

**PROPERTY OWNERS' ASSOCIATION  
OF TERLINGUA RANCH, INC.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2024**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Property Owners' Association of Terlingua Ranch, Inc.

**Opinion**

We have audited the financial statements of Property Owners' Association of Terlingua Ranch, Inc., which comprise the statement of financial positions as of December 31, 2024 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. The 2023 financial statements were reviewed by other accountants whose report was dated October 7, 2024.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Property Owners' Association of Terlingua Ranch, Inc. as of December 31, 2024, 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 Property Owners' Association of Terlingua Ranch, Inc. 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.

**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 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 Property Owners' Association of Terlingua Ranch, Inc.'s ability to continue as a going concern within one year from the date the financial statements are 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Property Owners' Association of Terlingua Ranch, Inc.'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 Property Owners' Association of Terlingua Ranch, Inc.'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.



November 28, 2025  
Odessa, Texas



**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

	<b>ASSETS</b>	
	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash – undesignated	\$ 538,168	\$ 739,625
Cash – designated (Note D)	419,729	388,851
Assessments Receivable, net of allowance	1,384,940	1,550,724
Accounts receivable	3,098	22,805
Inventories	36,602	64,415
Property and equipment, at cost, Net	666,991	662,836
Prepaid Federal Income Tax	4,520	-
Deferred tax asset	-	13,857
Tracts Held for Auction	<u>61,485</u>	<u>30,818</u>
TOTAL ASSETS	<u>\$ 3,115,533</u>	<u>\$ 3,473,931</u>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES &amp; MEMBERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 6,164	\$ 17,406
Deferred Income	1,087,220	1,316,343
Taxes Payable	<u>12,630</u>	<u>7,781</u>
TOTAL CURRENT LIABILITIES	<u>1,106,014</u>	<u>1,340,940</u>
Contingency	-	-
Members' Equity		
Contributed Capital	94,075	94,075
Undesignated	304,467	304,467
Designated	356,798	356,785
Retained Earnings	<u>1,254,179</u>	<u>1,377,661</u>
TOTAL MEMBERS' EQUITY	<u>2,009,519</u>	<u>2,133,001</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 3,115,533</u>	<u>\$ 3,473,931</u>

The accompanying notes are an integral part of these financial statements.

**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.**  
**STATEMENTS OF REVENUES AND EXPENSES**  
**YEAR ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
REVENUES		
Members' Assessments	\$ 878,918	\$1,058,578
Lodge Operations	1,237,206	987,023
Interest and Other Miscellaneous Income	<u>51,760</u>	<u>30,550</u>
	2,167,884	2,076,151
EXPENSES		
Advertising	3,090	5,247
Credit Card Fees	50,570	38,829
Insurance	119,281	93,148
License, Fees, and Permits	4,816	5,893
Lodge Expense	244,070	137,378
Office Expenses	5,094	6,200
Other Miscellaneous Expenses	18,154	7,973
Payroll and Benefits	1,229,624	876,918
Postage, Printing, and Internet	22,012	23,082
Professional Fees	103,254	90,779
Property Taxes	25,763	25,067
Repairs and Maintenance	60,260	68,721
Software Maintenance	24,724	14,826
Supplies and Equipment	121,770	99,819
Telephone, Utilities and Garbage	94,082	90,081
Vehicles	31,803	58,005
Penalties	356	239
Depreciation	<u>118,786</u>	<u>104,538</u>
	<u>2,277,509</u>	<u>1,746,743</u>
Excess of Expenses Over Revenues	(109,625)	329,408
Federal Income Tax	-	4,517
Deferred Tax Expense	<u>13,857</u>	<u>47,807</u>
	(123,482)	277,084
Members' Equity, at beginning of year	<u>2,133,001</u>	<u>1,855,977</u>
Members' Equity, at end of year	<u><u>\$2,009,519</u></u>	<u><u>\$2,133,001</u></u>

The accompanying notes are an integral part of these financial statements.

**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash collected from revenue and other support	\$ 2,042,107	\$2,303,416
Cash paid for operating expenses	(2,145,178)	(1,990,167)
Interest received	59,643	30,550
Tax paid	<u>(9,037)</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY OPERATIONS</b>	(52,465)	343,799
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(122,585)	(180,632)
Other	<u>4,471</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	(118,114)	(180,799)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from borrowings	-	-
Repayments of debt	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(170,579)	163,167
CASH at beginning of year	<u>1,128,476</u>	<u>965,309</u>
CASH at end of year	<u>\$ 957,897</u>	<u>\$1,128,476</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Excess of expenses over revenues	\$(123,482)	\$ 277,084
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	118,786	104,538
Deferred Taxes	13,887	47,807
Prepaid assessments	-	-
Accounts receivable	146,077	(251,256)
Inventory	27,813	(23,498)
Prepaid expense	-	-
Accounts payable	(11,242)	(27,489)
Deferred Income	(229,123)	252,421
Accrued Expenses and Other	<u>4,819</u>	<u>(35,808)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (52,465)</u>	<u>\$ 343,799</u>

The accompanying notes are an integral part of these financial statements.

**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A – ORGANIZATION**

Property Owners' Association of Terlingua Ranch, Inc. (POATRI) is incorporated as a nonprofit corporation in the State of Texas for the purposes of protecting the personal and property rights of all members, and their families and guests; promoting the safety and welfare of all members, families and guests; and operating and maintaining the common property of Property Owners' Association of Terlingua Ranch, Inc. Property Owners' Association of Terlingua Ranch, Inc. consists of approximately 5,000 property owners on approximately 190,000 acres located in Brewster County, Texas. The Association began its operations in November 1976.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Inventories**

Inventories are stated at the Net realizable value, determined by the first-in, first-out method.

**Cash and Cash Equivalents**

The Association has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents and considers cash equivalents to be all temporary investments that are readily convertible to cash, such as certificates of deposits, commercial paper, and treasury bills with maturity of less than three (3) months.

**Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounts Receivable – Members' Assessments**

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represents fees due from property owners. The allowance for doubtful accounts as of December 31, 2024 and 2023 was \$3,181,482 and \$3,124,684 respectfully. This balance represents Management's estimates of Owner's Assessments prior to 2022 deemed uncollectible.

Members are billed annually in December for their annual assessments, which are due and payable in March.

POATRI has the right to foreclose on property for non-payment of Assessments and has the ability to auction this property, paying any outstanding assessments associated with the property.

**Basis of Presentation**

POATRI follows the financial reporting practices of Common Interest Realty Association (CIRA) as presented in the AICPA Audit and Accounting Guides for CIRA's (AICPA Guide). The AICPA Guide defines as common property, property such as the POATRI's, wherein title or other evidence of ownership is held directly by CIRA.

**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Common Property**

The Association holds title to property consisting of Cabins, Restaurant/Meeting Rooms, Office Building, Pool and Bath House, water wells, and various other buildings and equipment. The Association maintains all properties to which title is held. The Association maintains over approximately 1,000 miles of roadways for its members.

**Construction and renovation in Progress**

Costs for material that clearly relate to renovation projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, costs are allocated based on their relative value to the completed cabin renovations. Interest costs, if any, will be capitalized while renovation is in progress.

**Tracts held for Auction**

Property Tracts held for auction amounted to \$61,485 and \$30,818 at December 31, 2024 and 2023 respectively. These consist of tracts obtained from property owners either as donations or from a deed in lieu of foreclosure. Amounts are based on the value on the Brewster County tax rolls and prior auctions which approximates fair value, and are included as inventory. Tracts that are donated are valued at the amount assessments due that are forgiven.

The auction procedures are for a defined period of time during the year, with the tract being awarded to the highest bidder. Costs, if any, incurred by the Association for the auction reduce the proceeds received.

**Income Tax**

POATRI is classified as a nonexempt membership organization for federal tax and is tax exempt for state franchise tax purposes. It does not qualify as an exempt organization for federal income tax purposes. POATRI is subject to specific ruling and regulation applicable to nonexempt membership organizations. In general, POATRI is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

For Federal tax purposes, POATRI is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation.

Management is required to evaluate the tax positions taken by the Company and recognize a tax liability if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions of the Company and has concluded that as of December 31, 2024, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Company's Form 1120, are subject to examination by the IRS, generally for the three years after they were filed. Management believes it is no longer subject to income tax examination for years prior to 2021.

**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Property and Equipment**

POATRI capitalized personal property to which it has title at cost. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized.

**Subsequent Events**

POATRI has evaluated events subsequent to the date of the balance sheet (December 31, 2024) through November 28, 2025 the date these financial statements were suitable to be issued, and concluded that no significant subsequent event has occurred that would require disclosure in the notes or recognition in the financial statements.

**Depreciation**

POATRI furniture and equipment are depreciated using the straight-line and the double declining balance method. The building and improvements are depreciated using the straight-line and double declining methods.

**Prepaid Assessments**

Revenue from assessments is recognized in the period assessed. Assessments received in advance of the period assessed are deferred on the balance sheet as prepaid assessments.

**Concentration of Credit Risk**

Owners' assessments are owed by economically diverse individuals principally in Texas; the Association has indicated that it will auction foreclosed properties for any unpaid assessments.

**NOTE C – PROPERTY, FIXTURES, AND EQUIPMENT**

Property and equipment consist of the following:

	2024	2023
Land	\$ 142,101	\$ 142,101
Building and Structures	311,055	311,055
Improvements	596,525	596,525
Maintenance Equipment	432,981	340,519
Furniture and Fixtures	49,740	49,741
Vehicles	219,458	189,333
Software	94,804	94,804
	1,846,664	1,724,078
Accumulated depreciation	(1,179,673)	(1,061,242)
Total property and equipment	\$ 666,991	\$ 662,836

**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE D – CASH DESIGNATED**

The Organization's governing documents generally provide for the levying of special assessments or the increasing of regular assessments when major repairs and replacements are needed. The Board of Directors, however, has chosen to establish a replacement fund for the estimated cost of future major repairs.

In addition the Board has segregated approximately \$251,000 in contingency funds. Designated funds, which aggregate approximately \$419,729 at December 2024, are held in separate accounts and are generally not available for operating purposes.

**NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The following information is based on the study and presents significant information about the components of common property.

	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Cabins	25	\$ 320,000
Restaurant/Meeting Room	25	100,000
Office Building	25	40,000
Other Buildings	10	115,000
Swimming Pool & Equipment	5	25,000
Water Wells & Equipment	15	35,000
Furnishings & Equipment	7-10	459,500
Total		\$ 1,094,500

The association's board of directors conducted a study in December 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from insurance coverage estimates of replacement value, actual costs of renovation undertaken within the preceding 5 years, and taxable value of the improvements per the Brewster County Appraisal District taxing authority. Estimated current replacement costs has not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

**NOTE F – INCOME TAX**

The income tax provision charged to income is as follows for the years ending December 31, 2023 and 2022, respectively:

	2024	2023
Current – U.S. Federal	\$ -	\$ 4,517
Deferred – U.S. Federal Expense	13,857	47,807
	\$ 13,857	\$ 52,324

**PROPERTY OWNERS' ASSOCIATION OF TERLINGUA RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F – INCOME TAX (CONT'D)**

A reconciliation between income taxes computed at the federal statutory rate and income tax expense as December 31, 2024, and 2023 are as follows:

	2024	2023
Income taxes computed at federal statutory rate (21%)	\$ (22,809)	\$ 69,176
Difference between tax and book depreciation	-	(16,900)
Net operating loss	22,809	(47,807)
Total tax payable	-	-
Deferred tax expense	13,857	47,807
 Total	 \$ 13,857	 \$ 52,274