

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

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

April 30, 2021 and 2020



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

Opinion

We have audited the accompanying financial statements of the Association of Angel Fire Property Owners, Incorporated (the Association), a nonprofit organization, which comprise the statements of assets, liabilities, and members' equity – income tax basis as of April 30, 2021 and 2020, 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.

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, 2021 and 2020, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Association of Angel Fire Property Owners, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. These financial statements are prepared on the basis of accounting the Association 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting the Association uses for income tax purposes 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association of Angel Fire Property Owners, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of Angel Fire Property Owners, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Albuquerque, New Mexico
May 3, 2022

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

| | | <u>April 30</u> | |
|--|-----------|-----------------------|-----------------------|
| ASSETS | | <u>2021</u> | <u>2020</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ | 333,932 | 317,914 |
| Restricted cash - performance deposits | | 103,924 | 63,351 |
| Furniture and equipment, net of accumulated depreciation of \$1,725 in 2021 and \$1,638 in 2020 | | <u>129</u> | <u>216</u> |
| Total assets | \$ | <u>437,985</u> | <u>381,481</u> |
| LIABILITIES AND MEMBERS' EQUITY | | | |
| LIABILITIES | | | |
| Performance deposits | \$ | 103,636 | 62,780 |
| State income taxes payable | | <u>-</u> | <u>-</u> |
| Total liabilities | | <u>103,636</u> | <u>62,780</u> |
| Members' equity | | <u>334,349</u> | <u>318,701</u> |
| Total liabilities and members' equity | \$ | <u>437,985</u> | <u>381,481</u> |

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>2021</u> | <u>2020</u> |
| REVENUES: | | |
| Member dues | \$ 64,488 | 64,100 |
| Environmental committee fees | 27,775 | 30,110 |
| HOA disclosure certificate preparation | 77,024 | 50,250 |
| Performance deposit forfeitures | 1,000 | 200 |
| Interest income | 742 | 1,257 |
| Total revenues | <u>171,029</u> | <u>145,917</u> |
| EXPENSES: | | |
| Professional fees | 90,516 | 26,884 |
| Personnel | 25,888 | 36,479 |
| HOA disclosure certificate preparation expense | 30,728 | 33,689 |
| Office supplies | 4,680 | 1,636 |
| Insurance | 2,102 | 3,348 |
| Other | 1,119 | 6,238 |
| Postage | 313 | 167 |
| Telephone | - | 36 |
| Total expenses | <u>155,346</u> | <u>108,477</u> |
| Excess of revenues over expenses before income taxes | 15,683 | 37,440 |
| Income tax expense | 35 | 182 |
| Excess of revenues over expenses | 15,648 | 37,258 |
| Members' equity, at beginning of year | <u>318,701</u> | <u>281,443</u> |
| Members' equity, at end of year | <u>\$ 334,349</u> | <u>318,701</u> |

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, 2021 and 2020

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 \$87 for the years ended April 30, 2021 and 2020.

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, 2021 and 2020

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. Performance deposits payable amounted to \$103,636 and \$62,780 at April 30, 2021 and 2020.

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 year 2018.

Note 2 – Related Party Transactions

The Association’s membership dues are collected through AFRO (Note 1) and are remitted to the Association. Membership dues collected by AFRO amounted to \$64,488 and \$64,100 for the years ended April 30, 2021 and 2020.

The Association has a pending litigation against AFRO at April 30, 2021 (Note 3).

Note 3 – Commitments and Contingencies

The Association currently is party to various litigation and other claims in the ordinary course of business. The Association has a complaint for declaratory judgment regarding legality of the Board of Directors, for access to information held by AFRO, for declaratory judgment that the Association has the right to choose its agent for collecting assessments (currently collected by AFRO), and for breach of fiduciary duty.

The Association believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the Association. At April 30, 2021 and 2020, the Association had no significant commitments.

Note 4 – Subsequent Events

The Association has evaluated subsequent events through May 3, 2022, the date the financial statements were available to be issued.