



Q1 2025 Finance Report

April 24, 2025

COMMITTEE:

Finance Committee

TREASURER:

Paul Hennessy

Director of Finance:

Dale Schoon

General Overview

- KICA maintains its accounts in accordance with Generally Accepted Accounting Principles (“GAAP”) utilizing fund accounting and two separate and distinct funds: Operating and Reserve.
- Independent audit reports are presented on a GAAP basis.
- In order to achieve a more effective management reporting tool, the traditional GAAP income statement presented in this report has been converted to a cash flow report that shows beginning cash balances, sources and uses of cash and the resulting ending cash balances. The net cash surplus/deficit is reconciled to GAAP.
- The Operating Fund accounts for the daily operations of the Association while the Reserve Fund is utilized to accumulate and account for resources specifically designated for major repairs and replacements of existing facilities and infrastructure.
- The Operating and Reserve Fund activities are mutually exclusive and reported separately, not consolidated, in the cash flow presentations to reflect that distinction.

General Overview

- For budgeting, tracking and reporting, fund accounting further divides and allocates activities within the Operating Fund into these divisions: General, Recreation and Property as well as segment divisions, Vanderhorst Gate (V-Gate), Preserve and Ocean Park.
- For this report, these divisions are combined into the Operating Fund. The Finance Committee reviews the financial results of each division during its quarterly financial review meeting.

Cash Management Framework

The chart on the following page depicts the framework implemented by the BOD to manage KICA's cash and investments.

Operating Cash and Investments are comprised of those resources needed for current year operating expenditures and are managed by the Director of Finance within the guidelines established by the BOD-approved Financial Controls Manual ("FCM"). The FCM restricts the investment of these funds to short-term investments with maturities not to exceed 12 months. Any funds transferred to the KICA Investment Advisor are governed by the Operating Cash Investment Policy Statement ("IPS").

Designated Cash and Investments are comprised of resources that are designated to repair & replace named depreciated assets with useful lives up to 7 years, unique events (named storm reserve), Segment cash balances and other assets that don't fit the purpose of the Reserve Fund and are not needed for current operations. These resources are transferred to and managed by the Investment Advisor within the Designated Cash Fund IPS with the flexibility of slightly longer-term maturities (24 months) and the potential for higher yields.

Reserve Fund Cash and Investments are resources governed by the KICA Reserve Fund Policy. These funds are transferred to and managed by the KICA Investment Advisor within the guardrails and performance benchmarks established by the Reserve Fund Investment Policy Statement.

Q1 2025: EXECUTIVE SUMMARY

Cash Management Status

	3/31/25 Bal	Managed by:	Governing Policy
Operating - Checking	\$198,526	Director of Finance	FCM
Operating - interest bearing sweep	\$526,320	Director of Finance	FCM
Operating – U.S. Fed MM	\$1,022,226	Director of Finance	FCM
Operating - Investments up to 12-month maturities	\$10,235,377	Dir of Finance / Investment Advisor	FCM / <u>Operating Cash IPS</u>
Designated - Investments up to 24-month maturities	\$4,591,683	Investment Advisor	FCM / <u>Designated Cash IPS</u>
Reserve -ST investments	\$349,896	Investment Advisor	Reserve Fund Policy / <u>Reserve Fund IPS</u>
Reserve - CDs	\$249,287		
Reserve - Bonds/Treasuries	\$14,156,511		
Reserve - Stocks / ETFs / Mutual Funds	\$9,121,040		
Total Consolidated Cash & Investments	\$40,450,866		

Q1 2025 FINANCE REPORT

Consolidated Balance Sheet



Q1 2025: CONSOLIDATED BALANCE SHEET

	<u>Operating</u>	<u>Reserve</u>	<u>Consolidated</u>
ASSETS			
Current Assets			
Operating Cash	724,847	0	724,847
Investments	15,849,285	23,876,734	39,726,019
Accounts Receivable	661,715	251,987	913,702
Prepaid Expenses	202,818	25,719	228,537
Total Current Assets	17,438,665	24,154,441	41,593,106
Fixed Assets			
Depreciable Assets (net of accum. depreciation)	2,479,035	0	2,479,035
Land	408,448	0	408,448
Total Fixed Assets	2,887,484	0	2,887,484
TOTAL ASSETS	20,326,148	24,154,441	44,480,589
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Payroll Liabilities	511,978	0	511,978
Deposits and Prepaid Assessments	36,405	0	36,405
Accounts Payable and Accrued Liabilities	381,371	45,000	426,371
Deferred Revenue - Royalty Income	50,157	0	50,157
Total Current Liabilities	979,910	45,000	1,024,910
Non-Current Liabilities			
Deferred Revenue - Flood Mitigation	992,643	0	992,643
Deferred Revenue - Royalty Income	37,619	0	37,619
Total Non-Current Liabilities	1,030,262	0	1,030,262
Fund Balance			
Fund Balance	18,315,976	24,109,441	42,425,417
Total Fund Balance	18,315,976	24,109,441	42,425,417
TOTAL LIABILITIES/FUND BALANCE	20,326,148	24,154,441	44,480,589

Q1 2025: CONSOLIDATED BALANCE SHEET

OPERATING FUND CASH is comprised of petty cash, checking and sweep accounts. Cash is maintained in the General Division (Operating Fund) bank accounts. In the accounting records, funds are allocated to each division and Reserve Fund based on normal fund accounting procedures.

The current operating cash balance, combined with projected inflows for the remainder of the year, is sufficient to cover all anticipated expenditures.

INVESTMENTS

Please refer to the Cash Management Status on a previous page and the Cook Street/Morgan Stanley investment report available at kica.us/about/financials for investment performance and analysis.

All investment policy statements (“IPS”) can also be found at kica.us/about/financials.

Q1 2025: CONSOLIDATED BALANCE SHEET

ACCOUNTS RECEIVABLE

Uncollected annual assessments, accrued royalties, accrued CTR and monthly member billing activities account for the receivables balance.

As of quarter end, there remained 3 Outstanding liens in the amount of \$9K on 2024 assessments, including \$276 in flood assessments.

As of quarter end, 2025 assessments totaling \$15,530,438 were 97% collected, up from 95% for the same period last year.

PREPAID EXPENSES

These include 1 month of KICA's insurance portfolio premiums (policies renew 5/1), Sandcastle vendor down payments to hold future events and deposits on MRR contractor work.

FIXED ASSETS

\$340K of the ~\$1M budgeted purchases for 2025 were completed in Q1. This included trading in 3 vehicles, replacing pool furniture & umbrellas, adding turf to the adult ocean view pool, upgrading technology and enclosing the V-gate. \$400K of the remaining budget is available for the Board to approve amenity improvements.

KICA's short-life assets, typically property and equipment with useful lives of 7 years or less, are managed separately within the Property Division of the Operating Fund. As outlined in the FCM, cash is allocated within the Operating Fund to cover the depreciation of these assets. This ensures funds are available for their eventual replacement. These funds are called Asset Replacement \$.

Q1 2025: CONSOLIDATED BALANCE SHEET

As per the FCM, Asset Replacement \$ are designated exclusively for purchasing replacements of existing assets.

The following table reconciles Q1 activity.

<u>Asset Replacement \$ Q1 Reconciliation</u>	
Asset Replacement \$ 1/1/25	2,918,893
Sources of funds	
Funding of Depreciation	64,031
Investment Earnings	32,573
Use of funds	
Funding of Asset Purchases	(152,136)
Asset Replacement \$ 3/31/25	<u>2,863,361</u>

PAYROLL LIABILITIES

A significant portion of these are accumulated vacation time earned but not taken. Vacation is accrued as it is earned; offset against the accrual when taken. Also included is time worked in March, not paid until April.

DEPOSITS

Results primarily from deposits paid to vendors for future Sandcastle events.

ACCOUNTS PAYABLE and ACCRUED LIABILITIES

Accounts payable and Accrued Liabilities are current.

Q1 2025: CONSOLIDATED BALANCE SHEET

ROYALTY INCOME DEFERRED REVENUE

The 2014 agreement with Comcast included an upfront payment that is recorded and amortized to revenue over the 12-year agreement.

The amount to be amortized within the next 12 months is recorded in the current liabilities section. The long-term portion will decrease monthly, as only 21 months remain.

FLOOD MITIGATION SPECIAL ASSESSMENT DEFERRED REVENUE

The deferred balance represents flood assessment billings (final billing was June 2024) in excess of expenditures incurred which is when revenue is recognized.

In accordance with the member vote in 2020, any funds remaining after the completion of flood mitigation projects are specifically reserved for major repairs and maintenance of these projects and future water management needs.

As of January 2025, KICA had \$1,231,572 in unspent flood mitigation funds. During Q1, contractor payments totaled \$238,929. With ~\$447,000 in contracted expenditures still outstanding to finalize all projects, we anticipate a balance of roughly \$545,643 in deferred revenue upon completion.

Q1 2025 FINANCE REPORT

Operating Fund: Cash Flow Statement



Q1 2025: OPERATING FUND CASH FLOW STATEMENT

	YTD Actual	Annual Frctest	Annual Budget	\$ Var	% Var
Beginning Unrestricted Funds		2,038,336	2,038,336		
Beginning Restricted Funds (Named Storm/Asset Repl \$/Segments)		4,257,726	4,257,726		
Sources of Cash					
Assessments	13,841,066	13,861,745	13,877,027	(15,282)	-0.1%
Contribution to Reserves	87,970	375,970	375,000	970	0.3%
Commercial Access Fees	192,707	525,021	510,878	14,144	2.8%
Amenity User Fees	75,915	703,804	705,208	(1,404)	-0.2%
Other Income	32,938	301,392	294,184	7,208	2.5%
Comcast Cash Royalty	74,803	287,428	283,500	3,928	1.4%
Investment Interest / Realized Gains	115,259	449,259	574,862	(125,603)	-21.8%
Total Sources of Cash	14,420,656	16,504,618	16,620,658	(116,040)	-0.7%
Uses of Cash					
Payroll Expenses	2,009,436	8,406,140	8,601,212	195,072	2.3%
Employee Benefits	382,785	1,681,360	1,711,963	30,603	1.8%
Building/Equipment R/M	202,441	754,953	879,399	124,446	14.2%
Common Area R/M	262,340	1,481,024	1,488,886	7,862	0.5%
Utilities	118,728	629,608	614,850	(14,758)	-2.4%
Recreation Activities	23,322	624,882	633,251	8,368	1.3%
Information Technology	241,360	845,873	907,092	61,219	6.7%
Professional/Financial Services	293,987	1,494,685	1,586,253	91,568	5.8%
Administrative	145,746	519,201	531,930	12,729	2.4%
Operating Asset Purchases (trucks/equip)	360,274	544,520	568,562	24,042	4.2%
Capital Improvements (amenities/V-gate enclose)	40,000	440,000	440,000	0	0.0%
Total Uses of Cash	4,080,417	17,422,248	17,963,396	541,148	3.0%
Cash Surplus (Deficit)	10,340,239	(917,630)	(1,342,738)	(425,108)	
Ending Unrestricted Funds		786,749	663,393		
Ending Restricted Funds (Named Storm/Asset Repl \$/Segments)		4,591,683	4,289,931		

Q1 2025: OPERATING FUND CASH FLOW STATEMENT

Reconciliation of Cash Flow Statement to GAAP

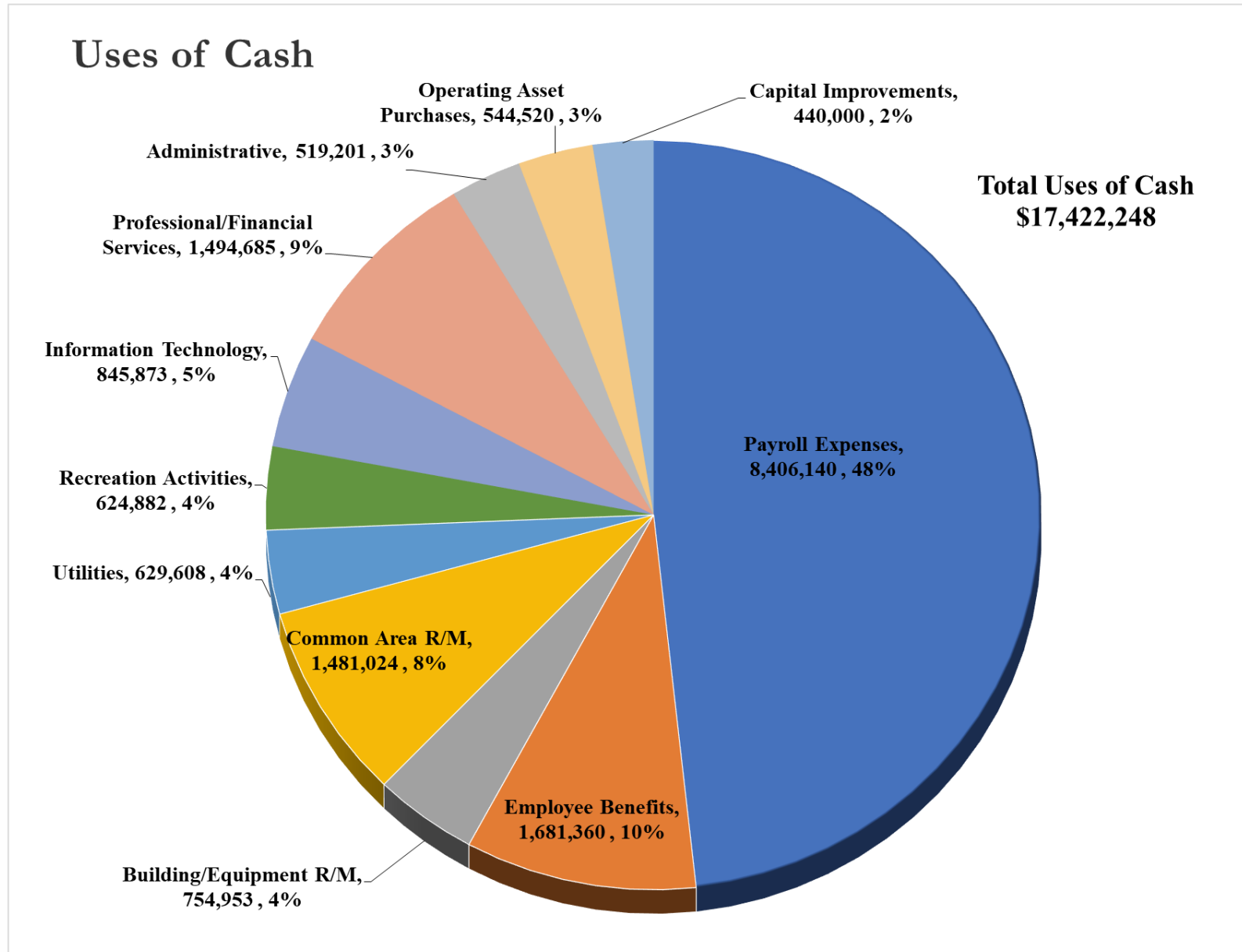
	YTD Actual	Annual Frcst	Annual Budget	\$ Var	% Var
Cash Surplus (Deficit) from previous page	10,340,239	(917,630)	(1,342,738)		
Non-Cash GAAP Income Statement Items					
Comcast Royalty Amortization	12,539	50,156	50,156	(0)	0.0%
Depreciation	(83,709)	(338,816)	(333,013)	(5,803)	-1.7%
Add back use of cash for assets capitalized	317,206	984,520	1,008,562	(24,042)	-2.4%
Bad Debt Expense	0	(500)	(500)	0	0.0%
Total Non-Cash Income Statement Items	246,035	695,360	725,205	(29,846)	-4.1%
GAAP NET SURPLUS/(DEFICIT)	10,586,274	(222,271)	(617,533)		

Q1 2025: OPERATING FUND CASH FLOW STATEMENT

Sources of Cash

	<u>Forecast</u>	
Assessments	13,861,745	84.0%
Contribution to Reserves	375,970	2.3%
Commercial Access Fees	525,021	3.2%
Amenity User Fees	703,804	4.3%
Other Income	301,392	1.8%
Comcast Cash Royalty	287,428	1.7%
Investment Interest / Realized Gains	449,259	2.7%
Total Sources of Cash	<u>16,504,618</u>	100.0%

Q1 2025: OPERATING FUND CASH FLOW STATEMENT



Q1 2025: OPERATING FUND CASH FLOW STATEMENT

General Overview

The Operating Fund cash flow statement shows actuals through Q1 along with the projected year-end estimates based on current data. The forecast is then compared to the approved budget, showing variances.

While KICA has been very active, it's still early in the year, so the overall variances are minimal right now.

Variances of a material nature (greater than 5%) are explained here.

Sources of Cash

Annual **Assessments** are by far the largest contributor to Operating Fund resources. The statement depicts total billings for 2025. As of 3/31, KICA had collected 96.5% on \$15.5M total billings compared to 95.6% on \$14.4M a year ago.

As provided by the FCM, 15% of **Contributions to Reserves ("CTR") and Commercial Access Fees** are recorded in the Operating Fund with the balance recorded in the Reserve Fund. Total budget for 2025 is \$2.5M, a decrease from last year's record \$4.9M due to the absence of new development properties this year.

Other Income includes landscaping & security services as well as the Recreation Division initiation fee charged at time of property sale and other miscellaneous revenues.

Investment income is forecasted to be lower than budgeted due to volatility in the market. Please refer to the Cook Street/Morgan Stanley investment report available at kica.us/about/financials for Q1 investment performance and analysis.

Q1 2025: OPERATING FUND CASH FLOW STATEMENT

Uses of Cash

Employee Costs

Employee related costs constitute the majority (~60%) of Operating Fund expenditures and are tracking with slight relative savings.

Employee benefits includes KICA's self-insurance health program, dental, short and long-term disability and life insurance programs, the 401k match and the travel stipend for employee commutes.

Overall, this area is tracking well against budget.

Toward the end of 2023, the BOD approved KICA moving to a self-funded, health insurance collective. A 3rd party administrator manages the program (claims, network, participant interaction, cost containment, etc.). KICA pays a contract fee for these services, a stop-loss fee and actual claims costs. The budget includes the fees which are fixed and the estimated exposure on the variable claims cost.

KICA is tracking claims costs and frequently communicating with the administrator regarding proactive cost containment measures. The administration of the program is going very well.

Q1 2025: OPERATING FUND CASH FLOW STATEMENT

Uses of Cash

Building Repairs and Maintenance is projecting savings resulting from an overall reassessment of the budgeted costs related to repair/maintenance strategies. Savings included:

- Engineering and design work for a Property Condition Assessment and the related repairs at the V-gate were eliminated (\$45K);
- Renovations at the main gate were adjusted and utilized KICA staff instead of contractors (\$10K);
- Security service contracts were reevaluated (\$15K);
- New turf at the adult, ocean view pool was not expensed here but capitalized instead (\$39K); and
- Painting projects at the Sandcastle are expected to be less than budgeted (\$10K).

Information Technology

As part of KICA's ongoing evaluation of services and costs, we've identified significant projected savings. To-date, we have renegotiated our IT services contract and eliminated several unnecessary recurring charges in our phone and internet bills.

Professional/Financial Services

This area covers audit and tax prep services, legal fees, liability/property insurance costs, board-related activities, such as the annual meeting and bank fees primarily from ach & credit card processing of assessment collections.

Projected legal fees are comprised of costs incurred to-date which have been lower than budget and the remaining 9 months at an estimated \$25K/month.

The May 1 renewal of the liability/property insurance portfolio was substantially complete as of this report, though not yet finalized. The budgeted increases of 10-15% are not anticipated.

Q1 2025 FINANCE REPORT

**Reserve Fund:
Cash Flow
Statement**



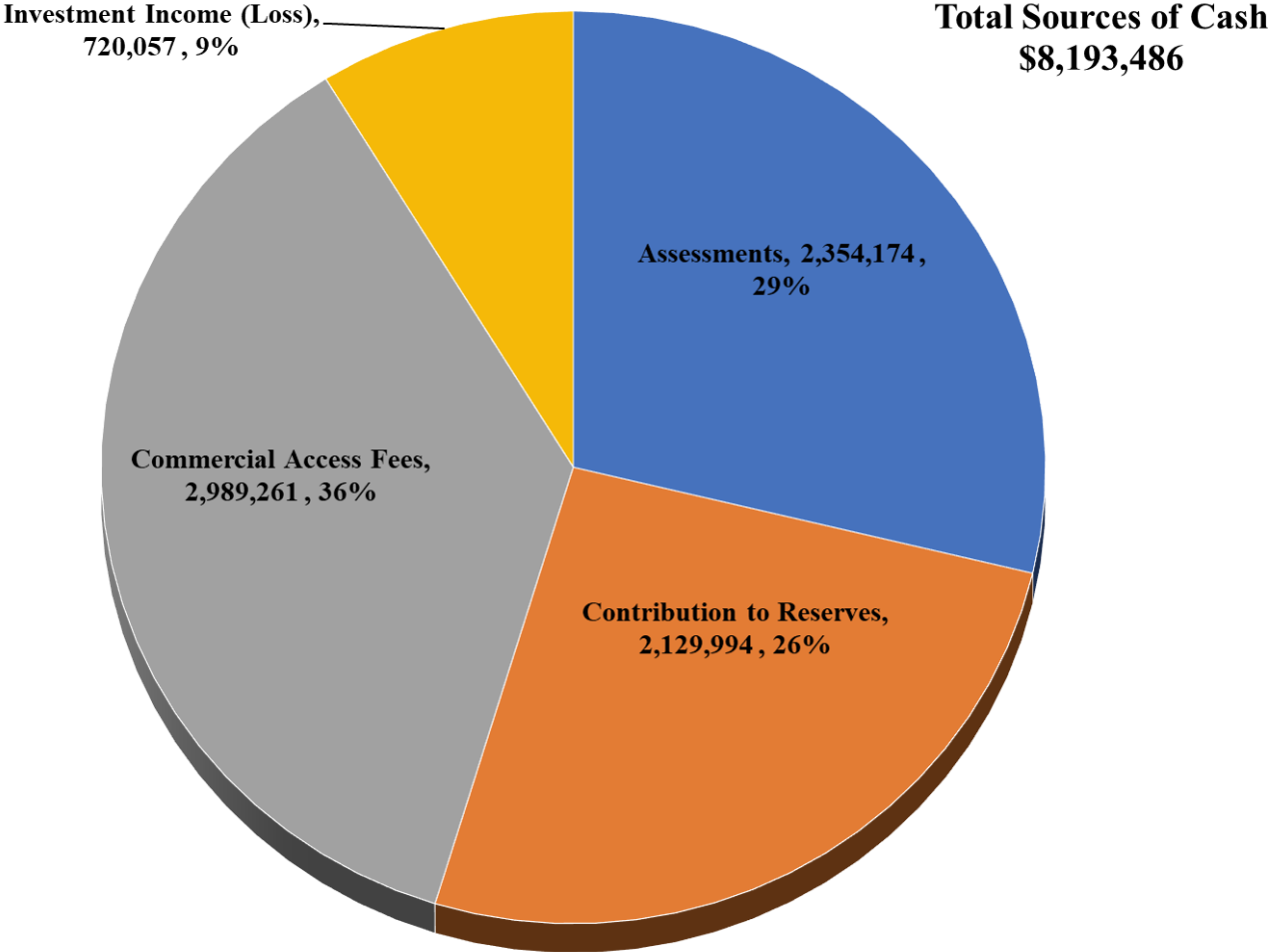
Q1 2025: RESERVE FUND CASH FLOW STATEMENT

	YTD Actual	Annual Frctst	Annual Budget	\$ Var	% Var
Beginning Unrestricted Funds		0	0		
Beginning Restricted Funds		21,459,622	21,459,622		
Sources of Cash					
Assessments	1,907,174	2,354,174	2,153,149	201,025	9.3%
Contribution to Reserves	498,494	2,129,994	2,125,000	4,994	0.2%
Commercial Access Fees	1,106,234	2,989,261	2,894,969	94,292	3.3%
Investment Interest / Realized Gains	(20,558)	720,057	987,487	(267,430)	-27.1%
Total Sources of Cash	3,491,344	8,193,486	8,160,605	32,882	0.4%
Uses of Cash					
Landscape Capital Improvements - LCI	130,459	272,414	275,000	2,586	0.9%
Drainage	283,929	2,068,459	1,880,000	(188,459)	-10.0%
Street Resurfacing	75,959	2,570,000	2,570,000	0	0.0%
Building Repair - Sandcastle	22,000	290,750	567,053	276,303	48.7%
Cinder Creek & Rhett's Bluff Renovations	0	498,400	498,400	0	0.0%
Sign Replacement	4,400	155,000	155,000	0	0.0%
Leisure Trail Resurfacing	84,678	540,000	540,000	(0)	0.0%
Boardwalks & Walk Bridges	66,662	505,000	505,000	0	0.0%
Bridges & Bulkheads	20,200	110,000	110,000	(0)	0.0%
Other	368	211,201	212,700	1,499	0.7%
Total Uses of Cash	688,654	7,221,224	7,313,153	91,929	1.3%
Cash Surplus (Deficit)	2,802,690	972,262	847,452	124,810	
Ending Unrestricted Funds		0	0		
Ending Restricted Funds		22,431,884	22,307,074		

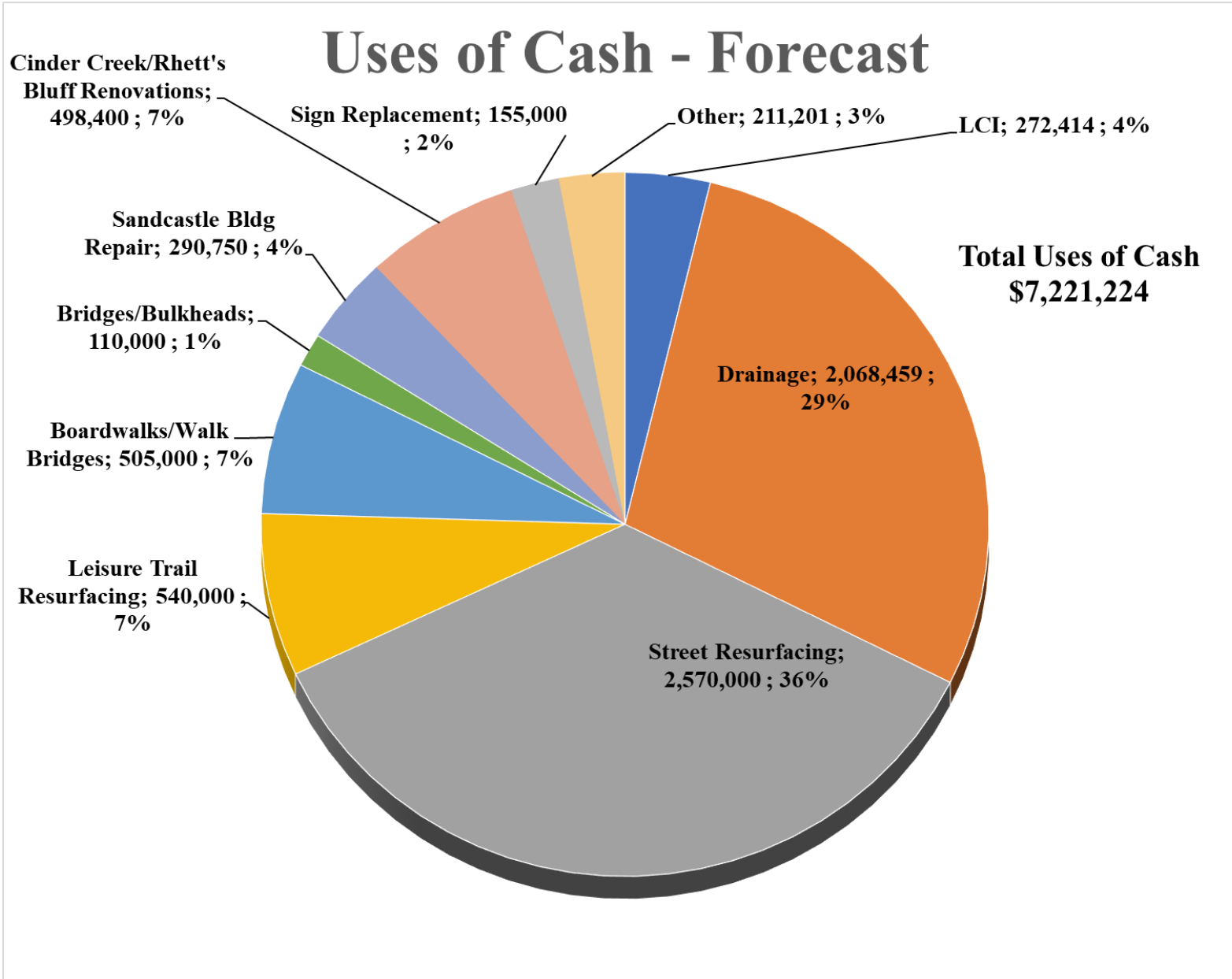
No GAAP reconciliation necessary

Q1 2025: RESERVE FUND CASH FLOW STATEMENT

Sources of Cash - Forecast



Q1 2025: RESERVE FUND CASH FLOW STATEMENT



Q1 2025: RESERVE FUND CASH FLOW STATEMENT

General Overview

Unlike the Operating Fund cash flow statement, all of the Reserve Fund cash is restricted for major repairs and replacement of KICA infrastructure.

In addition, the Reserve Fund has no items to reconcile to a GAAP presentation.

Sources of Cash

Annual assessment billings were approximately \$1.7M which aligns with the budget. The assessment variance stems from the increased cost of the flood mitigation project. Cash is transferred from the Operating Fund when flood mitigation expenditures are incurred. These expenditures are recorded in the “drainage” line item within the Uses of Cash section.

As detailed in the FCM, 15% of Contributions to Reserves (“CTR”) and Commercial Access Fees are allocated to the Operating Fund, with the remaining balance directed to the Reserve Fund. Total budget for 2025 is \$2.5M, a decrease from last year’s record \$4.9M due to the absence of new development properties this year.

Investment income is projected to fall short of budget due to market volatility and unpredictability. Please refer to the Cook Street/Morgan Stanley investment report available at kica.us/about/financials for Q1 investment performance and analysis.

Q1 2025: RESERVE FUND CASH FLOW STATEMENT

Uses of Cash

LCI is currently projecting at budget.

The forecasted budget overage in **Drainage** is mainly due to unforeseen costs from the flood mitigation project. 2025 expenditures have increased from the initially projected \$475K to the current \$686K. This Flood Management Project 6 work is being completed in April.

With contracts in place, the **Street Resurfacing** project for 2025 is currently under budget which will permit additional road projects to be considered.

Following additional engineering evaluations, the window/door replacement project, originally budgeted at \$425K, is no longer considered necessary. KICA is exploring the costs associated with an alternative solution but anticipates savings in the **Sandcastle Building Repair** line item.

The most significant project for **Cinder Creek/Rhett's Bluff** is the rebuilding of the Cinder Creek dock. KICA has just received required federal & state permitting and is currently going to ARB review for required permit design modifications.

For **Boardwalks/Walk Bridges**, 4 boardwalks are currently under contract for lift and extension (31, 33, 38 & 39). This work will be completed in Q2.

In **Leisure Trail Resurfacing**, KICA is under contract to complete road/trail transitions on Green Dolphin Way and Turtle Point Lane. This will include repaving of trails in locations. Work is expected to be completed by the end of April.