

2022-2023 ANNUAL REPORT

May 1, 2022 - April 30, 2023



CANYON LAKE

PROPERTY OWNERS ASSOCIATION



TABLE OF CONTENTS

| | |
|--|-----|
| President's Report | I |
| 2022 - 2023 Board of Directors | II |
| General Manager's Report..... | III |
| Independent Auditors Report | 1 |
| Balance Sheet..... | 3 |
| Statement of Revenues, Expenses, & Comprehensive Income | 4 |
| Statement of Changes in Fund Balance | 5 |
| Statement of Cash Flows | 6 |
| Summary of Significant Accounting Policies..... | 7 |
| Notes | 9 |
| Supplementary Information on Future Major Repairs & Replacements | 11 |



RENEE GRIFFITHS
Board President

"Canyon Lake is a dynamic and thriving community, and as custodians of its well-being, the Board has diligently upheld the mantle of service to our valued community members."

PRESIDENT'S REPORT

The Board of Directors 2022 – 2023 term has been a remarkable display of effective collaboration and dedication in service of our vibrant community. Our commitment to fostering positive change and community improvement has been unwavering throughout the past year. This accomplishment directly results from the harmonious synergy between the Board, our dedicated committees, and the hardworking Canyon Lake POA staff.

Canyon Lake is a dynamic and thriving community, and as custodians of its well-being, the Board has diligently upheld the mantle of service to our valued community members. The unwavering commitment of our committees and staff has been instrumental in identifying opportunities to elevate our services, ensuring that our community's needs remain at the forefront. A notable effort of this commitment is the approval of the Lodge Renovation project in January 2023. The Canyon Lake Lodge is a hub for many community events, from Fiesta Hopper to the Tree Lighting Festival and the captivating Canyon Lake Car Show. It is also a revenue center for the Canyon Lake POA, hosting weddings and other events on the front lawn area, with outdoor dining gaining immense popularity, especially during the challenges created by the Covid-19 pandemic.

The ongoing transformation of the Lodge Renovation is poised to be a crowning achievement. By expansively reshaping the front lawn into a large patio area, we are not only enhancing its outdoor dining capacity and event hosting capabilities but also crafting a luminous backdrop for community gatherings and private celebrations. This transformation includes a new bandstand/wedding area with a large overhead trellis, lounge seating, gas firepits, large overhead shade structure, all new landscaping, and lighting. Furthermore, the once obstructed view of the lake will soon offer breathtaking panoramic views, thus turning this space into a captivating centerpiece that encapsulates the essence of our community.

Another example of our commitment to community enhancement lies in our decision to address community safety by establishing the Security Advisory Committee. This committee is tasked with guiding the Board on ways to improve safety in our community. Since its inception in July 2022, this committee has spearheaded great programs like the Canyon Lake Camera Program, which allows community residents with surveillance systems to voluntarily add themselves to a list that may be referred to if a criminal incident occurred nearby. By signing up below for this program, when these criminal incidents occur, you may be contacted by law enforcement to help solve the crime by providing video footage that your system may have captured. Your information/footage may assist in apprehending and prosecuting the criminals involved. For more about this program, visit www.clpoa.com/cameras.

The work of the Board is continuous, and each Board has the opportunity to pick up from where the last Board left off, adjust the direction as they believe is needed, and seamlessly continue the process. I look forward to the 2023 – 2024 Board's efforts to maintain and enhance our "little bit of paradise".

Renee Griffiths
2022 – 2023 Board President
Canyon Lake Property Owners Association

2022- 2023 BOARD OF DIRECTORS

The Canyon Lake Property Owners Association is governed by a five-member Board of Directors who are elected by the membership for two-year staggered terms at the Annual Members' Meeting in May.



RENEE GRIFFITHS

Board President

Renee has been a Canyon Lake resident since 2017. Renee has a bachelor's degree in Business, and she is a Certified Financial Planner™, Chartered Financial Consultant®, and Chartered Life Underwriter®. Additionally, before joining the Board, she was a member of the Canyon Lake POA's Finance Committee for two years.

2022 - 2023 Committee Board Liaison:

- Appeals Committee
- Senior Work Group



TIM COOK

Board Vice President

Tim is a retired business owner and has been a Canyon Lake resident since 2015. He brings a fresh focus on community service, engagement, and betterment to the Canyon Lake POA Board. He has served as the President of the Murrieta Junior Chamber of Commerce and served two terms as President of the Murrieta National Little League, for which he was also on the board for over 12 years. He is an Army veteran and the Vice President of the Canyon Lake Veterans & 1st Responders Club.

2022 - 2023 Committee Board Liaison:

- Architectural Control Committee



GREG DOHERTY

Board Secretary

Greg joins the Canyon Lake POA Board after retiring from a 50-year career in commercial insurance, where he managed and mitigated financial risk for clients. Greg brings a unique customer-service-oriented perspective to the Board. He has been a Canyon Lake resident since 2015 and has served on the Canyon Lake POA Finance Committee for the past two years. Additionally, he is an active member of the Pickleball Club, Yacht Club, and Car Club.

2022 - 2023 Committee Board Liaison:

- Facilities Planning Committee
- Recreation Committee
- Fiesta Days Committee



BILL VAN VLEET

Board Treasurer

Bill has been a Canyon Lake property owner for more than a decade. He brings a wealth of experience and knowledge to the Canyon Lake POA with more than 40 years of experience building and leading businesses. His distinguished career includes being a CEO for three successful technology companies and providing executive mentoring to several corporations both in the public and private sectors. Bill has also served on the Canyon Lake POA's Facilities Planning Committee, FPC/Finance Sub-Committee, and Security Committee.

2022 - 2023 Committee Board Liaison:

- Finance Committee
- Green Committee
- Security Advisory Committee
- Tuesday Work Group



ALEX COOK

Board Director Member

Alex has been a Canyon Lake property owner for over 20 years, he has been actively involved in the community for nearly as long as he has been a resident. He has served on the Canyon Lake POA's Recreation Committee for the past eight years and has been chairperson of that committee for the past six years. He has also served on the Facilities Planning Committee and former Campground Committee, and he has been involved in several community clubs throughout the years.

2022 - 2023 Committee Board Liaison:

- Estates Committee
- Rules & Regulations Review

General Manager's Report

This past fiscal year was a great year full of progress as we worked hard to tackle many development projects that improved our community. The Davis Stirling Act, which governs all California HOAs and POAs, requires HOAs/POAs to maintain all common area amenities. Our primary objective is to modernize and maintain our 55-year-old community, which improves property values and quality of life, benefiting every property owner in our association.

A perfect example of this is the Canyon Lake Drive Medians project that the Board approved in December 2022, and work began in February 2023. The Main Gate entrance is our busiest entrance, and the medians on Canyon Lake Drive were original to the community, over 55 years old. The medians were sparse, and the large trees were uprooting the curbs and the streets. Modernizing these medians has created a new first impression for those entering our community and improved our community's visual appeal.

Another improvement project that is an excellent example of how we are working towards modernizing the community is the Lodge Renovation. This facility was built in 2000, with the only major update in 2014 to the Lighthouse Restaurant bar area. After over two decades of hard use, we are renovating the Lighthouse Restaurant dining room and bar area. The Board approved this project in January 2023, with funds coming from the Repair & Replacement Reserve fund. The reserve study, which is available on our Financials page (www.clpoa.com/financials), lists every inventory component in the Lodge, such as paint, flooring, carpeting, the bar and bar equipment, furniture, light fixtures, etc., as individual items that need replacing with a specific life expectancy. Nearly all the items in this project have long ago exceeded their life expectancy.

The California Civil Code also requires common interest developments like ours to maintain healthy reserve funds. Recent boards have done a great job of saving money for these funds. The money for many of our recently completed and current projects was already in the bank; thus, we did not have to increase membership dues because of these projects.

In January 2023, we celebrated the grand opening of Canyon Lake's newest amenity, Vacation Park. This new park features a bicycle pump track, playground, picnic area, and walking trails with fitness stations. This project was in development for years, and a majority of the Canyon Lake POA members voted to approve this \$2,200,000 project in the 2021 Annual Meeting of the Members & Election of Directors.

Another project we embarked upon during this fiscal year was our Solar Project, which will soon deliver clean and renewable energy to some of our busiest facilities. We have added solar panel structures at the Canyon Lake Lodge, Equestrian Center, and Canyon Lake Golf Course. These solar structures will generate over one million kilowatt-hours of clean energy annually and provide ample shaded parking options. Even better, these solar panels have no upfront cost. Instead, the Canyon Lake POA will purchase the generated electricity at a much lower price than current rates.

While projects keep us extremely busy, it's not the only area we focus on. We were also very busy with a full schedule of events, such as the 4th of July Fireworks, Tacos & Family Fun Nights, Movie Nights, Canyon Lake Car Show, Tree Lighting Festival, and Fiesta Hopper, to name a few. Our Activities department does a fantastic job at coordinating several events throughout the year, along with managing many recreational opportunities through classes, swimming programs, tennis clinics, and more.

We have also worked towards offering more online services for our members over the last year. One area in particular that we were excited to launch is the Happy Camp online reservation system. Since launching, members have found making their reservations at Happy Camp much more convenient.

Last but not least, I want to thank our Board, committee members, and staff members who all come together to serve this community and make it the best it can be.



ERIC KAZAKOFF
General Manager

"Our primary objective is to modernize and maintain our 55-year-old community, which improves property values and quality of life, benefiting every property owner in our association."

A stylized handwritten signature in black ink, appearing to read 'Eric Kazakoff'.

Eric Kazakoff, CAMEx® CCAM-LS®, CMCA®
General Manager
Canyon Lake Property Owners Association

Board of Directors and Members
Canyon Lake Property Owners Association
Canyon Lake, California

Opinion

We have audited the Association financial statements of Canyon Lake Property Owners Association, which comprise the balance sheet as of April 30, 2023, and the related statement of comprehensive income, changes in fund balance 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 Canyon Lake Property Owners Association as of April 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 Canyon Lake 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.

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 Canyon Lake 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.

(Continued)

Misstatements, including omissions, 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 Canyon Lake 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 Canyon Lake 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 information on future major repairs and replacements on page 13 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.

Brabo & Carlsen, LLP

July 31, 2023

Palm Springs, California

CANYON LAKE PROPERTY OWNERS ASSOCIATION

BALANCE SHEET

APRIL 30, 2023

ASSETS

| | Operating Fund | Capital Improvement Fund | Repair Replacement Fund | Road Reserve Fund | Total |
|--|----------------------|--------------------------------|-------------------------------|-------------------------|----------------------|
| ASSETS | | | | | |
| Cash | \$ 6,406,034 | \$ 16,753 | \$ 132,869 | \$ 2,355,102 | \$ 8,910,758 |
| Certificates of deposit | - | - | 250,000 | 60,000 | 310,000 |
| Investments | - | 908,548 | 7,619,218 | 5,356,827 | 13,884,593 |
| Assessments and fines receivable, net of allowance for doubtful accounts of \$715,740 | 1,141,419 | - | - | - | 1,141,419 |
| Interest receivable | - | 3,659 | 38,966 | 16,517 | 59,142 |
| Inventory | 75,793 | - | - | - | 75,793 |
| Prepaid expenses | 429,488 | - | - | - | 429,488 |
| Other assets | 222,738 | - | - | - | 222,738 |
| Inter-fund receivable/(payable) | 97,580 | 66,548 | (1,320,923) | 1,156,795 | - |
| Property and equipment, net of accumulated depreciation of \$9,289,172 | 11,887,801 | - | - | - | 11,887,801 |
| Right-of-use - Operating lease asset | 34,358,217 | - | - | - | 34,358,217 |
| | <u>\$ 54,619,070</u> | <u>\$ 995,508</u> | <u>\$ 6,720,130</u> | <u>\$ 8,945,241</u> | <u>\$ 71,279,949</u> |

LIABILITIES AND FUND BALANCES

| | | | | | |
|---|----------------------|-------------------|---------------------|---------------------|----------------------|
| LIABILITIES | | | | | |
| Accounts payable | \$ 930,759 | \$ - | \$ - | \$ - | \$ 930,759 |
| Accrued payroll | 426,347 | - | - | - | 426,347 |
| Prepaid assessments | 2,098,248 | - | - | - | 2,098,248 |
| Other accrued liabilities | 69,301 | - | - | - | 69,301 |
| Refundable member deposits | 614,250 | - | - | - | 614,250 |
| Operating lease liability | 34,358,217 | - | - | - | 34,358,217 |
| Construction defect liability | - | - | - | 1,868,708 | 1,868,708 |
| | <u>38,497,122</u> | <u>-</u> | <u>-</u> | <u>1,868,708</u> | <u>40,365,830</u> |
| FUND BALANCES | | | | | |
| Fund balance | 16,121,948 | 1,070,823 | 7,187,328 | 7,373,213 | 31,753,312 |
| Accumulated other comprehensive income (loss) | - | (75,315) | (467,198) | (296,680) | (839,193) |
| | <u>16,121,948</u> | <u>995,508</u> | <u>6,720,130</u> | <u>7,076,533</u> | <u>30,914,119</u> |
| | <u>\$ 54,619,070</u> | <u>\$ 995,508</u> | <u>\$ 6,720,130</u> | <u>\$ 8,945,241</u> | <u>\$ 71,279,949</u> |

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

CANYON LAKE PROPERTY OWNERS ASSOCIATION

**STATEMENT OF REVENUES, EXPENSES, COMPREHENSIVE INCOME AND
CHANGES IN FUND BALANCES**

YEAR ENDED APRIL 30, 2023

| | Operating Fund | Capital Improvement Fund | Repair Replacement Fund | Road Reserve Fund | Total |
|--|-----------------------------|--------------------------------|-------------------------------|----------------------------|-----------------------------|
| REVENUES | | | | | |
| Member assessments | \$ 12,416,098 | \$ 1,000,000 | \$ 2,035,000 | \$ 2,000,000 | \$ 17,451,098 |
| Investment income | 15,322 | 13,414 | 128,852 | 106,799 | 264,387 |
| Administrative fees | 868,024 | - | - | - | 868,024 |
| Architectural and building fees | 131,450 | - | - | - | 131,450 |
| Sales and user fees | 6,174,588 | - | - | - | 6,174,588 |
| Gain on sale of assets | 1,760 | - | - | - | 1,760 |
| Citations, violations and other income | 1,121,225 | - | - | - | 1,121,225 |
| | <u>20,728,467</u> | <u>1,013,414</u> | <u>2,163,852</u> | <u>2,106,799</u> | <u>26,012,532</u> |
| EXPENSES | | | | | |
| Salaries and related expenses | 7,312,901 | - | - | - | 7,312,901 |
| Outside services | 4,106,249 | - | - | - | 4,106,249 |
| Lake lease | 1,672,027 | - | - | - | 1,672,027 |
| Utilities | 1,548,363 | - | - | - | 1,548,363 |
| Repairs and maintenance | 1,924,611 | - | - | - | 1,924,611 |
| Supplies | 766,603 | - | - | - | 766,603 |
| Rental equipment | 32,910 | - | - | - | 32,910 |
| Property taxes | 35,697 | - | - | - | 35,697 |
| Income taxes | 19,402 | - | - | - | 19,402 |
| Cost of goods sold | 1,286,577 | - | - | - | 1,286,577 |
| General and administrative | 640,547 | 1,627 | 14,181 | 9,657 | 666,012 |
| Insurance | 705,651 | - | - | - | 705,651 |
| Legal fees | 548,249 | - | - | - | 548,249 |
| Bad debt expense | 362,608 | - | - | - | 362,608 |
| Events | 190,822 | - | - | - | 190,822 |
| Major repairs and replacements | - | - | 224,535 | 151,950 | 376,485 |
| | <u>21,153,217</u> | <u>1,627</u> | <u>238,716</u> | <u>161,607</u> | <u>21,555,167</u> |
| Excess (Deficiency) of revenues over expenses before depreciation | <u>(424,750)</u> | <u>1,011,787</u> | <u>1,925,136</u> | <u>1,945,192</u> | <u>4,457,365</u> |
| Depreciation | <u>814,281</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>814,281</u> |
| Excess (Deficiency) of revenues over expenses | <u>(1,239,031)</u> | <u>1,011,787</u> | <u>1,925,136</u> | <u>1,945,192</u> | <u>3,643,084</u> |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Unrealized gains/(losses) on invstmnts | - | (111) | 11,350 | 4,969 | 16,208 |
| TOTAL COMPREHENSIVE INCOME | <u>\$ (1,239,031)</u> | <u>\$ 1,011,676</u> | <u>\$ 1,936,486</u> | <u>\$ 1,950,161</u> | <u>\$ 3,659,292</u> |
| FUND BALANCES, beginning of the year | \$ 14,055,797 | \$ 733,253 | \$ 7,339,405 | \$ 5,126,372 | \$ 27,254,827 |
| COMPREHENSIVE INCOME | | | | | |
| Excess (Deficiency) of revenues over expenses | (1,239,031) | 1,011,787 | 1,925,136 | 1,945,192 | 3,643,084 |
| Unrealized losses on investments | - | (111) | 11,350 | 4,969 | 16,208 |
| TOTAL COMPREHENSIVE INCOME | <u>(1,239,031)</u> | <u>1,011,676</u> | <u>1,936,486</u> | <u>1,950,161</u> | <u>3,659,292</u> |
| Inter-fund transfers | <u>3,305,182</u> | <u>(749,421)</u> | <u>(2,555,761)</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES, end of the year | <u>\$ 16,121,948</u> | <u>\$ 995,508</u> | <u>\$ 6,720,130</u> | <u>\$ 7,076,533</u> | <u>\$ 30,914,119</u> |

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

CANYON LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED APRIL 30, 2023

| | Fund Balances, Beginning of the Year | | | Year Ended April 30, 2023 | | | Fund Balances, End of the Year | | |
|--------------------------|--------------------------------------|--|----------------------|---|---------------------------|----------------------|--------------------------------|---|----------------------|
| | Fund Balances | Accumulated Other Comprehensive Income | Total Funds | Excess (Deficiency) of Revenues Over Expenses | Unrealized Gains/(Losses) | Inter-fund Transfers | Fund Balances | Accumulated Other Comprehensive Income/(Loss) | Total Funds |
| Operating Fund | \$ 14,055,797 | \$ - | \$ 14,055,797 | \$ (1,239,031) | \$ - | \$ 3,305,182 | \$ 16,121,948 | \$ - | \$ 16,121,948 |
| Capital Improvement Fund | 808,457 | (75,204) | 733,253 | 1,011,787 | (111) | (749,421) | 1,070,823 | (75,315) | 995,508 |
| Repair Replacement Fund | 7,817,953 | (478,548) | 7,339,405 | 1,925,136 | 11,350 | (2,555,761) | 7,187,328 | (467,198) | 6,720,130 |
| Road Reserve Fund | 5,428,021 | (301,649) | 5,126,372 | 1,945,192 | 4,969 | - | 7,373,213 | (296,680) | 7,076,533 |
| | <u>\$ 28,110,228</u> | <u>\$ (855,401)</u> | <u>\$ 27,254,827</u> | <u>\$ 3,643,084</u> | <u>\$ 16,208</u> | <u>\$ -</u> | <u>\$ 31,753,312</u> | <u>\$ (839,193)</u> | <u>\$ 30,914,119</u> |

CANYON LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2023

| | Operating Fund | Capital Improvement Fund | Repair Replacement Fund | Road Reserve Fund | Total |
|--|----------------------------|--------------------------------|-------------------------------|----------------------------|----------------------------|
| NET CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Excess (Deficiency) of revenues over expenses | \$ (1,239,031) | \$ 1,011,676 | \$ 1,936,486 | \$ 1,950,161 | \$ 3,659,292 |
| Adjustments to reconcile net revenues over expenses to net cash flow from operating activities: | | | | | |
| Depreciation | 814,281 | - | - | - | 814,281 |
| Gain on sale of assets | (1,760) | - | - | - | (1,760) |
| Unrealized (gain)/loss on investments | - | 111 | (11,350) | (4,969) | (16,208) |
| (Increase) Decrease in: | | | | | |
| Assessments and fines receivable | (97,556) | - | - | - | (97,556) |
| Interest receivable | - | (543) | (21,036) | (8,185) | (29,764) |
| Inventory | 11,843 | - | - | - | 11,843 |
| Prepaid expenses | (331) | - | - | - | (331) |
| Other assets | (36,470) | - | - | - | (36,470) |
| Inter-fund receivable/payable | 2,510,473 | 190,283 | 745,296 | (3,446,052) | - |
| Increase (Decrease) in: | | | | | |
| Accounts payable | 100,406 | (440,863) | - | (1,168,682) | (1,509,139) |
| Accrued payroll | (84,491) | - | - | - | (84,491) |
| Prepaid assessments | 240,572 | - | - | - | 240,572 |
| Other accrued liabilities | 40,996 | - | - | - | 40,996 |
| Refundable member deposits | 101,285 | - | - | - | 101,285 |
| Construction defect liability | - | - | - | (457,304) | (457,304) |
| Net cash provided (used) by operating activities | <u>2,360,217</u> | <u>760,664</u> | <u>2,649,396</u> | <u>(3,135,031)</u> | <u>2,635,246</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Sale (purchase) of certificates of deposit | - | - | (250,000) | (60,000) | (310,000) |
| Sale (purchase) of investments | - | (65,503) | (355,460) | (661,746) | (1,082,709) |
| Proceeds from sale of assets | 1,760 | - | - | - | 1,760 |
| Purchase of property and equipment | <u>(3,344,974)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,344,974)</u> |
| Net cash provided (used) by investing activities | <u>(3,343,214)</u> | <u>(65,503)</u> | <u>(605,460)</u> | <u>(721,746)</u> | <u>(4,735,923)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Inter-fund transfers | <u>3,305,182</u> | <u>(749,421)</u> | <u>(2,555,761)</u> | <u>-</u> | <u>-</u> |
| Net cash provided (used) by financing activities | <u>3,305,182</u> | <u>(749,421)</u> | <u>(2,555,761)</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash | 2,322,185 | (54,260) | (511,825) | (3,856,777) | (2,100,677) |
| CASH, beginning of the year | <u>4,083,849</u> | <u>71,013</u> | <u>644,694</u> | <u>6,211,879</u> | <u>11,011,435</u> |
| CASH, end of the year | <u><u>\$ 6,406,034</u></u> | <u><u>\$ 16,753</u></u> | <u><u>\$ 132,869</u></u> | <u><u>\$ 2,355,102</u></u> | <u><u>\$ 8,910,758</u></u> |

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Canyon Lake Property Owners Association was organized as a not-for-profit corporation for purposes of maintaining and preserving common property within the development. The development consists of 4,800 residential lots located in Canyon Lake, California. The Association began its operations in May 1968.

Accounting Method

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This is used to account for financial resources available for the general operations of the Association.

Capital Improvement Fund - This fund is used to accumulate financial resources for projects designated by the Board of Directors, primarily for parks and recreation facilities.

Repair and Replacement Fund - This fund is used to accumulate financial resources designated for future repairs and replacements.

Road Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements for the common streets within the Association.

Investments

Investments consist of municipal bonds and corporate bonds that are held for an indefinite period and thus classified as available for sale and recorded at market value.

Inventory

Inventory consists of food and beverage and gasoline at the campground, stated at the lower of cost or market using the average cost method.

Assessments Received in Advance

Assessments received in advance are treated as a current liability. The amounts are recognized as income in the appropriate period.

Common Area Property

Real property and common areas acquired from the developer and related improvements to the Association property are not recognized as assets, in conformity with industry standards. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for purposes of financial reporting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased personal property and equipment are stated at cost. All assets are depreciated using the straight-line method over the estimated useful lives of the various classes of assets. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is computed over the following estimated useful lives:

| | |
|-------------------------|--------------|
| Land and Improvements | 5 - 30 years |
| Buildings | 5 - 40 years |
| Machinery and equipment | 3 - 10 years |
| Pool | 7 - 30 years |
| Furniture and fixtures | 5 - 40 years |
| Vehicles | 5 years |

Cash Equivalents

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

The Association is classified as a nonexempt membership organization for both Federal and California income tax purposes for the year ended April 30, 2023. It does not qualify as an exempt organization. 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, non-membership transactions and capital 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 excess membership deductions may be carried forward to offset membership income of future periods. Any net membership income not applied to the subsequent year is subject to taxation. The Association files Form 1120, which had a tax rate of 21% in 2023 that was applied to net taxable income.

For California tax purposes, the Association also 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. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 8.84%.

The Association's policy is to record income tax related interest and penalties in the replacement fund expenses. For the year ended April 30, 2023, there were no interest or penalties expense recorded and no accrued interest or penalties.

Date of Management's Review

Subsequent events have been evaluated through July 31, 2023, which is the date the financial statements were available to be issued.

Fair Value of Financial Instruments

The Association's investments are measured using fair value measurements, which, among other things, establish a hierarchical framework for disclosure of and measurement of investments at fair value defined as Level I, II, and III inputs. These inputs are based on a number of factors, including the type of investment and the characteristics specific to the investment. The Association's investments are all considered to be Level I inputs as they are based on quoted market prices.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses, including depreciation and the allowance for doubtful accounts. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 1: OWNERS ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Association management has considered the Financial Accounting Standards Board (FASB) guidance on Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC) and has concluded that association members do not qualify as customers according to the definition provided in the ASC. Assessment's receivable at April 30, 2023 represent assessments and other fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments, including liens on the owner's unit, foreclosing on the unit owner, or obtaining a judgment on other assets of the unit owner. The Association uses the allowance method for estimating uncollectable assessments.

Monthly assessments to the owners were \$303 in 2023. Of that amount, \$35 was designated to the replacement fund, \$35 to the road reserve fund and \$17 to the capital fund.

The annual budget and owner's assessments are determined and approved by the Board of Directors. The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

NOTE 2: INVENTORY

Inventory at April 30, 2023 are as follows:

| | |
|-----------------------|------------------|
| Food and beverage | \$ 72,634 |
| Gasoline - campground | <u>3,159</u> |
| | <u>\$ 75,793</u> |

NOTE 3: INVESTMENTS

Investments are stated at market value based on quoted market prices and are considered to be available for sale. The investments are comprised of municipal bonds and corporate bonds.

The Association's investments consisted of the following at April 30, 2023:

| | <u>Market Value</u> | <u>Amortized Cost Basis</u> | <u>Unrealized Gain(Loss)</u> |
|-------------------|---------------------|---------------------------------|----------------------------------|
| Municipal bonds | \$ 2,348,887 | \$ 2,416,865 | \$ (67,978) |
| Corporate bonds | <u>11,535,706</u> | <u>12,306,921</u> | <u>(771,215)</u> |
| Total investments | <u>\$13,884,593</u> | <u>\$14,723,786</u> | <u>\$(839,193)</u> |

Included in other comprehensive income are unrealized gains of \$16,208 for the year ended April 30, 2023. Included in accumulated other comprehensive income are unrealized losses of \$839,193 as of April 30, 2023.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at April 30, 2023:

| | |
|--------------------------------|----------------------|
| Land and improvements | \$ 11,911,309 |
| Building | 5,458,930 |
| Machinery and equipment | 2,045,436 |
| Pools | 601,868 |
| Furniture and fixtures | 687,633 |
| Vehicles | 471,797 |
| Less: Accumulated depreciation | <u>(9,289,172)</u> |
| Net property and equipment | <u>\$ 11,887,801</u> |

NOTE 5: OPERATING LEASE COMMITMENTS – NEW GUIDANCE IMPLEMENTATION

The Association leases the Canyon Lake Reservoir for water recreation purposes. The agreement was implemented in March 2017 and extended through December 31, 2066.

Effective May 1, 2022, the Association retrospectively changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 842, Leases.

The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. The Association adopted the requirements of the new lease guidance as of May 1, 2022, utilizing the full retrospective transition method and elected the package of practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. In addition, the Association applied the practical expedient allowing hindsight in determining the lease term related to options to extend and in assessing impairment of right-of-use assets.

NOTE 5: OPERATING LEASE COMMITMENTS – NEW GUIDANCE IMPLEMENTATION (Continued)

According to the agreement, the annual base lease amount in March 2017 of \$1,403,850 is to be paid with an annual cost increase calculation based on the Consumer Price Index (CPI). For the year ended April 30, 2023 the lake lease expense was \$1,672,027. Since the variable amount of the future rent payments is not determinable, the variable amounts will not be included in the measurement of the lease asset and liability. A 4% present value discount rate was used to calculate the measurement of the lease asset and liability.

As of May 1, 2022, \$34,644,466 in an operating lease right-of-use asset and corresponding lease liability was recognized. The new guidance did not have any effect on the statement of activities and changes in net assets or the statement of cash flows for the years ending April 30, 2023.

The operating lease balances as of April 30, 2023, were as follows:

| | |
|--------------------------------------|----------------------|
| Operating lease – right-of-use asset | <u>\$ 34,358,217</u> |
| Operating lease liability | <u>\$ 34,358,217</u> |

The maturities of operating lease liabilities as of June 30, 2023, are as follows:

| <u>Years Ending June 30:</u> | |
|------------------------------|----------------------|
| 2024 | \$ 297,698 |
| 2025 | 309,606 |
| 2026 | 321,991 |
| 2027 | 334,870 |
| Thereafter | <u>33,094,052</u> |
| | <u>\$ 34,358,217</u> |

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The Board of Directors engaged an outside consultant to conduct a study completed in June 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The study is based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.0%, interest of 0.5%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted by pavement engineers to estimate the timing and cost of future repairs and replacements for 36 miles of 2-way common streets within the Association to estimate the remaining useful lives of the common streets for the next ten years.

The table included on page 13 in the unaudited supplementary information on future major repairs and replacements is based on the repair and replacement study other than the roads.

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Board is funding for major repairs and replacements including roads over the remaining useful lives of the components based on the Association's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, \$2,775,000 has been included in the 2023/2024 budget for major repairs and replacements and \$2,019,008 has been included in the 2023/2024 budget for roads. Because actual expenditures may vary from the estimated future expenditures and the variations may be material, amounts accumulated in the 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 to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 7: RETIREMENT PLAN

The Association sponsors a 401(k) plan which allows eligible employees to defer a portion of their salaries. The Association may make a discretionary matching contribution up to 4.0% of compensation. The Association made matching contributions of \$116,430 during the year ended April 30, 2023.

NOTE 8: INTER-FUND TRANSFERS

During the year ended April 30, 2023, interfund transfers consisted of \$3,305,182 of personal property and equipment purchased by the replacement fund and capital improvement fund and capitalized in the operating fund.

NOTE 9: CONTINGENCIES

The Association is involved in various legal matters, however in the opinion of legal counsel, the likelihood of an unfavorable outcome cannot be determined with any degree of certainty. Accordingly, the Association has not accrued any potential loss contingency for those matters.

NOTE 10: CONCENTRATION OF CREDIT RISK

The Association maintains accounts with banks and brokerage firms. Interest bearing accounts at banks are insured by the Federal Deposit Insurance Corporation for up to \$250,000 at each institution and accounts at brokerage firms are insured up to \$500,000 (with a limit of \$250,000 for interest bearing cash accounts) by the Securities Investor Protection Corporation. Given the existing size of operations it is not unusual for this limit to be exceeded on a periodic basis. The Association is aware of this matter and evaluates alternatives for safeguarding cash while at the same time maximizing operational performance.

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

APRIL 30, 2023

(UNAUDITED)

The Board of Directors engaged an outside consultant to conduct a study completed in June 2021, to estimate the remaining useful lives and the replacement costs of the components of common property. The study is based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.0%, interest of 0.5%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted by pavement engineers to estimate the timing and cost of future repairs and replacements for 36 miles of 2-way common streets within the Association. It is estimated that the estimated replacement cost from 2022 – 2030 is \$25,400,000.

The following table is based on the repair replacement study and presents significant information about the components of common property other than the roads.

| Components | Estimated Remaining Useful Lives (In Years) | Estimated Current Replacement Costs |
|-------------------------|--|--|
| Administration Building | 0 – 23 | \$ 1,479,695 |
| Bluebird Hall | 0 – 11 | 146,240 |
| Campground | 0 – 46 | 1,167,683 |
| Country Club | 0 – 20 | 912,180 |
| Diamond Point | 0 – 10 | 14,450 |
| Docks | 0 – 19 | 1,252,505 |
| East Port | 0 – 37 | 723,644 |
| Entry Gates | 0 – 25 | 1,425,282 |
| Equestrian Center | 0 – 23 | 830,966 |
| Fairway Estates | 0 – 28 | 128,750 |
| Gault Field | 0 – 23 | 555,590 |
| Golf Course | 0 – 27 | 6,925,536 |
| Grounds | 0 – 49 | 1,730,300 |
| Holiday Harbor | 0 – 22 | 510,800 |
| Indian Beach | 0 – 20 | 239,770 |
| Lake | 0 – 14 | 3,983,350 |
| Lodge | 0 – 24 | 2,130,723 |
| Operations | 0 – 26 | 221,568 |
| Park Areas | 0 – 29 | 783,239 |
| Pool Area | 0 – 34 | 726,254 |
| Senior Center | 0 – 21 | 268,401 |
| Ski Slalom | 0 – 22 | 51,409 |
| Tennis Center | 1 - 29 | 260,758 |
| Vehicles | 0 - 13 | 1,628,000 |
| | | \$ 28,097,093 |



CANYON LAKE

PROPERTY OWNERS ASSOCIATION



www.canyonlakepoa.com



corporate@canyonlakepoa.com



951.244.6841



31512 Railroad Canyon Road, Canyon Lake, CA 92587