



CANYON LAKE

PROPERTY OWNERS ASSOCIATION

2024 – 2025 ANNUAL REPORT

May 1, 2024 – April 30, 2025

www.canyonlakepoa.com



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BILL VAN VLEET
2024 - 2025
Board President

"The Board remains committed to finding more opportunities to engage with members and ensuring that your voices continue to guide the work we do. Remaining responsive, acting thoughtfully, and upholding accountability, we will continue to preserve and enhance the 'little bit of paradise' we are fortunate to share."

PRESIDENT'S REPORT

Reflecting on the 2024 - 2025 term, I am proud to serve on a Board that has placed responsiveness to members and engagement with the community at the center of its work. Throughout the year, our focus has been on listening to the needs of residents, strengthening connections, and ensuring that the community's voice is reflected in the decisions we make.

This commitment was most clearly reflected in the community survey, which received responses from over 1,100 households. The feedback was invaluable, affirming that the vast majority of members rate their living experience positively and that safety, security, and family-friendly activities remain top priorities. The survey also revealed that members deeply value prudent financial management, preferring that dues remain low while improvements are focused on security services, communications, and the upkeep of existing amenities. This input guided many of the Board's actions this year, ensuring that the community's priorities were directly reflected in our decision-making.

In response, we took deliberate steps to strengthen the Canyon Lake POA's long-term stability while reflecting the priorities of our members. We improved reserve levels, slowed spending on large-scale projects, and prioritized efforts that aligned with member feedback. Importantly, despite rising costs across nearly every area of operations, the Canyon Lake POA was able to keep dues increases to a minimal level. What began as a projected increase of over \$30 per month was reduced to \$17 per month, resulting in dues of \$357 per month.

The Board also focused on the daily experiences that define life in Canyon Lake, from strengthening public safety to recognizing the contributions of those who make our community stronger. This past year marked a major step forward for security with the hiring of a dedicated Community Patrol Manager, the first time this organization's history that patrol has had leadership focused solely on its operations. This ensures that member concerns about safety receive the attention and oversight they deserve. At the same time, we sought to celebrate the people who make our community stronger by introducing both the Member of the Month program and the Employee of the Quarter program. These initiatives give us another way to recognize and thank those whose contributions, large and small, enrich our shared experience in Canyon Lake.

As we look ahead, the Board remains committed to building on these efforts, finding more opportunities to engage with members and ensuring that your voices continue to guide the work we do. By remaining responsive, acting thoughtfully, and upholding accountability, we will continue to preserve and enhance the "little bit of paradise" we are fortunate to share.

Bill Van Vleet
2024 - 2025 Board President
Canyon Lake Property Owners Association

2024 – 2025 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.



BILL VAN VLEET

Board President

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 successive technology companies and providing executive mentoring to several corporations in both 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.

2024 – 2025 Committee Board Liaison:

- Security Advisory Committee
- Senior Work Group



GREG DOHERTY

Board Vice President

Greg, a Canyon Lake resident since 2015, recently retired from a successful 50-year career in commercial insurance. Throughout his career, he demonstrated exceptional skills in managing and mitigating financial risk for clients. With a strong customer-service focus, Greg brings a fresh perspective to the Canyon Lake POA Board and actively contributes to the community through his involvement with the Finance, Recreation, and Rules committees. Greg also participates in several clubs, including Pickleball Club, Yacht Club, and Car Club.

2024 – 2025 Committee Board Liaison:

- Recreation Committee



JOE KAMASHIAN

Board Secretary

Joe has been a Canyon Lake property owner since 1989. He is a dedicated community member and a strong advocate for maintaining and improving the amenities and infrastructure of the community. Joe aims to ensure the effectiveness of community patrol, protect property values through the management of repair and replacement reserves, and maximize the benefits of assessments. He is actively involved in many committees and clubs. With a background in owning an electrical contracting company for 25 years, Joe brings valuable experience to the Board.

2024 – 2025 Committee Board Liaison:

- Green Committee
- Tuesday Work Group



JEFF BILL

Board Treasurer

Jeff Bill is an experienced professional dedicated to improving the quality of life in Canyon Lake. With over 30 years of experience in the environmental field, he has tackled water pollution in both public and private sectors. As a VP/GM, he led successful turnaround initiatives to restore failing companies to profitability. Jeff's law enforcement background provides unique insights into community security. Actively involved in various community activities, he serves on committees and clubs, fostering a vibrant community. Jeff aims to represent all members and bring unity and positive progress to Canyon Lake.

2024 – 2025 Committee Board Liaison:

- Estates Committee
- Facilities Planning Committee
- Finance Committee



ALEX COOK

Board Director Member

Alex has been a Canyon Lake property owner for over 20 years and 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.

2024 – 2025 Committee Board Liaison:

- Appeals Committee
- Rules & Regulations Review Committee

General Manager's Report

As we reflect on the past fiscal year, I am proud of the strides we have made in strengthening not only our community but also the foundation of our organization: our staff. The Canyon Lake POA is fortunate to have a dedicated team that works tirelessly to provide quality services, and this year we focused on ensuring they have the structure, recognition, and support to succeed.

In March 2024, following the resignation of our longtime Assistant General Manager, I conducted a comprehensive evaluation of workload distribution across the organization. With support from the Board, we reintroduced a director model to provide stronger leadership across key areas. This structure now includes directors for Operations, Finance, IT, and Community Services, as well as the addition of a Director of Corporate Administration earlier in the year. While we experienced further change in October with the departure of our Corporate Administration Director, the director model has proven effective in clarifying responsibilities and ensuring departments receive the guidance they need to thrive.

This year we also completed the transition of the Activities Department into the Recreation Department. This change reflects a broader vision for community programming and facility management, creating more opportunities for recreational growth and ensuring that activities, events, and facility reservations are better supported under one unified structure.

We also advanced our digital services to make processes more convenient for our members. This included the transition to GoAccess, a new guest call-in platform that has proven to be simpler and more user-friendly than dwellingLIVE. In addition, our Member Services Department has expanded digital capabilities by introducing new online forms and providing increased remote support through email and phone, giving members more flexibility and reducing the need for in-person visits to the office. These improvements reflect our commitment to modernizing services and making member interactions more convenient.

This year also marked significant achievements in supporting and celebrating our employees. The Canyon Lake POA was recognized with the Top Workplaces 2024 Award by the Inland Empire News Group. This recognition highlights our commitment to fostering a positive and supportive work environment and is a direct reflection of the dedication, talent, and hard work of our staff.

As always, I extend my sincere gratitude to our Board of Directors, committee members, and staff for their continued partnership and commitment to this community. Together, we remain focused on strengthening both our organization and the services we provide to the members of Canyon Lake.



ERIC KAZAKOFF
General Manager

" The Canyon Lake POA is fortunate to have a dedicated team that works tirelessly to provide quality services, and this year we focused on ensuring they have the structure, recognition, and support to succeed."

A handwritten signature in black ink that reads "Eric Kazakoff". The signature is stylized and includes a long horizontal line extending to the right.

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

INDEPENDENT AUDITORS' REPORT

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, 2025, 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, 2025, 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.

Carlson & Ferris, APC

July 21, 2025

Palm Springs, California

CANYON LAKE PROPERTY OWNERS ASSOCIATION

BALANCE SHEET

APRIL 30, 2025

ASSETS

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
Cash	\$ 6,028,769	\$ 16,433	\$ 82,920	\$ 74,306	\$ 6,202,428
Investments	1,401,467	880,915	6,689,524	5,312,914	14,284,820
Assessments and fines receivable, net of allowance for doubtful accounts of \$1,131,161	1,485,762	-	-	-	1,485,762
Interest receivable	14,159	3,538	29,184	40,035	86,916
Inventory	88,709	-	-	-	88,709
Prepaid expenses	629,400	-	-	-	629,400
Other assets	233,561	-	-	-	233,561
Note receivable - City of Canyon Lake	-	-	-	379,802	379,802
Inter-fund receivable/(payable)	(2,713,685)	(121,473)	2,682,933	152,225	-
Property and equipment, net of accumulated depreciation of \$11,620,660	13,985,739	-	-	-	13,985,739
Right-of-use - Operating lease asset	33,750,913	-	-	-	33,750,913
	<u>\$ 54,904,794</u>	<u>\$ 779,413</u>	<u>\$ 9,484,561</u>	<u>\$ 5,959,282</u>	<u>\$ 71,128,049</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 813,942	\$ -	\$ -	\$ -	\$ 813,942
Accrued payroll	571,792	-	-	-	571,792
Income taxes payable	30,726	-	-	-	30,726
Prepaid assessments	1,949,499	-	-	-	1,949,499
Other accrued liabilities	66,830	-	-	-	66,830
Refundable member deposits	571,641	-	-	-	571,641
Operating lease liability	33,750,913	-	-	-	33,750,913
	<u>37,755,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,755,343</u>

FUND BALANCES

Fund balance	17,101,074	795,516	9,517,665	5,908,980	33,323,235
Accumulated other comprehensive income (loss)	48,376	(16,103)	(33,104)	50,302	49,471
	<u>17,149,450</u>	<u>779,413</u>	<u>9,484,561</u>	<u>5,959,282</u>	<u>33,372,706</u>
	<u>\$ 54,904,793</u>	<u>\$ 779,413</u>	<u>\$ 9,484,561</u>	<u>\$ 5,959,282</u>	<u>\$ 71,128,049</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, 2025

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
REVENUES					
Member assessments	\$ 14,326,000	\$ 500,000	\$ 2,770,000	\$ 1,700,000	\$ 19,296,000
Investment income	173,971	18,538	179,530	149,745	521,784
Administrative fees	1,080,648	-	-	-	1,080,648
Architectural and building fees	132,769	-	-	-	132,769
Sales and user fees	7,964,117	-	-	-	7,964,117
Citations, violations and other income	818,199	-	-	-	818,199
Sale of assets	(2,327)	-	-	-	(2,327)
	<u>24,493,376</u>	<u>518,538</u>	<u>2,949,530</u>	<u>1,849,745</u>	<u>29,811,189</u>
EXPENSES					
Salaries and related expenses	9,102,108	-	-	-	9,102,108
Outside services	4,264,606	-	-	-	4,264,606
Lake lease	1,784,020	-	-	-	1,784,020
Utilities	1,959,381	-	-	-	1,959,381
Repairs and maintenance	2,013,596	-	-	-	2,013,596
Supplies	781,754	-	-	-	781,754
Rental equipment	29,302	-	-	-	29,302
Property taxes	(17,418)	-	-	-	(17,418)
Income taxes	79,467	-	-	-	79,467
Cost of goods sold	1,675,534	-	-	-	1,675,534
General and administrative	977,931	1,715	12,236	10,329	1,002,211
Insurance	938,360	-	-	-	938,360
Legal fees	386,088	-	-	-	386,088
Bad debt expense	401,241	-	-	-	401,241
Events	325,237	-	-	-	325,237
Major repairs and replacements	-	24,137	322,133	2,968,761	3,315,031
	<u>24,701,207</u>	<u>25,852</u>	<u>334,369</u>	<u>2,979,090</u>	<u>28,040,518</u>
Excess (Deficiency) of revenues over expenses before depreciation	<u>(207,831)</u>	<u>492,686</u>	<u>2,615,161</u>	<u>(1,129,345)</u>	<u>1,770,671</u>
Depreciation	1,192,553	-	-	-	1,192,553
Excess (Deficiency) of revenues over expenses	<u>(1,400,384)</u>	<u>492,686</u>	<u>2,615,161</u>	<u>(1,129,345)</u>	<u>578,118</u>
OTHER COMPREHENSIVE INCOME					
Unrealized gains on invstmnts	47,320	43,383	256,790	223,873	571,366
TOTAL COMPREHENSIVE INCOME	<u>\$ (1,353,064)</u>	<u>\$ 536,069</u>	<u>\$ 2,871,951</u>	<u>\$ (905,472)</u>	<u>\$ 1,149,484</u>
FUND BALANCES, beginning of the year	\$ 17,850,650	\$ 437,244	\$ 7,070,574	\$ 6,864,754	\$ 32,223,222
COMPREHENSIVE INCOME					
Excess (Deficiency) of revenues over expenses	(1,400,384)	492,686	2,615,161	(1,129,345)	578,118
Unrealized gains on investments	47,320	43,383	256,790	223,873	571,366
TOTAL COMPREHENSIVE INCOME	<u>(1,353,064)</u>	<u>536,069</u>	<u>2,871,951</u>	<u>(905,472)</u>	<u>1,149,484</u>
Inter-fund transfers	651,864	(193,900)	(457,964)	-	-
FUND BALANCES, end of the year	<u>\$ 17,149,450</u>	<u>\$ 779,413</u>	<u>\$ 9,484,561</u>	<u>\$ 5,959,282</u>	<u>\$ 33,372,706</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, 2025

	Fund Balances, Beginning of the Year		Year Ended April 30, 2025			Fund Balances, End of the Year			
	Fund Balances	Accumulated Other Comprehensive Income/(Loss)	Total Funds	Excess (Deficiency) of Revenues Over Expenses	Unrealized Gains	Inter-fund Transfers	Fund Balances	Accumulated Other Comprehensive Income/(Loss)	Total Funds
Operating Fund	\$ 17,849,594	\$ 1,056	\$ 17,850,650	\$ (1,400,384)	\$ 47,320	\$ 651,864	\$ 17,101,074	\$ 48,376	\$ 17,149,450
Capital Improvement Fund	496,730	(59,486)	437,244	492,686	43,383	(193,900)	795,516	(16,103)	779,413
Repair Replacement Fund	7,360,468	(289,894)	7,070,574	2,615,161	256,790	(457,964)	9,517,665	(33,104)	9,484,561
Road Reserve Fund	7,036,325	(173,571)	6,864,754	(1,129,345)	223,873	-	5,908,980	50,302	5,959,282
	<u>\$ 32,745,117</u>	<u>\$ (521,895)</u>	<u>\$ 32,223,222</u>	<u>\$ 578,118</u>	<u>\$ 571,366</u>	<u>\$ -</u>	<u>\$ 33,323,235</u>	<u>\$ 49,471</u>	<u>\$ 33,372,706</u>

CANYON LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2025

	Operating Fund	Capital Improvement Fund	Repair Replacement Fund	Road Reserve Fund	Total
NET CASH FLOW FROM OPERATING ACTIVITIES					
Excess (Deficiency) of revenues over expenses	\$ (1,353,064)	\$ 536,069	\$ 2,871,951	\$ (905,472)	\$ 1,149,484
Adjustments to reconcile net revenues over expenses to net cash flow from operating activities:					
Depreciation	1,192,553	-	-	-	1,192,553
Gain on sale of assets	2,327	-	-	-	2,327
Unrealized (gain)/loss on investments	(47,320)	(43,383)	(256,790)	(223,873)	(571,366)
(Increase) Decrease in:					
Assessments and fines receivable	(213,798)	-	-	-	(213,798)
Interest receivable	(14,159)	350	6,955	(24,331)	(31,185)
Inventory	4,644	-	-	-	4,644
Prepaid expenses	(170,497)	-	-	-	(170,497)
Other assets	(3,875)	-	-	-	(3,875)
Inter-fund receivable/payable	2,716,864	(401,960)	(2,894,906)	580,002	-
Increase (Decrease) in:					
Accounts payable	(255,893)	-	-	-	(255,893)
Accrued payroll	58,044	-	-	-	58,044
Income taxes payable	(214,164)	-	-	-	(214,164)
Prepaid assessments	68,517	-	-	-	68,517
Other accrued liabilities	(7,820)	-	-	-	(7,820)
Refundable member deposits	29,384	-	-	-	29,384
Construction defect liability	-	-	-	-	-
Net cash provided (used) by operating activities	1,791,743	91,076	(272,790)	(573,674)	1,036,355
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	(904,542)	112,814	799,554	547,681	555,507
Proceeds from sale of assets	2,640	-	-	-	2,640
Purchase of property and equipment	(651,864)	-	-	-	(651,864)
Net cash provided (used) by investing activities	(1,553,766)	112,814	799,554	547,681	(93,717)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal received on note receivable	-	-	-	88,759	88,759
Inter-fund transfers	651,864	(193,900)	(457,964)	-	-
Net cash provided (used) by financing activities	651,864	(193,900)	(457,964)	88,759	88,759
Net increase in cash	889,841	9,990	68,800	62,766	1,031,397
CASH, beginning of the year	5,138,928	6,443	14,120	11,540	5,171,031
CASH, end of the year	\$ 6,028,769	\$ 16,433	\$ 82,920	\$ 74,306	\$ 6,202,428

**CANYON LAKE
PROPERTY OWNERS ASSOCIATION**

FINANCIAL STATEMENTS

APRIL 30, 2025

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, 2025. 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 2025 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, 2025, 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 21, 2025, 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 hierarchal 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. Assessments receivable at April 30, 2025 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 \$335 in 2025. Of that amount, \$48 was designated to the replacement fund, \$30 to the road reserve fund and \$9 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, 2025 are as follows:

Food and beverage	\$ 81,998
Gasoline - campground	<u>6,711</u>
	<u>\$ 88,709</u>

NOTE 3: INVESTMENTS

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

The Association's certificates of deposit and investments consisted of the following at April 30, 2025:

	<u>Market Value</u>	<u>Amortized Cost Basis</u>	<u>Unrealized Gain(Loss)</u>
Corporate bonds	\$ 9,875,137	\$ 9,964,970	\$ (89,833)
Municipal bonds	516,468	519,686	(3,218)
Gov't Securities	<u>3,893,215</u>	<u>3,750,693</u>	<u>142,522</u>
Total investments	<u>\$14,284,820</u>	<u>\$14,235,349</u>	<u>\$ (49,471)</u>

Included in other comprehensive income are unrealized gains of \$571,366 for the year ended April 30, 2025. Included in accumulated other comprehensive income are unrealized gains of \$49,471 as of April 30, 2025.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at April 30, 2025:

Land and improvements	\$ 13,787,652
Building	7,377,814
Machinery and equipment	2,474,351
Pools	677,184
Furniture and fixtures	757,214
Vehicles	532,184
Less: Accumulated depreciation	<u>(11,620,660)</u>
Net property and equipment	<u>\$ 13,985,739</u>

NOTE 5: RIGHT-OF-USE - OPERATING LEASE

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

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, 2025 the lake lease expense was \$1,784,020. 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.

The operating lease balances as of April 30, 2025, were as follows:

Operating lease – right-of-use asset	<u>\$ 33,750,913</u>
Operating lease liability	<u>\$ 33,750,913</u>

The maturities of operating lease liabilities as of June 30, 2025, are as follows:

<u>Years Ending June 30:</u>	
2026	\$ 321,991
2027	334,870
2028	348,265
2029	362,196
Thereafter	<u>32,383,591</u>
	<u>\$ 33,750,913</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 March 2024 to estimate the remaining useful lives and the replacement costs of the components of common property. The study was updated internally for 2025-26. The study is based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3.5%, interest of 5.0%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted in 2022 and updated in February 2025, 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.

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, \$2,659,500 has been included in the 2025/2026 budget for major repairs and replacements and \$2,000,000 has been included in the 2025/2026 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 \$115,399 during the year ended April 30, 2025.

NOTE 8: INTER-FUND TRANSFERS

During the year ended April 30, 2025, interfund transfers consisted of \$651,864 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, 2025


(UNAUDITED)


The Board of Directors engaged an outside consultant to conduct a study completed in March 2024, and updated internally for 2025-26, 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 3.5%, interest of 5.0%, and a tax rate of 30%, on amounts funded for future major repairs and replacements.

A separate study was conducted 2022 and updated in February 2025, 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 repair and replacement cost of the roads from 2026 – 2032 is \$20,500,000.


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 – 20	\$ 1,344,474
Bluebird Hall	2 – 11	185,998
Campground	1 – 43	1,634,558
Country Club	0 – 47	1,214,193
Diamond Point	0 – 11	44,219
Docks	0 – 27	1,861,622
East Port	0 – 34	827,454
Entry Gates	1 – 22	917,494
Equestrian Center	0 – 20	973,648
Fairway Estates	0 – 25	163,790
Gault Field	0 – 20	656,548
Golf Course	0 – 27	8,392,023
Grounds	0 – 46	1,924,679
Holiday Harbor	0 – 45	731,065
Indian Beach	0 – 17	375,173
Lake	0 – 20	4,392,393
Lodge	0 – 25	2,691,861
Operations	0 – 23	248,200
Park Areas	0 – 26	1,060,730
Pool Area	0 – 30	846,161
Senior Center	1 – 18	316,482
Ski Slalom	1 – 19	62,790
Tennis Center	0 – 26	326,477
Vacation Park	5 – 37	1,297,972
Vehicles	0 – 12	1,746,675
		<u>\$ 34,236,680</u>

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