
NISQUALLY PINES COMMUNITY CLUB
(A Washington Non-Profit Corporation)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(With summarized comparative totals as of and for the year ended September 30, 2024)

NISQUALLY PINES COMMUNITY CLUB
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nisqually Pines Community Club
Yelm, WA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nisqually Pines Community Club (the "Club") (a nonprofit organization), which comprise the balance sheet as of September 30, 2025, and the related statements of revenues, expenses and 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 balance sheet of the Club, as of September 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the Club 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 opinions.

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 the Club'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 and *Government 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 and *Government 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 the Club'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 the Club'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.

Report on Summarized Comparative Information

We have previously audited the financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements as detailed in the notes to the financial statements in the note titled Future Major Repairs and Replacements be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2026, on our consideration of the Club's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Club's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Club's internal control over financial reporting and compliance.

Alken & Sanders

**Alken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants**

February 16, 2026

FINANCIAL STATEMENTS

NISQUALLY PINES COMMUNITY CLUB
BALANCE SHEET
SEPTEMBER 30, 2025
(With summarized comparative totals as of September 30, 2024)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 611,706	\$ 414,231
Cash-Restricted for future major repairs	864,239	558,423
Cash-USDA loan	102,823	106,712
Cash-Emergency fund	20,346	20,346
Accounts receivable, net	41,507	41,685
Settlement receivable, net	-	236,439
Prepaid expenses	<u>17,013</u>	<u>12,892</u>
Total current assets	<u>1,657,634</u>	<u>1,390,728</u>
Noncurrent assets		
Property and equipment, net	2,660,611	2,876,913
Restricted investments	233,831	244,087
Operating lease right-to-use assets, net	<u>8,059</u>	<u>-</u>
Total noncurrent assets	<u>2,902,501</u>	<u>3,121,000</u>
Total assets	<u>4,560,135</u>	<u>4,511,728</u>
 LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Accrued payable	48,574	43,271
Long-term debt	81,078	78,922
Operating lease liabilities	<u>1,644</u>	<u>-</u>
Total current liabilities	<u>131,296</u>	<u>122,193</u>
Noncurrent liabilities		
Long-term debt, net of current portion	752,953	834,139
Operating lease liabilities, net of current portion	<u>6,415</u>	<u>-</u>
Total noncurrent liabilities	<u>759,368</u>	<u>834,139</u>
Total liabilities	<u>890,664</u>	<u>956,332</u>
 EQUITY		
Fund balance	<u>3,669,471</u>	<u>3,555,396</u>
Total equity	<u>3,669,471</u>	<u>3,555,396</u>
Total liabilities and equity	<u>\$ 4,560,135</u>	<u>\$ 4,511,728</u>

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

NISQUALLY PINES COMMUNITY CLUB
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(With summarized comparative totals for the year ended September 30, 2024)

	2025	2024
Support and revenue		
Membership dues and assessments	\$ 818,532	\$ 743,287
Water system revenues	233,994	266,618
Late fee income and interest charges	33,843	34,569
Legal fees charged to residents	1,248	1,158
Clubhouse rental	6,840	7,315
Pool fees, non-member	2,779	2,055
Interest and dividend income	11,880	12,050
Investment gain/(loss)	(10,244)	26,263
Settlement income	-	236,439
Miscellaneous service fees and charges	10,207	4,575
Total support and revenue	1,109,079	1,334,329
Expenses		
Payroll	269,691	251,614
Payroll taxes	28,908	26,345
Employee benefits	44,049	43,685
Depreciation and amortization	274,187	289,702
Legal fees	2,871	1,025
Security	34,507	30,685
Interest expense	23,608	26,529
Repair and maintenance	58,889	112,627
Utilities	69,029	55,208
Other professional services	43,830	37,591
Supplies	40,834	39,561
Insurance	26,764	25,945
Taxes and licenses	14,070	13,398
Vehicles	15,698	15,148
Water testing	10,594	10,209
Dues and subscriptions	5,512	6,191
Bank charges	13,421	12,368
Equipment rental	1,197	2,068
Membership activities	719	1,047
Miscellaneous	16,626	2,499
Total expenses	995,004	1,003,445
Increase (decrease) in fund balance	114,075	330,884
Fund balance, beginning of year	3,555,396	3,224,512
Fund balance, end of year	\$ 3,669,471	\$ 3,555,396

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

NISQUALLY PINES COMMUNITY CLUB
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(With summarized comparative totals for the year ended September 30, 2024)

	2025	2024
Cash flows from operating activities		
Increase (decrease) in fund balance	\$ 114,075	\$ 330,884
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities		
Depreciation and amortization	274,187	289,702
Loss/(gain) on disposal of assets	-	4,118
Unrealized (gain)/loss and fees	10,256	(26,263)
Changes in operating assets and liabilities		
Accounts receivable, net	178	(15,828)
Settlement receivable, net	236,439	(236,439)
Operating lease liabilities	(667)	-
Prepaid expenses	(4,121)	(2,323)
Accrued payables	<u>5,303</u>	<u>(29,146)</u>
Net cash provided by/(used in) operating activities	<u>635,650</u>	<u>314,705</u>
Cash flows from investing activities		
Purchase of property and equipment	(57,218)	(688,662)
Cash received from investments	-	9,485
Cash paid for investments	<u>-</u>	<u>(9,497)</u>
Net cash provided by/(used in) investing activities	<u>(57,218)</u>	<u>(688,674)</u>
Cash flows from financing activities		
Principal payment on loans	<u>(79,030)</u>	<u>(65,200)</u>
Net cash provided by/(used in) financing activities	<u>(79,030)</u>	<u>(65,200)</u>
Net change in cash and cash equivalents	499,402	(439,169)
Cash and cash equivalents, beginning of year	<u>1,099,712</u>	<u>1,538,881</u>
Cash and cash equivalents, end of year	<u>\$ 1,599,114</u>	<u>\$ 1,099,712</u>
Supplemental Disclosure of Cash Flow information		
Cash paid for interest	<u>\$ 24,462</u>	<u>\$ 38,291</u>

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

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 - NATURE OF ACTIVITIES

Nisqually Pines Community Club (the "Club") is an incorporated association of real property owners located in Yelm, Washington. The Club is comprised of 827 member-owned lots. Ownership of lots includes an undivided membership interest in the common areas and a water system providing water to all lots within the Club.

The Club is responsible for the operations and maintenance of all common areas as well as the water system. Common areas included all roads, parks, and greenbelts with the Nisqually Pines development as well as a swimming pool, a community clubhouse, an office, and maintenance facility, associated parking lots, and other property improvements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting

The Club's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when the service period has occurred or the service has been provided. Expenses are recorded when a liability is incurred. Expenses are allocated to each activity by direct allocation or indirectly as determined by management based on an estimated percentage of use.

B. Cash and cash equivalents

For purposes of the statement of cash flows, the Club considers all highly liquid instruments purchased with an original maturity of three months or less to be cash. USDA loan covenants require the Club to restrict monthly cash balances sufficient to accumulate required loan payments. The Club also has cash restricted for use in future major repairs and maintenance and an emergency fund. Cash in bank deposit accounts at times may exceed insurance coverage provided by the Federal Deposit Insurance Corporation. The Club has not experienced any losses on such deposits and management does not believe the Club is subject to a significant risk of loss on any excesses.

C. Common property

The Club holds title to common real property consisting of common areas of land, a clubhouse, water system, pool, basketball court, parks, business office, and shop complex, common parking areas, and other real property improvements. It is also responsible for maintaining all streets, signage, and similar infrastructure within the Nisqually Pines Community Club development.

Common areas of land originally contributed to the Club by the developer have not been assigned a value. Such land is deemed to be owned by members in proportion to each member's percentage ownership of lots in the Club.

The Club's policy for determining a capital asset is to recognize all common property and certain improvements to land held by the Club. Property and equipment include those assets which are used by the Club in its operations or provide significant benefits to members or may result in significant operating and maintenance costs to the Club or provide a source of revenue to the Club based on the assets' use.

D. Assessments

Club members are subject to monthly assessments to provide funds for the Club's operating expenses, future capital acquisitions, repayment of the water system loans, and major repairs and replacements.

Assessments are billed and payable by the members in twelve monthly installments of \$96.27 and \$92.89 for the fiscal years ending September 30, 2025, and 2024, respectively.

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

D. Assessments - Cont'd

	<u>2025</u>	<u>2024</u>
Basic operating budget	\$ 59.38	\$ 52.38
Long-range plan	21.74	20.15
Water base rate	13.79	17.99
USDA loan	<u>1.36</u>	<u>2.37</u>
Total monthly assessment per lot	<u>\$ 96.27</u>	<u>\$ 92.89</u>

The Club also charges members for their water usage based on meter readings. Other miscellaneous charges, fines, and interest are also included in assessments if required.

E. Restricted investments

Investments designated for future use consist of mutual funds as of September 30, 2025, and 2024.

F. Income tax provision and uncertain tax positions

Nisqually Pines Community Club is a residential management association. The Club uses the cash method of accounting for filing their federal income tax returns. The Club elects on an annual basis to file either Form 1120 or 1120-H, depending on which is most advantageous. For the year ending September 30, 2025, the Club filed Form 1120 and reported income tax expense of \$0. In the years ending September 30, 2024, and 2023, the Club filed Forms 1120 and reported and paid federal income tax of \$0 and \$0, respectively.

The Club files income tax returns in the U.S. federal jurisdiction. The Club is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2022. Currently, there is no examination or pending examination with any federal or state taxing authority.

As of September 30, 2025, there are no tax positions for which deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

G. Leases

The Club recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Club is a lessee in an operating lease, for office equipment. The Club recognizes an operating lease liability and an operating lease right to use asset at the commencement date of the lease. The operating lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the Club uses the U.S. Treasury Bill risk-free rate with a term equivalent to the lease term. The implicit rate of the leases was not readily determinable and accordingly, the Club used the U.S. Treasury Bill risk-free rate based on the information available at the commencement date for the Club lease. The operating lease right to use asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments). Lease cost for lease payments is recognized on a straight-line basis over the lease term.

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

H. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

As of September 30, 2025, and 2024, the carrying amount of the Club's cash deposit were \$1,599,114 and \$1,099,712 the bank balance were \$1,655,229 and \$1,107,181, respectively. The difference between the bank balance and carrying amount represents outstanding checks, deposits in transit, and petty cash.

Cash balances held in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) for up to \$250,000 per banking institution. As of September 30, 2025, and 2024 the Club have \$1,106,953 and \$564,544 uninsured balance, respectively.

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT

Capitalized property and equipment are reported at cost. Expenditures for maintenance and repairs are charged to operations as incurred. New property and equipment, betterments, and major replacements are capitalized if they have a useful life over one year and cost over \$2,500. Depreciation and amortization are computed using the straight-line method of depreciation.

Estimated useful lives for capital assets are as follows:

<u>Group</u>	<u>Useful lives</u>	<u>2025</u>	<u>2024</u>
Water system	5-25 years	\$ 5,194,601	\$ 5,187,667
Safety and security assets	5-7 years	21,274	21,274
Roadways and parking lot assets	5-15 years	849,253	849,253
Pool assets	5-15 years	305,401	260,659
Park equipment assets	5-15 years	66,486	66,486
Maintenance assets	5-15 years	264,660	264,660
Club house assets	5-50 years	318,174	312,632
Admin assets	20-30 years	39,799	39,799
Structure and improvement	5-10 years	30,651	30,651
Loan fees		<u>35,312</u>	<u>35,312</u>
		7,125,611	7,068,393
Less: accumulated depreciation and amortization		<u>(4,465,000)</u>	<u>(4,191,480)</u>
		<u>\$ 2,660,611</u>	<u>\$ 2,876,913</u>

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT - CONT'D

Depreciation and amortization expense were \$273,520 and \$289,702 for the fiscal years ending September 30, 2025, and 2024, respectively. All common property is pledged as collateral for the USDA loan.

NOTE 5 - REVENUE

Member dues and assessments are recognized as revenue when the Club has the right of claim. Water usage revenue is recognized when consumed. Other revenue is recognized when payment is received.

Revenue exclusive of other revenue is as follows for fiscal years ending September 30:

	2025	2024	
<u>Member dues and assessments:</u>			
General assessment dues	\$ 589,287	\$ 519,798	
Long range plan	215,748	199,969	
USDA loan proceeds	13,497	23,520	
Total member dues and assessments	\$ 818,532	\$ 743,287	
<u>Water system revenue:</u>			
Water sales basic assessment	\$ 136,852	\$ 178,533	
Water usage	97,142	88,085	
Total water system revenue	\$ 233,994	\$ 266,618	

NOTE 6 - OPERATING LEASE RIGHT-TO-USE ASSETS

The Club's operating lease right-to-use assets are being amortized over their estimated useful lives as of September 30, 2025 were as follows:

	2025
Operating lease right-to-use assets	\$ 8,726
Less: accumulated amortization	(667)
Total operating lease right-to-use assets	\$ 8,059

Amortization expenses for the year ended September 30, 2025 were \$667.

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 - OPERATING LEASES

During the current year, the Club entered into a five-year equipment lease agreement. The lease requires monthly payments of \$159 and has been classified as an operating lease in accordance with ASC 842, Leases.

The components of lease cost for the year ended September 30, 2025, were as follows:

	2025
<u>Assets</u>	
Operating lease right-to-use assets, net	\$ <u>8,059</u>
Total operating lease right-to-use assets	\$ <u><u>8,059</u></u>
<u>Liabilities</u>	
<u>Short-term</u>	
Operating lease liabilities	\$ 1,644
<u>Long-term</u>	
Operating lease liabilities	<u>6,415</u>
Total operating lease liabilities	\$ <u><u>8,059</u></u>

The components of lease expense were as follows:

Operating lease costs	\$ 795
Other information related to leases were as follows:	
Supplemental cash flow information:	
Cash paid for amounts included in the measurement of lease liability:	
Operating cash flow from operating leases	\$ 795
ROU assets obtained in exchange for lease obligations:	
Operating leases	\$ 8,726
Weighted average remaining lease term:	
Operating leases	4.58 Years
Discount rate:	
Operating leases	3.69%

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 - OPERATING LEASES - CONT'D

Maturities of lease liabilities under operating leases as of September 30, 2025, are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2026	\$ 1,908
2027	1,908
2028	1,908
2029	1,908
2030	<u>1,113</u>
Total undiscounted lease payments	8,745
Less: imputed interest	<u>(686)</u>
Present value of lease liabilities	<u><u>\$ 8,059</u></u>

NOTE 8 - COMMITMENTS

The Club has a contract with the Thurston County Sheriff to provide the Club with an extra duty Sheriff's deputy who provides additional security within the development. Additional security includes checking on the homes of residents who are away and have registered with the Club's office to receive such services.

The contract requires the Club to pay the Sheriff for a minimum of 3 hours per day. The amount paid for the Sheriff's deputy for the years ended September 30, 2025, and 2024 was \$33,777 and \$29,956, respectively.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable are generally from Club members. These members are located within the same geographic area and as such collection could be impacted by local economic conditions. As of September 30, 2025, and 2024, gross accounts receivable were \$59,412 and \$57,376, respectively.

The allowance for bad debts was estimated at \$17,905 and \$15,691, respectively, at year's end. Receivables are written off when properties go to tax sale or when the Club obtains possession of the underlying property at a value less than the outstanding receivable balance. Liens are placed on properties that have an outstanding balance of \$500 or more. The Club has the ability to place liens on the related property as deemed necessary by the Board to help recover outstanding receivable balances. The Club recognized \$13,442 and \$0 in bad debts during the years ended September 30, 2025, and 2024, respectively. Accounts outstanding longer than 90 days are considered past due. \$39,815 in gross accounts receivable were outstanding greater than 90 days at September 30, 2025.

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Club governing documents allow for special assessments for future major repairs and replacements as needed. Dues include a portion for long-term repairs and replacements. Assets held for long range purposes (designated reserves) may not be used without a vote of the general membership.

The Club has conducted a reserve study for future major repairs and replacements to estimate the remaining useful lives. The reserve study was updated on May 22, 2025, without a visual site inspection which is classified as a level 3 update. The Board and membership of the Club have addressed the need to fund such future costs through the annual long range planning assessment. \$215,748, and \$199,969 were assessed in the years ended September 30, 2025, and 2024, respectively.

As of September 30, 2025, and 2024, the Club had \$1,098,070 and \$802,510, respectively, in funds designated for such long-range purposes.

The following table is based on the reserve study and presents significant information about the components of common property and the estimated expenditures over the next 30 years.

<u>Category</u>	<u>Remaining estimated useful lives</u>	<u>Total expenditure over 30 years</u>
Site improvements	1-25 years	\$ 5,715,441
Structure	8 years	120,039
Roofing	11-45 years	34,792
Exterior	5-49 years	141,423
Electrical system	5-24 years	290,785
Plumbing system	3-19 years	1,108,086
HVAC system	13 years	146,742
Fire detection and suppression	29 years	266,292
Common interior finishes	1-20 years	440,693
Miscellaneous mechanical	2-17 years	993,344
Amenities	3-25 years	404,427
		<u>\$ 9,662,064</u>

NOTE 11 - LONG-TERM DEBT

On April 13, 2013, the Club entered into a loan agreement with USDA-Rural Development. The loan agreement provided funds to rehabilitate a portion of the Club's water system. The principal amount borrowed totaled \$2,501,000 at an interest rate of 2.75% per annum with semiannual payments of \$51,746 payable for 40 years. The Club made an additional loan payment of \$850,000 during September of 2023. The note is collateralized by all common property and requires the Club to establish a reserve account for future debt payments, maintenance, and other restrictions set forth in the Loan Resolution Security Agreement. A total of \$103,492 must be maintained in the account. The amount set aside is less than the required amount.

The balance on the note for the years ended September 30, 2025, and 2024 totaled \$834,031 and \$913,061, respectively. Accrued interest for years ended September 30, 2025, and 2024 totaled \$10,745 and \$11,727, respectively.

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 - LONG-TERM DEBT - CONT'D

The following table represents future principal payments for years ending September 30:

<u>Years Ending September 30,</u>	<u>Amount</u>
2026	\$ 81,078
2027	83,355
2028	85,663
2029	88,035
2030	90,473
Thereafter	<u>405,427</u>
Total	<u>\$ 834,031</u>

NOTE 12 - FAIR VALUE MEASUREMENTS

The Club investments are measured at fair value in accordance with accounting principles generally accepted in the United States (US GAAP). US GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under US GAAP are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on September 30, 2025.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Club at year end.

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 12 - FAIR VALUE MEASUREMENTS - CONT'D

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, Club's assets at fair value as of September 30, 2025, with comparative total for 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 233,831	\$ -	\$ -	\$ 233,831
Total assets at fair value	\$ 233,831	\$ -	\$ -	\$ 233,831
	2024			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 244,087	\$ -	\$ -	\$ 244,087
Total assets at fair value	\$ 244,087	\$ -	\$ -	\$ 244,087

NOTE 13 - FUND BALANCE

The Club maintains, within fund balance, reserve funds for future major repairs and replacements and emergency. The Composition of fund balance is as follows:

<u>Category</u>	<u>Unrestricted</u>	<u>Emergency reserves</u>	<u>Future major repairs and replacements</u>	<u>Total</u>
Balance October 1, 2023	\$ 1,925,097	\$ 20,000	\$ 1,279,415	\$ 3,224,512
FYE September 30, 2024 profit	330,884	-	-	330,884
Long range planning assessment	(199,969)	-	199,969	-
Use of reserve funds	674,442	-	(674,442)	-
Balance September 30, 2024	2,730,454	20,000	804,942	3,555,396
FYE September 30, 2025 profit	114,075	-	-	114,075
Long range planning assessment	(215,748)	-	215,748	-
Use of reserve funds	-	-	-	-
Transfer	(77,380)	-	77,380	-
Balance September 30, 2025	\$ 2,551,401	\$ 20,000	\$ 1,098,070	\$ 3,669,471

**NISQUALLY PINES COMMUNITY CLUB
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 14 - LEGAL SETTLEMENT

The Club participated in litigation related to the United States Government's taking of certain Club owned land used for a recreational trail. The litigation was settled at the end of 2024 and the Club received proceeds totaling \$236,439 in April of 2025. The proceeds included interest income of \$54,685, attorney fees awarded of \$8,209, and were net of attorney fees paid of \$116,455.

NOTE 15 - EVALUATION OF SUBSEQUENT EVENTS

Club has evaluated subsequent events through February 16, 2026, the date the financial statements were available for issuance, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, nor have any subsequent events occurred, the nature of which would require disclosure.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Nisqually Pines Community Club
Yelm, WA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nisqually Pines Community Club, which comprise the balance sheet as of September 30, 2025, and the related statements of revenues, expenses and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Club's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Club's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alken & Sanders

**Alken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants**

February 16, 2026

**NISQUALLY PINES COMMUNITY CLUB
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings reported in the current year.

**NISQUALLY PINES COMMUNITY CLUB
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

There were no findings reported in the prior year that require a status update.