

Chiwawa Communities Association

Independent Auditor's Report Financial Statements & Supplementary Information

For the Year Ended December 31, 2024

Lori Maust

CERTIFIED PUBLIC ACCOUNTANT

Chiwawa Communities Association
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Independent Auditor's Report

To the Board of Directors and Members of Chiwawa Communities Association

Opinion

We have audited the accompanying financial statements of Chiwawa Communities Association, which comprise the balance sheet as of December 31, 2024, and the related statements of changes in fund balances, revenues and expenses 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 Chiwawa Communities Association as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in conformity 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 Chiwawa Communities 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.

Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

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 Chiwawa Communities Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chiwawa Communities 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 Chiwawa Communities 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 [GAAP] require that the Supplementary Information on Future Major Repairs be presented to supplement the basic financial statements. Such information, 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.



Lori Maust, CPA
Renton, Washington
January 17, 2026

Chiwawa Communities Association
Balance Sheet
December 31, 2024

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash, including interest bearing deposits	\$ 28,394	\$ 20,258	\$ 48,652
Investments		181,719	181,719
Assessments Receivable	250		250
Prepaid Insurance	20,921		20,921
Fixed Assets	1,438,154		1,438,154
Accumulated Depreciation	(948,940)		(948,940)
Due Between Funds	(4,010)	4,010	
TOTAL ASSETS	\$ 534,769	\$ 205,988	\$ 740,756
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,730	\$	\$ 5,730
Assessments Received in Advance	221		221
Contract Liability (Assessments Received in Advance-Replacement Fund)		204,491	204,491
TOTAL LIABILITIES	5,951	204,491	210,442
 FUND BALANCES			
Operating	528,818		528,818
Replacement		1,497	1,497
TOTAL FUND BALANCES	528,818	1,497	530,315
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 534,769	 \$ 205,988	 \$ 740,756

See Notes to Financial Statements

**Chiwawa Communities Association
Statement of Changes in Fund Balances
For the Year Ended December 31, 2024**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Balance at the Beginning of the Year	\$ 554,976	\$	\$ 554,976
Transfer Between Funds - Equipment	5,241		5,241
Excess <Deficiency> of Revenues over Expenses	(31,400)	1,497	(29,903)
Balance at the End of the Year	<u>\$ 528,818</u>	<u>\$ 1,497</u>	<u>\$ 530,315</u>

See Notes to Financial Statements

**Chiwawa Communities Association
Statement of Revenues and Expenses
For the Year Ended December 31, 2024**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Assessments	\$ 272,200	\$	\$ 272,200
Convenience Fees	2,963		2,963
Parts Sold to Members	3,124		3,124
Interest	21	6,738	6,759
TOTAL REVENUES	<u>278,307</u>	<u>6,738</u>	<u>285,046</u>
EXPENSES			
Accounting Services	7,000		7,000
Administrative	17,426		17,426
Audit & Tax Preparation	2,505		2,505
Bookkeeper	7,298		7,298
Community Space Maintenance	9,330		9,330
Depreciation	39,411		39,411
Electricity	4,234		4,234
Insurance	39,635		39,635
Internet	1,890		1,890
Legal	44,141		44,141
Management	21,600		21,600
Property Taxes	7,091		7,091
Reserve Study	1,384		1,384
Trash	553		553
Water System Administrator	57,634		57,634
Water System Contracted Repairs	25,153		25,153
Water System Parts, Materials, Supplies	23,420		23,420
Replacement Fund Expenses			
Well Motor		5,241	5,241
TOTAL EXPENSES	<u>309,707</u>	<u>5,241</u>	<u>314,949</u>
EXCESS <DEFICIENCY> OF REVENUES OVER EXPENSES	<u>\$ (31,400)</u>	<u>\$ 1,497</u>	<u>\$ (29,903)</u>

Chiwawa Communities Association
Statement of Cash Flows
For the Year Ended December 31, 2024

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<i>Cash Flows from Operating Activities:</i>			
Cash from Assessments	\$ 272,148	\$ 92,010	\$ 364,159
Interest Received	21	6,738	6,758
Miscellaneous Income	6,087		6,087
Cash Paid for Services and Products	(287,637)	(5,241)	(292,878)
Net Increase <Decrease> in Cash from Operating Activities	(9,381)	93,507	84,126
<i>Cash Flows from Investing Activities:</i>			
Purchase of Investments		(131,719)	(131,719)
Purchase of Equipment	(5,241)		(5,241)
<i>Cash Flows from Financing Activities:</i>			
Transfers Between Funds	5,241		5,241
Change in Due Between Funds	4,010	(4,010)	
Net Increase <Decrease> in Cash	(5,371)	(42,222)	(47,593)
Cash, including interest bearing deposits, at the Beginning of Year	33,765	62,480	96,245
Cash, including interest bearing deposits, at the End of Year	<u>\$ 28,394</u>	<u>\$ 20,258</u>	<u>\$ 48,652</u>

Reconciliation of Excess <Deficiency> of Revenues over Expenses to Net Cash Received by Operations:

Excess <Deficiency> of			
Revenues over Expenses	\$ (31,400)	\$ 1,497	\$ (29,903)
Increased Assessments Receivable	(250)		(250)
Increased Prepaid Insurance	(10,574)		(10,574)
Adjusted Depreciation	39,411		39,411
Decreased Accounts Payable	(6,767)		(6,767)
Increased Prepaid Assessments	199		199
Decreased Contract Liability		92,010	92,010
Net Increase <Decrease> in Operating Cash	<u>\$ (9,381)</u>	<u>\$ 93,507</u>	<u>\$ 84,126</u>

Chiwawa Communities Association
Notes to Financial Statements
December 31, 2024

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Chiwawa Communities Association was incorporated December 16, 1963 in the state of Washington as a nonprofit corporation. The Association is responsible for the operation and maintenance of the common property. This is a 368 unit planned residential development located in Leavenworth, Washington.

Fund Accounting

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 according to their nature and purpose: The operating fund is used to account for financial resources available for the general operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

Capitalization Policy

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements as the Board does not have the right to sell the common areas and keep the proceeds. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. There is no allowance necessary at the end of the fiscal year.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control.

Contract Liabilities (Assessments received in advance - replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance - replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Including Interest Bearing Deposits

Cash, including interest bearing deposits, include cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

Investments

Investments include certificates of deposit with original maturities over 90 days.

Income Tax

The Association's policy is to record interest expense or penalties related to income tax in operating expenses.

Chiwawa Communities Association
Notes to Financial Statements
December 31, 2024

Interest Income

The Association recognizes interest income on the operating fund and the replacement fund when earned. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

Date of Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the audit report, which is the date that the financial statements were issued or available to be issued.

NOTE 2 - REPLACEMENT FUNDING PROGRAM

The Association is currently funding for the future major repair and replacement of Association common areas as disclosed in Note 1. Accumulated funds are held in separate accounts and are generally not available for operating purposes. The funding is based upon a professional reserve study approved by the Board of Directors.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and variations may be material. Therefore, the 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, subject to certain legal limitations, to increase assessments, pass special assessments, or delay replacement if these funds are found to be inadequate for all future costs.

NOTE 3 - FEDERAL INCOME TAXES

The Association is exempt from federal taxation under Internal Revenue Code Section 501 (c) (12).

NOTE 4 - SERVICES FROM A BOARD MEMBER

The Board approved management services to be provided by a Board member. The total amount paid to the Board Member in 2024 was \$21,600.

Chiwawa Communities Association
Notes to Financial Statements
December 31, 2024

NOTE 5 - FASB ASC 606 REVENUE RECOGNITION

The Financial Accounting Standards Board (FASB) issued ASC 606 guidance, Revenue from Contracts with Customers, effective January 1, 2019, which superseded the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRA), Revenue Recognition. The Association has presented the attached financial statements in accordance with ASC 606. Assessments attributed to the operating fund are recognized in the period earned. Assessments allocated to the replacement fund are recognized as revenue only when there are replacement fund expenditures, and to the extent the replacement fund expenditures exceed replacement fund interest income.

The cumulative balance of replacement fund assessments that have not been recognized as income are accumulated as deferred replacement fund assessments and presented as Contract Liabilities (Assessments received in advance - replacement fund) on the Balance Sheet. Deferred replacement fund assessments are increased by unrecognized replacement fund assessments and decreased as replacement fund assessments are recognized as revenue.

Contract liabilities (Assessments received in advance - replacement fund) as of January 1, 2024	\$ 112,480
Assessments budgeted for the replacement fund	92,010
Recognized replacement fund assessments	0
Adjustment and transfer to/from contract liabilities	0
Contract liabilities (Assessments received in advance - replacement fund) as of December 31, 2024	\$ 204,491

NOTE 6 - LEGAL MATTER

A homeowner filed suit against the Association alleging five causes of action—declaratory judgment, breach of contract, violation of WUCIOA, intentional infliction of emotional distress, and violation of the Homeowners Association Act. Estimated exposure is under \$250,000. Trial is set for May 18, 2026 in Chelan County Superior Court.

NOTE 7 - FIXED ASSETS

The Association owns various assets listed below:

Land & Improvements	\$	248,303
Buildings & Improvements		166,092
Equipment		136,924
Water & Fire System		886,836
		1,438,154
Accumulated Depreciation		(948,940)
	\$	489,214

Chiwawa Communities Association
December 31, 2024
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

A study was prepared on August 5, 2025 by Accurate Reserve Professionals, LLC for the period beginning January 1, 2026 to December 31, 2026 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. Funding requirements consider an annual inflation rate of 3% and interest of 1% net of taxes, on amounts funded for future major repairs and replacements. The following table is based on the study and presents significant information about the components of common property.

<u>Component</u>	Estimated Remaining Useful Life in Years	Estimated Current Replacement Costs	Unspent Reserve at Year End
Gravel Areas	0	\$ 3,610	
Drainage System	1	2,370	
Surveillance System	0	10,400	
Box Truck	0	79,600	
Well Casings	48-70	721,000	
Submersible Well Pumps	7-10	27,010	
Water Mains	16-59	10,167,500	
Water Mains Bridge	44	122,500	
Booster Pumps	5	7,420	
VFD & Surge Compressors	14	12,500	
Water Meters	9	115,500	
Water Tanks	4-26	270,250	
Generators	2-20	145,340	
Telemetry System	8	26,500	
Cottonwood Building Exterior	14	30,900	
Water Tank Building Exterior	12	5,150	
Water Tank Shed	17	7,730	
Chiwawa Building Exterior	21	19,580	
TOTAL			\$ <u>205,988</u>

Percent Funded

5.1%