

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

FINANCIAL STATEMENTS

Year Ended
June 30, 2025

Krikorian & Company
Accountancy Corporation

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Stockholders
Musick Meadows Mutual Water Co. #2, Inc.
Shaver Lake, California

We have reviewed the accompanying financial statements of Musick Meadows Mutual Water Co. #2, Inc., which comprise the balance sheet as of June 30, 2025, and the related statements of income and retained earnings and cash flows 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 Company 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 the 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 report.

We are required to be independent of Musick Meadows Mutual Water Co. #2, Inc. 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.

Supplementary Information

The accompanying supplementary information included on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Krikerian & Company Accountancy Corporation

Fresno, California

August 19, 2025

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

BALANCE SHEETS

June 30,	2025
ASSETS	
Current assets	
Cash and cash equivalents	\$ 27,907
Restricted cash and cash equivalents	209,719
Total current assets	237,626
Property and equipment	
Property and equipment, at cost	429,111
Accumulated depreciation	(252,709)
Property and equipment, net	176,402
Total assets	\$ 414,028
LIABILITIES AND STOCKHOLDERS' EQUITY	
Other liabilities	
Other liabilities	\$ 3,140
Total liabilities	3,140
Stockholders' equity	
Common stock, \$100 par value, 83 shares issued and outstanding	8,300
Retained earnings	402,588
Total stockholders' equity	410,888
Total liabilities and stockholders' equity	\$ 414,028

See accompanying notes and independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

Year Ended June 30,	2025
Revenue	
Annual assessments	\$ 64,090
Capital assessments	9,720
Total revenue	73,810
Operating expenses	
Accounting	9,050
Bank fees	98
Fees and taxes	2,509
Insurance	6,221
Maintenance - repairs	4,715
Office expense	2,249
Snow removal	21,450
Utilities	4,039
Water master	12,600
Water testing	2,316
Rent	596
Depreciation and amortization	20,586
Total operating expenses	86,429
Income from operations	(12,619)
Other income (expense)	
Interest income	8,772
Transfer fees	100
Other income	3,823
Total other income	12,695
Income before income taxes	76
Income tax expense	1,842
Net income (loss)	(1,766)
Retained earnings at beginning of year	404,354
Retained earnings at end of year	\$ 402,588

See accompanying notes and independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

STATEMENTS OF CASH FLOWS

Year Ended June 30,	2025
OPERATING ACTIVITIES	
Net loss	\$ (1,766)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation	20,586
Change in operating assets and liabilities:	
Accounts payable	(955)
Net cash provided by operating activities	17,865
INVESTING ACTIVITIES	
Purchases of investments	(18,487)
Net cash used by investing activities	(18,487)
Net increase (decrease) in cash	(622)
Cash and cash equivalents at beginning of year	28,529
Cash and cash equivalents at end of year	\$ 27,907

See accompanying notes and independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

NOTES TO FINANCIAL STATEMENTS

The Company

Musick Meadows Mutual Water Co. #2, Inc., (the "Company"), operates as an incorporated mutual benefit water company on behalf of lot owners in the Musick Meadows subdivision (the "Subdivision"). The Subdivision consists of 83 lots, of which 2 lots have been combined; therefore, only 81 lots are assessed annually. All lot owners may apply for a certificate of membership in the Company that may not be transferred except upon sale of the parcel. Nonpayment of assessments results in forfeiture of the right to water service. Each lot owner holding a membership certificate is entitled to one vote. A significant portion of the Company's revenue is derived from assessments.

Significant Accounting Policies

Basis of accounting

These financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 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 and cash equivalents

All short-term investments with original maturity dates of less than 90 days are considered cash equivalents. Cash equivalents are stated at cost, which approximates market value because of the short maturity of these instruments.

Restricted cash

Restricted cash balance consists of money raised for capital purposes under the Capital Replacement Plan. Lot owners restricted cash for capital replacements and Company improvements and have assessed an additional annual capital assessment for this purpose. At June 30, 2025, the balance in this account was \$209,719.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense when incurred; major renewals and betterments that extend the useful lives are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in current operations. The estimated useful lives of the assets range from 5 to 25 years.

See independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

NOTES TO FINANCIAL STATEMENTS

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment losses were recognized during the year ended June 30, 2025.

Revenue recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, which describes a comprehensive five-step principles-based framework for revenue recognition.

The Company generates revenues from assessments for the right-of-use of water supply and to provide funds for the Company's operating expenses and major repairs and replacements. Revenue from annual assessments is recognized on a monthly basis as earned over the life of the assessment. Assessments are billed and collected at the beginning of the membership term. Amounts received in advance of the membership period are recorded as deferred revenue until earned.

The performance obligations are determined based on the delivery of water usage over time, with performance obligations related to its operating assessments satisfied over time on a daily pro-rata basis using the input method. The Company records assessment revenue monthly. At June 30, 2025, deferred revenue related to membership dues is \$3,140.

Lease accounting

The Company assessed the requirements of FASB ASC 842, *Leases*. The new lease guidance requires lessees to recognize right-of-use assets and lease liabilities for operating leases. As of June 30, 2025, the Company did not have any operating leases.

New accounting pronouncement

On July 1, 2024, the Company adopted FASB ASC Topic 326, *Credit Losses* ("ASC 326"), which introduced a new impairment model (known as the "current expected credit loss model" or "CECL") that is based on expected losses rather than incurred losses. Under CECL, the allowance for credit losses over remaining expected life of such assets. The adoption of ASC 326 had no impact on the Company's financial statement.

Concentration of Credit Risk

The Company's exposure to concentrations of credit risk consist of deposits of cash balances. The Company places its deposits with high-quality financial institutions. At times deposits may exceed the insured amount of \$250,000 provided by the Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses on deposits and believes it is not exposed to any significant credit risk. At June 30, 2025, there are no excess uninsured cash balances.

See independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk (continued)

Major Customers

The Company does not have a concentration of credit risk with respect to revenues and accounts receivable. A major customer is defined as a customer with revenue or accounts receivable greater than 10% of the Company's total sales for the year or accounts receivable at the end of the year.

Major Suppliers

The Company does not have a concentration of credit risk with respect to expenses and accounts payable. A major supplier is defined as a supplier with expense or accounts payable greater than 10% of the Company's total expenses for the year or accounts payable at year-end. The Company has one supplier that performs all of the snow removal. It is not believed there is any risk present due to the other suppliers being readily available.

Contingencies, Risks, and Uncertainties

During March 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. As COVID-19 has continued to spread, the situation continues to evolve, including mandates from federal, state and/or local authorities to mitigate the spread of the virus, which have adversely impacted global commercial activity and have contributed to significant volatility in financial markets. Uncertainty remains regarding increased risks concerning COVID-19 for the foreseeable future.

Property and equipment

Property and equipment, net consisted of the following:

June 30,	2025
Land	\$ 1,169
Water plant and related equipment	374,340
Improvements	53,602
Total cost	429,111
Less: accumulated depreciation	(252,709)
Property and equipment, net	\$ 176,402

Depreciation expense for the year ended June 30, 2025 was \$20,586.

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

NOTES TO FINANCIAL STATEMENTS

Other income

Other income, net consisted of the following:

June 30,	2025
Miscellaneous income	101
Payment refund	3,064
Reimbursement for back flow inspection	658
Property and equipment, net	\$ 3,823

Income Taxes

The Company qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended June 30, 2025. Under that section, the Company is not taxed on all income and expenses related to its exempt purpose of providing water. Net nonexempt income, such as interest earnings, is taxed at federal and state corporate rates. For the year ended June 30, 2025, the provision for income taxes was \$1,842.

Subsequent Events

Management has evaluated subsequent events through August 19, 2025, the date on which the financial statements were available to be issued. The Company did not have any subsequent events requiring recording or disclosure for the year ended June 30, 2025.

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.**BUDGET TO ACTUAL - REVENUES AND EXPENSES**

Year Ended June 30, 2025	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Annual assessments	\$ 64,380	\$ 64,090	\$ (290)
Capital assessments	9,720	9,720	-
Other income	-	12,695	12,695
Total revenue	74,100	86,505	12,405
Operating Expenses			
Accounting	10,650	9,050	(1,600)
Bank fees	-	98	98
Fees and taxes	4,988	4,351	(637)
Insurance	5,800	6,221	421
Maintenance - repairs	16,150	4,715	(11,435)
Office expense	2,275	2,249	(26)
Office supplies	125	-	(125)
Snow removal	19,000	21,450	2,450
Utilities	3,600	4,039	439
Water master	11,768	12,600	832
Water testing	2,316	2,316	-
Rent	632	596	(36)
Depreciation and amortization	19,435	20,586	1,151
Total operating expenses	96,739	88,271	(8,468)
Net income (loss)	\$ (22,639)	\$ (1,766)	\$ 20,873

See accompanying notes and independent accountant's review report