

ALTO LAKES GOLF AND COUNTRY CLUB

FINANCIAL REPORT

MARCH 31, 2021 AND 2020

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-2
---	-----

FINANCIAL STATEMENTS

Consolidated balance sheets	3
Consolidated statements of operations, other comprehensive income and members' equity	4
Consolidated statements of cash flows	5 - 6
Notes to financial statements	7 - 14

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	15
--	----

Food and beverage operations	16
Ground operations	17
General and administrative	18
Golf operations	19
Indirect operations	20
House operations	21
Swim and tennis operations	22
Fitness operations	23
Real estate operations	24

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 consolidated financial statements of Alto Lakes Golf and Country Club which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of operations, other comprehensive income and members' equity and consolidated 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, 2021 and 2020, 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.

Leutenbach, Borsehan & Company

El Paso, Texas

June 17, 2021

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

CONSOLIDATED BALANCE SHEETS
March 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 910,576	\$ 1,530,547
Accounts receivable, less allowance for doubtful accounts of \$179 in 2021 and \$538 in 2020	4,984,055	4,796,724
Certificates of deposit	1,266,813	1,623,760
Mutual funds		
Available for sale	499,073	-
Held to maturity	500,013	400,657
Inventories	116,436	123,542
Prepaid expenses and other assets	337,275	233,023
Total current assets	8,614,241	8,708,253
Property and equipment, net	18,766,020	18,103,558
Other assets		
Water rights	2,236,093	2,236,093
Liquor license	70,409	70,409
	2,306,502	2,306,502
	\$ 29,686,763	\$ 29,118,313
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable - trade	\$ 122,929	\$ 190,863
Accrued expenses	179,761	229,679
Deferred income and assessments	4,891,001	4,617,314
Deposits	16,418	17,221
Current portion of long term debt	23,120	20,792
Other liabilities	56,220	13,217
Total current liabilities	5,289,449	5,089,086
Long term debt, less current maturities	89,508	114,537
Members' Equity		
Members' equity	24,307,806	23,914,690
	24,307,806	23,914,690
Total liabilities and members' equity	\$ 29,686,763	\$ 29,118,313

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, OTHER COMPREHENSIVE INCOME AND MEMBERS' EQUITY
Years Ended March 31, 2021 and 2020

	2021	2020
Revenues		
Membership dues	\$ 3,832,072	\$ 3,743,969
Golf revenue	870,991	933,205
Food and beverage	1,412,245	2,000,061
Event revenue	59,662	236,257
Transfer fees	1,000,500	797,000
Other revenues	297,745	290,902
	<u>7,473,215</u>	<u>8,001,394</u>
Expenses		
Operating expenses:		
Food and beverage department	2,873,987	3,021,890
Grounds department	1,755,598	1,617,156
General and administrative	1,005,308	1,213,520
Golf department	775,926	669,927
Indirect department	766,472	794,148
House department	278,353	257,962
Swim and tennis department	4,236	22,544
Fitness department	57,961	2,289
Real estate department	153,791	-
	<u>7,671,632</u>	<u>7,599,436</u>
Operating income (loss) before depreciation	(198,417)	401,958
Depreciation expense	<u>(1,105,455)</u>	<u>(1,038,043)</u>
Loss from operations	<u>(1,303,872)</u>	<u>(636,085)</u>
Other income/(expense):		
Interest income	33,525	93,361
Gain on disposal of assets	36,672	2,416
Interest expense	<u>(3,963)</u>	<u>(5,827)</u>
Net loss	<u>(1,237,638)</u>	<u>(546,135)</u>
Other comprehensive income		
Unrealized gain (loss) on available for sale securities	<u>(933)</u>	<u>-</u>
Comprehensive income	<u>\$ (1,238,571)</u>	<u>\$ (546,135)</u>
Members' equity, beginning of year	23,914,690	22,948,513
Membership capital assessments	1,538,687	1,432,312
Membership sales and upgrades	<u>93,000</u>	<u>80,000</u>
Members' equity, end of year	<u>\$ 24,307,806</u>	<u>\$ 23,914,690</u>

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash received from members and guests	\$ 7,558,768	\$ 8,063,843
Cash paid to suppliers and employees	(7,843,627)	(7,705,889)
Interest paid	(3,963)	(5,827)
Interest received	33,525	93,361
Net cash (used by) provided by operating activities	(255,297)	445,488
Cash Flows From Investing Activities		
Capital expenditures	(1,731,245)	(1,923,486)
Purchase of AFS securities	(500,006)	-
Purchase of HTM securities	(714,618)	(1,721,842)
Maturity of HTM securities	972,209	1,651,222
Net cash used in investing activities	(1,973,660)	(1,994,106)
Cash Flows From Financing Activities		
Membership capital assessments	1,538,687	1,432,509
Proceeds on long-term borrowings	-	-
Principal payments on long-term borrowings	(22,701)	(239,088)
Membership upgrades	93,000	80,000
Net cash provided by financing activities	1,608,986	1,273,421
Net increase (decrease) in cash and cash equivalents	(619,971)	(275,197)
Cash and cash equivalents, beginning of year	1,530,547	1,805,744
Cash and cash equivalents, end of year	910,576	\$ 1,530,547
Supplemental information - net change in unrealized gain (loss) on securities available for sale	\$ (933)	-

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)****Years Ended March 31, 2021 and 2020**

	2021	2020
Reconciliation of net income to net cash provided by operating activities		
Net (loss)	\$ (1,237,638)	\$ (546,135)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	1,105,455	1,038,043
Gain on disposal of assets	(36,672)	(2,416)
(Increase) decrease in assets		
Accounts receivable	(187,331)	(155,836)
Inventories	7,106	(852)
Prepaid expenses and other assets	(104,252)	(220,012)
Increase (decrease) in liabilities		
Accounts payable - trade	(67,934)	158,318
Accrued expenses and other liabilities	(6,915)	(43,907)
Deferred income, assessments and deposits	272,884	218,285
Net cash (used by) provided by operating activities	\$ (255,297)	\$ 445,488

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.

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 \$179 and \$538 as of March 31, 2021 and 2020, respectively.

Investment securities: The Club classifies investment securities as held-to-maturity and available for sale. 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.

Investment securities available-for-sale 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 excluded from earnings and reported as a separate component of members' equity. 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 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 members' dues, deposits on party sales, and prepaid special assessments totaled \$4,907,419 and \$4,634,535 at March 31, 2021 and 2020, 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 \$2,532 for the years ended March 31, 2021 and 2020, 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, 2021 and 2020, 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 2018 and is no longer subject to state tax examinations by tax authorities for years before 2017.

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 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, 2021. Management is evaluating the effect of the pronouncement on the balance sheet.

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Reclassifications: Certain amounts reported in prior years have been reclassified to conform to the presentation at March 31, 2021.

Subsequent events: The Club has evaluated subsequent events through June 17, 2021, 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.

Note 3. Property and Equipment

Property and equipment consisted of the following at March 31:

	2021	2020
Club buildings	\$ 8,862,113	\$ 8,797,848
Rental properties	954,041	727,725
Land	7,822,134	7,822,134
Paving and grounds improvements	7,401,405	6,727,311
Machinery and equipment	2,105,474	2,410,762
Furniture, fixtures and equipment	2,044,254	1,776,006
Carts and pro shop fixtures and equipment	740,770	747,607
Fitness room equipment	238,292	238,292
Swim and tennis furniture and equipment	194,247	194,247
Office furniture and equipment	194,164	194,164
Construction in progress	248,747	-
	30,805,641	29,636,096
Less accumulated depreciation	(12,039,621)	(11,532,538)
	<u>\$ 18,766,020</u>	<u>\$ 18,103,558</u>

Total depreciation expense for the years ended March 31, 2021 and 2020 was \$1,105,455 and \$1,038,043, 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, 2021 and 2020 were as follows:

March 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities held-to-maturity				
U.S. Government agencies	\$ 500,013	\$ -	\$ (508)	\$ 499,505
Certificates of deposit	1,266,813	5,504	-	1,272,317
Securities available for sale				
Mutual funds	500,006	-	(933)	499,073
	<u>\$ 2,266,832</u>	<u>\$ 5,504</u>	<u>\$ (1,441)</u>	<u>\$ 2,270,895</u>

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	1,623,760	1,444	(1,374)	1,623,830
	<u>\$ 2,024,417</u>	<u>\$ 4,863</u>	<u>\$ (1,374)</u>	<u>\$ 2,027,906</u>

At March 31, 2021, 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

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

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, 2021 and 2020 is as follows:

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Securities held-to-maturity				
U.S. Government agencies	\$ 499,505	\$ -	\$ -	\$ 499,505
Certificates of deposit	-	-	1,272,317	1,272,317
Securities available for sale				
U.S. Government agencies	499,073	-	-	499,073
Total securities held to maturity	<u>\$ 998,578</u>	<u>\$ -</u>	<u>\$ 1,272,317</u>	<u>\$ 2,270,895</u>

	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	-	-	1,623,830	1,623,830
Total securities held to maturity	<u>\$ 404,076</u>	<u>\$ -</u>	<u>\$ 1,623,830</u>	<u>\$ 2,027,906</u>

Note 5. Income Taxes

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

	2021	2020
Deferred tax assets		
Net operating loss	\$ 1,617,006	\$ 1,491,686
Valuation allowance	(1,131,409)	(1,053,347)
Total deferred tax assets	<u>485,597</u>	<u>438,339</u>
Deferred tax liabilities		
Property and equipment	(485,597)	(438,339)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 5. Income Taxes (continued)

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

	2021	2020
Computed "expected" tax expense	\$ -	\$ -
Increase (decrease) income taxes resulting from:		
Benefit of income taxes at graduated rates		
Deferred tax expense (benefit):		
Net operating loss	237,477	186,528
Fixed assets	(64,126)	(101,684)
Allowance	(173,351)	(84,844)
	<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:

	2021	2020
Deferred tax expense (benefit)	<u>\$ 173,351</u>	<u>\$ 84,844</u>
	<u>173,351</u>	<u>84,844</u>
Valuation allowance	<u>(173,351)</u>	<u>(84,844)</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, 2021 and 2020.

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

Note 7. Long Term Debt

Long term debt consists of the following at March 31:

	2021	2020
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.	\$ 112,628	\$ 135,329
Total	112,628	135,329
Less current portion	(23,120)	(20,792)
Total long-term portion	<u>\$ 89,508</u>	<u>\$ 114,537</u>

Aggregate maturities required on long-term debt as of March 31, 2021 are due in future years as follows:

2023	23,120
2024	23,587
2025	24,063
2026	24,549
2026	17,309
\$	<u>112,628</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, 2021 and 2020, the Club incurred costs to fund the plan of \$38,785 and \$20,016, 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 consolidated financial statements of Alto Lakes Golf and Country Club (the Company) as of and for the years ended March 31, 2021 and 2020, and have issued our report thereon, dated June 17, 2021, 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 17, 2021.

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 17, 2021

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2021 and 2020

Food and Beverage Operations	Alto Division		Outlaw Division	
	2021	2020	2021	2020
Sales:				
Food sales	\$ 862,299	\$ 1,156,240	\$ 119,199	\$ 128,437
Beverage sales	365,574	553,710	71,733	63,122
Event sales	57,811	236,257	1,853	-
Gross sales	1,285,684	1,946,207	192,785	191,559
Cost of sales	544,577	873,722	95,484	88,885
Gross profit	741,107	1,072,485	97,301	102,674
Unused food minimum	(6,562)	98,552	-	-
Total income	734,545	1,171,037	97,301	102,674
Operating expenses:				
Wages and benefits	1,732,904	1,506,961	195,524	265,741
Supplies	115,162	95,936	20,857	22,116
Laundry	58,441	79,868	10,059	-
Miscellaneous	22,195	30,910	3,381	5,193
Uniforms	10,598	9,535	78	2,001
Equipment rental and repair	55,414	30,188	4,839	10,629
Printing	3,624	84	850	121
Total operating expenses	1,998,338	1,753,482	235,588	305,801
Net income/(loss)	\$ (1,263,793)	\$ (582,445)	\$ (138,287)	\$ (203,127)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
Years Ended March 31, 2021 and 2020

Grounds Operations	Alto Division		Outlaw Division	
	2021	2020	2021	2020
Gross sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses:				
Wages and benefits	388,863	393,249	473,201	432,648
Irrigation water	566,744	467,202	54,168	20,748
Fertilizer and chemicals	29,708	51,405	36,138	28,109
Building and grounds maintenance	5,507	7,889	5,734	6,817
Sand, soil, sod & seed	10,367	20,709	10,367	14,535
Outside services	14,886	12,451	12,210	7,029
Equipment repairs	14,073	11,099	67,439	60,619
Equipment fuel	12,838	16,084	10,455	16,348
Forest thinning	8,168	9,958	4,779	1,912
Miscellaneous	2,851	5,797	750	4,812
Supplies	10,386	8,908	11,132	6,370
Utilities	1,353	1,833	1,353	676
Dues and subscriptions	733	1,730	913	2,405
USGA	-	1,348	-	1,850
Postage	25	34	62	19
Equipment rental	287	841	108	1,722
Total operating expenses	1,066,789	1,010,537	688,809	606,619
Net income/(loss)	<u>\$ (1,066,789)</u>	<u>\$ (1,010,537)</u>	<u>\$ (688,809)</u>	<u>\$ (606,619)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2021 and 2020

General and Administrative Operations	Alto Division		Outlaw Division	
	2021	2020	2021	2020
Gross rent income	\$ -	\$ -	\$ 3,600	\$ 4,300
Cost of sales	-	-	-	-
Gross profit	-	-	3,600	4,300
Operating expenses:				
Wages and benefits	684,125	744,940	-	-
Member services	56,178	157,569	-	-
Legal and professional	48,959	73,302	12,500	12,500
Computer supplies	81,539	48,302	-	-
Miscellaneous	54,990	52,298	-	-
Bad debt expense	(8,422)	27,564	-	-
Utilities and telephone	33,505	30,744	1,301	1,259
Equipment rental	5,182	12,613	-	-
Office supplies	11,496	10,546	-	-
Postage	10,159	8,776	-	-
Dues and subscriptions	675	14,893	-	-
Outside services	300	4,403	-	-
Printing	6,981	6,395	-	-
Credit card fees	4,386	4,992	-	-
Uniforms	1,454	2,374	-	-
Donations	-	50	-	-
Total operating expenses	991,507	1,199,761	13,801	13,759
Net income/(loss)	\$ (991,507)	\$ (1,199,761)	\$ (10,201)	\$ (9,459)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
Years Ended March 31, 2021 and 2020

Golf Operations	Alto Division		Outlaw Division	
	2021	2020	2021	2020
Sales:				
Green fees	\$ 152,760	\$ 192,889	\$ 141,364	\$ 183,640
Cart rental	190,115	188,989	145,792	146,118
Private cart fees	134,354	116,352	60,839	63,259
Private cart repair fees	45,767	41,958	-	-
Total income	522,996	540,188	347,995	393,017
Operating expenses:				
Wages and benefits	437,355	352,543	264,793	254,126
Private cart repairs	38,062	34,495	-	-
Supplies	7,909	7,502	4,557	2,864
Outside services	-	-	-	-
Driving range	7,534	422	4,220	1,492
Equipment repairs	14	1,970	940	362
Travel	17	2,913	-	-
Printing	2,461	1,839	1,192	844
Dues and subscriptions	1,921	1,800	855	368
Utilities and telephone	960	960	720	720
Laundry	1,280	975	1,132	930
Miscellaneous	4	452	-	-
Training expenses	-	2,350	-	-
Total operating expenses	497,517	408,221	278,409	261,706
Net income/(loss)	\$ 25,479	\$ 131,967	\$ 69,586	\$ 131,311

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2021 and 2020**

Indirect Operations	2021	2020
Total income	\$ -	\$ -
Operating expenses:		
Wages and benefits	116,881	100,817
Utilities - electricity	259,803	267,105
Property taxes	144,522	125,336
Utilities - water and sanitation	112,087	105,832
General insurance	99,876	82,929
Lot sale expense	-	48,641
Utilities - gas	24,477	28,465
Utilities - cable	6,967	6,110
Miscellaneous	(1,597)	23,652
Security	3,456	5,261
Total operating expenses	766,472	794,148
Net income/(loss)	\$ (766,472)	\$ (794,148)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2021 and 2020

House Operations	Alto Division		Outlaw Division	
	2021	2020	2021	2020
Gross sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses:				
Wages and benefits	135,307	124,654	32,700	28,596
Building and grounds maintenance	29,602	33,286	14,318	10,071
Equipment repairs	18,839	23,518	9,516	2,090
Supplies	17,680	8,976	5,343	1,725
Miscellaneous	3,505	4,509	1,223	2,164
Outside services	6,884	9,827	1,411	1,584
House decorations	2,025	6,962	-	-
Total operating expenses	213,842	211,732	64,511	46,230
Net income/(loss)	<u>\$ (213,842)</u>	<u>\$ (211,732)</u>	<u>\$ (64,511)</u>	<u>\$ (46,230)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2021 and 2020

Swim and Tennis Operations	Alto Division		Outlaw Division	
	2021	2020	2021	2020
Sales:				
Swim and tennis fees	\$ 380	\$ 1,130	\$ -	\$ 170
Total income	380	1,130	-	170
Operating expenses:				
Wages and benefits	329	11,295	-	-
Equipment repairs	-	4,488	-	-
Chemicals	1,661	2,828	-	-
Building and grounds maintenance	777	1,928	-	-
Outside services	-	302	-	-
Supplies	1,469	1,553	-	-
Taxes	-	150	-	-
Total operating expenses	4,236	22,544	-	-
Net income/(loss)	\$ (3,856)	\$ (21,414)	\$ -	\$ 170

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2021 and 2020**

Fitness Operations	2021	2020
Sales:		
Fitness fees	\$ 3,165	\$ 3,117
Total income	3,165	3,117
Operating expenses:		
Wages and benefits	48,039	-
Equipment repairs	8,788	1,810
Uniforms	513	-
Supplies	621	479
Total operating expenses	57,961	2,289
Net income/(loss)	\$ (54,796)	\$ 828

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2021 and 2020**

Real Estate Operations	2021	2020
Income:		
Lot sales	79,000	
Rental income	96,446	
Total income	<u>\$ 175,446</u>	<u>\$ -</u>
Operating expenses:		
Rental property	29,404	-
Utilities - electricity	8,245	-
Property taxes	7,169	-
Utilities - water and sanitation	10,692	-
General insurance	6,297	-
Lot sale expense	56,694	-
Utilities - gas	3,677	-
Utilities - cable	9,695	-
Miscellaneous	4,893	-
Supplies	4,952	-
Building and ground maintenance	12,073	-
Total operating expenses	<u>153,791</u>	<u>-</u>
Net income/(loss)	<u><u>\$ 21,655</u></u>	<u><u>\$ -</u></u>