

Notes to the 2025 Financial Statements

The biggest change to the Financial Statements is the change to the Land Accounts on the Balance Sheet. In 2024, the 2 Land Accounts totaled \$553,000. In 2025 these accounts were moved into 4 more specific accounts. The Land Accounts have been moved into 3 different accounts. That would be Land for Sale, Land for Investment, and Land for Preservation. The 4th account was the Property Account which includes Wells, Water Tanks, and Fencing. The total for the Land Accounts in 2025 was \$510,000. The Property accounts totaled to \$204,000. These 4 accounts now total \$714,000, which is a \$160,000 increase from 2024. This increase is due to \$73,000 in land purchases and \$87,000 increase in the land accounts due to a reconciliation of all the land accounts compared to the records that Sue provided us with.

There was another important reconciliation that occurred in 2025. That was to the Property, Equipment, and Leasehold Improvements account. This account was written off for \$78,000. The reason is the Fixed Asset list was examined, and it was determined that all the assets on the list had been fully depreciated.

These changes will make the Balance Sheet more accurate going forward. The Land accounts will be easier to track going forward. Especially, the Land for Preservation account which previously didn't exist and now has a balance of \$442,000.

The Property Account of Wells and Fencing is important because it will more accurately capture the yearly depreciation which will reduce taxable income by a little over \$10,000 a year.

Another notable change in the 2025 Review is the presentation of the Statement of Activities, otherwise known as the Income Statement. If you compare the Statement of Activities on page 2 versus page 3, you will see that the Other Income and the Other Expenses category have been broken up more accurately. Before these categories were all grouped together, which made it harder to read. Now the reader can more easily decipher Tierra Grande's Operating Income of \$11,717 and compare this to the Other Income which was \$79,925. The individual categories were also changed in some instances after consulting with Sue and Ron.

TIERRA GRANDE IMPROVEMENT
ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2025 AND 2024

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, 2025 and 2024, 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 2025 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Sais and Associates CPA, LLC
Jason Sais CPA

Los Lunas, New Mexico
April 2, 2026

FINANCIAL STATEMENTS

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF FINANCIAL POSITION

Balance Sheet

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 440,470	195,738
Certificates of deposit	1,744,363	2,011,808
Assessments Receivable	169,543	171,593
Deferred Charges-Foreclosures	125,391	124,932
Prepaid assets	12,660	11,157
Land for Sale	24,473	6,130
Lease receivables	3,950	3,950
Total current assets	2,520,850	2,525,308
Property and Equipment		
Land - Preservation	442,795	
Land held for Investment	42,823	75,026
Land		472,467
Property (Wells/Water Tanks/Fencing)	204,237	
Property, Equipment, and Leasehold Improvements		78,684
Right to Use Assets	27,992	35,608
Total property and equipment	717,847	661,785
Other assets	575	300
Total assets	\$ 3,239,272	3,187,393
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	48,644	1,952
Accrued liabilities	20,783	20,783
Leased liabilities	30,273	35,608
Deferred lease income		3950
Unrestricted Net Assets	3,139,572	3,125,100
Total liabilities and net assets	\$ 3,239,272	3,187,393

**TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENT OF ACTIVITIES**

DECEMBER 31, 2025

	Without Donor Restrictions	Totals
Revenues		
Annual assessments	\$ 183,354	\$ 183,354
Total Revenues	\$ 183,354	\$ 183,354
Operating Expenses		
Depreciation and amortization	(17,702)	(17,702)
Salaries and directors' fees	(74,892)	(74,892)
Bad debt expense	(17,943)	(17,943)
Legal and professional	(13,788)	(13,788)
Office	(12,850)	(12,850)
Insurance	(15,235)	(15,235)
Payroll taxes	(6,064)	(6,064)
Rent/Utilities/Meetings	(13,163)	(13,163)
Total Expenses	(171,637)	(171,637)
Operating income (loss)	\$ 11,717	\$ 11,717
Other Income		
Interest and Other Income	\$ 87,232	\$ 87,232
Easements		
Gain (loss) on land sales		
Total Other Income	\$ 87,232	\$ 87,232
Other Expenses		
Property maintenance	(40,113)	(40,113)
Foreclosure(Legal/Title Fee)	(100,344)	(100,344)
Grants	(25,615)	(25,615)
Property Tax/Special Master	(1,085)	(1,085)
Total Other Expenses	(167,157)	(167,157)
Other Income (Loss)	(79,925)	(79,925)
Change in net assets	\$ (68,208)	\$ (68,208)
Net Assets, beginning of year	\$ 3,207,780	\$ 3,207,780
Net Assets, end of year	\$ 3,139,572	\$ 3,139,572

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENT OF ACTIVITIES

DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Annual assessments	\$ 200,354	\$	\$ 200,354
Total revenues	200,354		200,354
Net assets released from restrictions			
Total revenues, support, & reclassifications	200,354		200,354
Expenses			
Depreciation and amortization	3,180		3,180
Salaries and directors' fees	90,353		90,353
Bad debt expense	13,050		13,050
Donated assets			
Legal and professional	30,174		30,174
Office	21,877		21,877
Insurance	9,070		9,070
Payroll taxes	8,226		8,226
Property maintenance	12,157		12,157
Other operating and administrative expenses	33,554		33,554
Total expenses	221,641		221,641
Operating income (loss)	(21,287)		(21,287)
Other income (expense)			
Donated land			
Property taxes recovered			
Gain (loss) on land sales			
Easements	286,850		286,850
Interest and other income	118,808		118,808
Total other income (expense)	405,658		405,658
Change in net assets	384,371		384,371
Net assets, beginning of year	2,740,729		2,740,729
Net assets, end of year	\$ 3,125,100	\$	\$ 3,125,100

*See Notes to Financial
Statements.*

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ -68,602	\$ 384,371
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gain) loss on land sales		
Donated land		
Depreciation and amortization	30,766	3,180
Changes in assets and liabilities		
Assessments receivable and accrued interest on delinquent assessments	15,034	(13,757)
Lease receivables	0	(3,330)
Deferred charges related to foreclosed property	(12,551)	
Prepaid assets	(1,503)	39,067
Accounts payable and accrued expenses	46,693	6,449
Deferred lease income	(3,950)	(3,330)
Net cash provided by operating activities	5,887	412,650
Cash flows from investing activities		
Proceeds from sale of land		
Net change in land held for investment	33,717	
Net change in land	(73,359)	(176,574)
Purchase of property and equipment	6,331	(33,682)
Reinvested earnings on certificates of deposit	272,156	(332,792)
Net cash used by investing activities	238,845	(543,048)
Net decrease in cash and cash equivalents	244,732	(130,398)
Cash and cash equivalents, beginning of year	195,738	326,136
Cash and cash equivalents, end of year	\$ 440,470	\$ 195,738

See Notes to Financial Statements.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

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 receivables 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 \$22,008 at December 31, 2025, which has increased from \$10,510 in 2024, 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 \$5,000. Items with a cost of less than \$5,000 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

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases. The Association recognizes and measures its leases in accordance with F ASB ASC 842, *Leases*. The Association is a lessee in non-cancellable operating leases, for office space 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 re-measured 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.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

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.

<u>Lot Size</u>	<u>Annual Assessment</u>
5 but less than 9.99 acres	\$ 50
10 but less than 19.99 acres	75
20 but 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 \$46,605 in 2025 and \$12,157 in 2024, 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, 2025 and 2024

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, 2025 and 2024, there were \$125,391 and \$124,932 respectively, of legal and title costs incurred during the process which are expected to be recaptured, upon the sale of the foreclosed lots.

NOTE 4. DONATED LAND

During 2025 and 2024, TGIA did not receive any donated lots.

NOTE 5. EASEMENTS

The Association has received income for two easements for power lines through Tierra Grande owned property, totaling \$0 and \$286,850 for the years ended December 31, 2025 and 2024. This income is not expected to be recurring.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

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, 2025, was as follows:

	Beginning	Increases	Decreases Amortization	Ending
Right to use assets:				
Leased office space	\$ 24,405	\$ 0	\$ (6,000)	\$ 18,405
Leased equipment	11,203	0	(1,616)	9,587
Total right to use assets, net	\$ 35,608	\$	\$ (7,616)	\$ 27,992

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 Ase 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 60 months and requires 12 monthly payments of \$445 and then 48 monthly payments \$550. 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 \$18,405 at December 31, 2025.

The agreement was executed on August 28, 2023, to lease copier equipment and requires 60 monthly payments. The cost of the lease increases each October and is currently \$269.63 per month. The lease liability is measured at a discount rate of 0%. As a result of the lease, the Association has a right to use asset with a net book value of \$9,587 at December 31, 2025.

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

NOTE 7. LEASE LIABILITIES (CONTINUED)

Lease payment activity for the Association for the year ended December 31, 2025, was as follows:

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2025, were as follows:

	Beginning	Increases	Decreases	Ending	Due Within One Year
Leased office space	\$ 24,405	\$ 0	\$ (6,204)	\$ 18,201	\$ 18,201
Leased equipment	11,203	0	(3,081)	8,122	8,122
Total leased liabilities	<u>\$ 35,608</u>	<u>\$</u>	<u>\$ (9,285)</u>	<u>\$ 26,323</u>	<u>\$ 26,323</u>

Leased office space	Year Ending	Principal		Interest	
		Payments		Payments	
	Dec 31				Total
	2025	\$ 6,204	\$	\$	\$ 6,204
		<u>\$ 6,204</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,204</u>

Leased equipment	Year Ending	Principal		Interest	
		Payments		Payments	
	Dec 31				Total
	2025	\$ 3,081	\$	\$	\$ 3,081
		<u>\$ 3,081</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,081</u>

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:

	2025	2024
Cash at year end	\$ 440,470	\$ 195,738
Accounts Receivable without restrictions	169,543	171,593
Less purpose restricted net assets	<u>\$ 610,013</u>	<u>\$ 484,332</u>

TIERRA GRANDE IMPROVEMENT ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

NOTE 9. ASSESSMENTS RECEIVABLE WRITE-OFF

During 2025, the Association wrote off \$10,247.58 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 April 2, 2026, the date that the financial statements were available to be issued.