

BURTON WATER COOPERATIVE

REVIEWED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Prepared By

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BURTON WATER COOPERATIVE

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Burton Water Cooperative
Vashon, Washington

We have reviewed the accompanying financial statements of Burton Water Cooperative (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statement of activities and cash flow for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Burton Water Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Branch, Richards & Co., P.S.

Seattle, Washington
February 25, 2026

BURTON WATER COOPERATIVE

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2025

Assets

Current Assets

Cash and cash equivalents	\$	541,343
Accounts receivable		29,288
Investments		357,267
Total Current Assets		<u>927,898</u>

Capital Assets

Property and equipment		791,338
Office equipment		8,685
less accumulated depreciation		<u>(36,912)</u>
Net property and equipment		763,112
Land		<u>6,412</u>
Total Capital Assets		769,524

Other Assets

Cash restricted for Debt Service Reserve and Short Lived Asset Reserve		18,462
Intangibles		<u>411,996</u>
Total Other Assets		430,458

Total Assets	\$	<u><u>2,127,880</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	698
Customer deposits		2,373
Current maturities, long term debt		<u>20,468</u>
Total current liabilities		23,539

Non-Current Liabilities

Note payable, net of current maturities		<u>1,282,601</u>
Total Liabilities		1,306,140

Net Assets

Net assets without restrictions		803,278
Net assets with restrictions		<u>18,462</u>
Total Net Assets		<u>821,740</u>

Total Liabilities and Net Assets	\$	<u><u>2,127,880</u></u>
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BURTON WATER COOPERATIVE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2025

Operating Revenues	
Service fees and charges	\$ 476,216
Connection charges	68,315
Total operating revenues	<u>544,531</u>
Operating expenses	
Salaries and wages	116,476
Payroll taxes and benefits	14,907
Professional services	103,641
Bad debt	152
Insurance	16,435
Office expense	2,695
Utilities	7,832
System operation and maintenance	11,198
Subscriptions	3,455
Taxes	29,343
License and fees	4,682
Depreciation	31,595
Total operating expenses	<u>342,411</u>
Net operating revenues	<u>202,120</u>
Nonoperating revenues (expenses)	
Interest income	18,782
Interest expense	<u>(45,368)</u>
Net nonoperating revenues (expenses)	<u>(26,586)</u>
Change in Net Assets	175,533
Net Assets, beginning of year	<u>646,206</u>
Net Assets, end of year	<u>\$ 821,740</u>

BURTON WATER COOPERATIVE

STATEMENTS OF CASH FLOWS AS OF DECEMBER 31, 2025

Cash flows from operating activities:	
Increase (decrease) in unrestricted net assets from operating activities	\$ 175,533
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	31,595
Cash provided (used) by changes in operating activities:	
Accounts receivable	88,766
Accounts payable	(7,012)
Customer deposits	(2,017)
Net cash provided by (used in) operating activities	<u>286,866</u>
Cash flows from financing activities:	
(Purchase) sale of investments	(357,267)
Advances from note payable	34,200
Principal payments on note payable	(20,380)
Net cash provided by (used in) financing activities	<u>(343,447)</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(8,431)</u>
Net cash provided by (used in) investing activities	<u>(8,431)</u>
Net change in cash and cash equivalents	(65,013)
Cash, cash equivalents, and restricted cash, at beginning of year	<u>624,818</u>
Cash, cash equivalents, and restricted cash, at end of year	<u>\$ 559,805</u>
Reconciliation of cash, cash equivalents and restricted cash	
Cash and cash equivalents	\$ 541,343
Cash restricted for short lived asset reserve	10,560
Cash restricted for loan reserve	7,902
	<u>\$ 559,805</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 45,368</u>

See accompanying independent accountant's review report.

BURTON WATER COOPERATIVE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 - DESCRIPTION OF ENTITY

Burton Water Cooperative (the Organization) a nonprofit corporation was incorporated on March 1, 2022 to maintain and support a rural water system for the Burton Community on Vashon Island, Washington.

The Organization purchased the assets of the Burton Water Company, a privately-owned corporation on October 25, 2024.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. 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.

Basis of Accounting

The financial statements of Burton Water Cooperative have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization presents its financial statements in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-10-65-1. Under FASB ASC No. 958-10-65-1, Burton Water Cooperative is required to report information regarding its financial position and activities according to two classes of net assets: with restrictions and without restrictions. Accordingly, the net assets of the Organization have been reported as follows:

Net Assets Without Restrictions are those currently available at the discretion of the Board for use in the activities of the Organization.

Net Assets With Restrictions – are those restricted to be used for certain purposes or in future periods.

Net assets with restrictions are created only by imposed restrictions on the use of funds. All net assets without restrictions, including board-designated and fiscal agent amounts, are reported as part of the net assets without restrictions class.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of balances held in an operating checking account, savings held in a money market account and fixed annuity. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Organization's cash may be invested in savings accounts, certificates, notes, or bonds of any federally insured bank or credit union of the United States or its agencies, any corporation wholly owned by the government of the United States; or United States dollar denominated bonds, notes or other obligations that are issued or guaranteed by the United States or a United States agency. To the extent possible, funds are maintained in FDIC insured institutions, within the FDIC insured limit (currently \$250,000). If at any time amounts exceed FDIC insured limits at any single institution, account balances are redistributed as soon as practical. The Organization has not experienced any losses on these accounts and management does not believe it is exposed to any significant credit risk.

Accounts Receivables

The Organization's receivable balances consist primarily of unsecured receivables due from customers for water service. Earned revenue is accrued as soon as customer has been billed for service. Payment terms are Net 30 days. Management has deemed that all receivables are collectible, therefore no allowance for doubtful account has been established. At December 31, 2025, accounts receivable balances include outstanding invoices over 90 days of \$13,446.

Capital Assets and Depreciation

The Organization capitalizes all expenditures for furniture and equipment in excess of \$5,000. Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, from 3 to 50 years. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful life.

Federal Income Tax

The Organization is a nonprofit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(12).

The Organization accounts for tax positions in accordance with the Recognition and Initial Measurement Sections of the FASB Accounting Standards Codification Topic 740, Income Taxes. With few exceptions, the Organization is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of December 31, 2025.

Revenue and Revenue Recognition

The Organization recognizes revenue on the date the customer is billed. The Organization invoices customers on a bi-monthly basis.

NOTE 3 – RISK MANAGEMENT

The Organization is insured for directors and officers' liability, employment practice liability, automobile and comprehensive general liability. The Organization is also insured for workers' compensation and employee health. Management is of the opinion that the Organization is sufficiently insured.

NOTE 4 – STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At December 31, 2025, the Organization’s checking account held balances within FDIC insured limits.

NOTE 5 – LIQUIDITY MANAGEMENT

The Organization monitors its liquidity so that it can meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. As part of its liquidity management, the Organization’s strategy is to structure its financial assets to be available to satisfy general operating expenses, current liabilities, and other obligations as they come due. The Organization’s cash, cash equivalent bank and investments accounts are readily available to fund expenses. The Organization’s financial assets available for general operating expenses within one year of the date of the statement of financial position to fund expenses are as follows:

Cash and cash equivalents	\$	541,343
Investments		357,267
Accounts Receivable		29,288
Total Minimum One Year Liquidity	\$	<u>927,898</u>

NOTE 6 – INTANGIBLES

The Organization holds intangible water rights and easements with indefinite useful lives. These intangibles are not amortized but are tested for impairment annually.

NOTE 7 – NOTE PAYABLE

The note payable is due to the US Department of Agriculture. The loan agreement includes a principal amount not to exceed \$1,412,000 with monthly interest and principal payments of \$5,479, with an interest rate of 3.50%, maturing on November 25, 2064, and secured by real estate. The Organization is required to make monthly contributions to a restricted debt service reserve equal to 10% of an annual loan installment until a total of \$65,748 has accumulated. Prior written concurrence from the US Department of Agriculture must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully funded amount is reached. As of December 31, 2025, the loan has an unadvanced amount of \$85,149. Unadvanced funds may be released for approved expenses after those expenses are incurred and submitted for USDA approval, subject to the Letter of Conditions.

NOTE 7 – NOTE PAYABLE (continued)

Note payable for the year ended December 31, 2025 is as follows:

	\$ 1,303,069
Less: Current maturities	<u>(20,468)</u>
Note payable, net	<u>\$ 1,282,601</u>

Approximate maturities of the note payable during the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 20,468
2027	21,196
2028	21,826
2029	22,726
2030	23,535
Thereafter	<u>1,193,318</u>
Total note payable	<u>\$ 1,303,069</u>

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through February 25, 2026, the day the financial reports were available to be issued.