

MICHAEL L. MOORE, CPA, LLC

TIMBERLAKE RANCH
LANDOWNER'S
ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2009

TIMBERLAKE RANCH LANDOWNER'S ASSOCIATION

INDEPENDENT AUDITOR'S REPORT1

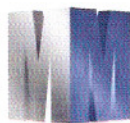
FINANCIAL STATEMENTS

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Independent Auditor's Report

Board of Directors
Timberlake Ranch Landowner's Association
Ramah, New Mexico

I have audited the accompanying statement of assets, liabilities, and members' equity – modified cash basis of Timberlake Ranch Landowner's Association (the Association) as of June 30, 2009, and the related statements of revenues, expenses and changes in member's equity – modified cash basis and cash flows –modified cash basis for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principals.

As discussed in Note 5, the Association accrued certain revenues totaling \$8,347 and failed to record other revenues totaling \$8,371. If the revenues were properly recorded when received, net receivables of \$3,183 would not be recorded and members' equity would be decreased by \$3,183 as of June 30, 2009, and net income would be increased by \$10,814 for the year then ended.

In my opinion, except for the effects of accruing certain revenues, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and members' equity of the Association as of June 30, 2009, and its revenue, expenses and changes in members' equity for the year then ended, on the basis of accounting described in Note 1.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Association has not presented this supplementary information.

 CPA LLC

Albuquerque, New Mexico
June 1, 2010

Financial Statements

**TIMBERLAKE RANCH LANDOWNER'S ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS'
EQUITY - MODIFIED CASH BASIS
June 30, 2009**

ASSETS

Current Assets

Cash	\$	137,696
Member assessments receivable, net of allowance for doubtful accounts of \$5,164		<u>3,183</u>
Total current assets		<u>140,879</u>

Property and equipment, net		<u>120,481</u>
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Total assets	\$	<u>261,360</u>
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Accrued expenses	\$	371
Capital lease obligation		678
Note payable		<u>17,139</u>
Total current liabilities		<u>18,188</u>

Members' Equity		<u>243,172</u>
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Total liabilities and members' equity	\$	<u>261,360</u>
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See Accompanying Notes and Auditor's Report

TIMBERLAKE RANCH LANDOWNER'S ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN MEMBER'S EQUITY - MODIFIED CASH BASIS
Year Ended June 30, 2009

Revenues	
Assessments	\$ 166,950
Other income	4,670
Interest income	51
Total revenue	<u>171,671</u>
Expenses	
Depreciation	26,864
Road maintenance	22,074
Repairs and maintenance	13,402
Insurance	11,106
Accounting fees	8,221
Vehicle/equipment maintenance	7,521
Fuel	5,503
Miscellaneous	3,058
Office expense	2,687
Interest expense	1,932
Supplies	1,867
Telephone and utilities	1,512
Real estate taxes	1,032
Salaries and wages	870
Professional fees	842
Payroll taxes	325
Total expenses	<u>108,816</u>
Excess of Revenues Over Expenses	62,855
Beginning Members' Equity	<u>180,317</u>
Ending Members' Equity	<u><u>\$ 243,172</u></u>

See Accompanying Notes and Auditor's Report

**TIMBERLAKE RANCH LANDOWNER'S ASSOCIATION
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
Year Ended June 30, 2009**

Cash Flows From Operating Activities	
Cash received from members	\$ 174,063
Interest received	51
Cash paid to suppliers and employees	<u>(81,823)</u>
Net cash provided by operating activities	<u>92,291</u>
Cash Flows From Investing Activities	
Payments received on note	<u>8,371</u>
Cash Flows From Financing Activities	
Principal payments on capital lease obligations	(1,490)
Principal payments on notes payable	<u>(17,457)</u>
Net cash used by financing activities	(18,947)
Net increase in cash and cash equivalents	81,715
Cash and cash equivalents at beginning of year	<u>55,981</u>
Cash and cash equivalents at end of year	<u><u>\$ 137,696</u></u>
Reconciliation of Excess of Revenues Over Expense to Net Cash Provided by Operating Activities:	
Excess of Revenues Over Expenses	<u>\$ 62,855</u>
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:	
Depreciation	26,864
Increase in allowance for doubtful accounts	1,621
Changes in assets and liabilities	
Member assessments receivable	822
Accrued expense	129
Total adjustments	<u>29,436</u>
Net cash provided by operating activities	<u><u>\$ 92,291</u></u>

See Accompanying Notes and Auditor's Report

NOTE 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Timberlake Ranch Landowner's Association (the "Association") was incorporated as a non-profit corporation in the State of New Mexico on April 25, 1986 for the purposes of overseeing and managing the various sections and subdivisions contained within the Timberlake Ranch located near Ramah, New Mexico which consists of 743 lots.

Basis of presentation. The Association's financial statements are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Modifications to the cash basis of accounting include recording depreciation on property and equipment, recording receivables for member fees when assessed, recording debt obligations, and accruing payroll taxes.

Member assessments receivable. Association members are subject to annual assessments to provide funds for the Association's operating expenses. The assessment is payable in yearly or bi-yearly installments. Member assessments receivable at June 30, 2009, represents fees due from landowners plus interest and late fees. If an assessment is not paid within thirty days of installment due date, the member is considered delinquent. The Association may assess late fees and charge interest of 18% or more on delinquent assessments. The Association uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. The Association's policy is to retain legal counsel and place liens on member's lots whose assessments are delinquent.

Income taxes. The Association is classified as a non-profit corporation in the State of New Mexico and is operated as a homeowners association in accordance with Section 528 of the Internal Revenue Code. For Federal and State income tax purposes, the Association is taxed on net income from nonmembership activities. For the year ended June 30, 2009, no income tax expense was paid.

Cash and cash equivalents. For purposes of the statement of cash flows, cash is defined as cash held in demand deposit or savings accounts at a federally insured financial institution.

Use of Estimates. In preparing financial statements in conformity with the modified cash basis of accounting, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TIMBERLAKE RANCH LANDOWNER'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events. Subsequent events have been evaluated through June 1, 2010, which is the date the financial statements were available to be issued.

Property and Equipment. The Association's policy for recognizing common property as assets on its statement of assets, liabilities, and members' equity is to recognize common personal and real property for which it has title and that it can dispose of for cash while retaining the proceeds, or that is used to generate significant cash flows from members or the basis of usage from nonmembers. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets, which range from five to forty years.

The Association holds title to common property consisting of the following:

- (a) Certain real estate holdings in McKinley and Cibola Counties in New Mexico, including a horse pasture, solid waster disposal area and the land designated as the "500 Acres"
- (b) Certain equestrian easements in McKinley and Cibola Counties in New Mexico
- (c) The Lower Ranch House and Bath House located within the "500 Acres"
- (d) Common personal property consisting of equipment

NOTE 2. PROPERTY AND EQUIPMENT

Furniture and equipment consisted of the following at June 30, 2006:

Land	\$ 37,973
Heavy equipment	129,099
Buildings	61,378
Office equipment	12,382
Lawn equipment	<u>4,218</u>
	245,050
Accumulated depreciation	<u>(124,569)</u>
Land	<u>\$ 120,481</u>

TIMBERLAKE RANCH LANDOWNER'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3. CAPITAL LEASE

The Association leases equipment under a capital lease agreement, which expires July 2009. Interest expense has not been imputed on the lease. Amortization of assets held under capital leases is included with depreciation expense. The capitalized leased assets included in property and equipment consisted of the following at June 30, 2006:

Equipment	\$ 8,130
Accumulated amortization	<u>(7,995)</u>
Total	<u>\$ 135</u>

Future equipment lease payments are \$678.

NOTE 4. NOTE PAYABLE

The Association has a note payable with a financial institute that matures May 2010. The note bears interest at 7.2%. Principal and interest payments of \$1,615 are due monthly. The balance on the note is payable during the year ended June 30, 2010.

NOTE 5. MODIFIED CASH BASIS

As stated in Note 1, the Association's financial statements are presented on the modified cash basis of accounting. Certain modifications, including recording depreciation on capital assets and accruing payroll taxes, have substantial support under *Statement on Audit Standards No. 62, Special Reports*. Modifications that record revenues on the accrual basis and record purchases and other costs on the cash basis do not have substantial support. Assessment Revenue of \$8,347 is included in member assessments receivable at June 30, 2009. The beginning members' equity includes \$9,169, net of \$3,543 of allowance for doubtful accounts, recorded as member assessments receivable at June 30, 2008. Additionally, the Association sold two parcels of real estate in 2006. A portion of the sales were financed by the buyers. The final payment \$8,371, which was received during the year ended June 20, 2009, was originally recorded as a note receivable. None of the receipts were recorded as income for the year ended June 20, 2009.