

KISSING CAMELS PROPERTY OWNERS ASSOCIATION

**Financial Statements
& Required Supplementary Information**

For the Year Ended June 30, 2023

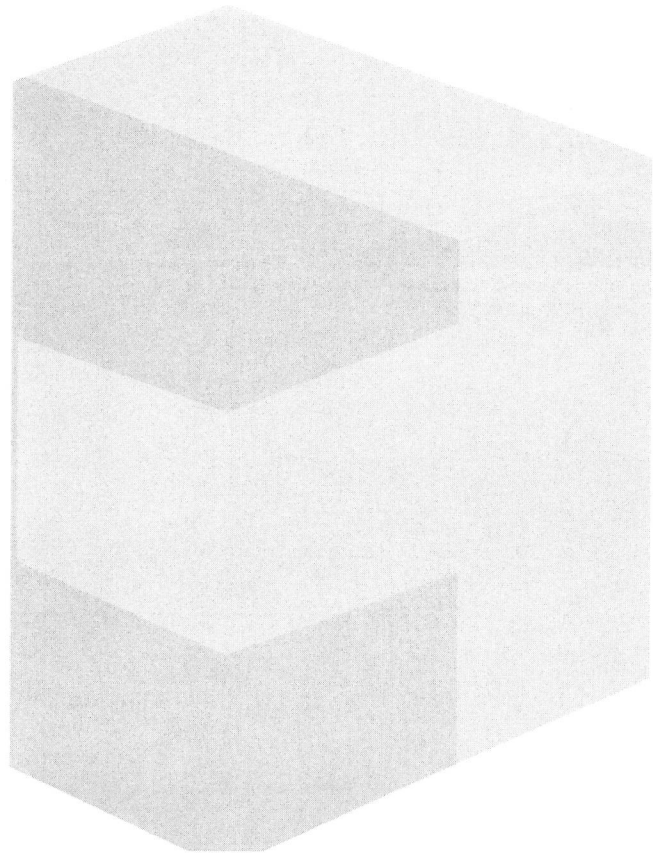


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CIRATAS

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kissing Camels Property Owners Association
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Kissing Camels Property Owners Association, which comprise the balance sheet as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Kissing Camels Property Owners Association as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Kissing Camels Property Owners Association 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.

Report on Summarized Comparative Information

We have previously audited Kissing Camels Property Owners Association's June 30, 2022, financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated December 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which they have been derived. Those financial statements were audited prior to the implementation of ASU 2016-02. Refer to Note A for the impact of implementing ASU 2016-02, applied retrospectively, during the fiscal year ending June 30, 2023.

Responsibilities of Management 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, and for 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 Kissing Camels Property Owners Association's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Kissing Camels Property Owners Association's 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 Kissing Camels Property Owners Association's 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 Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.

CIRATAS

Colorado Springs, Colorado
October 25, 2023

KISSING CAMELS PROPERTY OWNERS ASSOCIATION
Balance Sheet
June 30, 2023
(With Summarized Comparative Totals for 2022)

	<u>ASSETS</u>			
	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>2023 Total</u>	<u>2022 Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 88,226	\$ 653,823	\$ 742,049	\$ 687,234
Investments	700,000	1,400,000	2,100,000	2,440,000
Assessments receivable	17,456		17,456	8,004
Due from operating fund		36,154	36,154	
Accrued interest receivable	7,064	23,725	30,789	
Prepaid insurance	63,775		63,775	8,440
Right-of-use asset - current	15,244		15,244	
Other current assets	<u>1,600</u>		<u>1,600</u>	<u>1,600</u>
Total current assets	893,365	2,113,702	3,007,067	3,145,278
OTHER ASSETS:				
Right-of-use asset - noncurrent	36,969		36,969	
Land	<u>137,831</u>		<u>137,831</u>	<u>137,831</u>
TOTAL ASSETS	<u>\$ 1,068,165</u>	<u>\$ 2,113,702</u>	<u>\$ 3,181,867</u>	<u>\$ 3,283,109</u>

	<u>LIABILITIES AND FUND BALANCES</u>			
CURRENT LIABILITIES:				
Accounts payable	\$ 31,930	\$ 27,197	\$ 59,127	\$ 484,227
Due to replacement reserve fund	36,154		36,154	
Assessments received in advance	79,840		79,840	119,373
Lease liability - current	15,244		15,244	
Construction deposits	<u>66,000</u>		<u>66,000</u>	<u>86,000</u>
Total current liabilities	229,168	27,197	256,365	689,600
NON-CURRENT LIABILITIES:				
Reserve assessments billed in advance		1,515,489	1,515,489	1,299,657
Lease liability	36,969		36,969	
Street deposits	<u>63,495</u>		<u>63,495</u>	<u>63,495</u>
Total non-current liabilities	<u>100,464</u>	<u>1,515,489</u>	<u>1,615,953</u>	<u>1,363,152</u>
TOTAL LIABILITIES	329,632	1,542,686	1,872,318	2,052,752
FUND BALANCES	<u>738,533</u>	<u>571,016</u>	<u>1,309,549</u>	<u>1,230,357</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,068,165</u>	<u>\$ 2,113,702</u>	<u>\$ 3,181,867</u>	<u>\$ 3,283,109</u>

See Notes to Financial Statements

KISSING CAMELS PROPERTY OWNERS ASSOCIATION
Statement of Revenue, Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2023
(With Summarized Comparative Totals for 2022)

	Operating Fund	Replacement Reserve Fund	2023 Total	2022 Total
REVENUE:				
Homeowner assessments, net of reserve allocation	\$ 1,019,723	\$	\$ 1,019,723	\$ 1,007,083
Reserve assessments		218,020	218,020	906,836
Shared service reimbursements	158,953		158,953	125,599
Impact fees		98,652	98,652	175,697
Interest income	21,277	54,148	75,425	2,082
Other income	48,149		48,149	18,521
Recycling income	27,269		27,269	28,333
Cathedral income	25,200		25,200	25,200
Late charges	6,041		6,041	7,077
Fines	2,450		2,450	5,865
Legal collections				4,197
Total revenue	1,309,062	370,820	1,679,882	2,306,490
EXPENSES:				
Security	520,377		520,377	474,389
Management fees	220,518		220,518	183,000
Asphalt		187,166	187,166	821,704
Trash & recycling removal	117,704		117,704	119,533
Other professional fees	8,404	103,518	111,922	170,982
Landscape improvements	41,208	14,137	55,345	102,680
Grounds contract	41,457		41,457	43,335
Snow removal	38,622		38,622	16,252
Common area - maintenance	37,239		37,239	31,566
Administration	31,413		31,413	37,695
Security system		30,296	30,296	25,527
Holiday decorations	25,553		25,553	21,713
Legal fees	24,226		24,226	77,082
Rent	23,898		23,898	24,609
Insurance	18,446		18,446	13,405
Concrete		15,033	15,033	39,721
Utilities	14,145		14,145	14,958
Tree maintenance	11,619		11,619	8,172
Signage	276	9,710	9,986	9,700
Website	7,819		7,819	10,934
Accounting	7,800		7,800	7,677
Irrigation	7,750		7,750	2,669
Lighting repairs	7,451		7,451	3,376
Gate repairs	6,981		6,981	8,240
Drainage	1,360	5,420	6,780	68,500
Lighting	1,075	4,890	5,965	3,005
Contingency	5,202		5,202	
Miscellaneous	3,836		3,836	8,081
Street repair & maintenance	2,546		2,546	1,435
Bad debts	1,903		1,903	
ARC expenses	1,042		1,042	7,411
Nature trail		650	650	4,663
Total expenses	1,229,870	370,820	1,600,690	2,362,014
EXCESS OF REVENUE OVER (UNDER) EXPENSES	79,192		79,192	(55,524)
FUND BALANCES, beginning of year	659,341	571,016	1,230,357	1,285,881
FUND BALANCES, end of year	\$ 738,533	\$ 571,016	\$ 1,309,549	\$ 1,230,357

See Notes to Financial Statements

KISSING CAMELS PROPERTY OWNERS ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Summarized Comparative Totals for 2022)

	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>2023 Total</u>	<u>2022 Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess of revenue over (under) expenses	\$ 79,192	\$	\$ 79,192	\$ (55,524)
Adjustments to reconcile excess of revenue over (under) expenses to net cash provided (used) by operating activities:				
(Increase) decrease in operating assets:				
Assessments receivable	(9,452)		(9,452)	30,120
Prepaid expenses	(55,335)		(55,335)	5,000
Due from operating fund		(36,154)	(36,154)	
Accrued interest receivable	(7,064)	(23,725)	(30,789)	
Right-of-use asset	14,897		14,897	
Increase (decrease) in operating liabilities:				
Accounts payable	(10,699)	(414,401)	(425,100)	405,206
Assessments received in advance	(39,533)		(39,533)	61,320
Construction deposits	(20,000)		(20,000)	15,000
Due to replacement reserve fund	36,154		36,154	
Lease liability	(14,897)		(14,897)	
Reserve assessments billed in advance		215,832	215,832	(433,129)
Total adjustments	<u>(105,929)</u>	<u>(258,448)</u>	<u>(364,377)</u>	<u>83,517</u>
Net cash provided (used) by operating activities	(26,737)	(258,448)	(285,185)	27,993
CASH FLOWS FROM INVESTING ACTIVITIES:				
Gross proceeds from sale of investments	500,000	1,100,000	1,600,000	2,239,919
Gross purchases of investments	<u>(600,000)</u>	<u>(660,000)</u>	<u>(1,260,000)</u>	<u>(2,440,000)</u>
Net cash provided (used) by investing activities	<u>(100,000)</u>	440,000	340,000	(200,081)
NET INCREASE (DECREASE) IN CASH	(126,737)	181,552	54,815	(172,088)
CASH AND CASH EQUIVALENTS, beginning of year	<u>214,963</u>	<u>472,271</u>	<u>687,234</u>	<u>859,322</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 88,226</u>	<u>\$ 653,823</u>	<u>\$ 742,049</u>	<u>\$ 687,234</u>

See Notes to Financial Statements

KISSING CAMELS PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements

For the Year Ended June 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Kissing Camels Property Owners Association (the 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 610 residences and 154 lots.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Association adopted these ASUs effective July 1, 2022, and utilized all of the available practical expedients. The adoption had a material impact on the Association's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of right-of-use (ROU) assets and lease liabilities for operating leases. The Association had no finance leases. Adoption of the standard required the Association to restate amounts as of July 1, 2022, resulting

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2023

in an increase in operating lease ROU assets of \$67,110 and an increase in operating lease liabilities of \$67,110.

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 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, generally for three years after the date of filing. Management of the Association believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's interest-bearing checking and money market accounts. In the event of a bank failure, the Association may only be able to recover the amount insured (Note B).

Supplemental Cash Flow Disclosures

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, 2023.

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2023

Assessments Receivable

Assessments receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. Based on the Association's experience with owners having outstanding balances, it has concluded that an allowance for doubtful accounts at June 30, 2023, is 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, 2022, property not capitalized consists of sidewalks, access roads, gates, a guardhouse, and open space.

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 the 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.

Leases

The Association assesses whether the arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed (Note E). Leases with an initial term of 12 months or less are not recorded on the statement of financial position; also, smaller leases with less than material impact to the statement of financial position, both individually and in aggregate, as determined by Management, are also not recorded as assets and liabilities. Lease expense is recognized for these leases on a straight-line basis over the lease term.

The lease discount rates are determined using the implicit rate within the lease noted from the escalation of lease payments. If that rate is unknown, the Association uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments.

Reserve Assessments Billed in Advance

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability, such as Reserve Assessments Billed in Advance, is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. When the Association completes major repairs and replacements, amounts are removed from the contract liability and recognized as reserve assessment income.

Revenue Recognition

The Association recognizes its revenue in accordance with the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*. The Association's revenue recognition policies are as follows:

- Member assessments - Member operating assessment revenue is recognized in an amount that reflects the consideration that the Association is entitled to in exchange for providing association services. Assessments are recognized as revenue in the period in which the Association satisfies its performance obligation to its members. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer, as defined by ASC 606. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method.

Member replacement reserve assessment revenue is recognized in an amount that reflects the consideration that the Association is entitled to upon satisfying the performance obligation of this contract. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Total assessments billed for the year ended June 30, 2023, were \$1,453,575. Of this total amount, the Board allocated

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2023

a portion to replacement reserves and reported it as increases to the contract liability account, Reserve Assessments Billed in Advance (Note D).

If assessments are received or billed in advance of respective performance obligations being satisfied, the Association records those amounts as deferred revenue. The Association's payment terms generally require payment in advance of the upcoming month of service. The Association offsets amounts recorded in both deferred revenue and accounts receivable from the statement of financial position that represented advance billings of membership dues.

- Ancillary services - ancillary services, including impact fees, are recorded at a point in time when the other party obtains control of the promised product or service. Amounts received in advance of delivery of products or services are recorded as deferred revenue.

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.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 25, 2023, the date that the financial statements were available to be issued.

B. 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
Notes to Financial Statements
June 30, 2023

C. CERTIFICATES OF DEPOSIT

Certificates of deposit at June 30, 2023, consist of certificates at commercial banks with the following ranging terms:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>
11/3/2023	4.55%	\$ 200,000
11/21/2023	4.70	200,000
12/14/2023	4.75	200,000
12/15/2023	4.80	200,000
3/19/2024	5.25	200,000
4/24/2024	4.90	200,000
5/10/2024	5.15	200,000
5/16/2024	5.10	200,000
5/30/2024	5.20	200,000
5/31/2024	5.25	100,000
6/28/2024	5.25	200,000
		<u>\$ 2,100,000</u>

The Association intends to hold these certificates until maturity.

D. REPLACEMENT RESERVE FUNDS

Article 6, Section 6.5 of the Declaration states that the annual assessment set by the Board of Directors shall include amounts for the establishment and maintenance of the reasonable reserves for the periodic replacement, repair, and maintenance of the common elements. Replacement reserve funds are accumulated in the contract liability, Reserve Assessments Billed in Advance, until those funds are expended for intended purposes. The following table summarizes the activity of these funds for the year ended June 30, 2023:

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2023

	<u>Replacement Reserve Contract Liability</u>
Balance, as of June 30, 2022	\$ 1,299,657
Reserve allocations	433,852
Funds used for reserve expenditures	<u>(218,020)</u>
Balance, as of June 30, 2023	<u>\$ 1,515,489</u>

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.

E. OPERATING LEASE

During the year ended June 30, 2017, the Association entered into a three-year operating lease for office space in Colorado Springs, Colorado, expiring on October 31, 2020. Upon expiration the agreement was extended through October 31, 2023, and subsequently further extended through October 31, 2026. The extended lease agreement requires monthly payments ranging from \$1,243 to \$1,420, plus 1.66% of the landlord's operating expenses, tax expenses, and utility costs. However, the Association considers the additional rent above its base rent as non-lease components for purposes of calculating the right-of-use asset and lease liability. The additional non-lease items are reported along with rent expense.

The following summarizes the line items in the statement of revenue, expenses, and change in fund balances, which include the components of lease expense for the year ended June 30:

<u>Leases</u>	<u>Expense Classification</u>	<u>2023</u>
Operating*	Operating	\$ <u>23,898</u>
Net lease cost		\$ <u>23,898</u>

* Includes non-lease component costs of \$7,608.

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2023

2023

Operating

Weighted average remaining lease term (years)	3.33
Weighted average discount rate	2.31%

The maturities of lease liabilities as of June 30 were as follows:

Operating

2024	\$ 16,290
2025	16,290
2026	16,290
2027	<u>5,430</u>
Total lease payments	\$ 54,300
Less: interest	<u>(2,087)</u>
Present value of lease liabilities	<u>\$ 52,213</u>

F. 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 10-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 described above, and effectively establishes that the Association is responsible for 69% of the Shared Expenses, with GOG responsible for 31%.

G. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association engaged an independent firm to prepare a reserve analysis in June 2022, to estimate the remaining useful lives and the replacement costs of the common property components. The table shown in the supplementary information on future major repairs and replacements is based on this study.

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2023

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 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 membership approval, to increase regular assessments or pass special assessments.

KISSING CAMELS PROEPRTY OWNERS ASSOCIATION
 Supplementary Information on Future Major Repairs and Replacements
 June 30, 2023
 (Unaudited)

A reserve study was conducted by an independent firm in June 2022 to estimate the remaining useful lives and the replacement costs of the common property components. 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 current replacement costs and estimated remaining lives have not been revised since that date and do not take into account the effects 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.

Components	Estimated Remaining Life	Estimated Replacement Costs
Asphalt	1-5	\$ 1,932,243
Asphalt	6-10	222,085
Asphalt	11-15	209,930
Asphalt	16-20	3,613,699
Asphalt	21-25	1,189,706
Asphalt	26-30	1,527,815
Concrete Flatwork, Partial Replacements	0	5,300
Crackfill, Asphalt Pavement	0	10,600
Consultant Fees	0	24,480
Fences	1-5	608,700
Fences	21-25	390,000
Gates	1-5	500,000
Gates	6-10	190,000
Irrigation	11-15	25,500
Irrigation	16-20	250,000
Landscape, Tree Mitigation	1	15,000
Light Poles and Fixtures	11-15	280,000
Pipes, Subsurface Utilities, Partial	5	50,000
Signage, Entrance Monuments, Renovation	6	10,000
Signage, Street and Traffic Identification, Phased	11-15	45,000
Site Furniture, Benches	17	10,000
Air Handling and Condensing Units, Split System	2	6,000
Roof, Concrete Tiles	8	20,000
Security System, Phased (Incl. Entire Community)	11-15	82,000
Windows and Doors	8	16,250
Totals		<u>\$ 11,234,308</u>