

ABBE SPRINGS RANCHES HOMEOWNERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2018

FINDELL & COMPANY, P.C.
Certified Public Accountants

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FINDELL & COMPANY, P.C.
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To the Board of Directors and Members
Abbe Springs Ranches Homeowners' Association, Inc.
Magdalena, New Mexico

Management is responsible for the accompanying financial statements of Abbe Springs Ranches Homeowners' Association, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues and expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Findell & Company, PC

FINDELL & COMPANY, P. C.
Certified Public Accountants
Albuquerque, N.M.
February 26, 2019

ABBE SPRINGS RANCHES HOMEOWNERS' ASSOCIATION, INC.
 BALANCE SHEET
 As of December 31, 2018

ASSETS	<u>Operating Fund</u>	<u>Road Fund</u>	<u>Contingency Fund</u>	<u>Total</u>
CURRENT ASSETS				
Cash - checking	\$ 4,885	\$ -	\$ -	\$ 4,885
Cash - money market	6,170	-	-	6,170
Cash - savings	947	-	-	947
Cash - CD accounts	74,123	-	-	74,123
Accounts receivable - net of allowance	4,614	-	-	4,614
Lot 117 Judgement net of allowance	6,591	-	-	6,591
Interfund receivable (payable)	(70,000)	10,000	60,000	-
Deposits	20	-	-	20
	<u>27,350</u>	<u>10,000</u>	<u>60,000</u>	<u>97,350</u>
TOTAL ASSETS	\$ <u>27,350</u>	\$ <u>10,000</u>	\$ <u>60,000</u>	\$ <u>97,350</u>
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ <u>763</u>	\$ -	\$ -	\$ <u>763</u>
TOTAL CURRENT LIABILITIES	763	-	-	763
MEMBERS' EQUITY				
Operating fund	26,587	-	-	26,587
Road fund	-	10,000	-	10,000
Contingency fund	-	-	60,000	60,000
	<u>26,587</u>	<u>10,000</u>	<u>60,000</u>	<u>96,587</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>27,350</u>	\$ <u>10,000</u>	\$ <u>60,000</u>	\$ <u>97,350</u>

See accompanying notes and accountant's report.

ABBE SPRINGS RANCHES HOMEOWNERS' ASSOCIATION, INC.
 STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE
 Year Ended December 31, 2018

	Operating Fund	Road Fund	Contingency Fund	Total
INCOME				
Annual dues	\$ 26,150	\$ -	\$ -	\$ 26,150
Finance & late fees	281	-	-	281
Legal, lien & collection fees	3,389	-	-	3,389
Transfer & sales fees	350	-	-	350
In-kind and other donations	552	-	-	552
Interest & dividends	1,118	-	-	1,118
	<u>31,841</u>	<u>-</u>	<u>-</u>	<u>31,841</u>
EXPENSES				
Bad debt	1,771	-	-	1,771
Bank fees	75	-	-	75
Computer & software	129	-	-	129
Consulting & professional fees	20,452	-	-	20,452
Insurance	4,154	-	-	4,154
Mail & delivery	232	-	-	232
Meetings	100	-	-	100
Printing and publications	37	-	-	37
Road maintenance	3,783	-	-	3,783
Supplies	56	-	-	56
Telephone & communications	36	-	-	36
Travel	620	-	-	620
Taxes	60	-	-	60
	<u>31,505</u>	<u>-</u>	<u>-</u>	<u>31,505</u>
NET INCOME (LOSS)	336	-	-	336
BEGINNING FUND BALANCES	<u>26,251</u>	<u>10,000</u>	<u>60,000</u>	<u>96,251</u>
ENDING FUND BALANCES	<u>\$ 26,587</u>	<u>\$ 10,000</u>	<u>\$ 60,000</u>	<u>\$ 96,587</u>

See accompanying notes and accountant's report.

ABBE SPRINGS RANCHES HOMEOWNERS' ASSOCIATION, INC.
 STATEMENT OF CASH FLOWS
 Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Road Fund</u>	<u>Contingency Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 336	\$ -	\$ -	\$ 336
Adjustments to reconcile net income to net cash provided by operating activities:				
(Increase) decrease in accounts receivable	5,023	-	-	5,023
(Increase) decrease in judgement award	(6,591)			(6,591)
Increase (decrease) in accounts payable	(1,903)	-	-	(1,903)
Change in interfund payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3,135)	-	-	(3,135)
CASH AT BEGINNING OF YEAR	<u>89,260</u>	<u>-</u>	<u>-</u>	<u>89,260</u>
CASH AT END OF YEAR \$	<u><u>86,125</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>86,125</u></u>

See accompanying notes and accountant's report.

ABBE SPRINGS RANCHES HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbe Springs Ranches Homeowners' Association Inc. (the Association) is a residential real estate association incorporated on September 21, 2000 as a New Mexico nonprofit corporation. The Association was organized to provide for the ownership and maintenance of the roads serving the Subdivision, to enforce the Declaration of Covenants, Easements and Restrictions for the Subdivision and to preserve the common property on behalf of its members.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Fund Accounting

While not specifically addressed in the Association's governing documents, unless otherwise noted, the board of directors has designated funds be maintained to provide for future major repairs and replacements. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the fund.

Road Fund – This fund is used to accumulate financial resources designated for future capital improvements.

Contingency Fund – This fund is used to accumulate financial resources designated for unbudgeted or unexpected costs. The Association's By-laws require a minimum of \$30,000 be maintained in this fund.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Changes in the valuation allowance have not been material to the financial statements.

ABBE SPRINGS RANCHES HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

NOTE 2 – ASSESSMENTS

Assessments are determined by the board of directors and approved by membership vote at the annual meeting and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to lot owners were \$150 per lot for 2017 and are due by the date of the annual meeting.

NOTE 3 – COMMON PROPERTY

Common property solely consists of roads that were acquired by the original lot owners and are not capitalized on the Association's financial statements. Although these properties are owned by the Association, the assets are not recognized under generally accepted accounting principles, as the Association will not, in the ordinary course of business, dispose of the property.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has not performed a reserve study, the purpose of which is to estimate the remaining useful lives and the corresponding repair or replacement costs. Management believes current reserve accounts are adequate for these purposes as historically, all major repairs have been funded through operations.

NOTE 5 – LOT 117 JUDGEMENT

The Association has been awarded a judgement for unpaid dues. This judgement is in connection with Lot 117 and is reflected on the balance sheet as the amount of the unpaid dues, less amounts charged off in prior years. After waiting the Right of Redemption period to expire on April 17, 2019, the Association will offer Lot 117 to the members under a single silent bid auction.

ABBE SPRINGS RANCHES HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES

Homeowner associations may be taxed either as homeowner associations or as non-exempt membership organizations. For the year ended December 31, 2018, the Association elected to be taxed as a homeowner association. Under that election, the Association generally is taxed only on non-exempt income, such as interest earnings, at applicable federal and state tax rates.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed. The Association's tax returns for 2017, 2016 and 2015 remain open to examination.

NOTE 7 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through February 26, 2019, the date on which the financial statements were available to be issued.