

**TIERRA GRANDE IMPROVEMENT
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

December 31, 2019 AND 2018

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.

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Lee A. Baldwin, CPA, CFE, CGFM
Accounting Director
Your Trusted Advisor

Independent Accountant's
Review Report

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

We have reviewed the accompanying statement of financial position of Tierra Grande Improvement Association, Inc. (the "Association") as of December 31, 2019 and 2018, and the related statement 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 2019 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Baldwin Accounting & Consulting, LLC

Baldwin Accounting & Consulting, LLC

Albuquerque, New Mexico

May 25, 2020

FINANCIAL STATEMENTS

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 189,531	212,482
Certificates of deposit	316,085	283,799
Assessments receivable and accrued interest on delinquent assessments, less allowance of \$10,510 in 2019 and \$10,510 in 2018	145,852	145,648
Deferred charges related to foreclosed property	119,663	109,694
Prepaid assets	14,603	13,262
Total current assets	785,734	764,885
Property and Equipment		
Land held for investment	80,762	82,139
Land	281,893	281,893
Property, equipment, and leasehold improvements, less accumulated depreciation of \$782,978 in 2019 and \$780,799 in 2018	2,430	4,609
Total property and equipment	365,085	368,641
Other assets	300	300
Total assets	\$ 1,151,119	1,133,826
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 8,572	6,293
Accrued liabilities	40,506	39,908
Unrestricted Net Assets	1,102,041	1,087,625
Total liabilities and net assets	\$ 1,151,119	1,133,826

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF ACTIVITIES
December 31, 2019 and 2018

	2019	2018
Revenues		
Annual assessments	\$ 116,274	100,150
Total revenues	116,274	100,150
Expenses		
Depreciation and amortization	2,179	3,508
Salaries and directors' fees	48,227	42,141
Donated assets	200	100
Legal and professional	21,787	13,708
Office	24,214	22,252
Insurance	13,751	14,156
Payroll taxes	3,404	2,885
Property maintenance	339	2,481
Other operating and administrative expenses	6,701	6,215
Total expenses	120,802	107,446
Operating income (loss)	(4,528)	(7,296)
Other income (expense)		
Donated land	-	1,000
Property taxes recovered	281	(111)
Gain (loss) on land sales	1,502	(2,371)
Interest and other income	17,161	15,634
Total other income (expense)	18,944	14,152
Change in net assets	14,416	6,856
Net assets, beginning of year	1,087,625	1,080,769
Net assets, end of year	\$ 1,102,041	1,087,625

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF CASH FLOWS
December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 14,416	6,856
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gain) loss on land sales	(1,502)	2,371
Donated land	-	(1,000)
Donated fire station to the City	-	-
Depreciation and amortization	2,179	3,508
Changes in assets and liabilities		
Assessments receivable and accrued interest on delinquent assessments	(204)	15,882
Deferred charges related to foreclosed property	(9,969)	(17,821)
Prepaid assets	(1,341)	878
Accounts payable and accrued expenses	2,279	(1,470)
Net cash provided by operating activities	5,858	9,204
Cash flows from investing activities		
Proceeds from sale of land	4,854	55,212
Net change in land held for investment	(1,377)	(24,108)
Net change in land	-	-
Purchase of property and equipment	-	723
Reinvested earnings on certificates of deposit	(32,286)	(50,624)
Net cash used by investing activities	(28,809)	(18,797)
Net decrease in cash and cash equivalents	(22,951)	(9,593)
Cash and cash equivalents, beginning of year	212,482	222,075
Cash and cash equivalents, end of year	\$ 189,531	212,482

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 \$10,510 at December 31, 2019, which has remained steady at \$10,510 from 2018, 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, 2019 and 2018

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
20but less than 39.99 acres	60
40 acres and <i>over</i>	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 \$338 in 2019 and \$2,481 in 2018, 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 24, 2020, 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 Company will be required to disclose qualitative and

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 Company 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 Company 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, 2019 and 2018, there were \$119,663 and \$109,694, respectively, of legal and title costs incurred during the process which are expected to be recaptured, upon the sale of the foreclosed lots. During 2019 and 2018, TGIA received \$13,466 and \$55,797, respectively, related to recovering costs of foreclosing pertaining to outside party purchases, other than an auction.

NOTE 4. DONATED LAND

During 2019, TGIA did not receive any donated lots. During 2018, TGIA received two donated lots at an estimated fair value of \$1,000. Estimated fair value is determined based on land sales in the area.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5. COMMITMENTS

The Association has entered into a long-term lease commitment for office space until August 31, 2023 and a copier until August, 31, 2023. Costs incurred and charged to operations under the agreements totaled \$8,291 and \$7,129 for the years ended December 31, 2019 and 2018. Future commitments under these long-term leases are as follows:

Years ended December 31:	
2020	\$ 7,616
2021	7,616
2022	7,616
2023	<u>5,077</u>
	\$ 27,925

NOTE 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 25, 2020, the date that the financial statements were available to be issued.

COVID-19 – Subsequent to the year-end 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from international, federal, state and local authorities requiring forced closures of various schools, businesses and other facilities and organizations. These forced closures could negatively impact the Association’s business. While the closures and limitations on movement, domestically and internationally, are expected to be temporary, the duration of the supply chain disruption, and related financial impact, cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread, the impact could have a material adverse effect on the Association’s financial position, results of operations and cash flows.