

**TIERRA GRANDE IMPROVEMENT  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2020 AND 2019**

**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, 2020 and 2019, 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 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

**Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for 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.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2020 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

June 8, 2021

## **FINANCIAL STATEMENTS**

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 214,492	\$ 189,531
Certificates of deposit	636,392	316,085
Assessments receivable and accrued interest on delinquent assessments, less allowance of \$10,510 in 2019 and \$10,510 in 2018	202,449	145,852
Deferred charges related to foreclosed property	107,166	119,663
Prepaid assets	13,146	14,603
<b>Total current assets</b>	<b>1,173,645</b>	<b>785,734</b>
Property and Equipment		
Land held for investment	81,849	80,762
Land	281,893	281,893
Property, equipment, and leasehold improvements, less accumulated depreciation of \$782,978 in 2019 and \$780,799 in 2018	1,495	2,430
Total property and equipment	365,237	365,085
Other assets	300	300
<b>Total assets</b>	<b>\$ 1,539,182</b>	<b>\$ 1,151,119</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 7,237	\$ 8,572
Accrued liabilities	41,568	40,506
Unrestricted Net Assets	1,490,377	1,102,041
<b>Total liabilities and net assets</b>	<b>\$ 1,539,182</b>	<b>\$ 1,151,119</b>

*See Notes to Financial Statements.*

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC**  
**STATEMENT OF ACTIVITIES**  
**December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Annual assessments	\$ 206,842	\$ -	\$ 206,842
<b>Total revenues</b>	<u>206,842</u>	<u>-</u>	<u>206,842</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	
<b>Total revenues, support, &amp; reclassifications</b>	<u>206,842</u>	<u>-</u>	<u>206,842</u>
Expenses			
Depreciation and amortization	1,834	-	1,834
Salaries and directors' fees	55,290	-	55,290
Donated assets	-	-	-
Legal and professional	602	-	602
Office	30,918	-	30,918
Insurance	14,963	-	14,963
Payroll taxes	4,003	-	4,003
Property maintenance	2,478	-	2,478
Other operating and administrative expenses	6,984	-	6,984
<b>Total expenses</b>	<u>117,072</u>	<u>-</u>	<u>117,072</u>
<b>Operating income (loss)</b>	89,770	-	89,770
Other income (expense)			
Donated land	1,587	-	1,587
Property taxes recovered	(1,569)	-	(1,569)
Gain (loss) on land sales	768	-	768
Interest and other income	297,780	-	297,780
<b>Total other income (expense)</b>	<u>298,566</u>	<u>-</u>	<u>298,566</u>
Change in net assets	388,336	-	388,336
Net assets, beginning of year	<u>1,102,041</u>	<u>-</u>	<u>1,102,041</u>
<b>Net assets, end of year</b>	<u>\$ 1,490,377</u>	<u>\$ -</u>	<u>\$ 1,490,377</u>

*See Notes to Financial Statements.*

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC**  
**STATEMENT OF ACTIVITIES**  
**December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Annual assessments	\$ 116,274	\$ -	\$ 116,274
<b>Total revenues</b>	<u>116,274</u>	<u>-</u>	<u>116,274</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	
<b>Total revenues, support, &amp; reclassifications</b>	<u>116,274</u>	<u>-</u>	<u>116,274</u>
Expenses			
Depreciation and amortization	2,179	-	2,179
Salaries and directors' fees	48,227	-	48,227
Donated assets	200	-	200
Legal and professional	21,787	-	21,787
Office	24,214	-	24,214
Insurance	13,751	-	13,751
Payroll taxes	3,404	-	3,404
Property maintenance	339	-	339
Other operating and administrative expenses	<u>6,701</u>	<u>-</u>	<u>6,701</u>
<b>Total expenses</b>	<u>120,802</u>	<u>-</u>	<u>120,802</u>
<b>Operating income (loss)</b>	(4,528)	-	(4,528)
Other income (expense)			
Donated land	-	-	-
Property taxes recovered	281	-	281
Gain (loss) on land sales	1,502	-	1,502
Interest and other income	<u>17,161</u>	<u>-</u>	<u>17,161</u>
<b>Total other income (expense)</b>	<u>18,944</u>	<u>-</u>	<u>18,944</u>
Change in net assets	14,416	-	14,416
Net assets, beginning of year	<u>1,087,625</u>	<u>-</u>	<u>1,087,625</u>
<b>Net assets, end of year</b>	<u>\$ 1,102,041</u>	<u>\$ -</u>	<u>\$ 1,102,041</u>

*See Notes to Financial Statements.*

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC**  
**STATEMENTS OF CASH FLOWS**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 388,336	\$ 14,416
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gain) loss on land sales	(768)	(1,502)
Donated land	(1,587)	-
Donated fire station to the City	-	-
Depreciation and amortization	1,834	2,179
Changes in assets and liabilities		
Assessments receivable and accrued interest on delinquent assessments	(56,253)	(204)
Deferred charges related to foreclosed property	12,497	(9,969)
Prepaid assets	1,457	(1,341)
Accounts payable and accrued expenses	<u>(1,335)</u>	<u>2,279</u>
Net cash provided by operating activities	<u>344,181</u>	<u>5,858</u>
Cash flows from investing activities		
Proceeds from sale of land	-	4,854
Net change in land held for investment	1,087	(1,377)
Net change in land	-	-
Purchase of property and equipment	-	-
Reinvested earnings on certificates of deposit	<u>(320,307)</u>	<u>(32,286)</u>
Net cash used by investing activities	<u>(319,220)</u>	<u>(28,809)</u>
Net decrease in cash and cash equivalents	24,961	(22,951)
Cash and cash equivalents, beginning of year	<u>189,531</u>	<u>212,482</u>
Cash and cash equivalents, end of year	<u>\$ 214,492</u>	<u>\$ 189,531</u>

*See Notes to Financial Statements.*



**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**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, 2020, which has remained steady at \$10,510 from 2019, 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, 2020 and 2019**

**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	\$ 50
10 but less than 19.99 acres	75
20but less than 39.99 acres	100
40 acres and <i>over</i>	125

*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 \$2,477 in 2020 and \$338 in 2019, 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.

*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, 2020 and 2019**

**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, 2021. 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. 606 is not applicable to the Association as the purpose of the Association as a landowners association is to monitor compliance with and enforcing the Association's protective covenants, adopt and publish rules and regulations governing the use of Tierra Grande property, establishing assessments and collecting annual charges and all other charges referred to in the indentures/covenants, and preserving the open space. There are not common area maintenance and improvements, as would be in a home owners association.

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, 2021. 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, 2020 and 2019, there were \$107,166 and \$119,663, respectively, of legal and title costs incurred during the process which are expected to be recaptured, upon the sale of the foreclosed lots. During 2020 and 2019, TGIA received \$17,250 and \$13,466, respectively, related to recovering costs of foreclosing pertaining to outside party purchases, other than an auction.

**NOTE 4. DONATED LAND**

During 2020, TGIA did not receive any donated lots. During 2019, 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, 2020 and 2019**

**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 \$6,000 and \$6,000 for the years ended December 31, 2020 and 2019. Future commitments under these long-term leases are as follows:

Years ended December 31:		
2021	\$	6,000
2022		6,000
2023		<u>6,000</u>
	\$	<u>18,000</u>

**NOTE 6. EASEMENTS**

The Association has received income for two easements for powerlines through Tierra Grande owned property, totaling \$274,505 for the year ended December 31, 2020. This income is not expected to be recurring.

**NOTE 7. LIQUIDITY**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, is computed as follows:

	<b>2020</b>	<b>2019</b>
Cash at year end	\$ 214,492	\$ 189,531
Accounts Receivable without restrictions	202,449	145,852
Less purpose restricted net assets	<u>-</u>	<u>-</u>
	<u>\$ 416,941</u>	<u>\$ 335,383</u>

**NOTE 8. CONTINGENCIES**

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.

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**NOTE 9. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 8, 2021, the date that the financial statements were available to be issued.