

ALTO LAKES GOLF AND COUNTRY CLUB

CONSOLIDATED FINANCIAL REPORT

MARCH 31, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Alto Lakes Golf and Country Club (the Company), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, the related consolidated statements of operations, changes in members' equity, and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the March 31, 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 GAAS 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 GAAS, 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 the Company'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 the Company'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.



El Paso, Texas

June 9, 2023

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

CONSOLIDATED BALANCE SHEETS
March 31, 2023 and 2022

ASSETS	2023	(Restated) 2022
Current Assets		
Cash and cash equivalents	\$ 1,521,669	\$ 904,995
Accounts receivable, less allowance for doubtful accounts of \$50 in 2023 and \$54 in 2022	6,150,575	5,690,462
Certificates of deposit	1,005,463	1,496,512
Mutual funds		
Trading	461,581	484,322
Held to maturity	-	500,013
Inventories	349,880	287,843
Prepaid expenses and other assets	225,637	467,740
Total current assets	9,714,805	9,831,887
Property and equipment, net	24,240,510	20,639,227
Other assets		
Water rights	1,574,218	1,574,218
Liquor license	70,409	70,409
	1,644,627	1,644,627
	\$ 35,599,942	\$ 32,115,741
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable - trade	\$ 305,221	\$ 302,005
Accrued expenses	612,446	563,289
Deferred income and assessments	4,353,504	4,038,042
Deposits	44,715	16,946
Current portion of long term debt	1,244,288	23,626
Other liabilities	3,225	12,865
Total current liabilities	6,563,399	4,956,773
Long term debt, less current maturities	825,371	65,843
Members' Equity		
Restricted funds	1,512,515	1,505,907
Unrestricted funds	26,698,657	25,587,218
	28,211,172	27,093,125
Total liabilities and members' equity	\$ 35,599,942	\$ 32,115,741

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended March 31, 2023 and 2022

	2023	2022
Revenues		
Membership dues	\$ 4,406,826	\$ 4,216,761
Golf revenue	1,754,928	1,527,192
Food and beverage	2,957,508	2,678,323
Event revenue	640,319	376,113
Transfer fees	671,000	980,750
Other revenues	588,302	624,091
	11,018,883	10,403,230
Expenses		
Operating expenses:		
Food and beverage department	4,336,920	3,967,187
Grounds department	1,638,751	1,548,480
General and administrative	1,476,193	1,233,933
Golf department	1,589,026	1,413,387
Indirect department	1,214,034	962,908
House department	430,210	370,919
Swim and tennis department	7,111	16,168
Fitness department	7,442	2,495
Real estate department	159,721	230,022
Concerts and events department	409,325	-
	11,268,733	9,745,499
Operating income (loss) before depreciation	(249,850)	657,731
Depreciation expense	(1,302,799)	(1,152,503)
Loss from operations	(1,552,649)	(494,772)
Other income/(expense):		
Interest income	61,275	22,630
Gain (loss) on disposal of assets	(54,354)	69,144
Loss on trading securities	(36,976)	(15,298)
Interest expense	(3,298)	(2,041)
Net loss	\$ (1,586,002)	\$ (420,337)

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

March 31, 2023 and 2022

	Unrestricted	Restricted	Total
Balance, March 31, 2021	\$ 24,307,806	\$ 1,228,393	\$ 25,536,199
Net loss	(420,337)	-	(420,337)
Prior year monthly membership capital assessment	-	244,499	244,499
Release of fund restriction	1,472,892	(1,472,892)	-
Membership sales and upgrades	195,000	-	195,000
ALPOA contributions	31,857	-	31,857
Membership capital assessment	-	1,357,407	1,357,407
Initiation fee membership capital assessment	-	148,500	148,500
Balance, March 31, 2022	25,587,218	1,505,907	27,093,125
Net loss	(1,586,002)	-	(1,586,002)
Prior year monthly membership capital assessment	-	262,380	262,380
Release of fund restriction	2,645,441	(2,645,441)	-
Membership sales and upgrades	52,000	-	52,000
Membership capital assessment	-	1,495,169	1,495,169
Initiation fee membership capital assessment	-	894,500	894,500
Balance, March 31, 2023	\$ 26,698,657	\$ 1,512,515	\$ 28,211,172

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2023 and 2022

	2023	(Restated) 2022
Cash Flows From Operating Activities		
Cash received from members and guests	\$ 10,902,001	\$ 10,033,535
Cash paid to suppliers and employees	(11,045,934)	(9,488,872)
Interest paid	(3,298)	(2,041)
Interest received	61,275	22,630
Net cash (used by) provided by operating activities	(85,956)	565,252
Cash Flows From Investing Activities		
Capital expenditures	(4,958,436)	(2,294,691)
Purchase of HTM securities	(614,235)	(458,169)
Maturity of HTM securities	1,591,062	227,923
Net cash used in investing activities	(3,981,609)	(2,524,937)
Cash Flows From Financing Activities		
Membership capital assessments	1,757,549	1,601,906
Initiation fees capital assessment	894,500	148,500
Proceeds on long-term borrowings	2,003,816	-
Principal payments on long-term borrowings	(23,626)	(23,159)
Membership upgrades	52,000	195,000
ALPOA contributions	-	31,857
Net cash provided by financing activities	4,684,239	1,954,104
Net increase (decrease) in cash and cash equivalents	616,674	(5,581)
Cash and cash equivalents, beginning of year	904,995	910,576
Cash and cash equivalents, end of year	\$ 1,521,669	\$ 904,995
Supplemental information - net change in unrealized gain (loss) on trading securities	\$ (36,976)	\$ (15,298)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)

Years Ended March 31, 2023 and 2022

	2023	(Restated) 2022
Reconciliation of net income to net cash provided by operating activities		
Net (loss)	\$ (1,586,002)	\$ (420,337)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	1,302,799	1,152,503
(Gain) loss on disposal of assets	54,354	(69,144)
Unrealized loss on trading securities	36,976	15,298
(Increase) decrease in assets		
Accounts receivable	(460,113)	(706,407)
Inventories	(62,037)	(171,407)
Prepaid expenses and other assets	242,103	(130,465)
Increase (decrease) in liabilities		
Accounts payable - trade	3,216	179,076
Accrued expenses and other liabilities	39,517	379,423
Deferred income, assessments and deposits	343,231	336,712
Net cash (used by) provided by operating activities	\$ (85,956)	\$ 565,252

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

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 as well as investment in rental real estate properties.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Alto Lakes Golf and Country Club, Inc. and its wholly owned subsidiary ALG&CC Properties, LLC.

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 \$50 and \$54 as of March 31, 2023 and 2022, respectively.

Investment securities: The Club classifies investment securities as held-to-maturity and trading. 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.

Investment trading securities are those securities that may be sold by the Club in order to meet liquidity requirements or other objectives of the Club. These securities are carried at fair value, with unrealized holding gains and losses included in net income. Discounts and premiums are accreted and amortized using a method that approximates the interest method. Gains or losses on disposition of securities are recognized on a specific identification basis.

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 pro shop merchandise, food, and beverages.

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 deposits on party sales, and prepaid special assessments totaled \$4,398,219 and \$4,054,988 at March 31, 2023 and 2022, respectively.

Restricted Funds: Restricted funds include funds collected through the capital portion of membership dues that are billed to members every year. These funds are additionally collected through the initiation fees (a portion of this fee is delegated to this fund, with the amount differing based on the type of membership). These funds are used at the discretion of the Board for all capital improvements to the Club.

Advertising: The Club expenses promotional and publicity costs as incurred. Promotional and publicity expense was \$2,687 and \$2,562 for the years ended March 31, 2023 and 2022, 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.

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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, 2023 and 2022, 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 2019 and is no longer subject to state tax examinations by tax authorities for years before 2019.

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.

New Accounting Pronouncement: 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, 2021. Management has determined that this pronouncement did not have a significant effect on the financial statements.

Reclassifications: Certain amounts reported in prior years have been reclassified to conform to the presentation at March 31, 2023. Additionally, a separate statement of Changes in Members' Equity has been disclosed for the years ended March 31, 2023 and 2022.

Subsequent events: The Club has evaluated subsequent events through June 9, 2023, 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:

	2023	2022
Club buildings	\$ 10,167,502	\$ 9,955,946
Rental properties	1,181,253	1,073,594
Land	8,484,009	8,484,009
Paving and grounds improvements	8,512,160	7,691,195
Machinery and equipment	2,257,474	2,192,484
Furniture, fixtures and equipment	2,586,698	2,219,312
Carts and pro shop fixtures and equipment	754,661	742,050
Fitness room equipment	238,292	238,292
Swim and tennis furniture and equipment	118,532	194,247
Office furniture and equipment	194,164	194,164
Construction in progress	3,439,007	320,744
	<u>37,933,752</u>	<u>33,306,037</u>
Less accumulated depreciation	<u>(13,693,242)</u>	<u>(12,666,810)</u>
	<u>\$ 24,240,510</u>	<u>\$ 20,639,227</u>

Total depreciation expense for the years ended March 31, 2023 and 2022 was \$1,302,799 and \$1,152,503, respectively.

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 4. Investment Securities and Fair Value Measurements

The amortized cost and estimated market values of investments securities at March 31, 2023 and 2022 were as follows:

	March 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities held-to-maturity				
U.S. Government agencies	\$ -	\$ -	\$ -	-
Certificates of deposit	1,005,463	-	(41,435)	964,028
Trading securities				
Mutual funds	498,557	-	(36,976)	461,581
	<u>\$ 1,504,020</u>	<u>\$ -</u>	<u>(78,411)</u>	<u>\$ 1,425,609</u>
	March 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities held-to-maturity				
U.S. Government agencies	\$ 500,013	\$ 1,683	\$ -	501,696
Certificates of deposit	1,496,512	25,968	-	1,522,480
Trading securities				
Mutual funds	\$ 499,620	-	(15,298)	\$ 484,322
	<u>\$ 2,496,145</u>	<u>\$ 27,651</u>	<u>(15,298)</u>	<u>\$ 2,508,498</u>

At March 31, 2023, 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.

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

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

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.

The fair value hierarchy for assets measured at fair value at March 31, 2023 and 2022 is as follows:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Securities held-to-maturity				
Certificates of deposit	\$ -	\$ -	\$ 964,028	\$ 964,028
Trading securities				
Mutual funds	461,581	-	-	461,581
Total securities	<u>\$ 461,581</u>	<u>\$ -</u>	<u>\$ 964,028</u>	<u>\$ 1,425,609</u>
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Securities held-to-maturity				
U.S. Government agencies	\$ 501,696	\$ -	\$ -	\$ 501,696
Certificates of deposit	-	-	1,522,480	1,522,480
Trading securities				
Mutual funds	484,322	-	-	484,322
Total securities	<u>\$ 986,018</u>	<u>\$ -</u>	<u>\$ 1,522,480</u>	<u>\$ 2,508,498</u>

ALTO LAKES GOLF AND COUNTRY CLUB**NOTES TO FINANCIAL STATEMENTS**

Note 5. Income Taxes

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

	2023	2022
Deferred tax assets		
Net operating loss	\$ 2,460,170	\$ 2,259,114
Valuation allowance	(1,883,910)	(1,420,539)
	<hr/>	<hr/>
Total deferred tax assets	576,260	838,575
	<hr/>	<hr/>
Deferred tax liabilities		
Property and equipment	(576,260)	(838,575)
	<hr/>	<hr/>
Net deferred tax assets	\$ -	\$ -
	<hr/>	<hr/>

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

	2023	2022
Computed "expected" tax expense	\$ -	\$ -
Increase (decrease) income taxes resulting from:		
Benefit of income taxes at graduated rates		
Deferred tax expense (benefit):		
Net operating loss	265,761	327,773
Fixed assets	(55,556)	(248,516)
Allowance	(210,205)	(79,257)
	<hr/>	<hr/>
	\$ -	\$ -
	<hr/>	<hr/>

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:

	2023	2022
Deferred tax expense (benefit)	\$ 210,205	\$ 79,257
	<hr/>	<hr/>
	210,205	79,257
	<hr/>	<hr/>
Valuation allowance	(210,205)	(79,257)
	<hr/>	<hr/>
Net deferred tax benefit	\$ -	\$ -
	<hr/>	<hr/>

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

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 5. Income Taxes (continued)

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, 2023 and 2022.

Note 6. Long Term Debt

Long term debt consists of the following at March 31:

	2023	2022
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.	\$ 65,843	\$ 89,469
Note payable to City Bank in the original amount of \$3,250,000 dated October 31, 2022. The loan is payable in accrued interest only payments through October 31, 2023, and then payable in monthly installments of principal and interest payable of \$49,616.82, with an interest rate of 7.25%. The interest rate updates to the WSJ prime rate, plus 1%, as of October 31, 2027. Note matures October 31, 2028. Note is collateralized by assets of the company.	1,011,126	-
Line of credit payable to City Bank in the original amount of \$1,000,000 dated September 1, 2022 with an interest rate calculated on a 365/360 basis by applying the ratio of the interest rate over a year of 360 days multiplied by the outstanding principal balance. Note matures on August 29, 2023. Note is collateralized by CD account.	1,000,000	-
Total	2,076,969	89,469
Capitalized loan costs	(7,310)	-
Less current portion	(1,244,288)	(23,626)
Total long-term portion	\$ 825,371	\$ 65,843

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 6. Long Term Debt (continued)

Aggregate maturities required on long-term debt as of March 31, 2023 are due in future years as follows:

2024	\$ 1,244,288
2025	\$ 580,893
2026	\$ 251,788
	<u>\$ 2,076,969</u>

Note 7. 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.

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 50 cents for every dollar contributed by employees, but only on the first 6% of compensation contributed as of the years ending March 31, 2023 and 2022, respectively. Eligible employees must be at least 21 or have completed 12 months of service of at least 1,000 hours. For the years March 31, 2023 and 2022, the Club incurred costs to fund the plan of \$38,292 and \$39,354, respectively.

Note 9. Restatement

The balance sheet as of March 31, 2022 has been restated to reflect an accounting change for restricted member capital assessments. The amount were previously included as a deferred liability and have been reclassified as a restricted capital contribution.

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 consolidated financial statements of Alto Lakes Golf and Country Club (the Company) as of and for the years ended March 31, 2023 and 2022, and have issued our report thereon, which contains an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 9, 2023

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

Food and Beverage Operations	Alto Division		Outlaw Division	
	2023	2022	2023	2022
Sales:				
Food sales	\$ 1,570,113	\$ 1,369,252	\$ 250,451	\$ 181,560
Beverage sales	886,250	779,955	117,652	87,925
Event sales	326,497	374,155	12,061	3,386
Gross sales	<u>2,782,860</u>	<u>2,523,362</u>	<u>380,164</u>	<u>272,871</u>
Cost of sales	<u>1,257,793</u>	<u>1,119,930</u>	<u>190,506</u>	<u>130,062</u>
Gross profit	<u>1,525,067</u>	<u>1,403,432</u>	<u>189,658</u>	<u>142,809</u>
Unused food minimum	<u>133,042</u>	<u>258,203</u>	<u>-</u>	<u>-</u>
Total income	<u>1,658,109</u>	<u>1,661,635</u>	<u>189,658</u>	<u>142,809</u>
Operating expenses:				
Wages and benefits	2,081,897	1,957,051	325,525	303,412
Supplies	182,019	126,548	35,593	22,254
Laundry	116,181	106,282	11,070	10,585
Miscellaneous	66,717	138,746	4,787	7,650
Uniforms	20,656	6,965	5,618	2,002
Equipment rental and repair	27,311	23,620	9,024	9,346
Printing	1,779	2,075	444	659
Total operating expenses	<u>2,496,560</u>	<u>2,361,287</u>	<u>392,061</u>	<u>355,908</u>
Net income/(loss)	<u>\$ (838,451)</u>	<u>\$ (699,652)</u>	<u>\$ (202,403)</u>	<u>\$ (213,099)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

Grounds Operations	Alto Division		Outlaw Division	
	2023	2022	2023	2022
Gross sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses:				
Wages and benefits	389,537	336,942	519,600	490,969
Irrigation water	375,896	400,075	33,284	27,581
Fertilizer and chemicals	45,716	24,022	42,914	33,459
Building and grounds maintenance	10,470	13,366	6,946	4,602
Sand, soil, sod & seed	27,594	24,070	22,616	20,376
Outside services	22,277	16,333	23,070	11,274
Equipment repairs	16,329	27,606	10,912	27,635
Equipment fuel	24,786	16,697	19,432	15,202
Forest thinning	10,122	9,025	551	1,382
Miscellaneous	3,658	5,524	1,475	3,355
Supplies	17,699	17,072	9,656	16,501
Utilities	1,418	1,590	1,418	1,590
Dues and subscriptions	523	1,373	523	818
Postage	-	-	29	41
Equipment rental	150	-	150	-
Total operating expenses	946,175	893,695	692,576	654,785
Net income/(loss)	\$ (946,175)	\$ (893,695)	\$ (692,576)	\$ (654,785)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

General and Administrative Operations	Alto Division		Outlaw Division	
	2023	2022	2023	2022
Gross rent income	\$ -	\$ -	\$ 3,600	\$ 3,600
Cost of sales	-	-	-	-
Gross profit	-	-	3,600	3,600
Operating expenses:				
Wages and benefits	800,648	747,224	-	-
Member services	335,224	184,978	-	-
Legal and professional	34,207	40,743	12,500	12,500
Computer supplies	98,369	92,519	-	-
Miscellaneous	68,565	54,230	-	-
Bad debt expense	1,873	(25,379)	-	-
Utilities and telephone	35,538	40,000	9,850	1,464
Equipment rental	11,293	11,023	-	-
Office supplies	12,289	13,067	-	-
Postage	13,813	8,657	-	-
Dues and subscriptions	8,623	9,515	-	-
Outside services	11,269	23,947	-	-
Printing	10,232	8,730	-	-
Credit card fees	10,052	6,551	-	-
Uniforms	1,848	3,664	-	-
Donations	-	500	-	-
Total operating expenses	1,453,843	1,219,969	22,350	13,964
Net income/(loss)	\$ (1,453,843)	\$ (1,219,969)	\$ (18,750)	\$ (10,364)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

Golf Operations	Alto Division		Outlaw Division	
	2023	2022	2023	2022
Sales:				
Green fees	\$ 176,669	\$ 202,185	\$ 166,796	\$ 174,278
Cart rental	190,074	198,335	126,106	136,584
Private cart fees	169,915	151,857	75,750	75,010
Private cart repair fees	52,967	41,448	-	-
Merchandise	796,651	547,495	-	-
Gross Sales	<u>1,386,276</u>	<u>1,141,320</u>	<u>368,652</u>	<u>385,872</u>
Cost of Sales	<u>552,900</u>	<u>372,986</u>	<u>-</u>	<u>-</u>
Total Income	<u>833,376</u>	<u>768,334</u>	<u>368,652</u>	<u>385,872</u>
Operating expenses:				
Wages and benefits	584,122	567,264	310,253	367,312
Private cart repairs	47,867	32,921	-	-
Supplies	43,023	23,149	21,503	12,023
Outside services	-	-	-	-
Driving range	1,951	8,245	1,625	4,586
Equipment repairs	803	211	81	3,343
Travel	6,196	2,723	596	333
Printing	542	1,379	130	817
Dues and subscriptions	1,470	1,698	1,004	1,251
Utilities and telephone	1,796	3,116	-	579
Laundry	5,497	3,515	3,515	1,066
Miscellaneous	2,710	2,018	1,442	2,336
Training expenses	-	516	-	-
Total operating expenses	<u>695,977</u>	<u>646,755</u>	<u>340,149</u>	<u>393,646</u>
Net income/(loss)	<u>\$ 137,399</u>	<u>\$ 121,579</u>	<u>\$ 28,503</u>	<u>\$ (7,774)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

Indirect Operations	2023	2022
Total income	\$ -	\$ -
Operating expenses:		
Wages and benefits	178,803	102,577
Utilities - electricity	249,331	255,336
Property taxes	159,474	159,062
Utilities - water and sanitation	136,818	121,128
General insurance	111,342	101,525
Utilities - gas	65,985	51,503
Utilities - cable	7,003	4,214
Security	2,978	3,516
Water delivery fund	302,300	164,047
Total operating expenses	1,214,034	962,908
Net income/(loss)	\$ (1,214,034)	\$ (962,908)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

House Operations	Alto Division		Outlaw Division	
	2023	2022	2023	2022
Gross sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses:				
Wages and benefits	201,546	165,038	40,759	39,430
Building and grounds maintenance	62,091	83,920	26,709	4,653
Equipment repairs	18,470	22,088	5,927	4,928
Supplies	36,793	24,867	11,104	5,879
Miscellaneous	16,943	5,852	4,458	2,565
Outside services	1,743	5,127	1,584	1,919
House decorations	2,083	4,653	-	-
Total operating expenses	339,669	311,545	90,541	59,374
Net income/(loss)	<u>\$ (339,669)</u>	<u>\$ (311,545)</u>	<u>\$ (90,541)</u>	<u>\$ (59,374)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

Swim and Tennis Operations	Alto Division		Outlaw Division	
	2023	2022	2023	2022
Sales:				
Swim and tennis fees	\$ 70	\$ 1,734	\$ -	\$ -
Total income	70	1,734	-	-
Operating expenses:				
Wages and benefits	-	9,850	-	-
Equipment repairs	-	2,930	-	-
Chemicals	-	2,601	-	-
Building and grounds maintenance	477	23	-	-
Outside services	-	164	-	-
Supplies	6,634	600	-	-
Taxes	-	-	-	-
Total operating expenses	7,111	16,168	-	-
Net income/(loss)	\$ (7,041)	\$ (14,434)	\$ -	\$ -

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

Fitness Operations	2023	2022
Sales:		
Fitness fees	\$ 4,405	\$ 3,950
	<hr/>	<hr/>
Total income	4,405	3,950
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Operating expenses:		
Wages and benefits	-	994
Equipment repairs	1,450	1,384
Miscellaneous	44	-
Uniforms	-	5
Supplies	5,948	112
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Total operating expenses	7,442	2,495
	<hr/>	<hr/>
Net income/(loss)	\$ (3,037)	\$ 1,455
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ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2023 and 2022**

Real Estate Operations	2023	2022
Income:		
Lot sales	46,500	197,552
Rental income	124,426	105,166
Total income	<u>\$ 170,926</u>	<u>\$ 302,718</u>
Operating expenses:		
Rental property	8,416	9,612
Utilities - electricity	12,224	9,803
Taxes- Property and License	9,175	8,736
Equipment Repairs	8,136	1,906
Utilities - water and sanitation	7,111	7,242
General insurance	16,325	9,841
Lot sale expense	15,193	134,238
Utilities - gas	8,324	5,378
Utilities - cable	16,987	8,115
Miscellaneous	7,874	3,974
Supplies	23,452	8,835
Travel	1,623	323
Building and ground maintenance	24,881	22,019
Total operating expenses	<u>159,721</u>	<u>230,022</u>
Net income/(loss)	<u>\$ 11,205</u>	<u>\$ 72,696</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2023 and 2022

Concerts and Events Operations	2023
Income:	
Concerts	274,248
Audio- Visual	26,438
Event Advertising	1,075
Total income	<u>\$ 301,761</u>
Operating expenses:	
Talent expenses	333,224
Advertising/promotion	1,283
Equipment Repairs	3,024
Printing	93
Supplies- general	29,287
Travel	42,414
Total operating expenses	<u>409,325</u>
Net income/(loss)	<u><u>\$ (107,564)</u></u>