

Report of Independent Auditors  
and Financial Statements – Income  
Tax Basis for

**Association of Angel Fire Property  
Owners, Incorporated**

April 30, 2018 and 2017



**AXIOM**

*Certified Public Accountants  
and Business Advisors LLC*

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

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## INDEPENDENT AUDITOR'S 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"), which comprise the statements of assets, liabilities, and members' equity – income tax basis as of April 30, 2018 and 2017, and the related statements of revenue and expenses and changes in 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 from 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 auditor's judgment, including the 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 entity'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 entity'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, 2018 and 2017, and its revenue and expenses and changes in members' equity for the years then ended in accordance with the income tax basis of accounting 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 income tax basis of accounting 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.

A handwritten signature in blue ink that reads "Axiom".

Albuquerque, New Mexico

October 8, 2018

**ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED**  
**Statements of Assets, Liabilities, and Members' Equity – Income Tax Basis**

		<u>April 30</u>	
<b>ASSETS</b>		<u>2018</u>	<u>2017</u>
Assets			
Cash and cash equivalents	\$	250,514	211,795
Restricted cash - performance deposits		61,888	64,581
Furniture and equipment, net of accumulated depreciation of \$1,406 in 2018 and \$3,401 in 2017		<u>448</u>	<u>713</u>
<b>Total assets</b>	<b>\$</b>	<b><u>312,850</u></b>	<b><u>277,089</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
Liabilities			
Performance deposits	\$	61,600	64,152
State income taxes payable		<u>50</u>	<u>50</u>
<b>Total liabilities</b>		<u>61,650</u>	<u>64,202</u>
Members' equity		<u>251,200</u>	<u>212,887</u>
<b>Total liabilities and members' equity</b>	<b>\$</b>	<b><u>312,850</u></b>	<b><u>277,089</u></b>

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

**ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED**  
**Statements of Revenue, Expenses, and Changes in Members' Equity – Income Tax Basis**

	<u>Years Ended April 30</u>	
	<u>2018</u>	<u>2017</u>
<b>REVENUES:</b>		
Member dues	\$ 57,354	56,805
Environmental committee fees	26,783	18,250
HOA disclosure certificate preparation	38,250	32,100
Interest income	374	315
<b>Total revenues</b>	<b><u>122,761</u></b>	<b><u>107,470</u></b>
<b>EXPENSES:</b>		
Personnel	23,134	25,181
HOA disclosure certificate preparation expense	26,148	20,482
Other	8,258	6,155
Professional fees	21,011	3,431
Insurance	1,824	3,376
Property inspection	2,500	2,500
Telephone	380	1,527
Office supplies	1,061	1,097
Postage	62	57
<b>Total expenses</b>	<b><u>84,378</u></b>	<b><u>63,806</u></b>
<b>Excess of revenues over expenses before income taxes</b>	<b>38,383</b>	<b>43,664</b>
Income tax expense	70	60
<b>Excess of revenues over expenses</b>	<b>38,313</b>	<b>43,604</b>
<b>Members' equity, at beginning of year</b>	<b><u>212,887</u></b>	<b><u>169,283</u></b>
<b>Members' equity, at end of year</b>	<b><u><u>\$ 251,200</u></u></b>	<b><u><u>212,887</u></u></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, 2018 and 2017**

**Note 1 – Organization 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.

**Cash and cash equivalents** – Amounts reflected as cash and cash equivalents on the Statements of Assets, Liabilities, and Members' Equity – Income Tax Basis, include amounts on hand as well as money market accounts. Restricted cash consists of Performance Deposits held by the Association.

**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 \$265 in fiscal 2018 and \$199 in fiscal 2017.

**Member dues** – The Amended Joint Plan of Reorganization, dated April 20, 1995 (the Plan), sets forth the obligations of Angel Fire Resort Operations, LLC (AFRO) and the Association. AFRO is the legal owner of land and maintains all the recreational amenities (the Amenities). As an Angel Fire property owner, Association members are required by the Plan to pay membership dues, which are to be collected and remitted to AFRO in exchange for the use, operation, maintenance, and improvement of the Amenities. Under the terms of the Plan, the collected membership dues are retained by AFRO for the use, operation, maintenance and improvement of the Amenities. Therefore, membership dues are reported in the financial statements of AFRO, and accordingly, are not reported in the accompanying statement of revenues, expense and members' equity – income tax basis. Under the terms of the Plan, four percent (4%) of member dues collected by AFRO are designated for discretionary spending by the Association on the Amenities. This component of member dues is managed by AFRO, in collaboration with the Association, in determining how these monies are spent on the Amenities. This component of membership dues are also reported in the financial statements of AFRO, and accordingly, are not reported in the accompanying statement of revenue, expenses, and members' equity – income tax basis. Under the terms of the Plan, one percent (1%) of the collected membership dues are designated for administrative expense for the Association. Therefore, this component of membership dues is reported as member dues in the accompanying statement of revenue, expense and members equity – income tax basis when received.

**ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED**  
**Notes to Financial Statements – Income Tax Basis**  
**April 30, 2018 and 2017**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

**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 was taxed as a corporation in 2016 but made the election in 2017 and henceforth to be taxed as a Homeowner’s Association.

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 2015.

**Note 2 – Related Party Transactions**

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

	<u>2018</u>	<u>2017</u>
Member dues (see note 1) \$	57,534	56,805
Administrative salary reimbursement	(7,534)	(8,766)