

**TIERRA GRANDE IMPROVEMENT
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

December 31, 2021 AND 2020

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.

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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 statement of financial position of Tierra Grande Improvement Association, Inc. (the "Association") as of December 31, 2021 and 2020, 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 2021 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 20, 2022

FINANCIAL STATEMENTS

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF FINANCIAL POSITION
December 31, 2021

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 332,186	\$ 214,492
Certificates of deposit	692,475	636,392
Assessments receivable and accrued interest on delinquent assessments, less allowance of \$10,510 in 2021 and \$10,510 in 2020	119,420	202,449
Deferred charges related to foreclosed property	142,347	107,166
Prepaid assets	13,619	13,146
Total current assets	1,300,047	1,173,645
Property and Equipment		
Land held for investment	76,026	81,849
Land	281,893	281,893
Property, equipment, and leasehold improvements, less accumulated depreciation of \$782,978 in 2019 and \$780,799 in 2018	9,240	1,495
Total property and equipment	367,159	365,237
Other assets	300	300
Total assets	\$ 1,667,506	\$ 1,539,182
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 7,351	\$ 7,237
Accrued liabilities	41,050	41,568
Deferred lease income	6,900	-
Unrestricted Net Assets	1,612,205	1,490,377
Total liabilities and net assets	\$ 1,667,506	\$ 1,539,182

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENT OF ACTIVITIES
December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Annual assessments	\$ 198,630	\$ -	\$ 198,630
Total revenues	<u>198,630</u>	<u>-</u>	<u>198,630</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	
Total revenues, support, & reclassifications	<u>198,630</u>	<u>-</u>	<u>198,630</u>
Expenses			
Depreciation and amortization	672	-	672
Salaries and directors' fees	61,945	-	61,945
Bad debt expense	84,040	-	84,040
Donated assets	103	-	103
Legal and professional	15,902	-	15,902
Office	25,321	-	25,321
Insurance	12,489	-	12,489
Payroll taxes	4,082	-	4,082
Property maintenance	1,099	-	1,099
Other operating and administrative expenses	12,307	-	12,307
Total expenses	<u>217,960</u>	<u>-</u>	<u>217,960</u>
Operating income (loss)	(19,330)	-	(19,330)
Other income (expense)			
Donated land	-	-	-
Property taxes recovered	(325)	-	(325)
Gain (loss) on land sales	14,004	-	14,004
Easements	100,000	-	100,000
Interest and other income	27,479	-	27,479
Total other income (expense)	<u>141,158</u>	<u>-</u>	<u>141,158</u>
Change in net assets	121,828	-	121,828
Net assets, beginning of year	<u>1,490,377</u>	<u>-</u>	<u>1,490,377</u>
Net assets, end of year	<u><u>\$ 1,612,205</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,612,205</u></u>

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
Total revenues	<u>206,842</u>	<u>-</u>	<u>206,842</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	
Total revenues, support, & reclassifications	<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
Total expenses	<u>117,072</u>	<u>-</u>	<u>117,072</u>
Operating income (loss)	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
Easements	274,505	-	274,505
Interest and other income	23,275	-	23,275
Total other income (expense)	<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>
Net assets, end of year	<u>\$ 1,490,377</u>	<u>\$ -</u>	<u>\$ 1,490,377</u>

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF CASH FLOWS
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 121,828	\$ 388,336
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gain) loss on land sales	(14,004)	(768)
Donated land	-	(1,587)
Donated fire station to the City	-	-
Depreciation and amortization	672	1,834
Changes in assets and liabilities		
Assessments receivable and accrued interest on delinquent assessments	83,029	(56,253)
Deferred charges related to foreclosed property	(35,181)	12,497
Prepaid assets	(473)	1,457
Accounts payable and accrued expenses	114	(1,335)
Deferred lease income	6,900	-
Net cash provided by operating activities	<u>162,885</u>	<u>344,181</u>
Cash flows from investing activities		
Proceeds from sale of land	-	-
Net change in land held for investment	(5,823)	1,087
Net change in land	-	-
Purchase of property and equipment	-	-
Reinvested earnings on certificates of deposit	(39,369)	(320,307)
Net cash used by investing activities	<u>(45,192)</u>	<u>(319,220)</u>
Net decrease in cash and cash equivalents	117,693	24,961
Cash and cash equivalents, beginning of year	<u>214,492</u>	<u>189,531</u>
Cash and cash equivalents, end of year	<u>\$ 332,185</u>	<u>\$ 214,492</u>

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021, which has remained steady at \$10,510 from 2020, 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, 2021 and 2020

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 \$1,804 in 2021 and \$2,477 in 2020, 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.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements – Leases

On February 25, 2016, the FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the “lease liability”), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported withing operating activities on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2021. (TGIA’s fiscal year ending December 31, 2022). As of the date of these financial statements, management as not determined the impact of this new accounting pronouncement will have on future reporting periods.

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, 2021 and 2020, there were \$142,347 and \$107,166, respectively, of legal and title costs incurred during the process which are expected to be recaptured, upon the sale of the foreclosed lots. During 2021 and 2020, TGIA received \$22,664 and \$17,250, respectively, related to recovering costs of foreclosing pertaining to outside party purchases, other than an auction.

NOTE 4. DONATED LAND

During 2021 and 2020, TGIA did not receive any donated lots.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 5. COMMITMENTS

The Association has entered into a long-term lease commitment for office space until June 30, 2023 and a copier until August, 31, 2023. Costs incurred and charged to operations under the agreements totaled \$7,744 and \$7,744 for the years ended December 31, 2021 and 2020. Future commitments under these long-term leases are as follows:

Years ended December 31:		
2022	\$	7,744
2023		<u>7,744</u>
	\$	15,488

NOTE 6. EASEMENTS

The Association has received income for two easements for powerlines through Tierra Grande owned property, totaling \$100,000 and \$274,505 for the years ended December 31, 2021 and 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:

	2021	2020
Cash at year end	\$ 332,186	\$ 214,492
Accounts Receivable without restrictions	119,420	202,449
Less purpose restricted net assets	<u>-</u>	<u>-</u>
	<u>\$ 451,606</u>	<u>\$ 416,941</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, 2021 and 2020

NOTE 9. ASSESSMENTS RECEIVABLE WRITE-OFF

During 2021, the Association wrote off \$84,040 of long outstanding assessments receivable, due to a change in state law, limiting the period of time for collecting of past due accounts. The Association had to write off all assessments receivable and interest due on accounts older than 5 years and 364 days. This is a requirement that will move forward each year. In September, prior to the October billing, those properties with assessments past due in excess of the 5 years and 364 days will be written off.

NOTE 10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 20, 2022, the date that the financial statements were available to be issued.