

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**

**BALANCE SHEET**

**JUNE 30, 2021**

**(With Comparative Totals for 2020)**

**ASSETS**

	<b>Operating Fund</b>	<b>Replacement Reserve Fund</b>	<b>Totals</b>	
			<b>2021</b>	<b>2020</b>
<b>Assets</b>				
Current Assets				
Cash and Cash Equivalents	\$ 357,755	\$ 501,567	\$ 859,322	\$ 586,200
Short-Term Investments	400,000	1,839,919	2,239,919	2,200,000
Accounts Receivable	38,124	-	38,124	26,201
Prepaid Expenses	13,440	-	13,440	8,440
Security Deposit	1,600	-	1,600	1,600
Total Current Assets	810,919	2,341,486	3,152,405	2,822,441
Other Assets				
Land	137,831	-	137,831	137,831
<b>Total Assets</b>	<b>\$ 948,750</b>	<b>\$ 2,341,486</b>	<b>\$ 3,290,236</b>	<b>\$ 2,960,272</b>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts Payable	\$ 74,423	\$ 4,599	\$ 79,022	\$ 40,255
Assessments Received in Advance	58,052	-	58,052	37,913
Construction Deposits	71,000	-	71,000	35,000
Street Cut Deposits	63,495	-	63,495	-
Contract Liabilities				
(Assessments Received in Advance - Replacement Fund)	-	1,732,786	1,732,786	1,569,173
Total Liabilities	266,970	1,737,385	2,004,355	1,682,341

**Fund Balances**

Operating Fund	681,780	-	681,780	706,915
Replacement Reserve Fund	-	604,101	604,101	571,016
Total Fund Balance	681,780	604,101	1,285,881	1,277,931
<b>Total Liabilities and Fund Balances</b>	<b>\$ 948,750</b>	<b>\$ 2,341,486</b>	<b>\$ 3,290,236</b>	<b>\$ 2,960,272</b>

See Notes to Financial Statements

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2021**  
**(With Comparative Totals for 2020)**

	Operating Fund	Replacement Reserve Fund	Totals	
			2021	2020
<b>Revenue</b>				
Homeowner Assessments	\$ 967,016	\$ 136,387	\$ 1,103,403	\$ 1,140,379
Impact Fees	-	187,309	187,309	39,176
Developer Shared Services Reimbursement	119,618	-	119,618	123,343
Interest Income	4,308	27,779	32,087	57,313
Other Income	26,906	-	26,906	16,526
Recycling Fees	25,909	-	25,909	19,155
Cathedral Ridge-Security Income	24,000	-	24,000	24,000
Late Fees	6,442	-	6,442	2,240
Fines	3,922	-	3,922	1,690
Legal Collections	3,578	-	3,578	761
Gate Card	-	-	-	6,685
<b>Total Revenue</b>	<b>1,181,699</b>	<b>351,475</b>	<b>1,533,174</b>	<b>1,431,268</b>
<b>Expenses</b>				
Security	450,265	-	450,265	433,445
Management Fees	174,010	-	174,010	166,920
Surveillance System	-	150,375	150,375	-
Consulting/Studies	97,132	15,498	112,630	110,073
Asphalt	-	110,464	110,464	82,090
Trash and Recycling Removal	102,329	-	102,329	104,096
Other Landscaping	42,760	47,993	90,753	85,489
Snow Removal	51,728	-	51,728	29,359
Landscape Contract	38,552	-	38,552	42,211
Administrative	33,357	-	33,357	32,942
Street Repairs	28,028	-	28,028	33,374
Rent	22,271	-	22,271	22,356
Concrete	-	19,916	19,916	-
Gate Repairs/Access Control	18,777	-	18,777	68,335
Decorations/Holiday Lighting	18,468	-	18,468	17,401
Grounds/Common Area	18,325	-	18,325	21,359
Website Maintenance	17,250	-	17,250	10,974
Legal Fees	16,355	-	16,355	2,605
Utilities	13,118	-	13,118	12,512
Insurance	12,300	-	12,300	11,679
Other Professional Fees	6,610	-	6,610	5,134
Traffic Signs	-	4,473	4,473	6,927
Lighting Repairs	3,592	779	4,371	17,100
Miscellaneous	3,988	-	3,988	6,843
Lighting Service Contract	2,365	-	2,365	2,580
Nature Trails	-	1,661	1,661	2,854
Contingency	1,442	-	1,442	1,256
Bank Charges	352	316	668	720
Collection Letters	375	-	375	-
Drainage	-	-	-	6,031
Fencing & Perimeter Walls	-	-	-	3,638
<b>Total Expenses</b>	<b>1,173,749</b>	<b>351,475</b>	<b>1,525,224</b>	<b>1,340,303</b>
<b>Excess of Revenue Over Expenses</b>	<b>7,950</b>	<b>-</b>	<b>7,950</b>	<b>90,965</b>
<b>Fund Balance - Beginning (Restated)</b>	<b>706,915</b>	<b>571,016</b>	<b>1,277,931</b>	<b>1,186,966</b>
<b>Transfer Between Funds</b>	<b>(33,085)</b>	<b>33,085</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 681,780</b>	<b>\$ 604,101</b>	<b>\$ 1,285,881</b>	<b>\$ 1,277,931</b>

See Notes to Financial Statements

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2021**

**(With Comparative Totals for 2020)**

	<b>Operating</b>	<b>Replacement</b>	<b>Totals</b>	
	<b>Fund</b>	<b>Reserve Fund</b>	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>				
Excess of Revenue Over Expenses	\$ 7,950	\$ -	\$ 7,950	\$ 90,965
Adjustments to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:				
Changes in Assets and Liabilities:				
Accounts Receivable	(11,923)	-	(11,923)	(22,302)
Prepaid Expenses	(5,000)	-	(5,000)	-
Accounts Payable	34,168	4,599	38,767	(277,830)
Assessments Received in Advance	20,139	-	20,139	(58,490)
Deferred Insurance Proceeds	-	-	-	(5,529)
Construction Deposits	36,000	-	36,000	34,500
Street Cut Deposits	63,495	-	63,495	-
Contract Liabilities				
(Assessments Received in Advance - Reserve Fund)	-	163,613	163,613	91,361
Total Adjustments	<u>136,879</u>	<u>168,212</u>	<u>305,091</u>	<u>(238,290)</u>
Net Cash Provided (Used) by Operating Activities	<u>144,829</u>	<u>168,212</u>	<u>313,041</u>	<u>(147,325)</u>
<b>Cash Flows From Investing Activities</b>				
Certificates of Deposits - Net	-	(39,919)	(39,919)	60,000
Net Cash (Used) Provided by Investing Activities	<u>-</u>	<u>(39,919)</u>	<u>(39,919)</u>	<u>60,000</u>
<b>Cash Flows From Financing Activities</b>				
Transfers Between Funds	(33,085)	33,085	-	-
Net Cash (Used) Provided by Financing Activities	<u>(33,085)</u>	<u>33,085</u>	<u>-</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	111,744	161,378	273,122	(87,325)
<b>Cash and Cash Equivalents - Beginning</b>	246,011	340,189	586,200	673,525
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 357,755</u>	<u>\$ 501,567</u>	<u>\$ 859,322</u>	<u>\$ 586,200</u>

See Notes to Financial Statements

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Kissing Camels Property Owners Association (Association) was incorporated on May 23, 1960 as a Colorado nonprofit corporation to provide for the maintenance, preservation, and architectural control of the lots in Kissing Camels Estates and to promote the health, comfort, safety, convenience and welfare of the residents of the Association, pursuant to the Declaration of Covenants, Conditions, Easements, Restrictions and Reservations for Kissing Camels Property Owners Association. The Association is located in Colorado Springs, Colorado and consists of 649 residences and 110 lots, a grand total of 759, of which 314 are in seven different sub associations.

**Basis of Accounting** - The accompanying financial statements are presented using the accrual basis of accounting. Financial resources are classified for accounting purposes into two funds. The operating fund is used to account for the general operations of the Association. The replacement reserve fund is used to accumulate monies designated for future major repairs and replacements.

**Income Tax** - The Association has elected to be taxed as a homeowner association under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of the Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed by the federal government and by the State of Colorado.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2018 to 2020 remain open to examination by the Internal Revenue Service; Colorado income tax returns for 2017 to 2020 are open to examination. Management of the Association believes that it does not have any uncertain tax positions that are material to the financial statements.

**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, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of the Association's checking and money market accounts. The Association maintains its cash and cash equivalents at commercial banks and a credit union. In the event of a bank or credit union failure, the Association may only be able to recover the amounts insured.

**Assessments Receivable** - Assessments receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. An allowance for doubtful accounts is estimated based on the Association's experience with owners having outstanding balances. At June 30, 2021, an allowance was not considered necessary, as management expects to collect all outstanding balances.

**Property** - The Association does not capitalize common real property directly associated with the lots. At June 30, 2021, property not capitalized consists of sidewalks, access roads, gates, a guardhouse, and open space.

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

During the year ended June 30, 2016, the Association acquired approximately 3.48 acres of undeveloped land near the recreation center from Garden of the Gods Club, LLC (GOTGC). The land was deeded to the Association by GOTGC as full payment of \$137,831 (assessments and legal fees) that was owed to the Association.

The 3.48 acres mentioned in the previous paragraph is not directly associated with the other lots in the community. The Board of Directors intends to hold this acreage for sale or other commercial use. Under current rules for property owners' associations, the sale of this property would require approval of the membership.

**Statement of Cash Flows** - For purposes of the statement of cash flows, cash, and cash equivalents are defined as demand deposits and short-term investments with an initial maturity of three months or less. The Association did not pay any income taxes or interest during the year ended June 30, 2021.

**Prior-Year Comparisons** - The financial statements include certain prior-year summarized comparative information in total but not by fund category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**New Accounting Pronouncement** – The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate—Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of July 1, 2020, using the retrospective method. Accordingly, the prior year financial statements have been restated and the cumulative effect of adoption has been charged to fund balance as of July 1, 2019, the beginning of the first period presented.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of July 1, 2019:

Fund Balance, as Previously Reported, at July 1, 2019	\$ 2,664,778
Adjustment	(1,477,812)
Fund Balance, as Adjusted, at July 1, 2019	<u><u>\$ 1,186,966</u></u>

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**New Accounting Pronouncement** - The effect of the adoption is a decrease in 2020 replacement reserve assessments by \$91,361 and a recording of a contract liability (assessments received in advance-replacement fund) at June 30, 2020, of \$1,569,173. The remaining balance leftover in the replacement reserve fund represents cash transfers from the operating fund to the replacement reserve fund. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in the comparative 2020 financial statements. Following are the line items from our balance sheet as of June 30, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<b>Amounts That Would Have Been Reported</b>	<b>Effects of Applying New Guidance</b>	<b>Total As Reported</b>
<b><u>Liabilities:</u></b>			
Contract Liabilities (Assessments Received in Advance - Reserve Fund)	\$ -	\$ 1,569,173	\$ 1,569,173
Total Liabilities	\$ -	\$ 1,569,173	\$ 1,569,173
<b><u>Fund Balance:</u></b>			
Ending Fund Balances	\$ 2,847,104	\$ (1,569,173)	\$ 1,277,931

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**New Accounting Pronouncement** - The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended June 30, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>Total As Reported</u>
<b><u>Revenue:</u></b>			
Regular Assessments	\$ 1,231,740	\$ (91,361)	\$ 1,140,379
Excess of Revenues Over Expenses	\$ 182,326	\$ (91,361)	\$ 90,965
<b><u>Cash Flows:</u></b>			
Excess of Revenues Over Expenses	\$ 182,326	\$ (91,361)	\$ 90,965
Increase in Contract Liabilities (Assessments Received in Advance - Replacement Reserve)	\$ -	\$ 91,361	\$ 91,361

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements resulting from updated account groupings and a new chart of accounts. The reclassifications had no impact on previously reported net assets.

**NOTE 1 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2021, consist of the following:

Cash	\$ 618,336
Money Market Funds	240,986
	<u>\$ 859,322</u>

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

Throughout the year, the Association had cash deposits at financial institutions in excess of federally insured limits. The Association has not experienced losses as a result of this policy and believes it is not exposed to any significant credit risk.

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – SHORT-TERM INVESTMENTS**

Short-term investments as of June 30, 2021, consist of the following:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>
<i>Certificates of Deposit</i>		
7/30/2021	0.09%	\$ 200,000
9/23/2021	0.05%	200,000
10/15/2021	0.09%	240,000
10/29/2021	0.05%	200,000
11/30/2021	0.05%	200,000
2/22/2022	0.05%	200,000
4/7/2022	0.09%	200,000
5/5/2022	0.09%	200,000
5/13/2022	0.09%	200,000
6/15/2022	0.05%	200,000
<i>Treasury Bill</i>		
12/2/2021	0.00%	199,919
<b>Total Short-Term Investments</b>		<u><u>\$ 2,239,919</u></u>

The Association intends to hold these investments until maturity.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2021, consist of assessments due to the Association in the amount of \$38,124. Of this balance, amounts aged 90 days or older total \$13,292.

**NOTE 5 – PROPERTY MAINTENANCE ALLOCATION AGREEMENT**

The Property Maintenance Allocation Agreement refers to certain cost centers for which responsibility is shared by the Association and Garden of the Gods Club and Resort (GOG). The major components of the agreement are landscaping and irrigation, premises security, Kissing Camels Drive, fiber optic cable, and related access and use (Shared Expenses).

In February 2018, the Association entered into the Property Maintenance Allocation Agreement, a ten-year agreement with GOG effective from July 1, 2017, through June 30, 2027. This agreement specifies the allocation of certain costs related to the components in the first paragraph of this note, and effectively establishes that the Association is responsible for 69% of the Shared Expenses, with GOG responsible for 31%.



**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - REPLACEMENT RESERVE FUND**

Article 6.5.4 of the Declaration of Covenants, Conditions, Restrictions, and Reservations states that the annual assessment set by the Board of Directors shall include amounts for the creation of reasonable reserves for the periodic replacement, repair, and maintenance of the common elements. The Association has allocated amounts from each owner's monthly assessment to the replacement reserve fund. The replacement reserve funds have been segregated from the Association's operating funds.

**NOTE 7 - OPERATING LEASE**

During the year ended June 30, 2017, the Association entered into a three-year operating lease for office space, expiring on October 31, 2020. Upon expiration the agreement was extended through October 31, 2023. The extended lease agreement requires monthly payments ranging from \$1,243 to \$1,331, plus 1.66% of the landlord's operating expenses, tax expenses, and utility costs. Rent expense under this lease agreement for the year ended June 30, 2021, totaled \$22,271.

Future minimum base rent payments under the lease agreement are as follows, for the years ending June 30:

2022	\$	15,265
2023		15,798
2024		5,325
	\$	<u>36,388</u>

**NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association engaged an independent firm to prepare a reserve analysis in 2014 to estimate the remaining useful lives and the replacement costs of the common property components. The table shown in the unaudited supplementary information on future major repairs and replacements is based on this analysis.

The Association is funding for future major repairs and replacements over the remaining useful lives of the components. Actual expenditures may vary from estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement reserve fund may or 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 approval of the Executive Board, to pass special assessments.

**NOTE 9 – RISKS AND UNCERTAINTIES**

*Coronavirus (COVID-19) Pandemic*

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, and multiple jurisdictions in the U.S. have declared a state of emergency.

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – RISKS AND UNCERTAINTIES - Continued**

The extent of the impact of COVID-19 on the Association’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on our staff and members, none of which can be reasonably predicted. At this point, the extent to which COVID-19 may impact the Association’s financial condition or results of operations is uncertain.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through **January 4, 2021**, the date on which the financial statements were available to be issued.

**KISSING CAMELS PROPERTY OWNERS ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE**  
**MAJOR REPAIRS AND REPLACEMENTS**  
**JUNE 30, 2021**  
**(Unaudited)**

The Association engaged an independent firm to conduct a reserve study in February 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained by inspection of the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated replacement costs and estimated remaining lives have not been revised since that date and assume a 3% rate of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>Replacement Reserve Fund Balance at June 30, 2021</u>
Asphalt - Seal/Repair	0	\$ 47,020	\$ -
Asphalt - Crack Fill	0	2,575	-
Asphalt - Resurface	1	964,647	-
Drainage Detention	1	6,695	-
Metal Fence - Repaint	1	14,163	-
Concrete Walks	3	22,510	-
Concrete Curb & Gutter	3	53,762	-
Concrete Drive	3	8,796	-
Landscape Projects	3	16,391	-
Gate Operator	4	9,229	-
Drainage Underdrains	4	9,004	-
Stone Wall	4	5,628	-
Stucco Wall	5	14,491	-
Card Entry System	6	3,582	-
Monument Signage	6	7,164	-
Wire Fence	7	3,690	-
Street Signage	7	5,534	-
HVAC System	7	6,764	-
Guardhouse	8	22,168	-
Security System	9	45,667	-
Chain Link Fence	10	161,270	-
Gutters/Downspouts	10	1,371	-
Pole Lights	12	161,681	-
Tile Roof	18	13,619	-
Metal Fence - Replace	25	392,583	-
June 30, 2017 - 2019 Component Expenditures		(1,311,959)	-
June 30, 2020 Component Expenditures		(202,730)	-
June 30, 2021 Component Expenditures		(329,527)	-
Undesignated		-	695,066
		<u>\$ 155,788</u>	<u>\$ 695,066</u>