listed in the financial statement below to the respective general ledger account balances.

Cash summary	Operating Fund	Reserve Fund	Totals
House Fund	\$ 1,500	\$ -	\$ 1,500
Bank of Hawaii	39,085	-	39,085
Morgan Stanley	-	169,763	169,763
Bank of Hawaii	-	12,060	12,060
Total cash	\$ 40,585	\$ 181,823	\$ 222,408

We found no exceptions as a result of the procedures performed.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the cash balances of Banyan Harbor Timeshare Association as of September 30, 2017, included in the accompanying information provided to us by Management Agent of the Association. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of Banyan Harbor Timeshare Association and the Association's Management Agent, and is not intended to be and should not be used by anyone other than the specified parties.

Hy Jin, CPA, LLC

Honolulu, Hawaii
August 25, 2018

BANYAN HARBOR TIMESHARE ASSOCIATION

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)**

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Banyan Harbor Timeshare Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Banyan Harbor Timeshare Association, which comprise the balance sheet as of December 31, 2017, 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 that the financial statements are free of 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

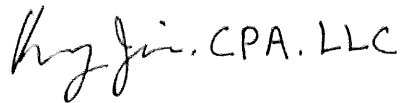
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banyan Harbor Timeshare Association as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standard Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and Members of Banyan Harbor Timeshare Association and is not intended to be and should not be used by anyone other than these specific parties.

Handwritten signature in black ink that reads "Kiy Jui, CPA, LLC". The signature is written in a cursive, flowing style.

Honolulu, Hawaii
October 28, 2018

BANYAN HARBOR TIMESHARE ASSOCIATION
Balance Sheet
December 31, 2017

Assets

Current Assets:

Cash and Cash Equivalents	\$ 231,050
Accounts Receivable - Owners	41,123
- net of allowance for doubtful accounts of \$1,188	
Intercompany - Rental	11,633
Prepaid Insurance	14,877
Prepaid Other	13,411
Total Current Assets	<u>312,094</u>
 Total Assets	 <u><u>\$ 312,094</u></u>

Liabilities and Fund Balances

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 49,990
Intercompany - AOA	7,598
Prepaid Assessments - Owners	331,019
Deferred Revenue	21,671
Total Current Liabilities	<u>410,278</u>

Fund Balances

Special Reserve Fund	(121,656)
Operating Fund	23,472
Total Fund Balances	<u>(98,184)</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 312,094</u></u>

See accompanying notes to financial statements.

BANYAN HARBOR TIMESHARE ASSOCIATION
Statement of Revenue, Expenses, and Change in Fund Balances
December 31, 2017

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Totals</u>
Revenues:			
Maintenance Assessments	\$ 1,375,704	\$ 134,712	\$ 1,510,416
De-Annexation	-	60,000	60,000
Amenity Fees	59,540	-	59,540
Late Fee	16,963	-	16,963
Interval Transfer Fees	2,495	-	2,495
Other Revenue	626	-	626
Interest Revenue	-	49	49
Total Revenues	<u>1,455,328</u>	<u>194,761</u>	<u>1,650,089</u>
Expenses:			
Reserve Fund Expenses	-	201,834	201,834
Utilities:			
Electricity	97,751	-	97,751
Gas	12,085	-	12,085
FD Utility to AOA	7,920	-	7,920
Payroll & Related Cost:			
Wages and Benefits	352,462	-	352,462
Payroll Insurance	146,715	-	146,715
Payroll Taxes	44,161	-	44,161
Building Maintenance:			
Building Maintenance and Supplies	13,970	-	13,970
Equipment Lease/Rent	11,551	-	11,551
Contract Cleaning	10,411	-	10,411
Cleaning Supplies	7,649	-	7,649
Electrical and Mechanical	5,549	-	5,549
Linen & Towels	2,929	-	2,929
Wi-Fi	1,392	-	1,392
Telephone	726	-	726
Equipment Maintenance	217	-	217
Other Expenses:			
Association Dues	315,987	-	315,987
Building Rent AOA	126,004	-	126,004
Bad Debt Expenses	71,351	-	71,351
Insurance	51,192	-	51,192

See accompanying notes to financial statements.

BANYAN HARBOR TIMESHARE ASSOCIATION
Statement of Revenue, Expenses, and Change in Owners' Equity
December 31, 2017
(Continued)

Management Fees	47,877	-	47,877
Accounting Fees	18,272	-	18,272
Directors Expenses	16,800	-	16,800
Legal and Professional Fees	9,817	-	9,817
Other	7,996	-	7,996
Travel	6,540	-	6,540
Data Processing	5,868	-	5,868
Postage	4,728	-	4,728
Printing and Stationary	4,507	-	4,507
Bank Charges	4,464	-	4,464
Office Supplies	3,041	-	3,041
Property Taxes	3,017	-	3,017
Uniforms	2,960	-	2,960
General Excise Taxes	2,589	-	2,589
Laundry and Dry Cleaning	2,572	-	2,572
Total Expenses	<u>1,421,070</u>	<u>201,834</u>	<u>1,622,904</u>
Excess of Revenues Over/(Under)			
Expenses	\$ 34,258	\$ (7,073)	\$ 27,185
Fund Balances			
Beginning of the Year	\$ (129,233)	\$ 3,864	\$ (125,369)
Interfund Transfer	(26,681)	26,681	-
End of the Year	<u>\$ (121,656)</u>	<u>\$ 23,472</u>	<u>\$ (98,184)</u>

See accompanying notes to financial statements.

BANYAN HARBOR TIMESHARE ASSOCIATION
Statement of Cash Flows
December 31, 2017

Cash Flows from Operating Activities:	
Excess of Revenues Over Expenses	\$ 27,185
Adjustments to Reconcile Excess of Revenue Over (under) Expenses to Net Cash Provided by (Used In) Operating Activities:	
(Increase) Decrease in Assets:	
Accounts Receivable	(6,170)
Intercompany - AOA	22,899
Intercompany - Rental	(5,954)
Prepaid Insurance	3,371
Prepaid Other	19,868
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrual Expenses	(50,912)
Intercompany - AOA	7,598
Prepaid Assessments	(49,965)
Deferred Income	2,636
Cash Used in Operating Activities	(29,444)
Net Decrease in Cash	(29,444)
Cash - Beginning of Year	260,494
Cash - End of Year	<u><u>\$ 231,050</u></u>

See accompanying notes to financial statements.

BANYAN HARBOR TIMESHARE ASSOCIATION
Notes to Financial Statements
December 31, 2017

NOTE 1 – NATURE OF ORGANIZATION

Banyan Harbor Timeshare Association is an organization incorporated in 1980 and formed for the purpose of providing for the management, maintenance and care of the apartments participating in the timeshare program at Banyan Harbor, located in Lihue, Kauai, Hawaii.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements are presented on the accrual basis of accounting which revenue are recognized when earned and expenses when incurred, not necessary when received or paid. The accrual basis of accounting is in accordance with accounting principal generally accepted in the United States of America (GAAP). .

Fund Accounting – The Association uses fund accounting by separating operating funds from funds designated for future major repairs and replacements for accounting and reporting purposes.

Operating Fund – This fund is used to account for the financial resources available for the general operations of the association.

Reserve Fund – This fund is used to account for the financial resources available for future major repairs and replacements.

Cash – At December 31, 2017, the cash and cash equivalents of the Association consisted of checking, savings, and certificate of deposits accounts.

Property and Equipment – The Association capitalized property to which it has title or other evidence of ownership with the exception of real property designed as common area in their governing document and equipment for year around operations. These properties are expensed and not capitalized because they are owned by the members of the Association in common. As of December 31, 2017, the Association did not capitalize any property and equipment .

Member Assessments – Association members are subject to semi-annual assessment to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The assessments also include the dues for the Association of Apartment Owners of Banyan Harbor of which each apartment is a member. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessment at year-end are retained by the Association for use in future years.

Income Taxes – Under the current tax laws, the Association may elect annually to file either as a homeowners' association or as a regular corporation. As a homeowners' association filing under IRC Section 528, the Association's net assessment income from members would be exempt from income tax, but its interest income as well as other taxable income would be taxed. Electing to file as a corporation, the Association's net taxable income (non-exempted income) is subject to tax under IRC Section 277.

BANYAN HARBOR TIMESHARE ASSOCIATION
Notes to Financial Statements
December 31, 2017
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Excise Taxes – Under Hawaii State Statutes, all gross non-exempt income are taxable at 4.5% for the Island of Oahu and 4% for the other islands. In general, the Association pays general excise taxes on interest, rents and other taxable income. Member assessments are exempted from general excise tax.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities, at the date of financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Management conducted a replacement reserve study in 2017/2018. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Management company prepared and updated a reserve study to estimate the remaining useful lives and the replacement costs of the common property components. The reserve study was reviewed and approved by the Board of Directors. The Association selected the cash flow plan method with a projection of reserve funding based on the reserve study's estimates and the amount previously accumulated in the replacement fund. The cash flow plan also takes into consideration of the assumed rate of inflation and the assumed savings interest rate.

Accumulated funds for future major repairs and replacements which aggregate \$122,284 at December 31, 2017 are held in separate account and are generally not available for operating purposes. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs or replacements until funds are available.

NOTE 4 – RELATED PARTY TRANSACTION

OLS Hotels & Resorts, LLC (OLS) serves as management agent for the Banyan Harbor Timeshare Association, Banyan Harbor AOA and the Banyan Harbor Rental Pool (the "Rental Pool"). The Rental Pool was formed for the purpose of managing owner units for rental to transient third parties. Although all condominium unit owners are members of Banyan Harbor AOA, but not all owners choose to participate in the Rental Pool. For the year ended December 31, 2017, the Banyan Harbor Timeshare Association paid \$51,192 to OLS for management fees and \$16,800 for accounting fees.

Certain common expenses are allocated between the Timeshare Association, AOA and Rental pool.

BANYAN HARBOR TIMESHARE ASSOCIATION
Notes to Financial Statements
December 31, 2017
(Continued)

NOTE 5 – COMMITMENTS

The Association has various contract services including, property management and cleaning.

NOTE 6 – CONCENTRATION OF RISK

The Association maintains its cash deposits and investments at various financial institutes in the State of Hawaii. This meets the requirements established by Chapters 514B-149 of the Hawaii Revised Statutes.

Federal Deposit Insurance Corporation (FDIC) provides deposit insurance for depositor's fund. The insurance limit is \$250,000 separately at each financial institution. As of December 31, 2017, The Association's cash deposits were under the insured limit.

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 28, 2018, the date the financial statements were available to be issued.

BANYAN HARBOR TIMESHARE ASSOCIATION
Supplementary Information on Future Major Repairs and Replacements
December 31, 2017
(Unaudited)

Management conducted a replacement reserve study in 2017/2018 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The following table has been extracted from the Association's replacement reserve study.

Components	Years of Funding	Estimated Cost
FF&E-soft goods - bedroom	1-20	\$ 170,361
FF&E-case goods - bedroom	1-20	202,800
Mattress and box springs	Various	108,100
Mirrored closet doors	1-20	15,805
Televisions	1-20	53,120
Ceiling fans and lighting	1-20	39,736
Air conditioners	1-20	182,105
Bath tubs/showers	2-20	131,954
Bath countertops and fixtures	1-20	25,968
In-room washer/dryer	1-20	94,093
Ceramic tile (kit.and baths)	2-20	172,220
Unit light fixtures	1-20	28,362
Interior doors/hardware/trim	6-20	20,070
Interior painting	1-20	39,938
Kitchen cabinets	1-20	295,528
Refrigerators	1-20	44,960
Microwaves	1-20	13,560
Stoves	1-20	35,608
Dishwasher	1-20	41,210
Furniture - living/dining rooms	1, & 5-20	362,364
Artwork	1-20	67,644
Drapery	1-20	77,760
Carpet and pad	1-20	348,881
Lanai furniture	1-20	39,480
Water heaters	2 & 12	39,600
Reservations system/computers	1-20	80,300
Housekeeping electric cart	Various	38,036
Commercial housekeeping dryer	Various	24,250
Commercial housekeeping washer	1-20	96,740
Flatware/silver/utensils/glass	1-20	23,300
Kitchen counter-silestone and fixtures	Various	141,076
Maintenance reserve labor	1-20	919,187
Miscellaneous-legal fee-foreclosure	1-20	250,000
Exterior windows and doors	1-20	28,151
Total		<u>\$ 4,252,268</u>