

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

**FINANCIAL STATEMENTS**

**MARCH 31, 2012 AND 2011**

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**ALTO LAKES GOLF AND COUNTRY CLUB, INC.  
OFFICERS AND DIRECTORS  
March 31, 2012**

PRESIDENT ..... Robert Allen  
VICE-PRESIDENT ..... Jerry Ballard  
TREASURER ..... Gene King  
SECRETARY ..... Mike O'Leary  
DIRECTOR ..... Rose Reynolds  
DIRECTOR ..... Ted Fisher  
DIRECTOR ..... Aubrey Johnson  
DIRECTOR ..... Bill Shipp  
DIRECTOR ..... Paul Ragland

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

We have audited the accompanying balance sheets of Alto Lakes Golf and Country Club, Inc. as of March 31, 2012 and 2011 and the related statements of activity and changes in members' equity and cash flow for the years then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Inc. as of March 31, 2012 and 2011, and the results of its activity and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 11 to 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Alto Lakes Golf and Country Club, Inc. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ronnie L. Hemphill, CPA*

June 15, 2012



CPA

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**COMBINED ALTO AND OUTLAW STATEMENTS**  
**BALANCE SHEETS**  
**March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,425,414	\$ 2,505,950
Cash restricted for capital expenditures	198,189	249,823
Accounts receivable	4,503,109	4,180,033
Less: Allowance for doubtful accounts	(24,936)	(20,413)
Merchandise inventory	65,668	65,288
Prepaid expense	1,470	109,538
Other receivables	9,220	4,348
<b>TOTAL CURRENT ASSETS</b>	<u>7,178,134</u>	<u>7,094,567</u>
<b>LAND, BUILDINGS AND EQUIPMENT</b>		
Land, buildings and equipment	12,726,417	12,100,468
Less: Accumulated depreciation	<u>(5,398,249)</u>	<u>(4,837,118)</u>
<b>TOTAL LAND, BUILDINGS AND EQUIPMENT</b>	<u>7,328,168</u>	<u>7,263,350</u>
<b>OTHER ASSETS</b>		
Water rights	361,093	361,093
Liquor license	70,409	70,409
Other intangible assets	60,579	50,193
Less: Accumulated amortization	<u>(27,934)</u>	<u>(24,440)</u>
<b>TOTAL OTHER ASSETS</b>	<u>464,147</u>	<u>457,255</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,970,449</u>	<u>\$ 14,815,172</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (below)	\$ 235,585	\$ 201,217
Accounts payable	247,971	199,023
Accrued interest expense	750	3,246
Deferred service charges payable	10,610	(392)
Deferred gross receipts tax	184,063	172,067
Other accrued expense and payables	105,521	68,338
Accrued compensation	212,734	175,721
Accrued payroll taxes	24,403	15,767
Accrued property taxes	-	55,782
Note payable	122,236	217,970
Deposits	7,575	11,445
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,151,448</u>	<u>1,120,184</u>
<b>LONG-TERM DEBT</b>		
Notes payable	526,367	943,427
Less: Current portion (above)	<u>(235,585)</u>	<u>(201,217)</u>
<b>TOTAL LONG-TERM DEBT</b>	<u>290,782</u>	<u>742,210</u>
DEFERRED INCOME AND ASSESSMENTS	3,955,986	3,687,517
MEMBERS' EQUITY	<u>9,572,233</u>	<u>9,265,261</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 14,970,449</u>	<u>\$ 14,815,172</u>

See accompanying notes and accountants' report.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**COMBINED ALTO AND OUTLAW STATEMENTS**  
**STATEMENTS OF ACTIVITY AND CHANGES IN MEMBERS' EQUITY**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
REVENUE		
Alto social dues	\$ 1,496,955	\$ 1,473,026
Alto regular dues	1,040,626	982,103
Outlaw dues	558,730	443,917
Golf departments	706,014	621,440
Food and beverage department	1,457,529	1,280,397
Swim and tennis department	1,199	954
Fitness department	948	1,291
Cost events	78,005	109,141
Membership transfer fees	483,033	393,000
Plan submittal fees	1,643	3,240
Gain (loss) on sale/disposition of assets	38,454	25,277
Interest and dividend income	74,138	47,736
Other income	<u>50,798</u>	<u>75,877</u>
<b>TOTAL REVENUE</b>	<u><b>5,988,072</b></u>	<u><b>5,457,399</b></u>
OPERATING EXPENSE		
Golf departments	638,508	477,435
Food and beverage department	2,086,599	1,898,418
Swim and tennis department	20,928	24,863
Grounds department expense	1,609,389	1,324,629
General and administrative expenses	1,003,524	975,344
House department expense	375,067	393,924
Fitness department expense	960	2,172
Cost events expense	77,967	106,711
Interest expense	<u>36,718</u>	<u>71,069</u>
<b>TOTAL OPERATING EXPENSE</b>	<u><b>5,849,660</b></u>	<u><b>5,274,565</b></u>
<b>EXCESS OF REVENUE OVER OPERATING EXPENSE</b>	<u><b>138,412</b></u>	<u><b>182,834</b></u>
OTHER ITEMS		
Depreciation and amortization expense	<u>(630,275)</u>	<u>(573,276)</u>
<b>TOTAL OTHER ITEMS</b>	<u><b>(630,275)</b></u>	<u><b>(573,276)</b></u>
<b>EXCESS OF EXPENSES OVER REVENUE</b>	<b>(491,863)</b>	<b>(390,442)</b>
MEMBERS' EQUITY, BEGINNING OF YEAR	9,265,261	8,950,674
MEMBERSHIP ASSESSMENTS	658,835	635,029
MEMBERSHIP SALES AND UPGRADES	<u>140,000</u>	<u>70,000</u>
<b>MEMBERS' EQUITY, END OF YEAR</b>	<u><b>\$ 9,572,233</b></u>	<u><b>\$ 9,265,261</b></u>

See accompanying notes and accountants' report.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.  
COMBINED ALTO AND OUTLAW STATEMENTS  
STATEMENTS OF CASH FLOW  
Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of expenses over revenues	\$ (491,863)	\$ (390,442)
Noncash items included above:		
Depreciation	630,275	573,276
(Gain) loss on sale of assets	(38,454)	(25,277)
(Increase) decrease in:		
Accounts receivable (net)	(318,553)	(802,987)
Merchandise inventory	(380)	1,460
Prepaid expense	108,068	(94,295)
Other receivables	(4,872)	(1,766)
Increase (decrease) in:		
Accounts payable	48,948	49,715
Accrued expenses and deferred charges	47,552	116,641
Deposits	(3,870)	6,885
Note payable	(95,734)	217,970
Deferred dues	268,469	704,722
	<u>149,586</u>	<u>355,902</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, buildings and equipment	(740,114)	(693,961)
Sale of assets	76,583	52,597
	<u>(663,531)</u>	<u>(641,364)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Membership sales and upgrades	140,000	70,000
Membership assessments	658,835	635,029
Long-term debt reduction	(417,060)	(483,977)
	<u>381,775</u>	<u>221,052</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	(132,170)	(64,410)
<b>CASH, BEGINNING OF YEAR</b>	<u>2,755,773</u>	<u>2,820,183</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,623,603</u>	<u>\$ 2,755,773</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest expense	<u>\$ 36,718</u>	<u>\$ 71,069</u>

See accompanying notes and accountants' report.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2012 and 2011**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Alto Lakes Golf and Country Club, Inc. (the Club) operates two golf courses in Lincoln County, New Mexico. In addition to golf course facilities, the Club also operates restaurant facilities and provides architectural control services for the benefits of its members.

Basis of Accounting

The financial statements of the Club have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Land, Buildings and Equipment

Land, buildings and equipment are reflected at cost for those items acquired after the membership took control of the Club in 1981. Assets transferred to the Club from the developer in 1981 are recorded at the values assigned to the various asset types received at that time. Buildings and equipment are depreciated over their estimated useful lives using the straight line method. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the respective departmental income. Construction in progress on various projects at the end of the fiscal year is also included in these amounts.

Income Taxes

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 January of 1990, the Club's operations and financial records were examined by the Internal Revenue Service. Per a March 26, 1990 letter from the agent conducting the examination, the Internal Revenue Service revoked the exempt status of the Club retroactive to December 27, 1985. The revocation results from the Club engaging in activities of covenant enforcement, architectural control and other functions similar to those of a homeowners' association and not allowable by an exempt social club.

As of March 31, 2012 and 2011, the Club has losses of \$4,423,305 and \$3,931,442 available as an offset to future member and non-member taxable income, respectively. A portion of these losses expire each year due to the fifteen year loss carryover limitation. The 2012 loss carryovers equate to a combined estimated deferred tax asset of \$884,990, which is not reflected on the balance sheet due to the fact that this tax asset is not expected to be realized.

Revenue Recognition

Income from membership dues is recognized over the period to which the dues relate. Dues billed at year end for future periods are reflected on the balance sheet as deferred dues income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Club considers certificates of deposits with a maturity of twelve months or less to be cash equivalents instead of the generally accepted accounting principle of maturities of three months or less to be cash equivalents. This departure from generally accepted accounting principles does not materially affect these financial statements.

Inventory

Merchandise inventory is reflected at last cost.



**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS -- CONTINUED**  
**Years Ended March 31, 2012 and 2011**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - CASH AND CERTIFICATES OF DEPOSIT**

Cash consist of the following:

	<u>2012</u>	<u>2011</u>
Demand Accounts:		
City Bank	\$ 3,921	\$ (6,923)
City Bank	301,250	53,921
City Bank	38,377	30,361
City Bank	37,970	12,881
Certificates of deposit:		
City Bank	2,241,421	2,665,233
Cash on hand	<u>664</u>	<u>300</u>
	<u>\$2,623,603</u>	<u>\$ 2,755,773</u>
Reflected in the financial statements as follows:		
Cash and cash equivalents	\$2,425,414	\$2,505,950
Cash restricted for capital expenditures	198,189	249,823

**NOTE C - LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 954,266	\$ 901,870
Paving and grounds improvements	2,447,885	2,316,298
Club buildings	6,362,154	6,287,537
Furniture, fixtures and equipment	1,002,135	888,962
Carts and pro shop fixtures and equipment	545,078	421,663
Machinery and equipment	1,003,099	902,982
Office furniture and equipment	161,225	153,226
Fitness room equipment	69,864	67,600
Swim and tennis furniture and equipment	<u>180,711</u>	<u>160,330</u>
	12,726,417	12,100,468
Less accumulated depreciation	<u>(5,398,249)</u>	<u>(4,837,118)</u>
	<u>\$ 7,328,168</u>	<u>\$7,263,350</u>

**NOTE D - LONG-TERM DEBT - NOTES PAYABLE**

Long-term notes payable consist of the following:

	<u>2012</u>	<u>2011</u>
Note payable to City Bank New Mexico, payable \$21,669 per month, including variable interest, currently 4.0%, maturity date is February 18, 2017, secured by a mortgage on Club real estate and personal property . . .	\$ 526,367	\$ 943,427
Less amount due within one year	<u>(235,585)</u>	<u>(201,217)</u>
	<u>\$ 290,782</u>	<u>\$ 742,210</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS -- Continued**  
**Years Ended March 31, 2012 and 2011**

**NOTE D - LONG-TERM DEBT - NOTES PAYABLE -- Continued**

Maturities of long-term notes payable are as follows:

Year Ended	<u>Amount</u>
<u>March 31</u>	
2013	\$ 235,585
2014	<u>290,782</u>
	<u>\$ 526,367</u>

**NOTE E - ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Trade accounts receivable are recorded net of an allowance for expected losses. During the current year, the allowance for doubtful accounts has been decreased for known bad debt amounts and increased for accounts that management believes to be uncollectible.

**NOTE F - RISK MANAGEMENT**

The Club is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Club has obtained insurance through various commercial carriers to minimize any potential loss. The insurance premiums are based on revenues and payroll expenditures, and are not directly related to claims filed.

**NOTE G - CONCENTRATIONS OF CREDIT RISK**

For the year ended March 31, 2011, all bank accounts were fully insured by the FDIC. For the year ended March 31, 2012, one certificate of deposit exceeded the FDIC insured amount by \$54,153.

**NOTE H - DEFINED CONTRIBUTION PLAN**

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 401K salary deferral plan. The Club matches employee 401K 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 and have completed 12 months of service of at least 1,000 hours. For the years ended March 31, 2012 and 2011, the Club funded this plan with \$8,432 and \$9,230 respectively, which was allocated among the 15 employees in 2012 and 18 employees in 2011, who were eligible to participate.

**NOTE I - OPERATING LEASES**

The Club leases copiers and a postage machine on long term lease contracts. Future minimum lease payments due over the remaining terms of the leases are:

Years ending March 31,	2013	\$27,624
	2014	27,624
	2015	25,450
	2016	14,580
	2017	14,580

Equipment rental expense for the years ended March 31, 2012 and 2011 were \$39,891 and \$41,163, including short term rentals, respectively.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS -- Continued**  
**Years Ended March 31, 2012 and 2011**

**NOTE J – OUTLAW GOLF COURSE LEASE**

On March 13, 2010, the membership approved a lease to own agreement for the Club to acquire the Outlaw golf course. In May of 2010, the Board of Directors approved the lease document and it was signed by officers of the Club. The terms of the lease are an annual lease rate of \$1.00 per year and to operate and maintain the Outlaw course during the lease period.

The lease contained a provision that upon the sale of the real estate development to another developer, title to the golf course would pass to the Alto Lakes Golf and Country Club, Inc. On July 29, 2011, the real estate development was sold and Alto received title to the Outlaw golf course.

## **SUPPLEMENTARY INFORMATION**

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**BALANCE SHEETS**  
**March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,387,444	\$ 2,399,748
Cash restricted for capital expenditures	198,189	249,823
Accounts receivable	3,783,389	3,553,211
Less: Allowance for doubtful accounts	(24,936)	(20,413)
Merchandise inventory	65,668	65,288
Prepaid expense	120	33,112
Other receivables	69,825	4,348
<b>TOTAL CURRENT ASSETS</b>	<u>6,479,699</u>	<u>6,285,117</u>
<b>LAND, BUILDINGS AND EQUIPMENT</b>	12,383,685	11,880,444
Less: Accumulated depreciation	(5,332,909)	(4,816,152)
<b>TOTAL LAND, BUILDINGS AND EQUIPMENT</b>	<u>7,050,776</u>	<u>7,064,292</u>
<b>OTHER ASSETS</b>		
Water rights	361,093	361,093
Liquor license	70,409	70,409
Other intangible assets	60,579	50,193
Less: Accumulated amortization	(27,934)	(24,440)
<b>TOTAL OTHER ASSETS</b>	<u>464,147</u>	<u>457,255</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,994,622</u>	<u>\$ 13,806,664</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (below)	\$ 235,585	\$ 201,217
Accounts payable	229,113	184,540
Accrued interest expense	750	2,637
Deferred service charges payable	10,610	(392)
Deferred gross receipts tax	151,272	141,742
Other accrued expense and payables	102,749	66,274
Accrued compensation	191,836	158,929
Accrued payroll taxes	24,403	15,767
Accrued property taxes	-	26,959
Deposits	7,575	11,445
<b>TOTAL CURRENT LIABILITIES</b>	<u>953,893</u>	<u>809,118</u>
<b>LONG-TERM DEBT</b>		
Notes payable	526,367	943,427
Less: Current portion (above)	(235,585)	(201,217)
<b>TOTAL LONG-TERM DEBT</b>	<u>290,782</u>	<u>742,210</u>
<b>DEFERRED INCOME AND ASSESSMENTS</b>	3,273,777	3,059,282
<b>MEMBERS' EQUITY</b>	<u>9,476,170</u>	<u>9,196,054</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 13,994,622</u>	<u>\$ 13,806,664</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**STATEMENTS OF ACTIVITY AND CHANGES IN MEMBERS' EQUITY**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
REVENUE		
Social dues	\$ 1,496,955	\$ 1,473,026
Regular dues	1,040,626	982,103
Golf department	439,042	453,174
Food and beverage department	1,454,156	1,279,588
Swim and tennis department	1,199	954
Fitness department	948	1,291
Cost events	78,005	77,176
Membership transfer fees	483,033	391,500
Plan submittal fees	1,643	3,240
Gain (loss) on sale/disposition of assets	38,454	25,277
Interest and dividend income	73,289	47,736
Other income	<u>46,520</u>	<u>75,877</u>
 TOTAL REVENUE	 <u>5,153,870</u>	 <u>4,810,942</u>
OPERATING EXPENSE		
Golf department	448,970	365,688
Food and beverage department	2,078,135	1,896,831
Swim and tennis department	20,928	24,863
Grounds department expense	1,050,529	917,121
General and administrative expenses	905,722	897,457
House department expense	375,067	393,924
Fitness department expense	960	2,172
Cost events expense	77,967	74,746
Interest expense	<u>33,405</u>	<u>66,341</u>
 TOTAL OPERATING EXPENSE	 <u>4,991,683</u>	 <u>4,639,143</u>
 EXCESS OF REVENUE OVER OPERATING EXPENSE	 <u>162,187</u>	 <u>171,799</u>
OTHER ITEMS		
Depreciation and amortization expense	<u>(585,901)</u>	<u>(552,310)</u>
 TOTAL OTHER ITEMS	 <u>(585,901)</u>	 <u>(552,310)</u>
 EXCESS OF EXPENSES OVER REVENUE	 (423,714)	 (380,511)
MEMBERS' EQUITY, BEGINNING OF YEAR	9,196,054	8,950,674
MEMBERSHIP ASSESSMENTS	563,830	555,891
MEMBERSHIP SALES AND UPGRADES	<u>140,000</u>	<u>70,000</u>
MEMBERS' EQUITY, END OF YEAR	<u>\$ 9,476,170</u>	<u>\$ 9,196,054</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**STATEMENTS OF CASH FLOW**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of expenses over revenues	\$ (423,714)	\$ (380,511)
Noncash items included above:		
Depreciation	585,901	552,310
(Gain) loss on sale of assets	(38,454)	(25,277)
(Increase) decrease in:		
Accounts receivable (net)	(225,655)	(176,165)
Merchandise inventory	(380)	1,460
Prepaid expense	32,992	(17,869)
Other receivables	(65,477)	(1,766)
Increase (decrease) in:		
Accounts payable	44,573	35,232
Accrued expenses and deferred charges	69,704	38,028
Deposits	(3,870)	6,885
Deferred dues	214,495	76,487
	<u>190,115</u>	<u>108,814</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, buildings and equipment	(617,406)	(473,937)
Sale of assets	76,583	52,597
	<u>(540,823)</u>	<u>(421,340)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Membership sales and upgrades	140,000	70,000
Membership assessments	563,830	555,891
Long-term debt reduction	(417,060)	(483,977)
	<u>286,770</u>	<u>141,914</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	(63,938)	(170,612)
<b>CASH, BEGINNING OF YEAR</b>	<u>2,649,571</u>	<u>2,820,183</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,585,633</u>	<u>\$ 2,649,571</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest expense	<u>\$ 33,405</u>	<u>\$ 66,341</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**SCHEDULE OF GOLF DEPARTMENT INCOME**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Green fees	\$ 174,872	\$ 188,149
Cart rental	155,457	177,067
Private cart fees	52,790	59,314
Private cart repair fees	55,923	28,310
Other	-	334
<b>TOTAL INCOME</b>	<u>439,042</u>	<u>453,174</u>
<b>EXPENSES</b>		
Labor	304,067	256,907
Employee group insurance	18,428	16,180
Employee meals	9,230	7,409
Payroll taxes	28,273	23,007
Education and training	1,398	264
Retirement account funding	1,101	1,249
Driving range	5,955	5,857
Dues and subscriptions	1,478	1,478
Equipment repairs	12,634	4,957
Private cart repairs	45,479	25,341
Laundry	1,839	1,741
Printing	1,185	2,192
Services purchased	6,120	6,000
Supplies	7,764	9,713
Telephone	960	720
Travel	2,610	2,673
Miscellaneous	449	-
<b>TOTAL EXPENSES</b>	<u>448,970</u>	<u>365,688</u>
<b>NET INCOME</b>	<u>\$ (9,928)</u>	<u>\$ 87,486</u>



**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**SCHEDULE OF FOOD AND BEVERAGE DEPARTMENT INCOME**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Food sales	\$ 996,977	\$ 851,168
Cost of food sales	<u>573,045</u>	<u>496,363</u>
GROSS PROFIT ON FOOD SALES	<u>423,932</u>	<u>354,805</u>
Beverage sales	320,125	275,410
Cost of beverage sales	<u>129,721</u>	<u>134,172</u>
GROSS PROFIT ON BEVERAGE SALES	<u>190,404</u>	<u>141,238</u>
Unused food minimum	<u>137,054</u>	<u>153,010</u>
TOTAL INCOME	<u>751,390</u>	<u>649,053</u>
<b>EXPENSES</b>		
Labor	921,420	870,218
Employee group insurance	55,382	42,224
Employee meals	26,953	29,882
Taxes - payroll	116,757	102,766
Education and training	2,975	890
Retirement account funding	2,040	1,948
Dues and subscriptions	513	37
Entertainment	1,185	7,641
Equipment rental	2,110	2,040
Repairs	11,968	7,068
Laundry	64,682	60,642
Member relations	66,266	53,694
Printing	1,188	1,167
Services purchased	8,735	7,063
Supplies	75,326	66,483
Licenses	1,600	1,850
Telephone	1,602	1,207
Travel	848	655
Uniforms	12,836	7,862
Miscellaneous	<u>983</u>	<u>959</u>
TOTAL EXPENSES	<u>1,375,369</u>	<u>1,266,296</u>
NET LOSS	<u>\$ (623,979)</u>	<u>\$ (617,243)</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**SCHEDULE OF SWIM AND TENNIS DEPARTMENT INCOME**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Swim fees	\$ 1,054	\$ 849
Tennis fees	<u>145</u>	<u>105</u>
<b>TOTAL INCOME</b>	<u>1,199</u>	<u>954</u>
<b>EXPENSES</b>		
Labor	8,344	9,486
Payroll taxes	921	931
Education and training	185	192
Building and grounds maintenance	4,323	359
Equipment repairs	1,966	3,057
Chemicals	881	1,115
Services purchased	61	3,392
Supplies	736	819
Utilities	<u>3,511</u>	<u>5,512</u>
<b>TOTAL EXPENSES</b>	<u>20,928</u>	<u>24,863</u>
<b>NET LOSS</b>	<u>\$ (19,729)</u>	<u>\$ (23,909)</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**SCHEDULE OF GROUNDS DEPARTMENT EXPENSES**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Labor	\$ 351,743	\$ 308,609
Employee group insurance	33,185	22,952
Employee meals	4,828	3,770
Payroll taxes	32,312	27,486
Education and training	773	1,052
Retirement account funding	175	217
Building and grounds maintenance	9,008	10,632
Dues and subscriptions	710	842
Equipment fuel	17,635	20,422
Equipment repairs and rentals	21,608	35,344
Fertilizer and chemicals	29,216	43,330
Irrigation water	443,057	353,932
Laundry	2,247	3,233
Services purchased	11,012	8,553
Supplies	8,428	6,734
Other tax and license	-	(100)
Travel	1,775	2,130
Utilities	66,794	54,951
Telephone	1,554	1,081
Special projects	<u>14,469</u>	<u>11,951</u>
 TOTAL GROUNDS DEPARTMENT EXPENSES	 <u>\$ 1,050,529</u>	 <u>\$ 917,121</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Labor	\$ 381,648	\$ 321,881
Employee group insurance	44,384	38,549
Employee meals	5,676	5,727
Payroll taxes	27,691	31,257
Education and training	2,192	502
Retirement account funding	4,288	5,545
Annual meetings and member holidays	55,797	45,285
Bad debt expense	24,641	34,036
Credit card fees	25,422	17,875
Donations	1,154	4,335
Dues and subscriptions	2,040	2,292
Equipment rental	35,785	37,883
Equipment repairs	14,980	15,070
General insurance	87,873	82,126
Legal and professional	19,621	30,697
Office supplies	12,906	12,038
Postage	20,847	22,625
Member services	12,444	19,659
Printing	24,231	23,414
Services purchased	14,277	7,055
Supplies	3,171	6,406
Other taxes	40	20
Property taxes	55,135	54,623
Telephone	23,861	16,977
Travel	243	10
Uniforms	399	692
Miscellaneous	4,976	60,878
	<u>          </u>	<u>          </u>
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b><u>\$ 905,722</u></b>	<b><u>\$ 897,457</u></b>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**SCHEDULE OF HOUSE DEPARTMENT EXPENSES**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Labor	\$ 84,356	\$ 80,428
Employee group insurance	9,789	1,394
Payroll taxes	8,040	5,812
Cleaning contract	16,938	47,609
Education and training	80	-
Retirement account funding	(218)	-
Building and grounds maintenance	18,458	27,694
House decorations	7,469	4,671
Entertainment	450	850
Equipment repairs	13,248	10,868
Security	4,701	3,805
Services purchased	5,759	10,518
Supplies	14,970	12,315
Travel	178	-
Utilities	190,208	187,960
Miscellaneous	641	-
	<u>375,067</u>	<u>393,924</u>
<b>TOTAL HOUSE DEPARTMENT EXPENSES</b>	<b>\$ 375,067</b>	<b>\$ 393,924</b>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.  
ALTO LAKES GOLF AND COUNTRY CLUB DIVISION  
SCHEDULE OF FITNESS DEPARTMENT INCOME  
Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
INCOME		
Fitness Fees	\$ 948	\$ 1,291
TOTAL INCOME	<u>948</u>	<u>1,291</u>
EXPENSES		
Equipment repairs	697	46
Supplies	<u>263</u>	<u>2,126</u>
TOTAL FITNESS DEPARTMENT EXPENSES	<u>960</u>	<u>2,172</u>
NET LOSS	<u>\$ (12)</u>	<u>\$ (881)</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**ALTO LAKES GOLF AND COUNTRY CLUB DIVISION**  
**SCHEDULE OF COST EVENTS**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Food sales	\$ 32,717	\$ 32,409
Beverage sales	15,723	13,673
Non-inventory sale items	<u>29,565</u>	<u>31,094</u>
<b>TOTAL INCOME</b>	<u>78,005</u>	<u>77,176</u>
<b>EXPENSES</b>		
Cost events expense	<u>77,967</u>	<u>74,746</u>
<b>TOTAL EXPENSES</b>	<u>77,967</u>	<u>74,746</u>
<b>NET LOSS</b>	<u>\$ 38</u>	<u>\$ 2,430</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**THE OUTLAW AT ALTO LAKES DIVISION**  
**BALANCE SHEETS**  
**March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 37,970	\$ 106,202
Accounts receivable	719,720	626,822
Prepaid expense	1,350	76,426
<b>TOTAL CURRENT ASSETS</b>	<u>759,040</u>	<u>809,450</u>
<b>BUILDINGS AND EQUIPMENT</b>	342,732	220,024
Less: Accumulated depreciation	<u>(65,340)</u>	<u>(20,966)</u>
<b>TOTAL LAND, BUILDINGS AND EQUIPMENT</b>	<u>277,392</u>	<u>199,058</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,036,432</u>	<u>\$ 1,008,508</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Note payable - line of credit	\$ 122,236	\$ 217,970
Accounts payable	18,858	14,483
Accrued interest expense	-	609
Accrued gross receipts tax	2,772	2,064
Deferred gross receipts tax	32,791	30,325
Accrued compensation	20,898	16,792
Accrued property taxes	-	28,823
Other payables	<u>60,605</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	258,160	311,066
<b>DEFERRED INCOME AND ASSESSMENTS</b>	682,209	628,235
<b>MEMBERS' EQUITY</b>	<u>96,063</u>	<u>69,207</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 1,036,432</u>	<u>\$ 1,008,508</u>

See accompanying notes and accountants' report.



**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**THE OUTLAW AT ALTO LAKES DIVISION**  
**STATEMENTS OF ACTIVITY AND CHANGES IN MEMBERS' EQUITY**  
**Year Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
REVENUE		
Outlaw dues income	\$ 558,730	\$ 443,917
Golf department	266,972	111,566
Food and beverage department	3,373	809
Make ready department	-	31,965
Transfer fees	-	1,500
Interest income	849	-
Other income	4,278	-
TOTAL REVENUE	<u>834,202</u>	<u>589,757</u>
OPERATING EXPENSES		
Golf department	189,538	111,747
Food and beverage department	8,464	1,587
Grounds department	558,860	350,808
General and administrative expense	97,802	77,887
Make ready department	-	31,965
Interest expense	3,313	4,728
TOTAL OPERATING EXPENSES	<u>857,977</u>	<u>578,722</u>
EXCESS OF OPERATING EXPENSE OVER REVENUE	<u>(23,775)</u>	<u>11,035</u>
OTHER ITEMS		
Depreciation and amortization expense	<u>(44,374)</u>	<u>(20,966)</u>
TOTAL OTHER ITEMS	<u>(44,374)</u>	<u>(20,966)</u>
EXCESS OF EXPENSES OVER REVENUE	(68,149)	(9,931)
MEMBERS' EQUITY, BEGINNING OF YEAR	69,207	-
MEMBERSHIP ASSESSMENTS	<u>95,005</u>	<u>79,138</u>
MEMBERS' EQUITY, END OF YEAR	<u>\$ 96,063</u>	<u>\$ 69,207</u>

See accompanying notes and accountants' report.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**THE OUTLAW AT ALTO LAKES DIVISION**  
**STATEMENTS OF CASH FLOW**  
**Year Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of expenses over revenues	\$ (68,149)	\$ (9,931)
Noncash items included above:		
Depreciation	44,374	20,966
(Increase) decrease in:		
Accounts receivable (net)	(92,898)	(626,822)
Prepaid expense	75,076	(76,426)
Increase (decrease) in:		
Accounts payable	4,375	14,483
Accrued expenses and deferred charges	38,453	78,613
Note payable	(95,734)	217,970
Deferred dues	53,974	628,235
	<u>(40,529)</u>	<u>247,088</u>
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(122,708)	(220,024)
Sale of assets	<u>-</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(122,708)</u>	<u>(220,024)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership assessments	<u>95,005</u>	<u>79,138</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>95,005</u>	<u>79,138</u>
NET INCREASE (DECREASE) IN CASH	(68,232)	106,202
CASH, BEGINNING OF YEAR	<u>106,202</u>	<u>-</u>
CASH, END OF YEAR	<u>\$ 37,970</u>	<u>\$ 106,202</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.  
THE OUTLAW AT ALTO LAKES DIVISION  
SCHEDULE OF GOLF DEPARTMENT INCOME  
Year Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Green fees	\$ 145,494	\$ 57,123
Cart rental	105,947	44,078
Private cart fees	15,531	10,365
<b>TOTAL INCOME</b>	<u>266,972</u>	<u>111,566</u>
<b>EXPENSES</b>		
Labor	154,930	86,488
Employee group insurance	474	1,786
Employee meals	4,619	-
Payroll taxes	15,712	7,521
Education and training	160	-
Retirement account funding	639	-
Driving range	2,961	2,964
Equipment repairs	1,900	2,691
Laundry	700	236
Printing	927	685
Services purchased	1,500	1,500
Supplies	4,296	7,087
Telephone	720	58
Miscellaneous	-	731
<b>TOTAL EXPENSES</b>	<u>189,538</u>	<u>111,747</u>
<b>NET LOSS</b>	<u>\$ 77,434</u>	<u>\$ (181)</u>

See accompanying notes and accountants' report.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**THE OUTLAW AT ALTO LAKES DIVISION**  
**SCHEDULE OF FOOD AND BEVERAGE DEPARTMENT INCOME**  
**Year Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Food sales	\$ -	\$ -
Cost of food sales	<u>-</u>	<u>-</u>
GROSS PROFIT ON FOOD SALES	<u>-</u>	<u>-</u>
Beverage sales	6,024	1,445
Cost of beverage sales	<u>2,651</u>	<u>636</u>
GROSS PROFIT ON BEVERAGE SALES	<u>3,373</u>	<u>809</u>
TOTAL INCOME	<u>3,373</u>	<u>809</u>
<b>EXPENSES</b>		
Labor	8,464	1,414
Taxes - payroll	<u>-</u>	<u>173</u>
TOTAL EXPENSES	<u>8,464</u>	<u>1,587</u>
NET LOSS	<u>\$ (5,091)</u>	<u>\$ (778)</u>

See accompanying notes and accountants' report.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**THE OUTLAW AT ALTO LAKES DIVISION**  
**SCHEDULE OF GROUNDS DEPARTMENT EXPENSES**  
**Year Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Labor	\$ 201,779	\$ 157,055
Employee group insurance	9,444	3,977
Employee meals	4,503	123
Payroll taxes	18,148	12,944
Education and training	-	240
Retirement account funding	407	271
Building and grounds maintenance	14,663	11,897
Dues and subscriptions	490	125
Equipment fuel	18,758	13,430
Equipment repairs and rentals	25,401	18,135
Fertilizer and chemicals	25,427	21,006
Irrigation water	93,242	38,041
Laundry	5,079	3,624
Services purchased	17,069	6,285
Supplies	4,069	563
Utilities	96,423	52,784
Telephone	1,554	1,137
Travel	63	-
Special projects	22,341	9,171
	<u>22,341</u>	<u>9,171</u>
<b>TOTAL GROUNDS DEPARTMENT EXPENSES</b>	<b>\$ <u>558,860</u></b>	<b>\$ <u>350,808</u></b>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.**  
**THE OUTLAW AT ALTO LAKES DIVISION**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**Year Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Dues and subscriptions	\$ 25	\$ -
Equipment repairs	131	543
General insurance	27,500	13,896
Legal and professional	23,597	2,825
Office supplies	1,189	294
Member services	983	51
Supplies	1,181	-
Other taxes	1,808	-
Property taxes	55,489	36,941
Telephone	1,422	2,343
Travel	25	-
Outlaw negotiation expense	-	9,643
Miscellaneous	<u>4,901</u>	<u>11,351</u>
 TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	 <u>\$ 118,251</u>	 <u>\$ 77,887</u>

See accompanying notes and accountants' report.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.  
THE OUTLAW AT ALTO LAKES DIVISION  
SCHEDULE OF MAKE READY DEPARTMENT  
Year Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Make ready to play income	\$ -	\$ 31,965
<b>TOTAL INCOME</b>	<u>-</u>	<u>31,965</u>
<b>EXPENSES</b>		
Labor	-	8,109
Payroll taxes	-	620
Fertilizer and chemicals	-	5,356
Services purchased	-	1,885
Utilities	-	7,828
Special projects	-	8,167
<b>TOTAL MAKE READY DEPARTMENT EXPENSES</b>	<u>-</u>	<u>31,965</u>
<b>NET INCOME</b>	<u>\$ -</u>	<u>\$ -</u>

