

**KAHANA FALLS
INTERVAL OWNERS ASSOCIATION
AND
ASSOCIATION OF APARTMENT OWNERS
FINANCE COMMITTEE MEETING**

**March 25, 2015 - 8:00 a.m. (HST)
Kahana Falls Resort**

MINUTES

I. CALL MEETING TO ORDER / ROLL CALL INTRODUCTIONS – JESSE ARMAN

Chairperson Jesse Arman called the meeting to order at 8:05 a.m. (HST) and welcomed everyone to the meeting. The following persons were in attendance.

COMMITTEE MEMBERS PRESENT

Jesse Arman	Chairperson
Katherine Ivey	Member
Kevin Ramage	Member

COMMITTEE MEMBERS ABSENT

Richard Roll	Member
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GUESTS PRESENT

Karen Cornwell
Milton Jantzen
Martin Hewitt
Mike Fitzgerald, Fitzgerald and Associates, CPA
Andy Gennuso, Great Destinations (*telephonically*)
Don Bridenbaugh, Owner
Glennidia Bridenbaugh, Owner

MANAGEMENT PRESENT

Loren Gallagher	President and CEO
Gail Turner	Sr. Vice President of HOA Accounting
Tom O'Brien	Senior Vice President of Resorts
Joanne Hallert	Director of Resort Operations
Suzie Moore	Resort General Manager
Amy Strange	Administrative Assistant

II. APPROVAL OF THE AGENDA

The agenda was unanimously approved with no objections.

III. APPROVAL OF MINUTES

A motion to approve the minutes of the September 11, 2014 Finance Committee meeting was made by Kevin Ramage, seconded by Katherine Ivey and unanimously approved.

A motion to approve the minutes of the September 17, 2014 Finance Committee meeting was made by Kevin Ramage, seconded by Katherine Ivey and unanimously approved.

A motion to approve the minutes of the September 18, 2014 Finance Committee meeting was made by Kevin Ramage, seconded by Katherine Ivey and unanimously approved.

IV. CONTINUING BUSINESS

Financial Ratio Trends

The committee reviewed and discussed the financial ratio trends, noting that the liquidity and solvency is continuing to grow and the debt ratios continue to decrease.

The committee reviewed the net margins and noted that the net margin has decreased.

The committee noted that the cash flows from operations have decreased compared to prior years due to the delinquency rate continuing to increase.

Delinquency Report

The committee asked management if the steady delinquency increase is normal and what can be done to mitigate the trend.

Management reported observing an average of a 2% increase in Hawaiian properties and suggested that inventory resales with Great Destinations will help to sell through the delinquencies.

The committee directed management to track what Great Destinations has sold so far and asked what annuities this is bringing the association from the sales to date.

Andy Genusso with Great Destinations joined the meeting telephonically. He stated that he would be able to increase sales to approximately 13-15 units per month with increased inventory. Andy reported that he will be selling additional odd units between now and June, then he will start selling even units. Mr. Genusso stated that the majority of units they have sold have been odd/even weeks and not annual due to the fact that the majority of the weeks do not match up.

A motion was made by Jesse Arman, seconded by Katherine Ivey and unanimously approved to recommend to the board to provide 20 units per month to Great Destinations for sales with an optimal mixture to be determined at a later time.

Inventory/Sales Report

The committee reviewed and discussed the inventory/sales report noting that there is sufficient inventory to give to Great Destinations for sales.

Reserves

Katherine Ivey provided updates for the IOA and the AOA reserves. The updates reflect that the IOA is well funded at the beginning of 2015. For the AOA the funded amount at the beginning of 2015 is low and after the addition of an intercompany loan of \$130,000 from the IOA operating fund to the AOA replacement fund, which was approved by the board last year, it continues to be insufficient.

A motion was made by Katherine Ivey, seconded by Jesse Arman and unanimously approved to recommend that the board amend the agreement between the associations to change the loan amount from \$130,000 to \$200,000 from the IOA operating fund to the AOA replacement fund to be repaid within 120 months with no interest. In addition, the committee agreed to recommend that the previously approved transfer of \$30,000 from IOA operating fund to its own replacement fund be reversed.

V. NEW BUSINESS

Financials

The committee reviewed in detail the financial statements for the two months ended February 28, 2015. The financial statements reflect that the IOA is operating with a favorable variance to budget in the amount of \$73,959 for the two month period and the AOA is operating with a favorable variance to budget in the amount of \$22,160 for the two month period. The IOA reserve balance at February 28, 2015 is \$984,375; the AOA reserve balance at February 28, 2015 is \$518,903.

Delinquency Rate Trends

Jesse Arman presented the delinquency rate trends to the committee and noted the delinquency rate is steadily increasing.

Clarification and Review ADA Calculations and Write-Offs

Gail Turner and Jesse Arman reviewed the ADA Calculations and Write-Offs with the committee.

Reconciliation and Comparison of Owners' Receivables

Gail Turner and Jesse Arman presented the reconciliation of the owner's receivables shown on the balance sheet with the receivables shown on the delinquency report with the committee.

2014 Audit Review

The committee reviewed and discussed the 2014 draft audit.

Mike Fitzgerald of Fitzgerald and Associates, CPA reviewed in detail the audit drafts for the calendar year ended December 31, 2014 for the IOA and the AOA. He advised that both associations received clean audit opinions. He reported that the IOA had an operating fund balance of \$353,010 and a replacement fund balance of \$933,169 at December 31, 2014; and that the AOA had an operating fund balance of \$29,497 and a replacement fund balance of \$523,416 at December 31, 2014.

VI. ADJOURNMENT

A motion was made by Kevin Ramage duly seconded by Katherine Ivey and unanimously approved to adjourn the meeting at 10:04 a.m. (HST).

Submitted by:
Trading Places International
Its: Managing Agent

Approved by:
Kahana Falls Finance Committee

By: _____
Joanne Hallert
Director of Resort Operations

By: _____
Jesse Arman
Chairperson