

KISSING CAMELS PROPERTY OWNERS ASSOCIATION

**Financial Statements
& Required Supplementary Information**

For the Year Ended June 30, 2024



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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, 2024, 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, 2024, 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, 2023, financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated October 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which they have been derived.

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 28, 2024

KISSING CAMELS PROPERTY OWNERS ASSOCIATION
Balance Sheet
June 30, 2024
(With Summarized Comparative Totals for 2023)

ASSETS

	Operating Fund	Replacement Reserve Fund	2024 Total	2023 Total
CURRENT ASSETS:				
Cash and cash equivalents	\$ 176,428	\$ 687,008	\$ 863,436	\$ 742,049
Investments	700,000	1,800,000	2,500,000	2,100,000
Assessments receivable	23,774		23,774	17,456
Due from operating fund				36,154
Accrued interest receivable	7,642	28,392	36,034	30,789
Prepaid expenses	56,142		56,142	63,775
Right-of-use asset - current	15,600		15,600	15,244
Other current assets	1,600		1,600	1,600
Total current assets	981,186	2,515,400	3,496,586	3,007,067
OTHER ASSETS:				
Right-of-use asset - noncurrent	21,369		21,369	36,969
Land	137,831		137,831	137,831
TOTAL ASSETS	<u>\$ 1,140,386</u>	<u>\$ 2,515,400</u>	<u>\$ 3,655,786</u>	<u>\$ 3,181,867</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:				
Accounts payable	\$ 42,539	\$ 5,970	\$ 48,509	\$ 59,127
Due to replacement reserve fund				36,154
Income tax payable	10,909		10,909	
Assessments received in advance	182,116		182,116	79,840
Lease liability - current	15,600		15,600	15,244
Construction deposits	61,000		61,000	66,000
Total current liabilities	312,164	5,970	318,134	256,365
NON-CURRENT LIABILITIES:				
Reserve assessments billed in advance		1,889,133	1,889,133	1,515,489
Lease liability	21,369		21,369	36,969
Total non-current liabilities	21,369	1,889,133	1,910,502	1,615,953
TOTAL LIABILITIES	333,533	1,895,103	2,228,636	1,872,318
FUND BALANCES	806,853	620,297	1,427,150	1,309,549
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,140,386</u>	<u>\$ 2,515,400</u>	<u>\$ 3,655,786</u>	<u>\$ 3,181,867</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, 2024
(With Summarized Comparative Totals for 2023)

	Operating Fund	Replacement Reserve Fund	2024 Total	2023 Total
REVENUE:				
Homeowner assessments, net of reserve allocation	\$ 1,262,878	\$	\$ 1,262,878	\$ 1,019,723
Shared service reimbursements	165,256		165,256	158,953
Reserve assessments		152,828	152,828	218,020
Interest income	39,239	99,603	138,842	75,425
Impact fees		99,036	99,036	98,652
Other income	67,793		67,793	48,149
Recycling income	33,780		33,780	27,269
Cathedral income	32,430		32,430	25,200
Late charges	6,295		6,295	6,041
Legal collections	3,250		3,250	
Fines	91		91	2,450
Total revenue	1,611,012	351,467	1,962,479	1,679,882
EXPENSES:				
Security	596,709		596,709	520,377
Management fees	220,668		220,668	220,518
Other professional fees	8,457	170,138	178,595	111,922
Trash & recycling service	129,935		129,935	117,704
Asphalt		113,079	113,079	187,166
Insurance	83,660		83,660	18,446
Grounds contract	55,607		55,607	41,457
Guardhouse & common area - maintenance	53,998		53,998	37,239
Administration	40,416		40,416	31,413
Landscape improvements	36,409		36,409	55,345
Snow removal	33,707		33,707	38,622
Legal fees	33,608		33,608	24,226
Drainage	478	26,138	26,616	6,780
Holiday decorations	26,097		26,097	25,553
Utilities	25,695		25,695	14,145
Rent	23,978		23,978	23,898
Lighting	367	22,311	22,678	5,965
Irrigation	20,258		20,258	7,750
Provision for income taxes	21,909		21,909	
Street repair & maintenance	19,160		19,160	2,546
Tree maintenance	18,777		18,777	11,619
Fence repairs	9,658	5,757	15,415	6,981
Miscellaneous	11,664		11,664	3,836
Concrete		10,330	10,330	15,033
Accounting	8,602		8,602	7,800
Website	8,530		8,530	7,819
Signage	141	3,714	3,855	9,986
Bad debts	2,022		2,022	1,903
Lighting repairs	1,693		1,693	7,451
Contingency	775		775	5,202
ARC expenses	433		433	1,042
Security system				30,296
Nature trail				650
Total expenses	1,493,411	351,467	1,844,878	1,600,690
EXCESS OF REVENUE OVER (UNDER) EXPENSES	117,601		117,601	79,192
FUND BALANCES, beginning of year	738,533	571,016	1,309,549	1,230,357
TRANSFERS BETWEEN FUNDS	(49,281)	49,281		
FUND BALANCES, end of year	\$ 806,853	\$ 620,297	\$ 1,427,150	\$ 1,309,549

See Notes to Financial Statements

KISSING CAMELS PROPERTY OWNERS ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2024
(With Summarized Comparative Totals for 2023)

	Operating Fund	Replacement Reserve Fund	2024 Total	2023 Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess of revenue over (under) expenses	\$ 117,601	\$	\$ 117,601	\$ 79,192
Adjustments to reconcile excess of revenue over (under) expenses to net cash provided (used) by operating activities:				
(Increase) decrease in operating assets:				
Assessments receivable	(6,318)		(6,318)	(9,452)
Accrued interest receivable	(578)	(4,667)	(5,245)	(30,789)
Prepaid expenses	7,633		7,633	(55,335)
Due from operating fund				(36,154)
Right-of-use asset	15,244		15,244	14,897
Increase (decrease) in operating liabilities:				
Accounts payable	10,609	(21,227)	(10,618)	(425,100)
Accrued liabilities	10,909		10,909	
Assessments received in advance	102,276		102,276	(39,533)
Construction deposits	(68,495)		(68,495)	(20,000)
Due to replacement reserve fund				36,154
Lease liability	(15,244)		(15,244)	(14,897)
Reserve assessments billed in advance		373,644	373,644	215,832
Total adjustments	56,036	347,750	403,786	(364,377)
Net cash provided (used) by operating activities	173,637	347,750	521,387	(285,185)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Gross proceeds from sale of investments	700,000	1,400,000	2,100,000	1,600,000
Gross purchases of investments	(700,000)	(1,800,000)	(2,500,000)	(1,260,000)
Net cash provided (used) by investing activities		(400,000)	(400,000)	340,000
CASH FLOWS FROM FINANCING ACTIVITIES:				
Change in interfund balances	(36,154)	36,154		
Transfers between funds	(49,281)	49,281		
Net cash provided (used) by financing activities	(85,435)	85,435		
NET INCREASE (DECREASE) IN CASH	88,202	33,185	121,387	54,815
CASH AND CASH EQUIVALENTS, beginning of year	88,226	653,823	742,049	687,234
CASH AND CASH EQUIVALENTS, end of year	\$ 176,428	\$ 687,008	\$ 863,436	\$ 742,049

See Notes to Financial Statements

KISSING CAMELS PROPERTY OWNERS ASSOCIATION

Notes to Financial Statements

For the Year Ended June 30, 2024

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 669 residences and 92 lots.

New Accounting Standards

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016. The ASU introduces a new expected credit loss model for the recognition and measurement of credit losses on financial assets measured at amortized cost, such as loans, receivables, debt securities, and net investments in leases. The ASU also modifies the accounting for available-for-sale debt securities and provides new guidance on the presentation and disclosure of credit losses.

In accordance with ASU 2016-13 and the related subsequent pronouncements, Kissing Camels Property Owners Association has adopted the current expected credit loss (CECL) model for measuring credit losses on financial instruments. This new standard has been applied using the modified retrospective approach, which requires a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the first reporting period in which the guidance is effective.

The adoption of ASU 2016-13 did not have a material impact on the financial statements and did not require any cumulative adjustment to beginning balances.

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2024

However, Kissing Camels Property Owners Association has reviewed and updated its policies and procedures to ensure compliance with the new standard and to maintain effective internal controls over financial reporting.

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.

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, 2024.

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, 2024, 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, 2024, property not capitalized consists of sidewalks, access roads, gates, a guardhouse, and open space.

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2024

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, 2024, were \$1,789,350. Of this total amount, the Board allocated a portion to replacement reserves and reported it as increases to the contract liability account, Reserve Assessments Billed in Advance (Note E).

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.

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2024

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.

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.

C. CERTIFICATES OF DEPOSIT

Certificates of deposit at June 30, 2024, consist of certificates at commercial banks with the following ranging terms:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>
7/24/2024	5.30%	\$ 200,000
8/8/2024	5.45	200,000
9/3/2024	5.40	200,000
9/19/2024	5.25	200,000
10/3/2024	5.25	200,000
11/29/2024	5.35	100,000
12/20/2024	5.00	200,000
2/3/2025	5.20	200,000
2/21/2025	5.30	200,000
3/21/2025	5.10	200,000
5/14/2025	5.20	200,000
5/30/2025	5.30	200,000
6/28/2025	5.35	200,000
		<u>\$ 2,500,000</u>

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2024

The Association intends to hold these certificates until maturity.

D. CONTRACT ASSETS AND LIABILITIES

The timing of revenue recognition, billings, and cash collections may result in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Statement of Financial Position. Amounts are billed as work progresses in accordance with agreed-upon contractual terms. Revenue is recognized upon satisfaction of performance obligations (Note A).

As of December 31, the contract balances were as follows:

	<u>2024</u>	<u>2023</u>
Assessments receivable, net	\$ 23,774	\$ 17,456
Assessments receivable in advance	\$ 182,116	\$ 79,840
Reserve assessments billed in advance	\$ 1,889,133	\$ 1,515,489

See also Note E for additional information regarding the replacement reserve contract liability.

E. 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, 2024:

	<u>Replacement Reserve Contract Liability</u>
Balance, as of June 30, 2023	\$ 1,515,489
Reserve allocations	526,472
Funds used for reserve expenditures	<u>(152,828)</u>
Balance, as of June 30, 2024	<u>\$ 1,889,133</u>

The Association has allocated amounts from each owner's monthly

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2024

assessment to the replacement reserve fund. The replacement reserve funds have been segregated from the Association's operating funds.

F. 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 changes in fund balances, which include the components of lease expense for the year ended June 30:

<u>Leases</u>	<u>Expense Classification</u>	<u>2024</u>
Operating*	Operating	\$ 23,978
Net lease cost		<u>\$ 23,978</u>

* Includes non-lease component costs of \$8,734.

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

	<u>2024</u>
<u>Operating</u>	
Weighted average remaining lease term (years)	2.33
Weighted average discount rate	2.31%

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2024

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

Operating

2025	\$ 16,290
2026	16,290
2027	<u>5,430</u>
Total lease payments	\$ 38,010
Less: interest	<u>(1,041)</u>
Present value of lease liabilities	<u>\$ 36,969</u>

G. 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%.

H. INCOME TAX

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions.

For federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods.

Kissing Camels Property Owners Association
Notes to Financial Statements
June 30, 2024

The Association has adopted provisions of ASC 740-10, "Accounting for Uncertainty in Income Taxes", which prescribes when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns, including the position that the Association continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. The Association undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10. Management does not believe there to be any uncertain tax positions and has thus not recorded any related provision.

The Association's tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

I. 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.

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.

J. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 28, 2024, the date that the financial statements were available to be issued.

KISSING CAMELS PROPERTY OWNERS ASSOCIATION
Supplementary Information on Future Major Repairs and Replacements
June 30, 2024
(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>