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## Independent Accountant's Review Report

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, 2017 and 2016, and the related statements of activities and cash flows for the years 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 reviews 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 reviews, we are not aware of any material modifications that should be made to the accompanying 2017 and 2016 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Ricci & Company LLC*

Albuquerque, New Mexico  
May 15, 2018

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 and 2016**

**ASSETS**

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 222,075	235,451
Certificates of deposit	233,175	182,602
Assessments receivable and accrued interest on delinquent assessments, less allowance of \$7,500	161,530	145,417
Deferred charges related to foreclosed property	101,686	77,971
Prepaid assets	14,140	14,073
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<b>Total current assets</b>	<b>732,606</b>	<b>655,514</b>
	<hr/>	<hr/>
Property and Equipment		
Land held for investment	106,247	113,305
Land	281,893	294,593
Property, equipment, and leasehold improvements, less accumulated depreciation of \$783,291 in 2017 and \$ 861,715 in 2016	7,394	43,232
	<hr/>	<hr/>
<b>Total property and equipment</b>	<b>395,534</b>	<b>451,130</b>
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Other assets	300	300
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 1,128,440</b>	<b>1,106,944</b>
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<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 47,671	48,931
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Unrestricted Net Assets	1,080,769	1,058,013
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 1,128,440</b>	<b>1,106,944</b>
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*See Notes to Financial Statements.*

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Year Ended December 31, 2017 and 2016**

	2017	2016
Revenues		
Annual assessments	\$ 124,912	124,776
Donated land	2,376	4,289
Gain (loss) on land sales	18,695	(115)
Interest and other income	14,891	13,350
	<hr/>	<hr/>
<b>Total revenues</b>	<b>160,874</b>	<b>142,300</b>
	<hr/>	<hr/>
Expenses		
Depreciation and amortization	4,077	23,737
Salaries and directors' fees	34,409	35,675
Donated assets	28,286	50
Legal and professional	15,216	12,914
Office	17,887	13,613
Insurance	13,752	12,667
Payroll taxes	2,276	2,359
Property taxes	750	3,839
Property maintenance	9,171	406
Other operating and administrative expenses	12,294	13,892
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<b>Total expenses</b>	<b>138,118</b>	<b>119,152</b>
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<b>Change in net assets</b>	<b>22,756</b>	<b>23,148</b>
Net assets, beginning of year	1,058,013	1,034,865
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<b>Net assets, end of year</b>	<b>\$ 1,080,769</b>	<b>1,058,013</b>
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*See Notes to Financial Statements.*

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 22,756	23,148
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain (loss) on land sales	(18,695)	-
Donated land	(2,376)	(4,288)
Donated fire station to the City	28,286	-
Depreciation and amortization	4,077	23,737
Changes in assets and liabilities		
Assessments receivable and accrued interest on delinquent assessments	(16,113)	(21,368)
Deferred charges related to foreclosed property	(23,715)	(734)
Prepaid assets	(67)	291
Accounts payable and accrued expenses	1,260	1,806
	<hr/>	<hr/>
Net cash provided (used) by operating activities	(4,587)	22,592
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of land	22,026	-
Net change in land held for investment	7,058	500
Net change in land	12,700	-
Purchase of property and equipment	-	(36,841)
Reinvested earnings on certificates of deposit	(50,573)	(346)
	<hr/>	<hr/>
Net cash used by investing activities	(8,789)	(36,687)
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Net decrease in cash and cash equivalents	(13,376)	(14,095)
Cash and cash equivalents, beginning of year	235,451	249,546
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Cash and cash equivalents, end of year	\$ 222,075	235,451
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*See Notes to Financial Statements.*

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**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, 2017 and 2016 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, 2017 and 2016**

**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
20 but less than 39.99 acres	60
40 acres and over	75

*Property maintenance.* While major improvements and betterments such as phone lines, and fencing are capitalized as property and equipment, smaller improvements and maintenance costs are expensed. Minor improvements, property maintenance, and surveys totaling \$9,171 in 2017 and \$406 in 2016, 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 May 15, 2018, which is the date the financial statements were available to be issued.

*New Pronouncements.* FASB has issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this update were issued to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, and upon adoption, the Association will be required to disclose qualitative and

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

quantitative information about its contracts with customers, the significant judgements and changes in those judgements as well as any assets recognized from the costs to obtain or fulfill a contract with a customer. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Early adoption of ASC Topic 606 is permitted for public business entities and certain other specified entities only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Association has not yet adopted Topic 606.

FASB has issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted; however, the Association has not yet adopted.

**NOTE 2. CONCENTRATIONS OF CREDIT RISK**

TGIA, in the ordinary course of business, sometimes 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, 2017 and 2016, there were \$101,686 and \$77,971, 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 2017, TGIA received \$26,555 related to delinquent assessments and other costs pertaining to outside party purchases, other than an auction.

**NOTE 4. DONATED LAND**

During 2017, TGIA received four donated lots at an estimated fair value of \$2,376. During 2016, TGIA received five donated lots at an estimated fair value of \$4,289. Estimated fair value is determined based on land sales in the area.

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**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 \$5,100 and \$6,425 for the years ended December 31, 2017 and 2016. Future commitments under these long-term leases are as follows:

Years ended December 31:	
2018	\$ 5,575
2019	1,325

**NOTE 6. DONATED FIRE STATION**

During 2017, TGIA donated the fire station to the City of Rio Communities at the net book value of \$28,286.