

**TIERRA GRANDE IMPROVEMENT
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

December 31, 2015 AND 2014

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.

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Independent Accountant's Review Report

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To the Board of Directors
Tierra Grande Improvement Association, Inc.
Belen, New Mexico

We have reviewed the accompanying statements of financial position of Tierra Grande Improvement Association, Inc. (the "Association") as of December 31, 2015, and the related statements of activities and cash flows for the year then ended. 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 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2015 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements of Tierra Grande Improvement Association, Inc., as of and for the year ended December 31, 2014, were reviewed by other independent accountants dated June 19, 2015 expressed negative assurance regarding those statements.

Ricci & Company LLC

Albuquerque, New Mexico
April 22, 2016

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 249,546	286,410
Certificates of deposit	182,255	106,912
Assessments receivable and accrued interest on delinquent assessments, less allowance of \$7,500	124,049	111,623
Deferred charges related to foreclosed property	77,236	74,522
Prepaid assets	14,364	13,722
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Total current assets	647,450	593,189
Property and Equipment		
Land held for investment	109,516	157,698
Land	281,893	281,893
Property, equipment, and leasehold improvements, less accumulated depreciation of \$837,978 in 2015 and \$ 798,195 in 2014	42,826	70,394
	<hr/>	<hr/>
Total property and equipment	434,235	509,985
Total other assets	300	300
	<hr/>	<hr/>
Total assets	\$ 1,081,985	1,103,474

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 47,120	45,557
Unrestricted Net Assets	1,034,865	1,057,917
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,081,985	1,103,474

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2015 and 2014

	2015	2014
Revenues		
Annual assessments	\$ 124,763	124,038
Donated land	5,215	18,289
(Loss) gain on land sales	(33,497)	6,329
Interest and other income	11,405	12,486
	<hr/>	<hr/>
Total revenues	107,886	161,142
	<hr/>	<hr/>
Expenses		
Depreciation and amortization	39,782	40,408
Salaries and directors' fees	28,988	27,735
Legal and professional	11,717	19,261
Office	14,727	17,999
Insurance	11,694	11,151
Payroll and property taxes	7,434	9,317
Property maintenance	2,799	1,997
Other operating and administrative expenses	13,794	13,221
	<hr/>	<hr/>
Total expenses	130,935	141,089
	<hr/>	<hr/>
Change in net assets	(23,049)	20,053
Net assets, beginning of year	1,057,917	1,037,864
	<hr/>	<hr/>
Net assets, end of year	\$ 1,034,868	1,057,917
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See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (23,049)	20,053
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated land	(5,215)	(18,289)
Depreciation and amortization	39,782	40,408
Changes in assets and liabilities		
Assessments received and accrued interest on delinquent assessments	(12,426)	(3,974)
Deferred charges related to foreclosed property	(2,714)	18,465
Prepaid assets	(642)	(3,253)
Accounts payable and accrued expenses	1,563	10,948
	<u>(2,701)</u>	<u>64,358</u>
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Net change in land held for investment	49,922	(6,250)
Purchase of property and equipment	(8,739)	(5,079)
Purchase of certificates of deposit	(75,000)	-
Reinvested earnings on certificates of deposit	(346)	(401)
	<u>(34,163)</u>	<u>(11,730)</u>
Net cash (used) by investing activities		
Net (decrease) increase in cash and cash equivalents	(36,864)	52,628
Cash and cash equivalents, beginning of year	<u>286,410</u>	<u>233,782</u>
Cash and cash equivalents, end of year	<u>\$ 249,546</u>	<u>286,410</u>

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General. Tierra Grande Improvement Association, Inc. ("TGIA" or the "Association") is a New Mexico not-for-profit corporation organized for the purpose of promoting and developing the common good and social welfare of the community near Rio Communities, New Mexico, called Tierra Grande.

Cash and cash equivalents. For purposes of reporting the statements of cash flows, TGIA considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all certificates of deposit with a maturity of three months or less to be cash equivalents.

Assessments receivable and allowance for doubtful accounts. Assessments receivable represent charges due from members. They are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts of unpaid assessments using historical trends of collection of unpaid assessments and amounts recouped from foreclosure sales. Based upon their assessment, management has determined the allowance of \$7,500 at December 31, 2015 and 2014 is adequate to absorb possible losses. Assessments receivable collected that were previously written off are recorded as income when received.

Land. Land and land held for investment are undeveloped holdings that are owned by TGIA. Land held for investment is recorded at fair value as determined by recent sales of similar lots, at the date of foreclosure.

Property and equipment. TGIA's policy is to capitalize disbursements for property and equipment in excess of \$1,000. Items with a cost of less than \$1,000 are expensed in the year of acquisition. Property and equipment are recorded at cost. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Building	25 years
Leasehold improvements	3 years
Property improvements	10-15 years
Office equipment and furniture	5-7 years

Annual assessment revenue. TGIA is financed primarily through annual fees assessed to members in Tierra Grande. Landowners live in various parts of the country. The assessments are recognized as income at the time they are levied

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The annual assessments are levied on October 1 of each year and are due before January 1 of the following year. If the assessments are not paid by January 1, they become delinquent, and TGIA adds an additional interest charge of 8% per annum to the assessment. Interest is recognized as it is earned. If the assessments are not paid within three years, TGIA may place a lien on the lots against which the assessments were levied.

<u>Lot Size</u>	<u>Annual Assessment</u>
5 but less than 9.99 acres	\$ 30
10 but less than 19.99 acres	45
10 but less than 19.99 acres	60
40 acres and over	75

Property maintenance. While major improvements and betterments such as phone lines, fencing, and the fire station are capitalized as property and equipment, smaller improvements and maintenance costs are expensed. Minor improvements, property maintenance, and surveys totaling \$ 2,799 in 2015 and \$1,997 in 2014, were expensed.

Income taxes. TGIA is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(4).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

Subsequent events. Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements.

The Association has evaluated subsequent events through April 22, 2016, which is the date the financial statements were available to be issued.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2. CONCENTRATIONS OF CREDIT RISK

TGIA, in the ordinary course of business maintains bank balances in excess of FDIC insurance limits. However the Association routinely evaluates the credit worthiness of the financial institution and it is the Association's belief that the financial institution does not pose TGIA to significant risk of loss.

NOTE 3. DEFERRED CHARGES RELATED TO FORECLOSED PROPERTY

TGIA forecloses on lots for nonpayment of past assessments. Most of such lots have been sold to the public in annual auctions. At December 31, 2015 and 2014, there were \$77,236 and \$74,522, respectively, of legal and title costs incurred during the process which are expected to be recaptured, in addition to the unpaid assessments, upon the sale of the foreclosed lots. During 2014, TGIA received \$38,867 related to delinquent assessments and other costs pertaining to outside party purchases.

NOTE 4. DONATED LAND

During 2015, TGIA received five lots at donated lots at an estimated fair value of \$5,215. During 2014, TGIA received ten donated lots at an estimated fair value of \$18,289. Estimated fair value is determined based on land sales in the area.

NOTE 5. COMMITMENTS

The Association has entered into a long-term lease commitment for office space until October 26, 2018 and a copier until December 31, 2019. Costs incurred and charged to operations under the agreements totaled \$6,360 and \$5,191 for the years ended December 31, 2015 and 2014. Future commitments under these long-term leases are as follows:

Years ended December 31:	
2016	\$ 6,360
2017	6,360
2018	5,510
2019	<u>1,260</u>
Total	<u>\$ 19,490</u>