

**TIMBERLAKE RANCH
LANDOWNERS' ASSOCIATION**

**Financial Statements
With Accompanying Information**

June 30, 2025

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

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Robert Clark, CPA, LLC.

Certified Public Accountants

Robert Clark, CPA

9201 Montgomery Blvd. NE Suite 701
Albuquerque, New Mexico 87111
Office (505) 884-3703 Fax (505) 837-2239

101 South Main St
Belen, NM 87002
Office (505) 861-1040 Fax (505) 861-8248

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Timberlake Ranch Landowners' Association, which comprise the statement of assets, liabilities, and members' equity — modified cash basis as of June 30, 2025, and the related statements of revenues, expenses, and changes in members' equity — modified cash basis, and statement of cash flows — modified cash basis, for the year then ended, and the related notes to the financial statements. 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 these financial statements in accordance with the modified cash basis of accounting; this includes determining that the basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the 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 the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Timberlake Ranch Landowners' Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.



Albuquerque, New Mexico
October 7, 2025

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Statement of Assets, Liabilities, and Members' Equity (Modified Cash Basis)

June 30, 2025

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 253,018
Member assessments receivable—net	<u>16,752</u>
	269,770

Noncurrent Assets:

Property and equipment—net	<u>267,373</u>
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Total Assets	<u><u>\$ 537,143</u></u>
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LIABILITIES AND NET ASSETS:

Liabilities:

Current Liabilities:

Deferred revenue	\$ 6,047
Accrued tax liabilities	<u>14</u>
	6,061

Members' equity	<u>531,082</u>
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Total liabilities and members' equity	<u><u>\$ 537,143</u></u>
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See notes to financial statements

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Statement of Revenues, Expenses, and Changes in Members' Equity (Modified Cash Basis)

Year Ended June 30, 2025

Revenues:	
Assessments	\$ 170,890
Interest income	3,990
Member donations	1,505
Miscellaneous revenue	<u>88</u>
Total revenue	<u>176,473</u>
Expenses:	
Road maintenance	47,127
Insurance	25,390
Accounting	14,260
Depreciation	11,806
Vehicle repairs & maintenance	8,075
Building and grounds maintenance	7,144
Legal fees	3,559
Utilities	3,443
Office supplies and postage	2,566
Real estate taxes	2,547
Website	2,163
Annual Meeting	766
Payroll taxes	<u>271</u>
Total expenses	<u>129,117</u>
Excess of operating revenues over expenses	47,356
Beginning members' equity	<u>483,726</u>
Ending members' equity	<u>\$ 531,082</u>

See notes to financial statements

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Statement of Cash Flows (Modified Cash Basis)

Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net excess of operating revenues over expenses	\$ 47,356
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,806
Changes in operating assets and liabilities:	
(Increase) in member assessments receivable	(3,402)
(Decrease) in deferred revenue	(295)
(Decrease) in accrued tax liabilities	<u>(10)</u>
Net Cash Provided by Operating Activities	<u>55,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property, plant, & equipment	<u>(6,534)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
None	<u>-</u>
Change in Cash and Cash Equivalents	<u>48,921</u>
Cash and Cash Equivalents, Beginning of Year	<u>204,097</u>
Cash and Cash Equivalents, End of Year	<u>\$ 253,018</u>

See notes to financial statements

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Notes to Financial Statements

June 30, 2025

Note 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

The Association relies primarily on assessment fees collected from members.

Financial statement 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 deferred revenue for prepaid membership fees, and accruing payroll taxes.

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.

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, 2025, 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.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Notes to Financial Statements

June 30, 2025

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

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. The balance of the allowance for doubtful accounts was \$29 as of June 30, 2025.

Property and Equipment

The Association follows the practice of capitalizing all expenditures in excess of \$500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. 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 the income for the period. Routine repairs and maintenance are expensed as incurred.

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, 2025.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Notes to Financial Statements

June 30, 2025

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

The Association's primary source of revenue is member assessments, which are billed annually to property owners. Assessments are intended to provide funds for operating costs, capital repairs, replacements, and improvements.

Revenue from member assessments is recognized when levied, as they represent an exchange transaction arising from the members' obligation to fund common expenses. Assessments receivable represent amounts billed but not collected at year-end, net of an allowance for doubtful accounts.

The Association may also generate revenue from other sources, such as user fees, rental income, late charges, or interest income. These revenues are recognized as earned.

Contributions or other non-exchange transactions, if received, are recognized as revenue when received or unconditionally pledged.

Deferred Revenue

As of June 30, 2025, the Association had recorded deferred revenue of \$6,076 related to prepaid membership dues. Membership dues are typically billed annually and cover a 12-month membership period. Revenue from membership dues is recognized ratably over the term of the membership.

At year-end, a portion of the dues received in advance pertains to membership periods extending beyond the current fiscal year and is therefore deferred. The deferred revenue balance will be recognized as income over the respective membership periods in the following fiscal year.

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.

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, 2025, no income tax expense was paid or due.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Notes to Financial Statements

June 30, 2025

NOTE 2: MODIFIED CASH BASIS OF ACCOUNTING

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. Prepaid dues are initially recorded as deferred revenue and recognized ratably over the term of the membership. Accrued liabilities are recorded as incurred versus when paid. The difference is an additional \$16,752 of net members' assessments receivable, \$6,076 of deferred revenue, and \$14 of accrued liabilities at June 30, 2025. Member's equity is overstated by \$10,662 related to accrued assessment revenue and liabilities at June 30, 2025.

NOTE 3: PROPERTY AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Investment in property and equipment, at cost, consists of the following at June 30, 2024:

Land	\$ 57,782
Buildings and improvements	286,487
Furniture, fixtures, and equipment	<u>283,268</u>
	627,537
Less: accumulated depreciation	<u>(360,164)</u>
	<u>\$ 267,373</u>

NOTE 4: COMMITMENTS AND CONTINGENCIES

The Association is currently involved in litigation arising in the normal course of operations. Legal counsel representing the Association has advised that a motion to dismiss the case is planned and that there is a strong likelihood of a favorable outcome for the Association.

At this time, management believes that the resolution of this matter is unlikely to result in a material adverse effect on the Association's financial position, results of operations, or cash flows. Accordingly, no liability has been recorded in the financial statements as of June 30, 2025.

TIMBERLAKE RANCH LANDOWNERS' ASSOCIATION

Notes to Financial Statements

June 30, 2025

NOTE 5: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through October 7, 2025, which is the date the financial statements were available to be issued.