

ALTO LAKES GOLF AND COUNTRY CLUB

CONSOLIDATED FINANCIAL REPORT

MARCH 31, 2024 and 2023

C O N T E N T S

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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, 2024 and 2023, 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, 2024 and 2023, 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 10 to the financial statements, the Company is currently requesting clarification from the Internal Revenue Service and the New Mexico Taxation and Revenue Department on the tax status of the Club. 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.

Lautubach, Brubaker & Company

El Paso, Texas
May 30, 2024

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**CONSOLIDATED BALANCE SHEETS****March 31, 2024 and 2023**

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 348,432	\$ 1,521,669
Accounts receivable, net of allowance for credit losses	6,841,913	6,150,575
Certificates of deposit	2,435,937	1,005,463
Mutual funds		
Trading	-	461,581
Inventories	363,436	349,880
Prepaid expenses and other assets	248,068	225,637
Total current assets	10,237,786	9,714,805
Noncurrent assets		
Property and equipment, net	34,356,792	24,240,510
Lease right-of-use asset	265,088	-
Total noncurrent assets	34,621,880	24,240,510
Other assets		
Water rights	2,333,849	1,574,218
Liquor license	70,409	70,409
Total other assets	2,404,258	1,644,627
Total assets	\$ 47,263,924	\$ 35,599,942
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable - trade	\$ 465,797	\$ 305,221
Accrued expenses	812,602	612,446
Deferred income and assessments	5,248,917	4,353,504
Deposits	60,920	44,715
Current portion of long term debt	2,454,346	1,244,288
Other liabilities	1,270	3,225
Total current liabilities	9,043,852	6,563,399
Noncurrent liabilities		
Lease liability	265,088	-
Long term debt, less current maturities	2,585,358	825,371
Total noncurrent liabilities	2,850,446	825,371
Members' Equity		
Restricted funds	1,276,548	1,512,515
Unrestricted funds	34,093,078	26,698,657
Total liabilities and members' equity	\$ 47,263,924	\$ 35,599,942

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****Years Ended March 31, 2024 and 2023**

	2024	2023
Revenues		
Membership dues	\$ 4,980,087	\$ 4,406,826
Golf revenue	2,256,574	1,754,928
Food and beverage	3,345,794	2,957,508
Event revenue	679,972	640,319
Transfer fees	687,200	671,000
Other revenues	328,867	588,302
	12,278,494	11,018,883
Expenses		
Operating expenses:		
Food and beverage department	4,793,634	4,336,920
Grounds department	2,226,919	1,638,751
General and administrative	1,696,201	1,476,193
Golf department	1,759,552	1,589,026
Indirect department	1,132,287	1,214,034
House department	627,978	430,210
Swim and tennis department	4,115	7,111
Pool and fitness department	115,601	7,442
Real estate department	133,861	159,721
Concerts and events department	249,847	409,325
	12,739,995	11,268,733
Operating loss before depreciation	(461,501)	(249,850)
Depreciation expense	(1,380,584)	(1,302,799)
Loss from operations	(1,842,085)	(1,552,649)
Other income/(expense):		
Interest income	200,995	61,275
Loss on disposal of assets	(38,366)	(54,354)
Loss on trading securities	(89,563)	(36,976)
Interest expense	(4,118)	(3,298)
Net loss	\$ (1,773,137)	\$ (1,586,002)

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

March 31, 2024 and 2023

	Unrestricted	Restricted	Total
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
Net loss	(1,773,137)	-	(1,773,137)
Acquistion of Kokopelli	6,318,504	40,117	6,358,621
Prior year monthly membership capital assessment	-	289,718	289,718
Release of fund restriction	2,790,554	(2,790,554)	-
Membership sales and upgrades	58,500	-	58,500
Membership capital assessment	-	1,273,452	1,273,452
Initiation fee membership capital assessment	-	951,300	951,300
Balance, March 31, 2024	\$ 34,093,078	\$ 1,276,548	\$ 35,369,626

See Notes to Financial Statements

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Cash received from members and guests	\$ 12,538,889	\$ 10,902,001
Cash paid to suppliers and employees	(12,337,205)	(11,045,934)
Interest paid	(4,118)	(3,298)
Interest received	200,995	61,275
Net cash provided by (used by) operating activities	398,561	(85,956)
Cash Flows From Investing Activities		
Capital expenditures	(6,056,357)	(4,958,436)
Purchase of HTM securities	(1,430,474)	(614,235)
Maturity of HTM securities	372,018	1,591,062
Net cash (used by) investing activities	(7,114,813)	(3,981,609)
Cash Flows From Financing Activities		
Membership capital assessments	1,563,170	1,757,549
Initiation fees capital assessment	951,300	894,500
Proceeds on long-term borrowings	3,598,842	2,003,816
Principal payments on long-term borrowings	(628,797)	(23,626)
Membership upgrades	58,500	52,000
Net cash provided by financing activities	5,543,015	4,684,239
Net (decrease) increase in cash and cash equivalents	(1,173,237)	616,674
Cash and cash equivalents, beginning of year	1,521,669	904,995
Cash and cash equivalents, end of year	\$ 348,432	\$ 1,521,669
Supplemental information - net change in unrealized (loss) on trading securities	\$ (89,563)	\$ (36,976)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)****Years Ended March 31, 2024 and 2023**

	2024	2023
Reconciliation of net income to net cash provided by operating activities		
Net (loss)	\$ (1,773,137)	\$ (1,586,002)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	1,380,584	1,302,799
Amortization	80,000	-
Kokopelli deferred capital improvements	40,115	-
Loss on disposal of assets	38,366	54,354
Unrealized loss on trading securities	89,563	36,976
(Increase) decrease in assets		
Accounts receivable	(691,338)	(460,113)
Inventories	(13,556)	(62,037)
Prepaid expenses and other assets	(22,431)	242,103
Increase in liabilities		
Accounts payable - trade	160,576	3,216
Accrued expenses and other liabilities	198,201	39,517
Deferred income, assessments and deposits	911,618	343,231
Net cash provided by (used by) operating activities	\$ 398,561	\$ (85,956)

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 three 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 expected and 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 \$4,750 and \$50 as of March 31, 2024 and 2023, respectively.

Allowance for Credit Losses: On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326: Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial assets using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables, and some off-balance sheet credit exposures such as unfunded commitments to extend credit.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the scale method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Upon the adoption of CECL, there was no required increase in the allowance for credit losses on accounts receivable and related effect on retained earnings to Alto Lakes Golf and Country Club. Accounts receivables are stated at the amount of unpaid principal, reduced by the allowance for credit losses. Interest on loans and receivables is calculated using the simple interest method on the principal amount outstanding.

The allowance for credit losses is established through a provision for credit losses charged to expenses. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing memberships that may become uncollectible. Management's judgment in

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

determining the adequacy of the allowance is based on evaluations of the collectability of the accounts receivable. These evaluations take into consideration such factors as changes in the nature and volume of the memberships portfolio, employee advances, and current economic conditions that may affect the members' and employee's ability to pay. In addition, the allowance includes subjective adjustments for items such as national and local economy, and loss trends.

The allowance for credit losses is intended to provide for credit losses inherent in the trade receivables portfolio and is periodically reviewed for adequacy considering credit quality indicators, including expected and historical losses and levels of trends in past due accounts and non-performing accounts.

The company writes-off accounts which are ultimately determined to be uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

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.

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

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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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 \$5,309,837 and \$4,398,219 at March 31, 2024 and 2023, 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 \$3,590 and \$2,687 for the years ended March 31, 2024 and 2023, 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, 2024 and 2023, 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 2020 and is no longer subject to state tax examinations by tax authorities for years before 2019.

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of quantitative

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Company adopted Topic 842 on April 1, 2023 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements.

Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on April 1, 2023, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, Leases.

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on April 1, 2023.

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or April 1, 2023, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Company, such as common

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's operating leases of approximately \$25,073 and \$25,073 respectively at April 1, 2023. In prior year, management determined that this pronouncement did not have a significant effect on the financial statements. The adoption of the new lease standard did not materially impact consolidated net earnings or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

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.

Reclassifications: Certain amounts reported in prior years have been reclassified to conform to the presentation at March 31, 2024. Additionally, a separate statement of Changes in Members' Equity has been disclosed for the years ended March 31, 2024 and 2023.

Subsequent events: The Club has evaluated subsequent events through May 30, 2024, 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 one financial institution. 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:

	2024	2023
Club buildings	\$ 12,720,411	\$ 10,167,502
Rental properties	1,199,488	1,181,253
Land	11,294,429	8,484,009
Paving and grounds improvements	8,707,811	8,512,160
Machinery and equipment	2,244,142	2,257,474
Furniture, fixtures and equipment	2,933,450	2,586,698
Carts and pro shop fixtures and equipment	751,130	754,661
Fitness room equipment	238,292	238,292
Swim and tennis furniture and equipment	129,440	118,532
Office furniture and equipment	194,164	194,164
Construction in progress	8,264,177	3,439,007
	<u>48,676,934</u>	<u>37,933,752</u>
Less accumulated depreciation	<u>(14,320,142)</u>	<u>(13,693,242)</u>
	<u>\$ 34,356,792</u>	<u>\$ 24,240,510</u>

Total depreciation expense for the years ended March 31, 2024 and 2023 was \$1,380,584 and \$1,302,799, respectively.

On September 13, 2023, the Club entered into an agreement to assume the assets and future operations of Kokopelli Mesa Homeowners' Association, Inc. The transaction was for an agreed value of \$6,309,000 plus closing costs. The Club recorded the addition as an increase to Unrestricted Funds with the following for the assets assumed:

Land	\$ 2,810,420
Club buildings	2,530,418
Water rights	839,631
Furniture, fixtures and equipment	<u>138,035</u>
	<u>\$ 6,318,504</u>

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, 2024 and 2023 were as follows:

March 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities held-to-maturity				
Certificates of deposit	\$ 2,435,937	\$ -	\$ (44,591)	2,391,346
	<u>\$ 2,435,937</u>	<u>\$ -</u>	<u>\$ (44,591)</u>	<u>\$ 2,391,346</u>
March 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities held-to-maturity				
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>

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, 2024 and 2023 is as follows:

March 31, 2024				
	Level 1	Level 2	Level 3	Total
Securities held-to-maturity				
Certificates of deposit	\$ -	\$ -	\$ 2,391,346	\$ 2,391,346
Total securities	\$ -	\$ -	\$ 2,391,346	\$ 2,391,346
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	\$ 461,581	\$ -	\$ 964,028	\$ 1,425,609

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:

Deferred tax assets	2024	2023
Net operating loss	\$ 2,694,144	\$ 2,460,170
Valuation allowance	(2,140,561)	(1,883,910)
Total deferred tax assets	553,583	576,260
Deferred tax liabilities		
Property and equipment	(553,583)	(576,260)
Net deferred tax assets	\$ -	\$ -

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

	2024	2023
Computed "expected" tax expense	\$ -	\$ -
Increase (decrease) income taxes resulting from:		
Benefit of income taxes at graduated rates		
Deferred tax expense (benefit):		
Net operating loss	(233,973)	(265,761)
Fixed assets	(22,677)	55,556
Allowance	256,650	210,205
	\$ -	\$ -

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:

	2024	2023
Deferred tax expense (benefit)	\$ (256,650)	\$ (210,205)
	(256,650)	(210,205)
Valuation allowance	256,650	210,205
Net deferred tax benefit	\$ -	\$ -

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 5. Income Taxes (continued)

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, 2024 and 2023.

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

Note 6. Long Term Debt

Long term debt consists of the following at March 31:

	2024	2023
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.	\$ 41,739	\$ 65,843
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.	2,967,556	1,011,126
Line of credit payable to City Bank in the original amount of \$1,000,000 dated August 29, 2023 with an interest rate of 6.00%. Note matures on August 29, 2024. Note is collateralized by CD account.	637,486	1,000,000
Line of credit payable to City Bank in the original amount of \$1,435,937 dated August 29, 2023 with an interest rate of 6.75%. Note matures on August 4, 2024. Note is collateralized by CD account.	1,399,123	-
Total	\$ 5,045,904	\$ 2,076,969
Capitalized loan costs	(6,200)	(7,310)
Less current portion	(2,454,346)	(1,244,288)
Total long-term portion	<u>\$ 2,585,358</u>	<u>\$ 825,371</u>

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, 2024 are due in future years as follows:

2025	\$	2,454,346
2026		439,767
2027		454,296
2028		475,634
2029		1,221,861
		<hr/>
	\$	5,045,904
		<hr/>

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, 2024 and 2023, 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, 2024 and 2023, the Club incurred costs to fund the plan of \$40,443 and \$38,292, respectively.

Note 9. Leases

The Company leases copiers and exercise equipment that have initial terms ranging from 60 to 63 months. All leases include options to renew, generally at the Company's sole discretion, with some leases having automatic renewals if written notice from the Company is not received at least 60 but no more than 120 days prior the end date. Some leases include termination terms where written notice from the Company is required at least 60 but no more than 120 days prior to the end date. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases do not contain any material restrictive covenants or residual value guarantees.

Operating lease costs are recognized on a straight-line basis over the lease term.

ALTO LAKES GOLF AND COUNTRY CLUB

NOTES TO FINANCIAL STATEMENTS

Note 9. Leases (continued)

The components of the operating leased assets as of year-end:

Years Ending March 31, 2024	Total
2025	\$ 66,810
2026	66,810
2027	65,730
2028	60,526
2029	54,581
Total lease payments	314,457
Less imputed interest	(49,369)
Total present value of lease liabilities	<u>\$265,088</u>

Note 10. Tax Status Uncertainty

The Club was originally formed and operated as an Internal Revenue Code Section 501(c)(7) organization, exempt from income tax on its dues and departmental incomes. In 1990, the Club's operations and financial records were examined by the Internal Revenue Service, and as a result the Internal Revenue Service revoked the exempt status of the Club retroactive to December 27, 1985. Since this date, the Club has filed a Form 1120 return through the fiscal year ended March 31, 2023. Management has requested documentation of this revocation from the Internal Revenue Service to clarify the tax status of the Club. As of the date of these financial statements, this request is still pending. Additionally, the Club has requested a revenue ruling from the New Mexico Taxation and Revenue Department, (the "Department") regarding exemption from gross receipts tax for the State of New Mexico. As of the date of these financial statements, this request has been acknowledged by the Department but a formal response has not been received.

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, 2024 and 2023, 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
May 30, 2024

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2024 and 2023

Food and Beverage Operations	Alto Division		Outlaw Division		Kokopelli Division
	2024	2023	2024	2023	2024
Sales:					
Food sales	\$ 1,744,891	\$ 1,570,113	\$ 325,316	\$ 250,451	\$ 6,682
Beverage sales	968,298	886,250	162,177	117,652	84
Event sales	395,394	326,497	10,370	12,061	-
Gross sales	<u>3,108,583</u>	<u>2,782,860</u>	<u>497,863</u>	<u>380,164</u>	<u>6,766</u>
Cost of sales	<u>1,352,291</u>	<u>1,257,793</u>	<u>212,465</u>	<u>190,506</u>	<u>3,742</u>
Gross profit	<u>1,756,292</u>	<u>1,525,067</u>	<u>285,398</u>	<u>189,658</u>	<u>3,024</u>
Unused food minimum	<u>138,346</u>	<u>133,042</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income	<u>1,894,638</u>	<u>1,658,109</u>	<u>285,398</u>	<u>189,658</u>	<u>3,024</u>
Operating expenses:					
Wages and benefits	2,240,171	2,081,897	352,648	325,525	21,987
Supplies	188,609	182,019	30,324	35,593	2,637
Computer supplies	-	-	-	-	724
Laundry	156,249	116,181	16,937	11,070	-
Miscellaneous	110,500	66,717	8,655	4,787	1,085
Uniforms	24,481	20,656	1,270	5,618	543
Equipment rental and repair	43,986	27,311	14,866	9,024	1,212
Printing	<u>8,167</u>	<u>1,779</u>	<u>60</u>	<u>444</u>	<u>25</u>
Total operating expenses	<u>2,772,163</u>	<u>2,496,560</u>	<u>424,760</u>	<u>392,061</u>	<u>28,213</u>
Net (loss)	<u>\$ (877,525)</u>	<u>\$ (838,451)</u>	<u>\$ (139,362)</u>	<u>\$ (202,403)</u>	<u>(25,189)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
Years Ended March 31, 2024 and 2023

Grounds Operations	Alto Division		Outlaw Division		Kokopelli Division
	2024	2023	2024	2023	2024
Gross sales	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	-	-
Operating expenses:					
Wages and benefits	590,323	389,537	548,761	519,600	127,323
Irrigation water	476,591	375,896	24,871	33,284	829
Fertilizer and chemicals	50,772	45,716	53,790	42,914	4,840
Building and grounds maintenance	10,048	10,470	8,873	6,946	2,049
Sand, soil, sod & seed	39,398	27,594	28,995	22,616	-
Outside services	17,001	22,277	6,553	23,070	3,049
Equipment repairs	19,532	16,329	15,294	10,912	4,991
Equipment fuel	23,807	24,786	20,699	19,432	7,863
Forest thinning	43,578	10,122	942	551	688
Miscellaneous	8,375	3,658	6,556	1,475	-
Supplies	24,686	17,699	19,132	9,656	1,340
Utilities	1,575	1,418	1,906	1,418	-
Dues and subscriptions	778	523	913	523	-
USGA	1,925	-	1,925	-	-
Postage	35	-	-	29	-
Equipment rental	881	150	808	150	24,624
Total operating expenses	1,309,305	946,175	740,018	692,576	177,596
Net (loss)	\$ (1,309,305)	\$ (946,175)	\$ (740,018)	\$ (692,576)	\$ (177,596)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2024 and 2023

General and Administrative Operations	Alto Division		Outlaw Division	
	2024	2023	2024	2023
Gross rent income	\$ -	\$ -	\$ 3,600	\$ 3,600
Cost of sales	-	-	-	-
Gross profit	-	-	3,600	3,600
Operating expenses:				
Wages and benefits	893,523	800,648	-	-
Member services	331,296	335,224	-	-
Legal and professional	48,718	34,207	12,500	12,500
Computer supplies	98,754	98,369	-	-
Miscellaneous	101,649	68,565	-	-
Bad debt expense	47,399	1,873	-	-
Utilities and telephone	7,409	35,538	1,640	9,850
Equipment rental	5,309	11,293	-	-
Office supplies	11,723	12,289	-	-
Postage	14,980	13,813	-	-
Travel	6,443	8,623	-	-
Outside services	76,926	11,269	-	-
Printing	13,079	10,232	-	-
Credit card fees	19,360	10,052	-	-
Uniforms	3,798	1,848	-	-
Donations	1,695	-	-	-
Total operating expenses	1,682,061	1,453,843	14,140	22,350
Net (loss)	\$ (1,682,061)	\$ (1,453,843)	\$ (10,540)	\$ (18,750)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
Years Ended March 31, 2024 and 2023

Golf Operations	Alto Division		Outlaw Division		Kokopelli Division
	2024	2023	2024	2023	2024
Sales:					
Green fees	\$ 252,402	\$ 176,669	\$ 236,175	\$ 166,796	\$ 15,698
Cart rental	215,482	190,074	160,957	126,106	17,458
Prepaid cart rental	29,159	-	16,285	-	5,056
Private cart fees	191,451	169,915	74,695	75,750	19,130
Private cart repair fees	52,434	52,967	-	-	-
Merchandise	967,122	796,651	-	-	-
Gross Sales	1,708,050	1,386,276	488,112	368,652	57,342
Cost of Sales	631,999	552,900	-	-	-
Total Income	1,076,051	833,376	488,112	368,652	57,342
Operating expenses:					
Wages and benefits	581,263	584,122	349,187	310,253	46,790
Private cart repairs	47,192	47,867	-	-	-
Supplies	29,479	43,023	24,218	21,503	6,402
Computer supplies	1,166	-	-	-	195
Driving range	1,625	1,951	1,625	1,625	-
Equipment repairs	-	803	-	81	-
Travel	8,968	6,196	843	596	246
Printing	259	542	-	130	-
Dues and subscriptions	2,161	1,470	1,684	1,004	-
Utilities and telephone	1,405	1,796	-	-	-
Tournament	7,500	-	-	-	-
Laundry and uniforms	6,462	5,497	5,069	3,515	53
Miscellaneous	2,148	2,710	1,313	1,442	300
Total operating expenses	689,628	695,977	383,939	340,149	53,986
Net income	\$ 386,423	\$ 137,399	\$ 104,173	\$ 28,503	\$ 3,356

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2024 and 2023**

Indirect Operations	2024	2023
Total income	\$ -	\$ -
Operating expenses:		
Wages and benefits	145,744	178,803
Utilities - electricity	306,271	249,331
Property taxes	172,728	159,474
Utilities - water and sanitation	140,602	136,818
General insurance	158,368	111,342
Utilities - gas	63,421	65,985
Utilities - cable	57,602	7,003
Security	7,855	2,978
Water delivery fund	79,696	302,300
Total operating expenses	1,132,287	1,214,034
Net (loss)	\$ (1,132,287)	\$ (1,214,034)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2024 and 2023

House Operations	Alto Division		Outlaw Division		Kokopelli Division
	2024	2023	2024	2023	2024
Gross sales	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	-	-
Operating expenses:					
Wages and benefits	240,823	201,546	57,571	40,759	30,646
Building and grounds maintenance	108,615	62,091	20,167	26,709	23,680
Computer supplies	-	-	-	-	958
Equipment repairs	17,094	18,470	242	5,927	358
Utilities and telephone	248	-	83	-	-
Equipment repairs	1,860	-	-	-	-
Supplies	47,032	36,793	11,028	11,104	7,211
Miscellaneous	18,747	16,943	16,227	4,458	3,878
Outside services	10,404	1,743	1,584	1,584	790
Security	115	-	-	-	-
House decorations	8,434	2,083	-	-	183
Total operating expenses	453,372	339,669	106,902	90,541	67,704
Net (loss)	\$ (453,372)	\$ (339,669)	\$ (106,902)	\$ (90,541)	\$ (67,704)

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

Years Ended March 31, 2024 and 2023

Tennis Operations	Alto Division		Outlaw Division		Kokopelli Division
	2024	2023	2024	2023	2024
Sales:					
Swim and tennis fees	\$ 130	\$ 70	\$ -	\$ -	\$ -
Total income	130	70	-	-	-
Operating expenses:					
Wages and benefits	23	-	-	-	-
Building and grounds maintenance	326	477	-	-	-
Supplies	3,766	6,634	-	-	-
Total operating expenses	4,115	7,111	-	-	-
Net (loss)	\$ (3,985)	\$ (7,041)	\$ -	\$ -	\$ -

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2024 and 2023**

Pool and Fitness Operations	2024	2023
Sales:		
Fitness fees	\$ 8,131	\$ 4,405
Merchandise	71	-
Gross Sales	<u>8,202</u>	<u>4,405</u>
 Cost of Sales	 <u>36</u>	 <u>-</u>
 Total income	 <u>8,166</u>	 <u>4,405</u>
 Operating expenses:		
Wages and benefits	38,503	-
Computer supplies	1,886	-
Equipment repairs	7,675	1,450
Equipment rental	5,205	-
Printing	44	-
Outside services	1,161	-
Security	76	-
Travel	783	-
Miscellaneous	4,894	44
Laundry and uniforms	384	-
Utilities	33,566	-
Supplies	<u>21,388</u>	<u>5,948</u>
 Total operating expenses	 <u>115,565</u>	 <u>7,442</u>
 Net (loss)	 <u>\$ (107,399)</u>	 <u>\$ (3,037)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2024 and 2023**

Real Estate Operations	2024	2023
Income:		
Lot sales	-	46,500
Rental income	133,096	124,426
Total income	<u>\$ 133,096</u>	<u>\$ 170,926</u>
Operating expenses:		
Rental property	7,314	8,416
Utilities - electricity	13,207	12,224
Taxes- Property and License	9,147	9,175
Equipment repairs	2,553	8,136
Equipment rental	1,953	-
Forest thinning	3,440	-
Utilities - water and sanitation	6,082	7,111
General insurance	22,985	16,325
Lot sale expense	-	15,193
Utilities - gas	6,835	8,324
Utilities - cable	19,065	16,987
Miscellaneous	9,422	7,874
Supplies	6,614	23,452
Travel	238	1,623
Building and ground maintenance	<u>25,006</u>	<u>24,881</u>
Total operating expenses	<u>133,861</u>	<u>159,721</u>
Net (loss) income	<u><u>\$ (765)</u></u>	<u><u>\$ 11,205</u></u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.**Years Ended March 31, 2024 and 2023**

Concerts and Events Operations	2024	2023
Income:		
Concerts	\$ 266,275	\$ 274,248
Audio- Visual	4,683	26,438
Event Advertising	3,250	1,075
Total income	<u>274,208</u>	<u>301,761</u>
Operating expenses:		
Talent expenses	207,279	333,224
Advertising/promotion	11,062	1,283
Equipment repairs	11,122	3,024
Priting	-	93
Supplies- general	3,422	29,287
Miscellaneous	761	-
Travel	16,201	42,414
Total operating expenses	<u>249,847</u>	<u>409,325</u>
Net income (loss)	<u>\$ 24,361</u>	<u>\$ (107,564)</u>