April 2019

Dear Marriott's Waiohai Beach Club Owner,

The audited 2018 Financial Statements report for Association of Apartment Owners of Waiohai Beach Club are enclosed. This report is being provided to you as outlined in the Association governing documents and Hawaii State Statutes.

If you have questions, please contact Tracey Kupihea, Director of Finance, via email at tracey.kupihea@vacationclub.com. You may also contact your Board of Directors by phone at the business office of the Association at 808-742-4400 or via email at waiohaiownerboard@vacationclub.com.

Sincerely,

Timothy J. Miscovich
Secretary/Treasurer
Association of Apartment Owners of Waiohai Beach Club

Enclosure

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Association of Apartment Owners of Waiohai Beach Club

Financial Statements
December 31, 2018 and December 31, 2017

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Report of Independent Auditors

The Board of Directors of
Association of Apartment Owners of Waiohai Beach Club

We have audited the accompanying financial statements of Association of Apartment Owners of Waiohai Beach Club (the “Association”), which comprise the balance sheet as of December 31, 2018 and the related statements of revenues, expenses and changes in fund balance - operating fund and of revenues, expenditures and changes in fund balance - reserve for replacement fund for the year ended December 31, 2018 and the fiscal year ended December 31, 2017, and of cash flows for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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.

Auditors’ Responsibility
Our responsibility is to express an opinion on the 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 about whether the financial statements are 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 our 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, we consider internal control relevant to the Association’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 Association’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 above present fairly, in all material respects, the financial position of Association of Apartment Owners of Waiohai Beach Club at December 31, 2018, and the results of its operations for the year ended December 31, 2018 and the fiscal year ended December 31, 2017 and its cash flows for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Other Matters
We previously audited the balance sheet as of December 31, 2017 and the related statements of revenues, expenses and changes in fund balance – operating fund, of revenues, expenditures and changes in fund balance – reserve for replacement fund and of cash flows for the fiscal year then ended (not presented herein), and in our report dated April 10, 2018, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of December 31, 2017 and for the fiscal year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements (Unaudited) on page 14 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 Standards 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.

PricewaterhouseCoopers LLP

Tampa, Florida
April 16, 2019

Association of Apartment Owners of Waiohai Beach Club
Balance Sheets
December 31, 2018, with Summarized Comparative Totals for December 31, 2017

	December 31, 2018			
	Operating Fund	Reserve for Replacement Fund	Total	December 31, 2017
Assets				
Cash and cash equivalents	$ 1,956,560	$ 2,700,055	$ 4,656,615	$ 4,469,041
Investments	-	490,000	490,000	1,225,000
Maintenance fees receivable, less allowance for doubtful accounts of approximately $21,400 and $43,700 in 2018 and 2017, respectively	23,955	12,356	36,311	57,252
Maintenance fees receivable due from MRHC	987,036	253,386	1,240,422	291,108
Accrued interest receivable	-	2,398	2,398	2,487
Prepaid expenses and other assets	258,798	-	258,798	272,020
Income tax receivable	-	-	-	93
Fixed assets, net	12,545	-	12,545	-
Due from Marriott Vacations Worldwide Corporation	13,520	-	13,520	48,259
Due from Waiohai Beach Club Vacation Owners Association	-	-	-	5,087
Due from Reserve for Replacement Fund	9,182	-	9,182	69,929
Due to Operating Fund	-	(9,182)	(9,182)	(69,929)
Total assets	$ 3,261,596	$ 3,449,013	$ 6,710,609	$ 6,370,347
Liabilities and Fund Balances				
Liabilities				
Accrued expenses	$ 136,628	$ 11,033	$ 147,661	$ 506,119
Unearned maintenance fees	2,419,528	625,886	3,045,414	2,708,185
Income tax payable	8,917	1,688	10,605	-
Total liabilities	2,565,073	638,607	3,203,680	3,214,304
Fund balances	696,523	2,810,406	3,506,929	3,156,043
Total liabilities and fund balances	$ 3,261,596	$ 3,449,013	$ 6,710,609	$ 6,370,347

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

Association of Apartment Owners of Waiohai Beach Club
Statements of Revenues, Expenses and Changes in Fund Balance – Operating Fund
Year Ended December 31, 2018 and Fiscal Year Ended December 31, 2017

	December 31, 2018	December 31, 2017
Revenues		
Maintenance fees	$ 5,152,296	$ 5,499,469
Interest and late fees	12,755	19,961
Bank interest income	10,420	16,257
Parking fees	131,306	101,482
Total revenues	5,306,777	5,637,169
Expenses		
Accounting and administration	64,550	60,127
Audit fees	14,275	11,575
Bad debt (benefit) expense	(16,516)	13,287
Board of Directors' expense	12,029	12,307
Credit card fees	97,289	105,658
Electricity	1,644,584	1,663,431
Gas	152,605	168,265
General excise tax	1,470	1,476
Housekeeping	409,519	398,429
Income tax expense	49,524	40,888
Insurance	557,096	482,686
Landscaping/grounds	431,630	379,550
Loss prevention	596,527	626,330
Maintenance	234,316	287,787
Management fee	642,290	630,039
Pest control	50,302	32,859
Poipu Beach Resort Association dues	10,549	9,066
Pool maintenance	159,824	150,490
Refuse collection	123,185	117,530
Water and sewer	381,944	413,924
Total expenses	5,616,992	5,605,704
(Deficit) excess of revenues over expenses	(310,215)	31,465
Fund balance		
Beginning of fiscal year	1,006,738	975,273
End of fiscal year	$ 696,523	$ 1,006,738

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

Association of Apartment Owners of Waiohai Beach Club
Statements of Revenues, Expenditures and Changes in Fund Balance – Reserve for Replacement Fund
Year Ended December 31, 2018 and Fiscal Year Ended December 31, 2017

	December 31, 2018	December 31, 2017
Revenues		
Reserve for replacement assessment	$ 1,913,249	$ 1,430,955
Reserve interest and late fees	3,921	4,079
Bank interest income	26,328	20,711
Total revenues	1,943,498	1,455,745
Expenditures		
Roof replacement	55,419	-
External building maintenance	678,678	-
Common area rehabilitation	538,925	1,322,394
Income tax expense	9,375	7,353
Total expenditures	1,282,397	1,329,747
Excess of revenues over expenditures	661,101	125,998
Fund balance		
Beginning of fiscal year	2,149,305	2,023,307
End of fiscal year	$ 2,810,406	$ 2,149,305

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

Association of Apartment Owners of Waiohai Beach Club
Statements of Cash Flows
For the Year Ended December 31, 2018, with Summarized Comparative Totals for the Fiscal Year Ended December 31, 2017

	December 31, 2018			
	Operating Fund	Reserve for Replacement Fund	Total	December 31, 2017
Cash flows from operating activities				
(Deficit) excess of revenues over expenses/expenditures	$ (310,215)	$ 661,101	$ 350,886	$ 157,463
Adjustments to reconcile (deficit) excess of revenues over expenses/expenditures to net cash (used in) provided by operating activities				
Bad debt (benefit) expense	(16,516)	-	(16,516)	13,287
Depreciation expense	2,895	-	2,895	-
Changes in operating assets and liabilities				
Decrease in maintenance fees receivable	33,822	3,635	37,457	25,999
Increase in maintenance fees receivable due from MRHC	(774,954)	(174,360)	(949,314)	(147,556)
Decrease in accrued interest receivable	-	89	89	680
Decrease in prepaid expenses and other assets	13,222	-	13,222	20,740
Decrease (increase) in income tax receivable	79	14	93	(93)
Decrease (increase) in due from Marriott Vacations Worldwide Corporation	34,739	-	34,739	(26,222)
Decrease (increase) in due from Waiohai Beach Club Vacation Owners Association	5,087	-	5,087	(5,087)
(Decrease) increase in accrued expenses	(51,214)	(307,244)	(358,458)	386,320
Increase (decrease) in unearned maintenance fees	449,954	(112,725)	337,229	450,526
Increase (decrease) in income tax payable	8,917	1,688	10,605	(4,766)
Increase (decrease) in due from/to Reserve for Replacement/Operating Funds	60,747	(60,747)	-	-
Net cash (used in) provided by operating activities	(543,437)	11,451	(531,986)	871,291
Cash flows from investing activities				
Purchases of investments	-	-	-	(3,185,000)
Proceeds from maturities of investments	-	735,000	735,000	4,410,000
Additions to fixed assets	(15,440)	-	(15,440)	-
Net cash (used in) provided by investing activities	(15,440)	735,000	719,560	1,225,000
Net (decrease) increase in cash and cash equivalents	(558,877)	746,451	187,574	2,096,291
Cash and cash equivalents				
Beginning of fiscal year	2,515,437	1,953,604	4,469,041	2,372,750
End of fiscal year	$ 1,956,560	$ 2,700,055	$ 4,656,615	$ 4,469,041
Supplemental disclosures of cash flow information				
Cash paid during the fiscal year for income taxes	$ 40,528	$ 7,673	$ 48,201	$ 53,100

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

1. Summary of Significant Accounting Policies

Association of Apartment Owners of Waiohai Beach Club (the "Association") was incorporated on March 13, 2001 in the State of Hawaii, and commenced operations on January 3, 2003. The purpose of the Association is to administer and manage the condominium project created and established as Waiohai Beach Club condominium project. This includes maintaining the Common Elements and Limited Common Elements surrounding the 231 Timeshare Units, 7 Hotel Room Units and Commercial Spaces A, B and C. Effective January 2, 2016 and in accordance with the Fifth Amendment to the Declaration of Condominium Property Regime of Waiohai Beach Club, Marriott Ownership Resorts, Inc. (the “Developer”) subdivided Commercial Spaces A and B into Commercial Spaces A, B, D, E, F and G. The Association is managed under an agreement with Marriott Resorts Hospitality Corporation (“MRHC”).

Fiscal Year
Prior to fiscal year 2017, the Association’s fiscal year ended on the Friday nearest to December 31. During 2016, the Board of Directors of the Association approved a change in the Association’s fiscal year to a calendar year commencing January 1, 2017. The budget for fiscal year 2017 reflects the 2017 calendar year, plus one additional day at the end of December 2016 due to the transition from the 2016 periodic fiscal year to the 2017 calendar-based fiscal year.

Comparative Information
While comparative information is not required under accounting principles generally accepted in the United States of America, the Association believes this information is useful and has included comparative financial information from the financial statements as of and for the fiscal year ended December 31, 2017. Within the Balance Sheets and Statements of Cash Flows, prior year balances, by fund, have been condensed for comparative purposes. This summarized information is not intended to be a full presentation in conformity with accounting principles generally accepted in the United States of America, which would require certain additional information. Accordingly, such information should be read in conjunction with the Association’s audited financial statements as of and for the fiscal year ended December 31, 2017.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Fund
The Association's fees and earnings from operations, which are restricted for the use and benefit of Association members, are recorded in the Operating Fund.

Reserve for Replacement Fund
The Association is accumulating funds for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for normal operations.

MRHC, on behalf of the Association’s Board of Directors, engages a third party to perform a study to estimate the remaining useful lives and the replacement costs of the components of common property.

The Association will provide funding for major repairs and replacements over the remaining estimated useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Reserve for Replacement Fund. Accordingly, a funding requirement of $1,524,094 has been included in the 2019 budget.

Funds are being accumulated in the Reserve for Replacement Fund based on estimates of future needs 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 Reserve for Replacement Fund 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 Board of Directors' approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Cash and Cash Equivalents
The Association considers money in checking accounts, money market funds, and certificates of deposit with an original maturity of three months or less, at date of purchase, to be cash equivalents. The Association places its cash and cash equivalents with financial institutions in the United States of America. The Federal Deposit Insurance Corporation ("FDIC") provides for deposits at FDIC-insured institutions to be insured up to $250,000.

Investments
Investments consist of certificates of deposit.

The Association's certificates of deposit are carried at amortized cost, as the Association has both the intent and ability to hold them until maturity. Certain certificates of deposit are considered depository accounts and are insured by the FDIC.

Fair Value Measurements
The Association measures certain assets at fair value in accordance with current accounting standards on Fair Value Measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. A fair value hierarchy is utilized which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable.
- Level 3 – Inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Association had no investments recorded at fair value on a recurring basis at December 31, 2018 or December 31, 2017.

Fixed Assets
Fixed assets, net are stated at cost. Upon disposition or retirement, the cost and related accumulated depreciation are eliminated and any resulting gain or loss is reflected in operations. Maintenance and repairs are charged to expense when incurred; expenditures for renewals and betterments are capitalized. Depreciation is provided utilizing the straight-line method using estimated useful lives of four years.

Maintenance Fees Receivable
Maintenance fees receivable represents amounts due from owners.

Effective January 1, 2010, the Association entered into a Foreclosed Inventory Purchase Agreement with Marriott Ownership Resorts, Inc. ("MORI"). Effective December 31, 2017 the original Foreclosed Inventory Purchase Agreement was terminated.

Effective January 1, 2018, the Association entered into a new Foreclosed Inventory Purchase Agreement with MORI. The agreement automatically renews for any number of additional one (1) year terms, unless either party terminates the agreement with a 45 day written notice. The agreement provides that MORI shall purchase the Association's foreclosed inventory subject to the terms of the agreement. Should either party terminate the agreement, there could be potential exposure regarding the allowance for doubtful accounts and bad debt expense.

As of April 16, 2019, the new agreement is in full effect and neither party has opted to terminate the agreement.

Unearned Maintenance Fees
Maintenance fees for all unit weeks are receivable as of the beginning of each timeshare year. Unearned maintenance fees represent prepayment of the next year’s maintenance fees. The fees for the unit weeks prior to the Association’s year end are classified as revenues; the remainder is considered unearned maintenance fees.

Income Taxes
The Association accounts for income taxes in accordance with Accounting Standards Codification (“ASC”) 740, *Income Taxes*. ASC 740 utilizes the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax impact attributable to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered.

Condominium associations may elect to be taxed as exempt homeowners associations pursuant to Internal Revenue Code Section 528 (“Section 528”) if they meet certain income, expenditure, and organizational requirements. Section 528 allows electing condominium associations to be taxed at a 32% rate on their "homeowners association taxable income," which is the excess of the association's gross income, excluding "exempt function income," over related deductions. "Exempt function income" includes membership dues, fees and assessments (less related expenses) from owners of condominium rights to use, or condominium ownership interests in, real property.

The Association made this election for 2017 and plans on making this election for 2018; accordingly, deferred taxes have not been provided for temporary differences related to exempt function income. Should the Association elect not to be taxed as an exempt homeowners association in the future, deferred tax assets and liabilities may be recognized for existing temporary differences at that time, with a corresponding impact on income tax expense.

The Association has evaluated the effects of the guidance provided by generally accepted accounting principles related to accounting for uncertainty in income taxes. The Association has determined that it had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2018. The Association's federal income tax returns for 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service, generally for a period of three years after the federal income tax returns were filed.

Cost Allocation Methodology
The complex is comprised of a hotel, timeshare operation, condominium operation, and ancillary operations. The back office accounting system is utilized to record all expenses of these four entities. At the end of each accounting period, allocations are made based on different methodologies between the condo and timeshare operations and to each of the other operations.

These allocations are calculated utilizing methodology developed by MRHC. Examples of allocation bases are: (1) check–ins, (2) owner and guest mix, and (3) common area ownership interest.

Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which, as amended, supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, as well as most industry-specific guidance, and significantly enhances comparability of revenue recognition practices across entities and industries by providing a principle-based, comprehensive framework for addressing revenue recognition issues. In order for a provider of promised goods or services to recognize as revenue the consideration that it expects to receive in exchange for the promised goods or services, the provider should apply the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09, as amended, will be effective for annual reporting periods beginning after December 15, 2018. The new standard may be applied retrospectively or on a modified retrospective basis with the cumulative effect recognized on the date of adoption. The Association will adopt ASU 2014-09, as amended, commencing in fiscal year 2019, on a modified retrospective basis. The Association continues to evaluate the impact that adoption of this accounting standards update will have on its financial statements and disclosures, pending industry clarification on the application to similar entities.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 – *Leases* (Topic 842) ("ASU 2016-02") to increase transparency and comparability of information regarding an entity's leasing activities by providing additional information to users of financial statements. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for annual periods beginning after December 15, 2019. The

Association continues to evaluate the impact that adoption of this accounting standard update will have on its financial statements and disclosures. In addition, the Association will adopt ASU 2016-02 commencing in fiscal year 2020.

2. Investments

Investments are classified as follows at December 31, 2018 and December 31, 2017:

	December 31, 2018		December 31, 2017	
	Amortized Cost/Principal	Fair Market Value	Amortized Cost/Principal	Fair Market Value
Certificates of deposit (held-to-maturity)	$ 490,000	$ 488,278	$ 1,225,000	$ 1,223,976

The contractual maturities of investments held-to-maturity at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Amortized Cost/Principal	Fair Market Value	Amortized Cost/Principal	Fair Market Value
Due within one year	$ 245,000	$ 244,990	$ 490,000	$ 489,758
Due between one to five years	245,000	243,288	735,000	734,218
	$ 490,000	$ 488,278	$ 1,225,000	$ 1,223,976

3. Fixed Assets

The Association had no fixed assets as of December 31, 2017. The following table below summarizes the Association's fixed assets, net as of December 31, 2018:

	2018
Golf cart	$ 15,440
Accumulated depreciation	(2,895)
	$ 12,545

Depreciation expense was $2,895 for the year ended December 31, 2018. The expense is allocated as a component of various expenses found on the Statements of Revenues, Expenses and Changes in Fund Balance – Operating Fund.

4. Income Taxes

The provision for income taxes consisted of the following for the year ended December 31, 2018 and the fiscal year ended December 31, 2017:

	December 31, 2018			December 31, 2017		
	Total	**Operating Fund**	**Reserve for Replacement Fund**	**Total**	**Operating Fund**	**Reserve for Replacement Fund**
Federal	$ 50,068	$ 42,099	$ 7,969	$ 41,187	$ 34,909	$ 6,278
State	8,831	7,425	1,406	7,054	5,979	1,075
	$ 58,899	$ 49,524	$ 9,375	$ 48,241	$ 40,888	$ 7,353

The difference between the provision for income taxes as presented, and the provision calculated by applying the statutory federal rate to the (deficit) excess of revenues over expenses/expenditures, primarily relates to state income taxes and the exclusion of exempt function income.

5. Management Agreement

In February 2010, Marriott Hotel Services, Inc. assigned the entire management agreement to MRHC who, at that point, became responsible for the on and off-site management of the Association. For the year ended December 31, 2018 and the fiscal year ended December 31, 2017, MRHC is responsible for the management, maintenance and operations of the facilities, in exchange for an annual fee of 10% of the annual budget of the Association, exclusive of the management fee. For the year ended December 31, 2018 and the fiscal year ended December 31, 2017, the management fee was $642,290 and $630,039, respectively, and is recoded in the Statements of Revenues, Expenses and Changes in Fund Balance – Operating Fund.

6. Related Party Transactions

Marriott Vacations Worldwide Corporation ("MVWC"), the current indirect parent company of MRHC, pays all invoices on behalf of the Association, subject to reimbursement by the Association. The net amount due from MVWC at December 31, 2018 and December 31, 2017 was $13,520 and $48,259, respectively.

The net amount due from the Waiohai Beach Club Vacation Owners Association at December 31, 2018 and December 31, 2017 was $0 and $5,087, respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of maintenance fees receivable due from MRHC at December 31, 2018 and December 31, 2017 was $1,240,422 and $291,108, respectively.

7. Concentrations of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Association maintains its cash and cash equivalents and investments with what the Board of Directors believes to be high credit quality financial institutions. In addition, the Board of Directors maintains its investments in a portfolio that it believes limits the amount of market exposure.

In an effort to fulfill their fiduciary responsibility to protect and maintain assets for the Association, the Board of Directors for the Association has implemented a formal investment policy statement in reference to all cash, cash equivalents and investable funds for the reserve for replacement and operating funds. The investment policy statement stipulates that all funds shall be invested in federally insured or guaranteed vehicles with no risk to principal as long as these investments are held-to-maturity.

Since the Board of Directors has incorporated an analysis that identifies the use of these funds at specific times and the investments are structured with maturity dates to coincide with these anticipated expenditures, notwithstanding emergencies not under the control of the Board of Directors, the Association is able to and prepared to hold these investments to their stated maturity dates.

8. Subsequent Events

The Association has performed an evaluation of subsequent events through April 16, 2019 which is the date the financial statements were issued.

Association of Apartment Owners of Waiohai Beach Club
Supplementary Information on Future Major Repairs and Replacements (Unaudited)
Year Ended December 31, 2018

On behalf of the Board of Directors, a study was completed during 2017 to estimate the remaining useful lives and the replacement costs of the components of common property.

The following table is based on the study with subsequent review by the Board of Directors and presents significant information about the components of common property.

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2019 Funding Requirement	Components of Fund Balance at December 31, 2018
Roof replacement	16	$ 4,338,869	$ 70,692	$ 962,378
Building painting	7	1,142,007	58,245	826,444
External building maintenance	11	5,706,560	1,160,714	(76,915)
Pavement resurfacing	7	278,112	9,681	80,806
Common area rehabilitation	9	8,281,356	224,762	1,017,693
Total		$ 19,746,904	$ 1,524,094	$ 2,810,406

Association of Apartment Owners of Waiohai Beach Club
Board of Directors

Name/Address	Phone/Fax/Email	Office Held	Term
Michelle M. Taylor Marriott's Waiohai Beach Club Executive Offices 2249 Poipu Road Koloa, Hawaii 96756	Resort Main Phone: 808-742-4400 Resort Main Fax: 808-742-4410 waiohaiownerboard@vacationclub.com	President	2016-2019
Katherine K. Head Marriott's Waiohai Beach Club Executive Offices 2249 Poipu Road Koloa, Hawaii 96756	Resort Main Phone: 808-742-4400 Resort Main Fax: 808-742-4410 waiohaiownerboard@vacationclub.com	Vice President	2016-2019
Timothy J. Miscovich Marriott's Waiohai Beach Club Executive Offices 2249 Poipu Road Koloa, Hawaii 96756	Resort Main Phone: 808-742-4400 Resort Main Fax: 808-742-4410 waiohaiownerboard@vacationclub.com	Secretary/Treasurer	2017-2020
David John Chamberlain Marriott's Waiohai Beach Club Executive Offices 2249 Poipu Road Koloa, Hawaii 96756	Resort Main Phone: 808-742-4400 Resort Main Fax: 808-742-4410 waiohaiownerboard@vacationclub.com	Director	2018-2021
Steven Glen Wischmann Marriott's Waiohai Beach Club Executive Offices 2249 Poipu Road Koloa, Hawaii 96756	Resort Main Phone: 808-742-4400 Resort Main Fax: 808-742-4410 waiohaiownerboard@vacationclub.com	Director	2018-2021

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