

**ASSOCIATION OF ANGEL FIRE  
PROPERTY OWNERS, INCORPORATED**

Financial Statements – Income Tax Basis  
with  
Independent Auditor’s Report

April 30, 2014 and 2013

# ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED

## Table of Contents

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	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Assets, Liabilities, and Members' Equity - Income Tax Basis	3
Statements of Revenues, Expenses, and Members' Equity - Income Tax Basis	4
Notes to Financial Statements	5 - 7

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Members  
Association of Angel Fire Property Owners, Incorporated

We have audited the accompanying financial statements of the Association of Angel Fire Property Owners, Incorporated (the Association) (a New Mexico not-for-profit corporation) which are comprised of the statements of assets, liabilities and members' equity – income tax basis, as of April 30, 2014 and 2013, and the related statements of revenues, expenses and members' equity – income tax basis for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting described in Note 1; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the 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 the financial statements that are free from material misstatement, whether due to error or fraud.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and members' equity of the Association of Angel Fire Property Owners, Incorporated as of April 30, 2014 and 2013, and its revenues, expenses and changes in members' equity for the years then ended in accordance with the basis of accounting the Association of Angel Fire Property Owners, Incorporated uses for income tax purposes, as described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Association of Angel Fire Property Owners, Incorporated uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Travis Woeff, LLP*

Certified Public Accountants  
October 31, 2014  
Dallas, Texas

## ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED

### Statements of Assets, Liabilities, and Members' Equity - Income Tax Basis April 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 119,352	\$ 77,241
Restricted cash - performance deposits	42,777	45,708
Short-term certificates of deposit	30,405	81,481
Furniture and equipment, net of accumulated depreciation of \$7,998 in 2014 and \$7,604 in 2013	<u>613</u>	<u>1,007</u>
Total assets	<u>\$ 193,147</u>	<u>\$ 205,437</u>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities:</b>		
Performance deposits	\$ 42,582	\$ 45,708
State income taxes payable	<u>50</u>	<u>50</u>
Total liabilities	42,632	45,758
Members' equity	<u>150,515</u>	<u>159,679</u>
Total liabilities and members' equity	<u>\$ 193,147</u>	<u>\$ 205,437</u>

See accompanying notes to financial statements (income tax basis).

## ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED

### Statements of Revenues, Expenses, and Members' Equity - Income Tax Basis Years Ended April 30, 2014 and 2013

	2014	2013
Revenues:		
Member dues	\$ 58,603	\$ 58,584
Environmental committee fees	13,750	21,750
HOA disclosure certificate prep	11,700	-
Performance deposit forfeitures	-	112
Interest income	199	359
	<b>84,252</b>	<b>80,805</b>
Total revenues	<b>84,252</b>	<b>80,805</b>
Expenses:		
Personnel	36,662	46,465
Property inspection	425	4,352
HOA disclosure certificate prep expense	14,109	-
Insurance	3,226	272
Office supplies	2,255	5,103
Other	13,708	14,236
Postage	161	145
Professional fees	21,414	15,708
Telephone	1,406	1,839
	<b>93,366</b>	<b>88,120</b>
Total expenses	<b>93,366</b>	<b>88,120</b>
Deficit of revenues over expenses before income taxes	<b>(9,114)</b>	<b>(7,315)</b>
Income tax expense	<b>50</b>	<b>50</b>
Deficit of revenues over expenses	<b>(9,164)</b>	<b>(7,365)</b>
Members' equity at beginning of year	<b>159,679</b>	<b>167,044</b>
Members' equity at end of year	<b>\$ 150,515</b>	<b>\$ 159,679</b>

See accompanying notes to financial statements (income tax basis).

# ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED

Notes to Financial Statements – Income Tax Basis  
April 30, 2014 and 2013

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## **Note 1 - General Information and Summary of Significant Accounting Policies**

### ***General information***

Association of Angel Fire Property Owners, Incorporated (the Association) was incorporated as a not-for-profit corporation in the State of New Mexico on July 10, 1995 to manage, maintain and improve land and improvements located within the Angel Fire Development in Angel Fire, New Mexico, for the benefit of property owners within the development and the public at large.

### ***Basis of presentation***

The accompanying financial statements have been prepared on the cash basis of accounting used for federal income tax reporting purposes, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Consequently, as indicated below, certain revenues and expenses are recognized in the determination of net income or loss in different reporting periods than if the financial statements were prepared in conformity with GAAP. Although income tax rules are used to determine the timing of reporting revenues and expenses, nontaxable revenues and nondeductible expenses, if applicable, are included in the determination of excess (deficit) of revenues over expenses.

The principal differences between the income tax cash basis used by the Association and GAAP are (1) revenue is generally recognized when received rather than when earned and expenses are generally recognized when paid rather than when obligations are incurred, and (2) property and equipment are depreciated using Internal Revenue Service statutes applicable when property is placed in service, whereas for GAAP property and equipment are depreciated over their estimated useful lives generally using the straight-line method.

### ***Property and equipment***

Property and equipment are recorded at cost. Depreciation is computed using accelerated methods and lives allowable for federal income tax purposes. Depreciation expense was \$394 in fiscal 2014 and \$498 in fiscal 2013.

## ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED

Notes to Financial Statements – Income Tax Basis  
April 30, 2014 and 2013

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### **Note 1 - General Information and Summary of Significant Accounting Policies -** **(Continued)**

#### ***Member dues***

Angel Fire Resort Operations, L.L.C. (AFRO) is the original owner of land in the Angel Fire Development. All property sold within the development is subject to a deed restriction requiring payment of annual dues to AFRO for amenity improvements and maintenance. Pursuant to an agreement, one percent of dues collected by AFRO are paid to the Association for the Association's administrative expenses. These amounts are recorded when received and are captioned "Member dues" in the accompanying financial statements.

#### ***Fees and performance deposits***

The Association, through its Environmental and Architectural Control Committee (EACC), monitors and enforces protective covenants and restrictions within the Angel Fire Development. Property owners must submit building plans to the EACC for approval. The fee for this service is recorded as revenue when received.

Property owners must also pay to the EACC a performance deposit which is returned upon building completion in accordance with approved plans. Performance deposits received are recorded as a liability in the accompanying financial statements. At times, owners forfeit performance deposits for failure to follow EACC guidelines, protective covenants or restrictions. Forfeited deposits are recorded as revenues at the time of forfeiture.

#### ***Income taxes***

Property owner associations may be taxed either as associations or as regular corporations for federal income tax purposes. The Association has elected to be taxed as a corporation in fiscal 2014 and in fiscal 2013.

Management has evaluated the Association's federal and state tax positions and believes there are no significant uncertain tax positions. The Association is generally not subject to examination by federal and state tax authorities for tax years before fiscal 2011.

# ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED

Notes to Financial Statements – Income Tax Basis  
April 30, 2014 and 2013

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## **Note 2 - Related Party Transactions**

The Association's transactions with AFRO are summarized as follows:

	<u>2014</u>	<u>2013</u>
Member dues (see note 1)	\$ 58,603	\$ 58,584
Administrative salary reimbursement	(18,687)	(18,890)

## **Note 3 - Subsequent Events**

Management has evaluated subsequent events for recognition or disclosure in the financial statements through October 31, 2014, the date the financial statements were available to be issued. Management's review discovered no subsequent events that should be recognized as of April 30, 2014 or that are deemed significant enough to disclose.