

**ALTO LAKES GOLF AND COUNTRY CLUB**

**FINANCIAL REPORT**

**MARCH 31, 2020 AND 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Alto Lakes Golf and Country Club  
Alto, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alto Lakes Golf and Country Club which comprise the balance sheets as of March 31, 2020 and 2019, and the related statements of operations and members' equity and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 financial position of Alto Lakes Golf and Country Club as of March 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lauterbach, Boschee & Company*

El Paso, Texas  
June 15, 2020

# ALTO LAKES GOLF AND COUNTRY CLUB, INC.

## BALANCE SHEETS

March 31, 2020 and 2019

| ASSETS  | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Current Assets  |                      |                      |
| Cash and cash equivalents   | \$ 1,755,300         | \$ 1,805,744         |
| Accounts receivable, less allowance for doubtful accounts<br>of \$538 in 2020 and \$2,176 in 2019 | 4,796,724            | 4,640,888            |
| Certificates of deposit   | 1,399,007            | 1,457,894            |
| Investment securities   | 400,657              | 495,903              |
| Inventories   | 123,542              | 122,690              |
| Prepaid expenses and other assets   | 233,023              | 13,011               |
| <b>Total current assets</b>   | <b>8,708,253</b>     | <b>8,536,130</b>     |
| Property and equipment, net   | 18,103,558           | 17,215,699           |
| Other assets  |                      |                      |
| Water rights  | 2,236,093            | 2,236,093            |
| Liquor license  | 70,409               | 70,409               |
|   | <b>2,306,502</b>     | <b>2,306,502</b>     |
|   | <b>\$ 29,118,313</b> | <b>\$ 28,058,331</b> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>  |                      |                      |
| Current Liabilities   |                      |                      |
| Accounts payable - trade  | \$ 190,863           | \$ 32,545            |
| Accrued expenses  | 229,679              | 269,876              |
| Deferred income and assessments   | 4,617,314            | 4,394,050            |
| Deposits  | 17,221               | 22,200               |
| Current portion of long term debt   | 20,792               | 237,217              |
| Other liabilities   | 13,020               | 16,730               |
| <b>Total current liabilities</b>  | <b>5,088,889</b>     | <b>4,972,618</b>     |
| Long term debt, less current maturities   | 114,537              | 137,200              |
| Members' Equity   |                      |                      |
| Members' equity   | 23,914,887           | 22,948,513           |
|   | <b>23,914,887</b>    | <b>22,948,513</b>    |
| Total liabilities and members' equity   | <b>\$ 29,118,313</b> | <b>\$ 28,058,331</b> |

See Notes to Financial Statements

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**

**STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY**

**Years Ended March 31, 2020 and 2019**

|                                      | 2020                 | 2019                 |
|--------------------------------------|----------------------|----------------------|
| Revenues                             |                      |                      |
| Membership dues                      | \$ 3,743,969         | \$ 3,515,686         |
| Golf revenue                         | 933,205              | 944,583              |
| Food and beverage                    | 2,000,061            | 1,937,116            |
| Event revenue                        | 236,257              | 227,381              |
| Transfer fees                        | 797,000              | 727,500              |
| Other revenues                       | 290,902              | 99,082               |
|                                      | <u>8,001,394</u>     | <u>7,451,348</u>     |
| Expenses                             |                      |                      |
| Operating expenses:                  |                      |                      |
| Food and beverage department         | 3,021,890            | 2,922,602            |
| Grounds department                   | 1,617,156            | 1,510,274            |
| General and administrative           | 1,213,520            | 1,052,841            |
| Golf department                      | 669,927              | 674,372              |
| Indirect department                  | 794,148              | 668,505              |
| House department                     | 257,962              | 256,152              |
| Swim and tennis department           | 22,544               | 19,932               |
| Fitness department                   | 2,289                | 4,313                |
|                                      | <u>7,599,436</u>     | <u>7,108,991</u>     |
| Operating income before depreciation | 401,958              | 342,357              |
| Depreciation expense                 | <u>(1,038,043)</u>   | <u>(962,691)</u>     |
| <b>Loss from operations</b>          | <u>(636,085)</u>     | <u>(620,334)</u>     |
| Other income/(expense):              |                      |                      |
| Interest income                      | 93,361               | 65,661               |
| Gain on disposal of assets           | 2,416                | 59,500               |
| Interest expense                     | <u>(5,827)</u>       | <u>(6,050)</u>       |
| <b>Net loss</b>                      | <u>(546,135)</u>     | <u>(501,223)</u>     |
| Members' equity, beginning of year   | 22,948,513           | 21,850,736           |
| Membership capital assessments       | 1,432,509            | 1,539,000            |
| Membership sales and upgrades        | <u>80,000</u>        | <u>60,000</u>        |
| Members' equity, end of year         | <u>\$ 23,914,887</u> | <u>\$ 22,948,513</u> |

See Notes to Financial Statements

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**

**STATEMENTS OF CASH FLOWS**

**Years Ended March 31, 2020 and 2019**

|   | 2020               | 2019                |
|---|--------------------|---------------------|
| Cash Flows From Operating Activities                        |                    |                     |
| Cash received from members and guests                       | \$ 8,063,843       | \$ 7,455,484        |
| Cash paid to suppliers and employees                        | (7,705,889)        | (6,986,757)         |
| Interest paid   | (5,827)            | (6,050)             |
| Interest received   | 93,361             | 65,661              |
| <b>Net cash provided by operating activities</b>            | <b>445,488</b>     | <b>528,338</b>      |
| Cash Flows From Investing Activities                        |                    |                     |
| Capital expenditures  | (1,923,486)        | (1,622,338)         |
| Purchase of HTM securities                                  | (1,497,089)        | (1,953,797)         |
| Sale of HTM securities                                      | 1,651,222          | -                   |
| <b>Net cash used in investing activities</b>                | <b>(1,769,353)</b> | <b>(3,576,135)</b>  |
| Cash Flows From Financing Activities                        |                    |                     |
| Membership capital assessments                              | 1,432,509          | 1,539,000           |
| Proceeds on long-term borrowings                            | -                  | 395,937             |
| Principal payments on long-term borrowings                  | (239,088)          | (21,520)            |
| Membership upgrades   | 80,000             | 60,000              |
| <b>Net cash provided by financing activities</b>            | <b>1,273,421</b>   | <b>1,973,417</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(50,444)</b>    | <b>(1,074,380)</b>  |
| Cash and cash equivalents, beginning of year                | 1,805,744          | 2,880,124           |
| Cash and cash equivalents, end of year                      | <b>1,755,300</b>   | <b>\$ 1,805,744</b> |

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.****STATEMENTS OF CASH FLOWS - (CONTINUED)****Years Ended March 31, 2020 and 2019**

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| <b>Reconciliation of net income to net cash provided by operating activities</b> |                   |                   |
| Net (loss)   | \$ (546,135)      | \$ (501,223)      |
| Adjustments to reconcile net loss to net cash provided by operating activities   |                   |                   |
| Depreciation   | 1,038,043         | 962,691           |
| Gain on disposal of assets   | (2,416)           | (59,500)          |
| (Increase) decrease in assets  |                   |                   |
| Accounts receivable  | (155,836)         | (257,417)         |
| Inventories  | (852)             | 5,945             |
| Prepaid expenses and other assets  | (220,012)         | 13,139            |
| Increase (decrease) in liabilities   |                   |                   |
| Accounts payable - trade   | 158,318           | (1,609)           |
| Accrued expenses and other liabilities   | (43,907)          | 104,759           |
| Deferred income and assessments  | 218,285           | 261,553           |
| <b>Net cash provided by operating activities</b>                                 | <b>\$ 445,488</b> | <b>\$ 528,338</b> |

See Notes to Financial Statements



## ALTO LAKES GOLF AND COUNTRY CLUB

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies

Nature of operations: Alto Lakes Golf and Country Club, Inc. (the Club), founded in 1967, operates two golf courses in Lincoln County, New Mexico. In addition to golf course facilities, the Club operates restaurant facilities.

**The following is a summary of the Club's significant accounting policies.**

Cash and cash equivalents: The Club defines cash and cash equivalents as cash, bank deposits, and short-term, highly liquid securities with original maturities of three months or less.

Accounts receivable: Accounts receivable are carried at original balances less an estimate made for doubtful receivables based on a yearly review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Late charges are assessed at 2% of outstanding balance monthly. The Club has lien capability on the property on members who have unpaid balance owed to the Club.

Accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Allowance for past due accounts receivable were \$538 and \$2,176 as of March 31, 2020 and 2019, respectively.

Investment securities: The Club classifies investment securities as held-to-maturity. The Club does not have a trading portfolio. In addition, the Club does not invest in securities that are considered to be derivatives.

Investment securities held-to-maturity are those securities which management has the ability and intent to hold to maturity. These securities are carried at amortized cost. Discounts and premiums are accreted or amortized using a method that approximates the interest method.

Inventories: Inventories are stated at the lower of cost or market where cost is determined by the first-in, first-out method, and consist primarily of food and beverages.

Property and equipment: Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

## ALTO LAKES GOLF AND COUNTRY CLUB

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (continued)

Long-lived assets: The Club accounts for the valuation of long-lived assets in accordance with the criteria set forth in the Accounting of Impairment or Disposal of Long-Lived Assets Topic of the FASB Accounting Standards Codification (ASC). The ASC requires that long-lived assets and certain identifiable assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Revenue recognition: Membership dues, which are billed at the beginning of the fiscal year or one month in advance depending on the election of the member, are deferred until the period earned. Deposits received for party sales are deferred until the period in which the party is held. Deferred income from members' dues, deposits on party sales, and prepaid special assessments totaled \$4,634,535 and \$4,416,250 at March 31, 2020 and 2019, respectively. Initiation and transfer fees are recorded as revenue when a new member joins the Club or when an existing member transfers to another membership category. Revenues from other Club operations are recognized upon rendering of services.

Advertising: The Club expenses promotional and publicity costs as incurred. Promotional and publicity expense was \$2,532 and \$2,932 for the years ended March 31, 2020 and 2019, respectively.

Income taxes: The Club is required to file an income tax return and to pay income tax on its taxable earnings. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Club and recognize a tax liability if the Club has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Club, and has concluded that as of March 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Club is subject to routine audits by various taxing jurisdictions; however, there are currently no audits for any tax periods in progress. With few exceptions, the Club is no longer subject to federal tax examinations by tax authorities for years before 2017 and is no longer subject to state tax examinations by tax authorities for years before 2016.

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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

## ALTO LAKES GOLF AND COUNTRY CLUB

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Summary of Significant Accounting Policies (continued)**

New Accounting Pronouncement: The Financial Accounting Standards Board issued new guidance on accounting for equity investments, ASU No. 2016-1, in which all equity investments will be required to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee), effective for fiscal years beginning after December 15, 2018. On April 1, 2019, the company adopted ASU No. 2016-1, and the related amendments. This new pronouncement did not have a significant effect on the historically reported financial statements.

The Financial Accounting Standards Board issued new guidance on revenue recognition, ASU Update 2014-9, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgement and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. On April 1, 2019, the company adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and the related amendments, which superseded most existing U.S. GAAP revenue guidance. The company adopted the new ASU on a retrospective basis, resulting in a consistent basis of presentation within our financial statements for all periods presented; however, this new pronouncement did not have a significant effect on the historically reported financial statements as well as the existing processes to recognize revenue.

The Financial Accounting Standards Board issued new guidance on accounting for leases, ASU No. 2016-2, which a lessee will be required to recognize the lease liability and the related right-of-use asset on the balance sheet for all lease types, (capital and operating) effective for fiscal years beginning after December 15, 2020. Management is evaluating the effect of the pronouncement on the balance sheet.

Subsequent events: The Club has evaluated subsequent events through June 15, 2020, the date on which the financial statements were available to be issued.

#### **Note 2. Credit Risk**

The Club maintains its cash and cash equivalents in two financial institutions. Accounts at the institutions are insured by the FDIC, under limits established by federal regulation. The Club believes it is not exposed to any significant credit risk on cash and cash equivalents.

**ALTO LAKES GOLF AND COUNTRY CLUB****NOTES TO FINANCIAL STATEMENTS****Note 3. Property and Equipment**

Property and equipment consisted of the following at March 31:

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Club buildings                            | \$ 8,797,848         | \$ 8,636,602         |
| Rental properties                         | 727,725              | -                    |
| Land                                      | 7,822,134            | 7,807,698            |
| Paving and grounds improvements           | 6,727,311            | 6,089,978            |
| Machinery and equipment                   | 2,410,762            | 2,253,444            |
| Furniture, fixtures and equipment         | 1,776,006            | 1,639,434            |
| Carts and pro shop fixtures and equipment | 747,607              | 769,748              |
| Fitness room equipment                    | 238,292              | 238,292              |
| Swim and tennis furniture and equipment   | 194,247              | 190,552              |
| Office furniture and equipment            | 194,164              | 194,164              |
| Construction in progress                  | -                    | 2,736                |
|   | 29,636,096           | 27,822,648           |
| Less accumulated depreciation             | (11,532,538)         | (10,606,949)         |
|   | <u>\$ 18,103,558</u> | <u>\$ 17,215,699</u> |

Total depreciation expense for the years ended March 31, 2020 and 2019 was \$1,038,043 and \$962,691, respectively.

**Note 4. Investment Securities and Fair Value Measurements**

The amortized cost and estimated market values of investments securities at March 31, 2020 and 2019 were as follows:

|                             | March 31, 2020      |                        |                         |                      |
|-----------------------------|---------------------|------------------------|-------------------------|----------------------|
|                             | Amortized Cost      | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Securities held-to-maturity |                     |                        |                         |                      |
| U.S. Government agencies    | \$ 400,657          | \$ 3,419               | \$ -                    | \$ 404,076           |
| Certificates of deposit     | \$ 1,399,007        | \$ 1,444               | \$ (1,374)              | \$ 1,399,077         |
|                             | <u>\$ 1,799,664</u> | <u>\$ 4,863</u>        | <u>\$ (1,374)</u>       | <u>\$ 1,803,153</u>  |

## ALTO LAKES GOLF AND COUNTRY CLUB

### NOTES TO FINANCIAL STATEMENTS

#### Note 4. Investment Securities and Fair Value Measurements (continued)

|                             | March 31, 2019      |                              |                               |                         |
|-----------------------------|---------------------|------------------------------|-------------------------------|-------------------------|
|                             | Amortized Cost      | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated Fair<br>Value |
| Securities held-to-maturity |                     |                              |                               |                         |
| U.S. Government agencies    | \$ 495,903          | \$ 2,639                     | \$ -                          | \$ 498,542              |
| Certificates of deposit     | \$ 1,457,894        | \$ 1,158                     | \$ (2,586)                    | \$ 1,456,466            |
|                             | <u>\$ 1,953,797</u> | <u>\$ 3,797</u>              | <u>\$ (2,586)</u>             | <u>\$ 1,955,008</u>     |

At March 31, 2020, there were no securities in a loss position greater than 12 months.

The Fair Value Measurements and Disclosures Topic 820 of the FASB Accounting Standards Codification established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three level of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**ALTO LAKES GOLF AND COUNTRY CLUB****NOTES TO FINANCIAL STATEMENTS****Note 4. Investment Securities and Fair Value Measurements (continued)**

The fair value hierarchy for assets measured at fair value at March 31, 2020 and 2019 is as follows:

|                                   |    | March 31, 2020 |         |              |              |
|-----------------------------------|----|----------------|---------|--------------|--------------|
|                                   |    | Level 1        | Level 2 | Level 3      | Total        |
| Securities held-to-maturity       |    |                |         |              |              |
| U.S. Government agencies          | \$ | 404,076        | \$ -    | \$ -         | \$ 404,076   |
| Certificates of deposit           |    | -              | -       | 1,399,077    | 1,399,077    |
| Total securities held to maturity | \$ | 404,076        | \$ -    | \$ 1,399,077 | \$ 1,803,153 |

  

|                                   |    | March 31, 2019 |         |              |              |
|-----------------------------------|----|----------------|---------|--------------|--------------|
|                                   |    | Level 1        | Level 2 | Level 3      | Total        |
| Securities held-to-maturity       |    |                |         |              |              |
| U.S. Government agencies          | \$ | 498,542        | \$ -    | \$ -         | \$ 498,542   |
| Certificates of deposit           |    | -              | -       | 1,456,466    | 1,456,466    |
| Total securities held to maturity | \$ | 498,542        | \$ -    | \$ 1,456,466 | \$ 1,955,008 |

**Note 5. Income Taxes**

Deferred tax assets consisted of the following as of March 31:

|                           |    | 2020        | 2019         |
|---------------------------|----|-------------|--------------|
| Deferred tax assets       |    |             |              |
| Net operating loss        | \$ | 1,491,686   | \$ 1,305,158 |
| Valuation allowance       |    | (1,053,347) | (968,503)    |
| Total deferred tax assets |    | 438,339     | 336,655      |
| Deferred tax liabilities  |    |             |              |
| Property and equipment    |    | (438,339)   | (336,655)    |
| Net deferred tax assets   | \$ | -           | \$ -         |

## ALTO LAKES GOLF AND COUNTRY CLUB

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. Income Taxes (continued)

The provision for income taxes charged to operations for the years ended March 31 consists of the following:

|  | 2020        | 2019        |
|--|-------------|-------------|
| Computed "expected" tax expense                  | \$ -        | \$ -        |
| Increase (decrease) income taxes resulting from: |             |             |
| Benefit of income taxes at graduated rates       |             |             |
| Deferred tax expense (benefit):                  |             |             |
| Net operating loss                               | 186,528     | 131,270     |
| Fixed assets                                     | (101,684)   | (53,858)    |
| Allowance  | (84,844)    | (77,412)    |
|  | <u>\$ -</u> | <u>\$ -</u> |

The provision for income taxes for the years ended March 31 differs from the amount obtained by applying the U.S. Federal income tax rate to pretax income due to the following:

|                                | 2020             | 2019             |
|--------------------------------|------------------|------------------|
| Deferred tax expense (benefit) | <u>\$ 84,844</u> | <u>\$ 77,412</u> |
|                                | <u>84,844</u>    | <u>77,412</u>    |
| Valuation allowance            | <u>(84,844)</u>  | <u>(77,412)</u>  |
| Net deferred tax benefit       | <u>\$ -</u>      | <u>\$ -</u>      |

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Club will need to generate future taxable income prior to the expiration of the deferred tax assets governed by the tax code. As the Club does not anticipate generating such taxable income, the deferred tax asset has been fully allowed for as of March 31, 2020 and 2019.

#### Note 6. Commitments and Contingencies

From time to time the Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or operations of the Company.

## ALTO LAKES GOLF AND COUNTRY CLUB

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Long Term Debt

Long term debt consists of the following at March 31:

|  | 2020              | 2019           |
|--|-------------------|----------------|
| Note payable to City Bank in the original amount of \$220,150 dated September 26, 2018 payable in monthly installments of \$1,265 including interest of 3.35%. Note was paid on September 20, 2019. Note is collateralized by assets of the company.                       | \$ -              | 216,837        |
| Note payable to Alto Lakes Water and Sanitation District in the original amount of \$175,787 dated June 28, 2018 payable in monthly installments of \$2,100 including interest of 2.00%. Note matures on January 1, 2026. Note is collateralized by assets of the company. | 135,329           | 157,580        |
| Total  | 135,329           | 374,417        |
| Less current portion   | (20,792)          | (237,217)      |
| Total long-term portion  | <u>\$ 114,537</u> | <u>137,200</u> |

Aggregate maturities required on long-term debt as of March 31, 2020 are due in future years as follows:

|            |                   |
|------------|-------------------|
| 2021       | 20,792            |
| 2022       | 23,120            |
| 2023       | 23,587            |
| 2024       | 24,063            |
| 2025       | 24,549            |
| Thereafter | 19,218            |
|            | <u>\$ 135,329</u> |

#### Note 8. Post-Retirement Benefits

On October 19, 1996, the Board of Directors approved the adoption of a defined contribution plan. The plan consists of a profit sharing plan funded at the discretion of the Club and a 401(k) salary deferral plan. The Club matched employee 401(k) contributions by contributing 25 cents for every dollar contributed by employees, but only on the first 3% of compensation contributed. Eligible employees must be at least 21 or have completed 12 months of service of at least 1,000 hours. For the years ended March 31, 2020 and 2019, the Club incurred costs to fund the plan of \$20,016 and \$13,912, respectively.



## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON  
THE SUPPLEMENTARY INFORMATION**

The Board of Directors  
Alto Lakes Golf and Country Club  
Alto, New Mexico

We have audited the financial statements of Alto Lakes Golf and Country Club (the Company) as of and for the years ended March 31, 2020 and 2019, and have issued our report thereon, dated June 15, 2020, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 15, 2020.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lauterbach, Borschow & Company*

El Paso, Texas  
June 15, 2020

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**

**Years Ended March 31, 2020 and 2019**

| <b>Food and Beverage Operations</b> | <b>Alto Division</b> |                     | <b>Outlaw Division</b> |                     |
|-------------------------------------|----------------------|---------------------|------------------------|---------------------|
|                                     | <b>2020</b>          | <b>2019</b>         | <b>2020</b>            | <b>2019</b>         |
| Sales:                              |                      |                     |                        |                     |
| Food sales                          | \$ 1,156,240         | \$ 1,141,809        | \$ 128,437             | \$ 134,612          |
| Beverage sales                      | 553,710              | 506,856             | 63,122                 | 60,945              |
| Event sales                         | 236,257              | 227,381             | -                      | -                   |
| Gross sales                         | <u>1,946,207</u>     | <u>1,876,046</u>    | <u>191,559</u>         | <u>195,557</u>      |
| Cost of sales                       | <u>873,722</u>       | <u>804,852</u>      | <u>88,885</u>          | <u>81,090</u>       |
| Gross profit                        | <u>1,072,485</u>     | <u>1,071,194</u>    | <u>102,674</u>         | <u>114,467</u>      |
| Unused food minimum                 | <u>98,552</u>        | <u>92,892</u>       | <u>-</u>               | <u>-</u>            |
| Total income                        | <u>1,171,037</u>     | <u>1,164,086</u>    | <u>102,674</u>         | <u>114,467</u>      |
| Operating expenses:                 |                      |                     |                        |                     |
| Wages and benefits                  | 1,506,961            | 1,547,166           | 265,741                | 226,973             |
| Supplies                            | 95,936               | 86,077              | 22,116                 | 22,716              |
| Laundry                             | 79,868               | 77,582              | -                      | -                   |
| Miscellaneous                       | 30,910               | 39,130              | 5,193                  | 4,229               |
| Uniforms                            | 9,535                | 13,316              | 2,001                  | 88                  |
| Equipment rental and repair         | 30,188               | 13,425              | 10,629                 | 5,324               |
| Printing                            | <u>84</u>            | <u>634</u>          | <u>121</u>             | <u>-</u>            |
| Total operating expenses            | <u>1,753,482</u>     | <u>1,777,330</u>    | <u>305,801</u>         | <u>259,330</u>      |
| Net income/(loss)                   | <u>\$ (582,445)</u>  | <u>\$ (613,244)</u> | <u>\$ (203,127)</u>    | <u>\$ (144,863)</u> |

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**

**Years Ended March 31, 2020 and 2019**

| <b>Grounds Operations</b>        | <b>Alto Division</b> |              | <b>Outlaw Division</b> |              |
|----------------------------------|----------------------|--------------|------------------------|--------------|
|                                  | <b>2020</b>          | <b>2019</b>  | <b>2020</b>            | <b>2019</b>  |
| Gross sales                      | \$ -                 | \$ -         | \$ -                   | \$ -         |
| Cost of sales                    | -                    | -            | -                      | -            |
| Gross profit                     | -                    | -            | -                      | -            |
| Operating expenses:              |                      |              |                        |              |
| Wages and benefits               | 393,249              | 404,094      | 432,648                | 399,283      |
| Irrigation water                 | 467,202              | 430,729      | 20,748                 | 29,836       |
| Fertilizer and chemicals         | 51,405               | 38,433       | 28,109                 | 41,507       |
| Building and grounds maintenance | 7,889                | 7,045        | 6,817                  | 5,716        |
| Sand, soil, sod & seed           | 20,709               | 17,462       | 14,535                 | 10,565       |
| Outside services                 | 12,451               | 12,513       | 7,029                  | 7,632        |
| Equipment repairs                | 11,099               | 13,392       | 60,619                 | 22,698       |
| Equipment fuel                   | 16,084               | 18,656       | 16,348                 | 17,582       |
| Forest thinning                  | 9,958                | 7,090        | 1,912                  | 1,899        |
| Miscellaneous                    | 5,797                | 5,780        | 4,812                  | 3,244        |
| Supplies                         | 8,908                | 6,023        | 6,370                  | 4,698        |
| Utilities                        | 1,833                | 1,766        | 676                    | 325          |
| Dues and subscriptions           | 1,730                | 1,533        | 2,405                  | 773          |
| USGA                             | 1,348                | -            | 1,850                  | -            |
| Postage                          | 34                   | -            | 19                     | -            |
| Equipment rental                 | 841                  | -            | 1,722                  | -            |
| Total operating expenses         | 1,010,537            | 964,516      | 606,619                | 545,758      |
| Net income/(loss)                | \$ (1,010,537)       | \$ (964,516) | \$ (606,619)           | \$ (545,758) |

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**

**Years Ended March 31, 2020 and 2019**

| <b>General and Administrative Operations</b> | <b>Alto Division</b> |                | <b>Outlaw Division</b> |             |
|--|----------------------|----------------|------------------------|-------------|
|  | <b>2020</b>          | <b>2019</b>    | <b>2020</b>            | <b>2019</b> |
| Gross rent income                            | \$ -                 | \$ -           | \$ 4,300               | \$ 4,799    |
| Cost of sales                                | -                    | -              | -                      | -           |
| Gross profit                                 | -                    | -              | 4,300                  | 4,799       |
| Operating expenses:                          |                      |                |                        |             |
| Wages and benefits                           | 744,940              | 601,720        | -                      | -           |
| Member services                              | 157,569              | 145,918        | -                      | -           |
| Legal and professional                       | 73,302               | 74,255         | 12,500                 | 12,500      |
| Computer supplies                            | 48,302               | 47,221         | -                      | -           |
| Miscellaneous                                | 52,298               | 60,381         | -                      | -           |
| Bad debt expense                             | 27,564               | 30,000         | -                      | -           |
| Utilities and telephone                      | 30,744               | 31,717         | 1,259                  | 1,263       |
| Equipment rental                             | 12,613               | 13,465         | -                      | -           |
| Office supplies                              | 10,546               | 7,513          | -                      | -           |
| Postage                                      | 8,776                | 10,623         | -                      | -           |
| Dues and subscriptions                       | 14,893               | 3,116          | -                      | -           |
| Outside services                             | 4,403                | 4,077          | -                      | -           |
| Printing                                     | 6,395                | 5,587          | -                      | -           |
| Credit card fees                             | 4,992                | 3,387          | -                      | -           |
| Uniforms                                     | 2,374                | -              | -                      | -           |
| Donations                                    | 50                   | -              | -                      | -           |
| Supplies                                     | -                    | -              | -                      | 98          |
| Total operating expenses                     | 1,199,761            | 1,038,980      | 13,759                 | 13,861      |
| Net income/(loss)                            | \$ (1,199,761)       | \$ (1,038,980) | \$ (9,459)             | \$ (9,062)  |

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**
**Years Ended March 31, 2020 and 2019**

| <b>Golf Operations</b>   | <b>Alto Division</b> |             | <b>Outlaw Division</b> |             |
|--------------------------|----------------------|-------------|------------------------|-------------|
|                          | <b>2020</b>          | <b>2019</b> | <b>2020</b>            | <b>2019</b> |
| Sales:                   |                      |             |                        |             |
| Green fees               | \$ 192,889           | \$ 166,670  | \$ 183,640             | \$ 207,112  |
| Cart rental              | 188,989              | 178,202     | 146,118                | 163,747     |
| Private cart fees        | 116,352              | 119,059     | 63,259                 | 66,002      |
| Private cart repair fees | 41,958               | 57,494      | -                      | -           |
| Total income             | 540,188              | 521,425     | 393,017                | 436,861     |
| Operating expenses:      |                      |             |                        |             |
| Wages and benefits       | 352,543              | 334,519     | 254,126                | 248,070     |
| Private cart repairs     | 34,495               | 47,153      | -                      | -           |
| Supplies                 | 7,502                | 9,290       | 2,864                  | 2,344       |
| Outside services         | -                    | 6,000       | -                      | 1,500       |
| Driving range            | 422                  | 11,382      | 1,492                  | 126         |
| Equipment repairs        | 1,970                | 2,021       | 362                    | -           |
| Travel                   | 2,913                | 2,792       | -                      | -           |
| Printing                 | 1,839                | 1,456       | 844                    | 1,046       |
| Dues and subscriptions   | 1,800                | 1,078       | 368                    | 758         |
| Utilities and telephone  | 960                  | 960         | 720                    | 660         |
| Laundry                  | 975                  | 1,368       | 930                    | 1,771       |
| Miscellaneous            | 452                  | -           | -                      | -           |
| Training expenses        | 2,350                | 78          | -                      | -           |
| Total operating expenses | 408,221              | 418,097     | 261,706                | 256,275     |
| Net income/(loss)        | \$ 131,967           | \$ 103,328  | \$ 131,311             | \$ 180,586  |

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.****Years Ended March 31, 2020 and 2019**

| <b>Indirect Operations</b>       | <b>2020</b>  | <b>2019</b>  |
|----------------------------------|--------------|--------------|
| Total income                     | \$ -         | \$ -         |
| Operating expenses:              |              |              |
| Wages and benefits               | 100,817      | 39,534       |
| Utilities - electricity          | 267,105      | 239,273      |
| Property taxes                   | 125,336      | 160,924      |
| Utilities - water and sanitation | 105,832      | 105,293      |
| General insurance                | 82,929       | 74,507       |
| Lot sale expense                 | 48,641       | -            |
| Utilities - gas                  | 28,465       | 32,970       |
| Utilities - cable                | 6,110        | 6,172        |
| Miscellaneous                    | 23,652       | 5,958        |
| Security                         | 5,261        | 3,874        |
| Total operating expenses         | 794,148      | 668,505      |
| Net income/(loss)                | \$ (794,148) | \$ (668,505) |

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**

**Years Ended March 31, 2020 and 2019**

| <b>House Operations</b>          | <b>Alto Division</b> |                     | <b>Outlaw Division</b> |                    |
|----------------------------------|----------------------|---------------------|------------------------|--------------------|
|                                  | <b>2020</b>          | <b>2019</b>         | <b>2020</b>            | <b>2019</b>        |
| Gross sales                      | \$ -                 | \$ -                | \$ -                   | \$ -               |
| Cost of sales                    | -                    | -                   | -                      | -                  |
| Gross profit                     | -                    | -                   | -                      | -                  |
| Operating expenses:              |                      |                     |                        |                    |
| Wages and benefits               | 124,654              | 122,618             | 28,596                 | 26,737             |
| Building and grounds maintenance | 33,286               | 45,141              | 10,071                 | 8,380              |
| Equipment repairs                | 23,518               | 22,390              | 2,090                  | 4,385              |
| Supplies                         | 8,976                | 5,765               | 1,725                  | 981                |
| Miscellaneous                    | 4,509                | 7,074               | 2,164                  | 1,695              |
| Outside services                 | 9,827                | 5,155               | 1,584                  | 1,272              |
| House decorations                | 6,962                | 4,559               | -                      | -                  |
| Total operating expenses         | 211,732              | 212,702             | 46,230                 | 43,450             |
| Net income/(loss)                | <u>\$ (211,732)</u>  | <u>\$ (212,702)</u> | <u>\$ (46,230)</u>     | <u>\$ (43,450)</u> |



**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**

**Years Ended March 31, 2020 and 2019**

| <b>Swim and Tennis Operations</b> | <b>Alto Division</b> |             | <b>Outlaw Division</b> |             |
|-----------------------------------|----------------------|-------------|------------------------|-------------|
|                                   | <b>2020</b>          | <b>2019</b> | <b>2020</b>            | <b>2019</b> |
| Sales:                            |                      |             |                        |             |
| Swim and tennis fees              | \$ 1,130             | \$ 1,405    | \$ 170                 | \$ 150      |
| Total income                      | 1,130                | 1,405       | 170                    | 150         |
| Operating expenses:               |                      |             |                        |             |
| Wages and benefits                | 11,295               | 8,492       | -                      | -           |
| Equipment repairs                 | 4,488                | 2,056       | -                      | -           |
| Chemicals                         | 2,828                | 2,835       | -                      | -           |
| Building and grounds maintenance  | 1,928                | 5,315       | -                      | -           |
| Outside services                  | 302                  | 475         | -                      | -           |
| Supplies                          | 1,553                | 609         | -                      | -           |
| Taxes                             | 150                  | 150         | -                      | -           |
| Total operating expenses          | 22,544               | 19,932      | -                      | -           |
| Net income/(loss)                 | \$ (21,414)          | \$ (18,527) | \$ 170                 | \$ 150      |

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.****Years Ended March 31, 2020 and 2019**

| <b>Fitness Operations</b> | <b>2020</b>                   | <b>2019</b>                     |
|---------------------------|-------------------------------|---------------------------------|
| Sales:                    |                               |                                 |
| Fitness fees              | <u>\$          3,117</u>      | <u>\$          2,678</u>        |
| Total income              | <u>          3,117</u>        | <u>          2,678</u>          |
| Operating expenses:       |                               |                                 |
| Equipment repairs         | 1,810                         | 2,953                           |
| Supplies                  | <u>          479</u>          | <u>          1,360</u>          |
| Total operating expenses  | <u>          2,289</u>        | <u>          4,313</u>          |
| Net income/(loss)         | <u><u>\$          828</u></u> | <u><u>\$        (1,635)</u></u> |