TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2023 AND 2022

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, 2023 and 2022, 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 2023 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 25, 2024

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FINANCIAL STATEMENTS

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023

		2023		2022
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**326,136**	$	283,611
Certificates of deposit		**1,679,016**		773,698
Assessments receivable and accrued interest on delinquent assessments, less allowance of $10,510 in 2023 and $10,510 in 2022		**158,196**		150,372
Deferred charges related to foreclosed property		**162,898**		146,484
Prepaid assets		**50,227**		14,578
Lease receivables		**620**		4,750
Total current assets		**2,377,093**		1,373,493
Property and Equipment				
Land held for investment		**75,026**		76,026
Land		**295,893**		281,893
Property, equipment, and leasehold improvements, less accumulated depreciation of $795,108 in 2023 and $782,978 in 2022		**45,002**		32,015
Right to use assets, less accumulated amortization of $7,616 in 2023 and $7,616 in 2022		**43,224**		5,577
Total property and equipment		**459,145**		395,511
Other assets		**300**		300
Total assets	**$**	**2,836,538**	$	1,769,304
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	**$**	**8,401**	$	11,593
Accrued liabilities		**43,564**		42,605
Leased liabilities		**43,224**		5,577
Deferred lease income		**620**		4,750
Unrestricted Net Assets		**2,740,729**		1,704,779
Total liabilities and net assets	**$**	**2,836,538**	$	1,769,304

See Notes to Financial Statements.

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TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENT OF ACTIVITIES
DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Annual assessments	$ 207,585	$ -	$ 207,585
Total revenues	207,585	-	207,585
Net assets released from restrictions	-	-	
Total revenues, support, & reclassifications	207,585	-	207,585
Expenses			
Depreciation and amortization	9,774	-	9,774
Salaries and directors' fees	74,095	-	74,095
Bad debt expense	13,606	-	13,606
Donated assets	-	-	-
Legal and professional	12,487	-	12,487
Office	34,690	-	34,690
Insurance	14,176	-	14,176
Payroll taxes	4,977	-	4,977
Property maintenance	12,235	-	12,235
Other operating and administrative expenses	28,953	-	28,953
Total expenses	204,993	-	204,993
Operating income (loss)	2,592	-	2,592
Other income (expense)			
Donated land	-	-	-
Property taxes recovered	1,423	-	1,423
Gain (loss) on land sales	1,170	-	1,170
Easements	987,395	-	987,395
Interest and other income	43,370	-	43,370
Total other income (expense)	1,033,358	-	1,033,358
Change in net assets	1,035,950	-	1,035,950
Net assets, beginning of year	1,704,779	-	1,704,779
Net assets, end of year	$ 2,740,729	$ -	$ 2,740,729

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENT OF ACTIVITIES
DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Annual assessments	$ 209,114	$ -	$ 209,114
Total revenues	209,114	-	209,114
Net assets released from restrictions	-	-	
Total revenues, support, & reclassifications	209,114	-	209,114
Expenses			
Depreciation and amortization	-	-	-
Salaries and directors' fees	68,679	-	68,679
Bad deb expense	-		-
Donated assets	-	-	-
Legal and professional	13,778	-	13,778
Office	26,305	-	26,305
Insurance	13,149	-	13,149
Payroll taxes	4,639	-	4,639
Property maintenance	3,489	-	3,489
Other operating and administrative expenses	10,399	-	10,399
Total expenses	140,438	-	140,438
Operating income (loss)	68,676	-	68,676
Other income (expense)			
Donated land	-	-	-
Property taxes recovered	(1,868)	-	(1,868)
Gain (loss) on land sales	-	-	-
Easements	-	-	-
Interest and other income	25,766	-	25,766
Total other income (expense)	23,898	-	23,898
Change in net assets	92,574	-	92,574
Net assets, beginning of year	1,612,205	-	1,612,205
Net assets, end of year	$ 1,704,779	$ -	$ 1,704,779

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 1,035,950	$ 92,574
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
(Gain) loss on land sales	(1,170)	-
Donated land	-	-
Depreciation and amortization	9,774	-
Changes in assets and liabilities		
Assessments receivable and accrued interest		
on delinquent assessments	(5,695)	(36,960)
Lease receivables	4,130	2,150
Deferred charges related to foreclosed property	(16,414)	(4,137)
Prepaid assets	(35,649)	(959)
Accounts payable and accrued expenses	(3,192)	4,242
Deferred lease income	(4,130)	(2,150)
Net cash provided by operating activities	983,604	54,760
Cash flows from investing activities		
Proceeds from sale of land	-	-
Net change in land held for investment	1,000	-
Net change in land	-	-
Purchase of property and equipment	(36,761)	(22,112)
Reinvested earnings on certificates of deposit	(905,318)	(81,223)
Net cash used by investing activities	(941,079)	(103,335)
Net decrease in cash and cash equivalents	42,525	(48,575)
Cash and cash equivalents, beginning of year	283,611	332,186
Cash and cash equivalents, end of year	$ 326,136	$ 283,611

See Notes to Financial Statements.

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, 2023, which has remained steady at $10,510 from 2022, 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases. The Association recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Association is a lessee in several noncancellable operating leases, for office space, computers and other office equipment. The Association determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Association recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Association uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Association's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Association has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. We recognize lease cost associated with our short-term leases on a straight-line basis over the lease term.

The Association made an accounting policy election by class of underlying asset, for computers and other office equipment, to account for each separate lease component of a contract and its associated non-lease components (lessor-provided maintenance) as a single lease component.

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.

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 two years, TGIA may place a lien on the lots against which the assessments were levied.

Lot Size	Annual Assessment
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 *over*	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 $12,234 in 2023 and $3,488 in 2022, 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.

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, 2023 and 2022, there were $162,898 and $146,484 respectively, of legal and title costs incurred during the process which are expected to be recaptured, upon the sale of the foreclosed lots. During 2023 and 2022, TGIA received $3,128 and $3,455, respectively, related to recovering costs of foreclosing pertaining to outside party purchases, other than an auction.

NOTE 4. DONATED LAND

During 2023 and 2022, TGIA did not receive any donated lots.

NOTE 5. EASEMENTS

The Association has received income for two easements for powerlines through Tierra Grande owned property, totaling $987,395 and $0 for the years ended December 31, 2023 and 2022. This income is not expected to be recurring.

NOTE 6. RIGHT TO USE LEASE ASSETS

The Association has recorded right to use assets. The assets are right to use assets for leased office space and equipment. The related leases are discussed in the Leases subsection of the liabilities section of these footnotes. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Association for the year ended December 31, 2023, was as follows:

	Beginning	Increases	Decreases	Ending
Right to use assets:				
Leased office space	$ 10,500	$ 30,405	$ (10,500)	$ 30,405
Leased equipment	2,693	12,819	(2,693)	12,819
Less accumulated amortization for:				
Leased office space	(6,000)	-	6,000	-
Leased equipment	(1,616)	-	1,616	-
Total right to use assets, net	$ 20,809	$ 43,224	$ (20,809)	$ 43,224

NOTE 7. LEASE LIABILITIES

The Association has entered into agreements to lease office space and office equipment. The lease agreements qualify as other than short-term leases under ASC 842, and therefore, have been recorded at present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on October 25, 2023, to lease office space and requires 60 monthly payments of $31,740. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 0%. As a result of the lease, the Association has recorded a right to use asset with a net book value of $30,405 at December 31, 2023.

The agreement was executed on August 28, 2023, to lease copier equipment and requires 60 monthly payments of $228.91. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 0%. As a result of the lease, the Association has recorded a right to use asset with a net book value of $12,819 at December 31, 2023.

NOTE 7. LEASE LIABILITIES (CONTINUED)

Lease payment activity for the Association for the year ended December 31, 2023, was as follows:

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2023, were as follows:

	Beginning	Increases	Decreases	Ending	Due Within One Year
Leased office space	$ 4,500	$ 30,405	$ (4,500)	$ 30,405	$ 30,405
Leased equipment	1,077	12,819	(1,077)	12,819	12,819
Total leased liabilities	$ 5,577	$ 30,405	$ (5,577)	$ 43,224	$ 43,224

Leased office space	Year Ending June 30	Principal Payments	Interest Payments	Total
	2023	$ 4,500	$ -	$ 4,500
		$ 4,500	$ -	$ 4,500

Leased equipment	Year Ending June 30	Principal Payments	Interest Payments	Total
	2023	$ 1,077	$ -	$ 1,077
		$ 1,077	$ -	$ 1,077

NOTE 8. 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:

	2023	**2022**
Cash at year end	$ 326,136	$ 283,611
Accounts Receivable without restrictions	158,196	150,372
Less purpose resticted net assests	-	-
	$ 484,332	$ 433,983

NOTE 9. ASSESSMENTS RECEIVABLE WRITE-OFF

During 2023, the Association wrote off $13,606 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 access of the 5 years and 364 days will be written off.

NOTE 10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 25, 2024, the date that the financial statements were available to be issued.