

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

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ALTO LAKES GOLF AND COUNTRY CLUB, INC.
OFFICERS AND DIRECTORS
March 31, 2003

PRESIDENT Dan Bowden
VICE-PRESIDENT Sid Miller
TREASURER Gary Schur
SECRETARY Frank Sayner
DIRECTOR Tom Battin
DIRECTOR Kay Dahlgren
DIRECTOR Jane Giese
DIRECTOR Jack Kastman
DIRECTOR Clyde Ziegler

RONNIE L. HEMPHILL, P.C.
Certified Public Accountant

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, 2003 and 2002 and the related statements of activity and changes in fund balances 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.

Alto Lakes Water Corporation is a wholly owned subsidiary of Alto Lakes Golf and Country Club, Inc. Generally accepted accounting principles require that parent companies present consolidated financial statements with majority owned subsidiaries. These financial statements do not reflect consolidated amounts. The summary effects of this departure from generally accepted accounting principles are disclosed in Note G.

In our opinion, except for the effects of the preceding paragraph, 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, 2003 and 2002, 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 15 to 21 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

May 12, 2003

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
BALANCE SHEETS
March 31, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Cash - unrestricted	\$ (56,350)	\$ 90,195
Cash - restricted	97,899	78,672
Accounts receivable	2,387,144	2,516,089
Less: Allowance for doubtful accounts	(70,458)	(70,458)
Merchandise inventory	29,841	24,790
Prepaid expense	38,798	3,325
Other receivables	758	326
Current portion of notes receivable	-	7,550
	<u>2,427,632</u>	<u>2,650,489</u>
LAND, BUILDINGS AND EQUIPMENT	9,729,101	8,699,346
Less: Accumulated depreciation	<u>(2,089,950)</u>	<u>(1,795,343)</u>
	<u>7,639,151</u>	<u>6,904,003</u>
OTHER ASSETS		
Alto Lakes Water Corporation stock	769,168	769,168
Alto Lakes Water Corporation loan	62,000	-
Notes receivable	-	55,344
Less: Current portion (above)	-	(7,550)
Water rights	361,093	361,093
Liquor license	<u>70,409</u>	<u>70,409</u>
	<u>1,262,670</u>	<u>1,248,464</u>
TOTAL ASSETS	<u>\$ 11,329,453</u>	<u>\$ 10,802,956</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
BALANCE SHEETS--Continued
March 31, 2003 and 2002

LIABILITIES AND FUND BALANCES

	<u>2003</u>	<u>2002</u>
CURRENT LIABILITIES		
Current portion of long-term debt (below)	\$ 188,631	\$ 141,054
Note payable, short-term	149,000	-
Accounts payable	139,500	109,778
Accrued interest expense	11,249	9,795
Deferred service charges payable	121,740	158,553
Deferred gross receipts tax	66,897	94,291
Other accrued expense and payables	21,709	17,585
Accrued compensation	24,823	67,963
Accrued payroll taxes	15,793	4,943
Accrued property taxes	27,900	14,557
Deposits	<u>15,085</u>	<u>12,690</u>
 TOTAL CURRENT LIABILITIES	 <u>782,327</u>	 <u>631,209</u>
LONG-TERM DEBT		
Notes payable	2,795,293	2,977,245
Less: Current portion (above)	<u>(188,631)</u>	<u>(141,054)</u>
 TOTAL LONG-TERM DEBT	 <u>2,606,662</u>	 <u>2,836,191</u>
 DEFERRED INCOME AND ASSESSMENTS	 <u>1,697,258</u>	 <u>2,164,995</u>
FUND BALANCE		
Unrestricted	(2,756,514)	(3,060,578)
Restricted	97,899	78,672
Net investment in property and other assets	<u>8,901,821</u>	<u>8,152,467</u>
 TOTAL FUND BALANCE	 <u>6,243,206</u>	 <u>5,170,561</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 11,329,453</u>	 <u>\$ 10,802,956</u>

See accompanying notes and accountants' report.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF ACTIVITY AND CHANGES IN FUND BALANCES
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
REVENUE		
Social dues	\$ 339,448	\$ 309,101
Regular dues	752,562	673,985
Golf department	495,413	538,480
Food and beverage department	1,202,947	609,719
Swim and tennis department	756	748
Membership transfer fees	368,600	379,400
Plan submittal fees	10,805	13,043
Gain (loss) on sale/disposition of assets	(14,076)	(45,281)
Interest and dividend income	32,374	30,058
Other income	36,247	21,479
	<u>3,225,076</u>	<u>2,530,732</u>
TOTAL REVENUE		
OPERATING EXPENSE		
Golf department	841,218	900,429
Food and beverage department	1,408,588	963,548
Swim and tennis department	20,216	20,711
General and administrative expenses	751,779	577,380
House department expense	216,943	183,069
Fitness department expense	1,148	2,309
Interest expense	121,439	100,339
	<u>3,361,331</u>	<u>2,747,785</u>
TOTAL OPERATING EXPENSE		
EXCESS OF REVENUE OVER OPERATING EXPENSE	<u>(136,255)</u>	<u>(217,053)</u>
OTHER EXPENSE		
Depreciation expense	<u>426,787</u>	<u>355,383</u>
	<u>426,787</u>	<u>355,383</u>
TOTAL OTHER EXPENSE		
EXCESS OF REVENUE OVER EXPENSES	(563,042)	(572,436)
FUND BALANCES, BEGINNING	5,170,561	5,013,117
MEMBERSHIP ASSESSMENTS	1,452,443	372,100
MEMBERSHIPS RETIRED	(2,250)	-
MEMBERSHIP SALES AND UPGRADES	<u>185,494</u>	<u>357,780</u>
FUND BALANCES, ENDING	<u>\$ 6,243,206</u>	<u>\$ 5,170,561</u>

See accompanying notes and accountants' report.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF CASH FLOW
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ (563,042)	\$ (572,436)
Noncash items included above:		
Depreciation	426,787	355,383
(Gain) loss on sale of assets	14,076	45,281
(Increase) decrease in:		
Accounts receivable (net)	128,945	(837,431)
Merchandise inventory	(5,051)	(2,084)
Prepaid expense	(35,473)	15,763
Other receivables	(432)	1,560
Increase (decrease) in:		
Notes payable, short-term	149,000	-
Accounts payable	29,722	(233,386)
Accrued expenses and deferred charges	(77,576)	80,280
Deposits	2,395	3,635
Deferred dues	(467,737)	810,580
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(398,386)</u>	<u>(332,855)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(1,213,442)	(1,710,379)
Sale of assets	37,431	9,132
Loan to Alto Lakes Water Corporation	(62,000)	-
Notes receivable collections	55,344	7,067
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(1,182,667)</u>	<u>(1,694,180)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership sales and upgrades	185,494	357,780
Membership assessments	1,452,443	372,100
Membership retirements	(2,250)	-
Debt proceeds	200,000	899,000
Long-term debt reduction	(381,952)	(41,658)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,453,735</u>	<u>1,587,222</u>
NET INCREASE (DECREASE) IN CASH	(127,318)	(439,813)
CASH, BEGINNING OF YEAR	<u>168,867</u>	<u>608,680</u>
CASH, END OF YEAR	<u>\$ 41,549</u>	<u>\$ 168,867</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense paid	<u>\$ 121,439</u>	<u>\$ 190,124</u>

See accompanying notes and accountants' report.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Alto Lakes Golf and Country Club, Inc. (the Club) operates a golf country club in Lincoln County, New Mexico. In addition to golf course facilities, the Club also operates a restaurant 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.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2003 and 2002

Income Taxes (Continued)

As of March 31, 2003 and 2002, the Club has losses of \$1,955,714 and \$1,424,714 available as an offset to future member and non-member taxable income, respectively. Such losses begin to expire in the year 2006 if not used. These loss carryovers equate to a combined estimated deferred tax asset of \$391,071, 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.

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.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2003 and 2002

NOTE B - CASH

Cash consist of the following:

	<u>2003</u>	<u>2002</u>
Demand Accounts:		
State National Bank	\$ 18,540	\$ 144,683
State National Bank	1,479	4,856
Wells Fargo Bank, interest bearing	3,225	1,037
Merrill Lynch CMA, interest bearing	18,005	18,069
Cash on hand	<u>300</u>	<u>222</u>
	<u>\$ 41,549</u>	<u>\$ 168,867</u>
Reflected in the financial statements as follows:		
Cash - unrestricted	\$ (56,350)	\$ 90,195
Cash - restricted	97,899	78,672

Restricted cash consists of funds designated for capital improvements and equipment purchases. The sources of these funds are all transfer fees in excess of \$200.00 per transfer, twenty-seven percent of all cart fees, and member assessments for capital purchases.

NOTE C - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2003</u>	<u>2002</u>
Land	\$ 999,529	\$ 999,652
Paving and grounds improvements	1,721,344	804,279
Club buildings	5,302,928	5,265,046
Furniture, fixtures and equipment	553,204	540,205
Carts and pro shop fixtures and equipment	182,905	182,510
Machinery and equipment	650,558	672,954
Office furniture and equipment	217,424	138,866
Fitness room equipment	29,752	24,377
Swim and tennis furniture and equipment	<u>71,457</u>	<u>71,457</u>
	9,729,101	8,699,346
Less accumulated depreciation	<u>(2,089,950)</u>	<u>(1,795,343)</u>
	<u>\$7,639,151</u>	<u>\$6,904,003</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2003 and 2002**

NOTE D - LONG-TERM DEBT

Long-term debt consist of the following:

	<u>2003</u>	<u>2002</u>
Note payable to Jackie Spencer Morgan, payable in annual payments of \$30,578.36, due on May 1 of each year until paid in full, including interest at an annual rate of two percent, unsecured. .	\$ 144,130	\$ 171,283
Note payable to Jackie Spencer Morgan, payable in annual payments of \$3,000 plus interest, due on May 1 of each year until paid in full, at an annual rate of two percent, unsecured . . .	15,000	18,000
Note payable to State National Bank, payable \$21,789 per month, including interest at the Wall Street Journal base rate (floating), currently 4.25%, maturity date is February 16, 2017, secured by Club real estate, and the common stock and water rights of Alto Lakes Water Corporation, and the . . .	2,436,163	2,787,962
Note payable to State National Bank, payable interest only at 6.25%, maturity date is July 18, 2005, and proceeds of a special assessment have been pledged to repay the loan	<u>200,000</u>	<u>-0-</u>
	2,795,293	2,977,245
Less amount due within one year	<u>(188,631)</u>	<u>(141,054)</u>
	<u>\$2,606,662</u>	<u>\$ 2,836,191</u>

Maturities of long-term debt are as follows:

Year Ended	Amount
<u>March 31</u>	
2004	\$ 188,631
2005	195,897
2006	403,459
2007	211,330
2008	219,523
Thereafter	<u>1,576,453</u>
	<u>\$2,795,293</u>

Total interest expense for the year ended 3/31/02 was \$190,124 of which \$89,785 was attributable to the club house expansion and was capitalized as construction costs.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2003 and 2002

NOTE E - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts was decreased by \$5,726 (from \$76,184 to \$70,458) for the year ended March 31, 2002 reflecting the write-off of three uncollectible accounts. The remaining reserve is believed to be sufficient to cover any additional losses and therefore, no increases or decreases were accrued during the current year.

NOTE F - RELATED PARTY AND CONTINGENCY

On October 23, 1990 the Club purchased the utility business which supplies water, sanitation, and limited sewer services to the Club and the Club's members. The business was incorporated into a wholly owned subsidiary of the Club under the name of Alto Lakes Water Corporation. The Club's investment in the subsidiary is carried under the "Other Assets" caption on the balance sheet which reflects the stock held at cost in the amount of \$769,168. In addition, the Club provides a \$1,500,000 loan guaranty to the subsidiary's bank on a note payable with a balance due at March 31, 2003 of \$878,404, such note maturing in 2009.

The Club is billed for utility services at the prescribed and approved rates as established by the New Mexico Public Service Commission. Payments to Alto Lakes Water Corporation for utility services for the years ended March 31, 2003 and 2002 were \$248,774 and \$321,562, respectively. The Club owed the water company \$11,933 at March 31, 2003 and \$19,388 at March 31, 2002 for utility services.

During the year ended March 31, 2003, the Club loaned Alto Lakes Water Corporation \$62,000 as a short-term non-interest bearing loan.

The water company leases from the Club, 113.75 acre feet of water rights for an annual lease amount of \$1.00. The lease term ends April 30, 2011.

Water rights belonging to the water company were pledged as additional collateral on the Club's note and mortgage to State National Bank (see Note D).

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2003 and 2002

NOTE G - CONSOLIDATION

As discussed in the accountants' report, generally accepted accounting principles require that a wholly owned subsidiary (see Note F) be reported with the parent as consolidated unit. A summary of the consolidated balances at March 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Assets	\$13,288,549	\$12,667,731
Liabilities	6,414,800	6,927,206
Equity	6,873,749	5,740,525
Net revenue	3,791,698	3,090,643
Expense	4,277,078	3,557,756
Net income (loss)	(485,380)	(467,113)

NOTE H - 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 I - CONCENTRATIONS OF CREDIT RISK

During the years ended March 31, 2003 and 2002, the Club's demand accounts at State National Bank exceeded FDIC insured amounts by varying amounts.

Also at March 31, 2003 and 2002, the Club had a Merrill Lynch cash management account which was insured by the Securities Investor Protection Corporation.

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2003 and 2002**

NOTE J - 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, 2003 and 2002, the Club funded this plan with \$23,542 and \$21,759, respectively, which was allocated among the 13 employees in 2003, and 15 employees in 2002, who were eligible to participate.

NOTE K - NOTES RECEIVABLE

This balance reflects the amount due on a note and mortgage, which is payable to the Club from a sale of real property on July 2, 1993. The note is payable at \$923.19 per month including interest at 6.8%, until fully paid. The note was paid in full during the year ended March 31, 2003.

NOTE L – OPERATING LEASE

The Club leased a copy machine in January of 2002. The lease is an operating lease for a sixty month term, payable at \$700 per month. Lease payments made in the current fiscal year were \$8,400. Future lease payments for the next four years will be \$8,400 per year.

SUPPLEMENTARY INFORMATION

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF GOLF DEPARTMENT INCOME
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
INCOME		
Green fees	\$ 185,268	\$ 224,322
Cart rental	164,792	196,725
Private cart fees	92,545	84,247
Club storage and other	3,557	9,086
Driving range fees	46,001	21,350
Pro shop lease	3,250	2,750
TOTAL INCOME	<u>495,413</u>	<u>538,480</u>
EXPENSES		
Labor	385,092	382,336
Employee group insurance	37,942	29,239
Employee meals	9,635	2,179
Payroll taxes	32,033	32,373
Education and training	1,510	1,419
Retirement account funding	4,970	8,165
Building and grounds maintenance	15,485	21,911
Driving range	3,522	6,761
Dues and subscriptions	2,471	1,927
Equipment fuel	4,934	5,225
Equipment rental	1,672	2,293
Equipment repairs	15,820	33,924
Fertilizer and chemicals	3,170	10,144
Irrigation water	241,525	302,535
Laundry	2,726	5,344
Printing	3,374	2,258
Services purchased	1,682	1,496
Supplies	14,839	13,155
Tournament expenses	1,000	1,000
Travel	1,932	1,092
Utilities	48,742	34,947
Telephone	942	706
Employee relocation expense	6,200	-
TOTAL EXPENSES	<u>841,218</u>	<u>900,429</u>
NET LOSS	<u>\$ (345,805)</u>	<u>\$ (361,949)</u>

See accompanying notes and accountants' report.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF FOOD AND BEVERAGE DEPARTMENT INCOME
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
INCOME		
Food sales	\$ 810,605	\$ 451,313
Cost of food sales	<u>348,733</u>	<u>219,146</u>
GROSS PROFIT ON FOOD SALES	<u>461,872</u>	<u>232,167</u>
Beverage sales	228,264	158,406
Cost of beverage sales	<u>85,178</u>	<u>58,984</u>
GROSS PROFIT ON BEVERAGE SALES	<u>143,086</u>	<u>99,422</u>
Unused food minimum	<u>164,078</u>	<u>-</u>
TOTAL INCOME	<u>769,036</u>	<u>331,589</u>
EXPENSES		
Labor	664,730	455,430
Employee group insurance	63,539	31,601
Employee meals	21,874	18,288
Taxes - payroll	78,177	58,726
Education and training	272	185
Retirement account funding	10,907	8,672
Dues and subscriptions	55	591
Equipment rental	281	196
Repairs	13,878	9,761
Laundry	56,736	52,339
Member relations	390	-
Printing	77	128
Services purchased	1,063	845
Supplies	50,496	37,485
Licenses	550	2,222
Telephone	2,488	346
Travel	803	7
Uniforms	8,361	8,596
Miscellaneous	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>974,677</u>	<u>685,418</u>
NET LOSS	<u>\$ (205,641)</u>	<u>\$ (353,829)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF SWIM AND TENNIS DEPARTMENT INCOME
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
INCOME		
Swim fees	\$ 616	\$ 548
Tennis fees	<u>140</u>	<u>200</u>
 TOTAL INCOME	 <u>756</u>	 <u>748</u>
 EXPENSES		
Labor	7,500	8,059
Payroll taxes	714	726
Equipment repairs	3,171	2,183
Chemicals	-	2,224
Services purchased	-	118
Supplies	5,000	1,093
Utilities	<u>3,831</u>	<u>6,308</u>
 TOTAL EXPENSES	 <u>20,216</u>	 <u>20,711</u>
 NET LOSS	 <u>\$ (19,460)</u>	 <u>\$ (19,963)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Labor	\$ 248,339	\$ 202,172
Employee group insurance	18,963	24,579
Payroll taxes	18,828	16,815
Education and training	413	1,449
Retirement account funding	7,665	4,922
Annual meeting	19,841	23,643
Bad debt expense	1,139	-
Credit card fees	32,006	31,886
Donations	1,040	7,665
Dues and subscriptions	3,545	2,927
Equipment rental	13,159	3,670
Equipment repairs	11,762	3,078
General insurance	153,912	108,622
Legal and professional	21,165	17,798
Office supplies	8,428	8,035
Postage	23,185	22,594
Member services	25,976	23,531
Printing	1,972	9,894
Services purchased	8,495	11,312
Supplies	6,955	6,945
Other taxes	1,834	145
Property taxes	46,280	30,096
Telephone	12,616	9,635
Fire clean up expense	18,221	-
Employee termination settlement	15,000	-
Employee relocation expense	12,492	-
Miscellaneous	9,057	415
Travel	5,312	2,369
Employee meals	4,179	3,183
	<u>751,779</u>	<u>577,380</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 751,779</u>	<u>\$ 577,380</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF HOUSE DEPARTMENT EXPENSES
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Labor	\$ 18,024	\$ 16,273
Payroll taxes	1,350	1,298
Cleaning contract	48,067	41,197
Employee group insurance	450	-
Building maintenance	6,625	6,508
House decorations	10,254	15,255
Entertainment	8,837	3,694
Equipment rental	135	139
Equipment repairs	3,385	1,891
Security	-	56
Services purchased	2,611	892
Supplies	9,430	9,150
Utilities	96,123	81,624
Organic waste removal	10,901	5,092
Miscellaneous	<u>751</u>	<u>-</u>
 TOTAL HOUSE DEPARTMENT EXPENSES	 <u>\$ 216,943</u>	 <u>\$ 183,069</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF FITNESS DEPARTMENT EXPENSES
Years Ended March 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Equipment repairs	\$ 280	\$ 280
Services purchase	280	.
Supplies	<u>588</u>	<u>2,029</u>
 TOTAL FITNESS DEPARTMENT EXPENSES	 <u>\$ 1,148</u>	 <u>\$ 2,309</u>