

**TIMBERLAKE RANCH LANDOWNERS'
ASSOCIATION**

FINANCIAL STATEMENTS

JUNE 30, 2018

Gregory D. DuBrock

Certified Public Accountant, LLC
Albuquerque, NM

**TIMBERLAKE RANCH LANDOWNERS'
ASSOCIATION**

FINANCIAL STATEMENTS

JUNE 30, 2018

**TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Report	1
Financial Statements	
Statement of Assets, Liabilities and Members' Equity	2
Statement of Revenues, Expenses and Changes in Members' Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Timberlake Ranch Landowners' Association
Ramah, New Mexico


I have reviewed the accompanying statement of assets, liabilities, and equity – modified cash basis of Timberlake Ranch Landowners' Association (the Association) as of June 30, 2018, and the related statement of revenues, expenses, and members' equity – modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, with the exception of the matters described in the following paragraph, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Notes 1 and 2 to the financial statements.

As described in Note 2 to the financial statements, under the modified cash basis of accounting, certain modifications, including recording depreciation on capital assets and accruing payroll taxes, have substantial support under Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants. 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 is recorded on the accrual basis instead of as received. Accrued liabilities are recorded as incurred versus when paid. The difference is an additional \$6,918 of net members' assessments receivable and \$8 of additional accrued liabilities at June 30, 2018. Member's equity is overstated by \$6,910 related to accrued assessment revenue and liabilities at June 30, 2018.


Gregory D. DuBrock, CPA


Report Date

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS EQUITY
(MODIFIED CASH BASIS)
June 30, 2018

ASSETS

Cash and cash equivalents	\$ 229,413
Members' assessments receivable, net of \$1,867 allowance for doubtful accounts	6,562
Property and equipment, net of \$299,332 accumulated depreciation	166,195
Total assets	<u>\$ 402,170</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Accrued taxes	20
Members' equity	402,150
Total liabilities and members' equity	<u>\$ 402,170</u>

The Notes to Financial Statements are an integral part of these statements.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN MEMBERS EQUITY
(MODIFIED CASH BASIS)
For The Year Ended June 30, 2018

Revenues	
Assessments	\$ 169,510
Member Donations	1,055
Interest income	3,633
Other	247
	<u>174,445</u>
Expenses	
Accounting	12,919
Annual Meeting	1,415
Building and equipment maintenance	6,561
Depreciation	16,392
Insurance	13,333
Legal fees	6,399
Newsletter	948
Office supplies and postage	3,495
Ranch house & community center maintenance	5,626
Real estate taxes	2,198
Road maintenance	67,539
Salaries and wages	4,313
Taxes, payroll	542
Telephone	862
Truck costs, repairs and maintenance	9,922
Utilities	1,334
Website and internet	1,389
	<u>155,187</u>
Excess of operating revenues over expenses	19,258
Gain of sale of property	<u>13,338</u>
Net excess of operating revenues and gains over expenses	32,596
Beginning Members Equity	<u>369,554</u>
Ending Members Equity	<u><u>\$ 402,150</u></u>

The Notes to Financial Statements are an integral part of these statements.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
For The Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Net excess of operating revenues over expenses	\$ 32,596
Adjustment to reconcile net operating revenues and expenses to net cash provided by operating activities:	
Depreciation	16,392
Gain on sale assets	(13,338)
Net proceeds from sale of assets	13,338
Reduction in accrued liabilities from prior year	(8)
Change in net receivables from prior year	6,918
Net cash provided by operating activities	<u>55,898</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of storage facility	<u>(6,932)</u>
------------------------------	----------------

CASH FLOWS FROM FINANCING ACTIVITIES

None	<u>0</u>
------	----------

Net increase in cash 48,966

Cash at beginning of year 180,447

Cash at end of year \$ 229,413

Supplemental disclosures of cash flow information:

Cash paid for the year:	
Interest paid	<u>\$0</u>

The Notes to Financial Statements are an integral part of these statements.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Timberlake Ranch Landowners' 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. The subdivision 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, 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, 2018, represents assessments due from landowners plus interest and late fees. If an assessment is not paid within thirty days of the 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'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 non-membership activities. For the year ended June 30, 2018, no income tax expense was paid or due.

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 at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Subsequent Events:

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are 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 Assets, Liabilities and Members' Equity, including the estimates inherent in the process of preparing the financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Assets, Liabilities and Members' Equity but arose after Statement of Assets, Liabilities and Members' Equity date and before financial statements are issued.

The Association has evaluated subsequent events through August 6, 2018, which is the date the financial statements were available to be issued.

Cash and Cash Equivalents:

For the purpose of the statement of cash flows, the Association considers cash and cash equivalents to be cash on hand and demand deposits. All other cash accounts are not considered cash for operations due to various reserves and restrictions. Cash and cash equivalents are unrestricted cash in bank and liquid investments of 90 days or less.

Concentration of Credit Risk:

The Association maintains cash with local financial institutions that at times throughout the year may exceed the Federal Deposit Insurance Corporation limit of \$250,000. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Allowance for Doubtful Accounts:

Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property and Equipment:

Property and equipment are stated at cost or the basis at which they were transferred by the Association. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, principally on straight-line and declining balance bases. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Donated property is recorded at its estimated value at the date of the gift.

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 waste disposal area and the land designated as the "516 Acres".
- (b) Certain equestrian easements in McKinley and Cibola Counties in New Mexico.
- (c) The Lower Ranch House, Bath House and Storage facility located within the "516 Acres".
- (d) Common personal property consisting of equipment.

Impairment of Long-Lived Assets:

The Association accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections. FASB ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such assets are considered impaired, the recognized impairment is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management does not believe impairment indicators were present as of June 30, 2018.

Note 2. 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 Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants. 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 is recorded on the accrual basis instead of as received. Accrued liabilities are recorded as incurred versus when paid. The difference is an additional \$6,918 of net members' assessments receivable and \$8 of additional accrued liabilities at June 30, 2018. Member's equity is overstated by \$6,910 related to accrued assessment revenue and liabilities at June 30, 2018.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2018:

Land	\$ 57,782
Buildings	135,348
Equipment	<u>272,397</u>
	465,527
Accumulated Depreciation	<u>(299,332)</u>
	<u>\$ 166,195</u>

Note 4. Commitments and Contingencies

There were no commitments or contingencies that existed at June 30, 2018.