

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

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ALTO LAKES GOLF AND COUNTRY CLUB, INC.
OFFICERS AND DIRECTORS
March 31, 2004

PRESIDENT Frank Sayner
VICE-PRESIDENT Clyde Ziegler
TREASURER David Wiberg
SECRETARY Jane Giese
DIRECTOR Tom Battin
DIRECTOR Karen Higgins
DIRECTOR Jack Kastman
DIRECTOR Tad Smith

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, 2004 and 2003 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.

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, 2004 and 2003, 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 11, 2004

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
BALANCE SHEETS
March 31, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash - unrestricted	\$ 147,068	\$ (56,350)
Cash - restricted	-	97,899
Accounts receivable	2,505,636	2,387,144
Less: Allowance for doubtful accounts	(122,697)	(70,458)
Merchandise inventory	36,213	29,841
Prepaid expense	36,424	38,798
Other receivables	6,745	758
Note receivable, short-term	<u>15,000</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>2,624,389</u>	<u>2,427,632</u>
LAND, BUILDINGS AND EQUIPMENT		
Land, buildings and equipment	9,784,409	9,729,101
Less: Accumulated depreciation	<u>(2,396,850)</u>	<u>(2,089,950)</u>
TOTAL LAND, BUILDINGS AND EQUIPMENT	<u>7,387,559</u>	<u>7,639,151</u>
OTHER ASSETS		
Alto Lakes Water Corporation stock	769,168	769,168
Alto Lakes Water Corporation loan	-	62,000
Water rights	361,093	361,093
Liquor license	70,409	70,409
Other intangible assets	45,754	-
Less: Accumulated amortization	<u>(1,017)</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>1,245,407</u>	<u>1,262,670</u>
TOTAL ASSETS	<u>\$ 11,257,355</u>	<u>\$ 11,329,453</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
BALANCE SHEETS--Continued
March 31, 2004 and 2003

LIABILITIES AND MEMBERS' EQUITY

	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES		
Current portion of long-term debt (below)	\$ 204,447	\$ 188,631
Note payable, short-term	-	149,000
Accounts payable	109,485	139,500
Accrued interest expense	6,027	11,249
Deferred service charges payable	185,760	121,740
Deferred gross receipts tax	69,790	66,897
Other accrued expense and payables	51,191	21,709
Accrued compensation	41,342	24,823
Accrued payroll taxes	8,625	15,793
Accrued property taxes	26,529	27,900
Deposits	<u>8,065</u>	<u>15,085</u>
TOTAL CURRENT LIABILITIES	<u>711,261</u>	<u>782,327</u>
LONG-TERM DEBT		
Notes payable	2,417,096	2,795,293
Less: Current portion (above)	<u>(204,447)</u>	<u>(188,631)</u>
TOTAL LONG-TERM DEBT	2,212,649	2,606,662
DEFERRED INCOME AND ASSESSMENTS	1,748,040	1,697,258
MEMBERS' EQUITY	<u>6,585,405</u>	<u>6,243,206</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 11,257,355</u>	<u>\$ 11,329,453</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF ACTIVITY AND CHANGES IN MEMBERS' EQUITY
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
REVENUE		
Social dues	\$ 377,929	\$ 339,448
Regular dues	828,161	752,562
Golf department	458,408	495,413
Food and beverage department	1,181,298	1,202,947
Swim and tennis department	175	756
Membership transfer fees	519,400	368,600
Plan submittal fees	8,115	10,805
Lot sales (net)	119,565	23,276
Gain (loss) on sale/disposition of assets	1,439	(37,352)
Interest and dividend income	62,733	32,374
Fire sprinkler arbitration settlement (net)	91,979	-
Other income	45,609	36,247
	<u>3,694,811</u>	<u>3,225,076</u>
TOTAL REVENUE		
OPERATING EXPENSE		
Golf department	1,013,762	841,218
Food and beverage department	1,486,003	1,408,588
Swim and tennis department	26,268	20,216
General and administrative expenses	826,190	751,779
House department expense	251,727	216,943
Fitness department expense	4,435	1,148
Interest expense	99,989	121,439
	<u>3,708,374</u>	<u>3,361,331</u>
TOTAL OPERATING EXPENSE		
EXCESS OF REVENUE OVER OPERATING EXPENSE	<u>(13,563)</u>	<u>(136,255)</u>
OTHER EXPENSE		
Depreciation and amortization expense	<u>483,895</u>	<u>426,787</u>
TOTAL OTHER EXPENSE	<u>483,895</u>	<u>426,787</u>
EXCESS OF REVENUE OVER EXPENSES	(497,458)	(563,042)
MEMBERS' EQUITY, BEGINNING	6,243,206	5,170,561
MEMBERSHIP ASSESSMENTS	453,280	1,452,443
MEMBERSHIPS RETIRED	-	(2,250)
MEMBERSHIP SALES AND UPGRADES	<u>386,377</u>	<u>185,494</u>
MEMBERS' EQUITY, ENDING	<u>\$ 6,585,405</u>	<u>\$ 6,243,206</u>

See accompanying notes and accountants' report.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF CASH FLOW
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ (497,458)	\$ (563,042)
Noncash items included above:		
Depreciation	483,895	426,787
(Gain) loss on sale of assets	(121,004)	14,076
(Increase) decrease in:		
Accounts receivable (net)	(66,253)	128,945
Merchandise inventory	(6,372)	(5,051)
Prepaid expense	2,374	(35,473)
Other receivables	(20,987)	(432)
Increase (decrease) in:		
Notes payable, short-term	(149,000)	149,000
Accounts payable	(30,015)	29,722
Accrued expenses and deferred charges	99,153	(77,576)
Deposits	(7,020)	2,395
Deferred dues	50,782	(467,737)
	<u>(261,905)</u>	<u>(398,386)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(275,128)	(1,213,442)
Purchase of intangible assets	(45,754)	-
Sale of assets	164,846	37,431
Loan to Alto Lakes Water Corporation	-	(62,000)
Notes receivable collections	62,000	55,344
	<u>(94,036)</u>	<u>(1,182,667)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership sales and upgrades	386,377	185,494
Membership assessments	453,280	1,452,443
Membership retirements	-	(2,250)
Debt proceeds	-	200,000
Long-term debt reduction	(378,197)	(381,952)
	<u>461,460</u>	<u>1,453,735</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	105,519	(127,318)
CASH, BEGINNING OF YEAR	<u>41,549</u>	<u>168,867</u>
CASH, END OF YEAR	<u>\$ 147,068</u>	<u>\$ 41,549</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense paid	<u>\$ 99,989</u>	<u>\$ 121,439</u>

See accompanying notes and accountants' report.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2004 and 2003

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, 2004 and 2003

Income Taxes (Continued)

As of March 31, 2004 and 2003, the Club has losses of \$2,453,172 and \$1,955,714 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 \$478,369, 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, 2004 and 2003

NOTE B - CASH

Cash consist of the following:

	<u>2004</u>	<u>2003</u>
Demand Accounts:		
State National Bank	\$ 76,758	\$ 18,540
State National Bank	45,006	1,479
Wells Fargo Bank, interest bearing	7,040	3,225
Merrill Lynch CMA, interest bearing	18,007	18,005
Cash on hand	<u>257</u>	<u>300</u>
	<u>\$ 147,068</u>	<u>\$ 41,549</u>

Reflected in the financial statements as follows:

Cash - unrestricted	\$ 147,068	\$ (56,350)
Cash - restricted	-0-	97,899

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. During the current fiscal year, the Board of Directors removed these restrictions.

NOTE C - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 968,751	\$ 999,529
Paving and grounds improvements	1,798,728	1,721,344
Club buildings	5,348,192	5,302,928
Furniture, fixtures and equipment	582,895	553,204
Carts and pro shop fixtures and equipment	182,905	182,905
Machinery and equipment	576,210	650,558
Office furniture and equipment	222,360	217,424
Fitness room equipment	29,752	29,752
Swim and tennis furniture and equipment	<u>74,616</u>	<u>71,457</u>
	9,784,409	9,729,101
Less accumulated depreciation	<u>(2,396,850)</u>	<u>(2,089,950)</u>
	<u>\$7,387,559</u>	<u>\$7,639,151</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2004 and 2003

NOTE D - LONG-TERM DEBT

Long-term debt consist of the following:

	<u>2004</u>	<u>2003</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. .	\$ 116,434	\$ 144,130
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 . . .	12,000	15,000
Note payable to State National Bank, payable \$21,789 per month, including interest at the Wall Street Journal base rate (floating), currently 4.0%, 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 . . .	2,288,662	2,436,163
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	-0-	200,000
	2,417,096	2,795,293
Less amount due within one year	(204,447)	(188,631)
	<u>\$2,212,649</u>	<u>\$ 2,606,662</u>

Maturities of long-term debt are as follows:

Year Ended	Amount
<u>March 31</u>	
2005	\$ 204,447
2006	212,068
2007	219,989
2008	228,219
2009	203,195
Thereafter	1,349,178
	<u>\$2,417,096</u>

**ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2004 and 2003**

NOTE E - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts was increased by \$52,239 (from \$70,458 to \$122,697) for the year ended March 31, 2004 reflecting management's estimate of uncollectible accounts.

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, 2004 of \$1,091,527, 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, 2004 and 2003 were \$328,282 and \$248,774, respectively. The Club owed the water company \$14,549 at March 31, 2004 and \$11,933 at March 31, 2003 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. This loan was paid in full during the year ended March 31, 2004.

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, 2004 and 2003

NOTE G - CONSOLIDATION

As discussed in the auditors' 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, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Assets	\$13,453,648	\$13,288,549
Liabilities	6,125,224	6,414,800
Equity	7,328,424	6,873,749
Net revenue	4,308,377	3,791,698
Expense	4,645,454	4,277,078
Net income (loss)	(337,077)	(485,380)

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, 2004 and 2003, the Club's demand accounts at State National Bank exceeded FDIC insured amounts by varying amounts. At March 31, 2004, the amount in excess of FDIC insured amount was \$23,524.

Also at March 31, 2004 and 2003, the Club had a Merrill Lynch cash management account, and that account was insured by the Securities Investor Protection Corporation.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS--Continued
Years Ended March 31, 2004 and 2003

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, 2004 and 2003, the Club funded this plan with \$26,462 and \$23,542, respectively, which was allocated among the 15 employees in 2004, and 13 employees in 2003, 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 LEASES

The Club leases a copier 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,	2005	\$ 10,250
	2006	10,250
	2007	8,544
	2008	7,975
	2009	<u>7,975</u>
Total minimum payments		\$ <u>44,944</u>

Equipment rental expense for the years ended March 31, 2004 and 2003 were \$8,852 and \$8,400, respectively.

SUPPLEMENTARY INFORMATION

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF GOLF DEPARTMENT INCOME
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
INCOME		
Green fees	\$ 176,140	\$ 185,268
Cart rental	136,504	164,792
Private cart fees	93,186	92,545
Club storage and other	4,758	3,557
Driving range fees	44,820	46,001
Pro shop lease	3,000	3,250
TOTAL INCOME	<u>458,408</u>	<u>495,413</u>
EXPENSES		
Labor	432,000	385,092
Employee group insurance	47,524	37,942
Employee meals	12,336	9,635
Payroll taxes	34,076	32,033
Education and training	1,184	1,510
Retirement account funding	7,639	4,970
Building and grounds maintenance	20,853	15,485
Driving range	7,939	3,522
Dues and subscriptions	1,526	2,471
Equipment fuel	6,688	4,934
Equipment rental	1,276	1,672
Equipment repairs	21,025	15,820
Fertilizer and chemicals	23,868	3,170
Irrigation water	304,802	241,525
Laundry	2,746	2,726
Printing	759	3,374
Services purchased	8,899	1,682
Supplies	20,875	14,839
Tournament expenses	1,000	1,000
Travel	3,210	1,932
Utilities	45,565	48,742
Telephone	1,303	942
Special projects	6,669	-
Employee relocation expense	-	6,200
TOTAL EXPENSES	<u>1,013,762</u>	<u>841,218</u>
NET LOSS	<u>\$ (555,354)</u>	<u>\$ (345,805)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF FOOD AND BEVERAGE DEPARTMENT INCOME
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
INCOME		
Food sales	\$ 840,692	\$ 810,605
Cost of food sales	<u>388,241</u>	<u>348,733</u>
GROSS PROFIT ON FOOD SALES	<u>452,451</u>	<u>461,872</u>
Beverage sales	203,405	228,264
Cost of beverage sales	<u>81,539</u>	<u>85,178</u>
GROSS PROFIT ON BEVERAGE SALES	<u>121,866</u>	<u>143,086</u>
Unused food minimum	<u>137,201</u>	<u>164,078</u>
TOTAL INCOME	<u>711,518</u>	<u>769,036</u>
 EXPENSES		
Labor	708,546	664,730
Employee group insurance	31,232	63,539
Employee meals	23,064	21,874
Taxes - payroll	86,866	78,177
Education and training	398	272
Retirement account funding	10,312	10,907
Dues and subscriptions	1,454	55
Equipment rental	1,532	281
Repairs	14,594	13,878
Laundry	63,505	56,736
Member relations	17,993	390
Printing	377	77
Services purchased	954	1,063
Supplies	43,292	50,496
Licenses	593	550
Telephone	2,717	2,488
Travel	256	803
Uniforms	8,538	8,361
Miscellaneous	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>1,016,223</u>	<u>974,677</u>
NET LOSS	<u>\$ (304,705)</u>	<u>\$ (205,641)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF SWIM AND TENNIS DEPARTMENT INCOME
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
INCOME		
Swim fees	\$ 150	\$ 616
Tennis fees	<u>25</u>	<u>140</u>
TOTAL INCOME	<u>175</u>	<u>756</u>
EXPENSES		
Labor	11,677	7,500
Payroll taxes	820	714
Education and training	36	-
Building and grounds maintenance	648	-
Equipment repairs	1,924	3,171
Chemicals	3,067	-
Services purchased	1,705	-
Supplies	1,720	5,000
Utilities	<u>4,671</u>	<u>3,831</u>
TOTAL EXPENSES	<u>26,268</u>	<u>20,216</u>
NET LOSS	<u>\$ (26,093)</u>	<u>\$ (19,460)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Labor	\$ 256,538	\$ 248,339
Employee group insurance	20,323	18,963
Employee meals	4,755	4,179
Payroll taxes	20,410	18,828
Education and training	256	413
Retirement account funding	8,512	7,665
Annual meeting	25,967	19,841
Bad debt expense	55,907	1,139
Credit card fees	35,409	32,006
Donations	1,252	1,040
Dues and subscriptions	3,302	3,545
Equipment rental	11,190	13,159
Equipment repairs	10,168	11,762
General insurance	179,058	153,912
Legal and professional	44,916	21,165
Long range planning	3,240	-
Office supplies	10,589	8,428
Postage	22,146	23,185
Member services	26,968	25,976
Printing	5,869	1,972
Services purchased	8,192	8,495
Supplies	2,789	6,955
Other taxes	771	1,834
Property taxes	33,051	46,280
Telephone	15,589	12,616
Fire clean up expense	-	18,221
Employee termination settlement	-	15,000
Employee relocation expense	1,290	12,492
Miscellaneous	17,240	9,057
Travel	493	5,312
	<u> </u>	<u> </u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 826,190</u>	<u>\$ 751,779</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF HOUSE DEPARTMENT EXPENSES
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Labor	\$ 35,463	\$ 18,024
Payroll taxes	1,910	1,350
Cleaning contract	48,627	48,067
Employee group insurance	-	450
Building and grounds maintenance	12,077	6,625
House decorations	11,654	10,254
Entertainment	7,215	8,837
Equipment rental	283	135
Equipment repairs	4,212	3,385
Services purchased	8,830	2,611
Supplies	12,429	9,430
Utilities	108,689	96,123
Organic waste removal	338	10,901
Miscellaneous	-	751
	<u>251,727</u>	<u>216,943</u>
TOTAL HOUSE DEPARTMENT EXPENSES	<u>\$ 251,727</u>	<u>\$ 216,943</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF FITNESS DEPARTMENT EXPENSES
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Labor	\$ 2,099	\$ -
Equipment repairs	2,104	280
Services purchase	-	280
Supplies	<u>232</u>	<u>588</u>
 TOTAL FITNESS DEPARTMENT EXPENSES	 <u>\$ 4,435</u>	 <u>\$ 1,148</u>