

ALTO LAKES GOLF AND COUNTRY CLUB, INC.

FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

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Alto Lakes Golf & Country Club

1 Country Club Drive P O Box 168

Alto, New Mexico 88312

Phone: 505-336-4231

Fax: 505-336-7094

Email: altolakesgolf@altolakesgolf.com

May 23, 2007

Ronnie L Hemphill, PC, CPA
1035 Mechem Drive
Ruidoso, NM 88345

We are providing this letter in connection with your audit of the balance sheet of Alto Lakes Golf & Country Club, Inc. as of March 31, 2007, and the related statements of activity and changes in fund balances, and cash flows for the period then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Alto Lakes Golf & Country Club, Inc. in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of May 23, 2007, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U. S. generally accepted accounting principles.
2. We have made available to you all –
 - a. Financial records and related data.
 - b. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the company involving –
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the company received in communications for employees, former employees, regulators, or others.
9. The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b. Guarantees, whether written or oral, under which the company is contingently liable.
11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the company vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
12. There are no:
 - a. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
13. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged. (If the company has pledged assets, add "except as made known to you.")
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. We approve of all adjusting entries made by you to our trial balances.

No events have occurred subsequent to the balance date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signature: _____

Title: _____

General Manager

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
OFFICERS AND DIRECTORS
March 31, 2007

PRESIDENT	Jack Kastman
VICE-PRESIDENT	Kathy Clark
TREASURER	Gary Schur
SECRETARY	Denton DeWitt
DIRECTOR	Joe Watson
DIRECTOR	Dan Bowden
DIRECTOR	Bob Allen
DIRECTOR	JB Fraley
DIRECTOR	Melanye Wilkinson

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, 2007 and 2006 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, 2007 and 2006, 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 13 to 18 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 23, 2007



ALTO LAKES GOLF AND COUNTRY CLUB, INC.
BALANCE SHEETS
March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,272,769	\$ 1,271,696
Cash restricted for capital expenditures	202,160	152,541
Accounts receivable	2,302,053	2,878,798
Less: Allowance for doubtful accounts	(34,124)	(36,737)
Merchandise inventory	66,452	61,027
Prepaid expense	13,847	22,773
Other receivables	100	450
TOTAL CURRENT ASSETS	<u>4,823,257</u>	<u>4,350,548</u>
LAND, BUILDINGS AND EQUIPMENT	10,630,286	10,199,798
Less: Accumulated depreciation	<u>(3,675,650)</u>	<u>(3,245,758)</u>
TOTAL LAND, BUILDINGS AND EQUIPMENT	<u>6,954,636</u>	<u>6,954,040</u>
OTHER ASSETS		
Alto Lakes Water Corporation stock	769,168	769,168
Mortgage receivable	2,000	7,373
Deferred expense	9,033	-
Water rights	361,093	361,093
Liquor license	70,409	70,409
Other intangible assets	50,193	45,754
Less: Accumulated amortization	<u>(10,464)</u>	<u>(7,117)</u>
TOTAL OTHER ASSETS	<u>1,251,432</u>	<u>1,246,680</u>
TOTAL ASSETS	<u>\$ 13,029,325</u>	<u>\$ 12,551,268</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt (below)	\$ 201,459	\$ 199,807
Accounts payable	138,550	129,562
Accrued interest expense	5,123	7,579
Deferred service charges payable	96,123	231,283
Deferred gross receipts tax	113,853	110,787
Other accrued expense and payables	34,216	47,434
Accrued compensation	104,612	114,994
Accrued payroll taxes	27,128	26,594
Accrued income tax	-	1,695
Accrued property taxes	28,518	27,679
Deposits	8,490	22,125
TOTAL CURRENT LIABILITIES	<u>758,072</u>	<u>919,539</u>
LONG-TERM DEBT		
Notes payable	1,908,873	2,038,171
Less: Current portion (above)	(172,460)	(172,460)
Capital lease payables	34,001	61,347
Less: Current portion (above)	<u>(28,999)</u>	<u>(27,347)</u>
TOTAL LONG-TERM DEBT	<u>1,741,415</u>	<u>1,899,711</u>
DEFERRED INCOME AND ASSESSMENTS	2,596,256	2,405,982
MEMBERS' EQUITY	<u>7,933,582</u>	<u>7,326,036</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 13,029,325</u>	<u>\$ 12,551,268</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF ACTIVITY AND CHANGES IN MEMBERS' EQUITY
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUE		
Social dues	\$ 1,127,100	\$ 1,036,162
Regular dues	821,682	780,030
Golf department	492,820	463,423
Food and beverage department	1,300,556	1,216,858
Swim and tennis department	1,235	551
Fitness department	484	-
Membership transfer fees	535,000	790,000
Plan submittal fees	10,215	14,099
Lot sales (net)	68,682	125,067
Gain (loss) on sale/disposition of assets	18,086	26,788
Interest and dividend income	85,260	67,202
Other income	<u>90,261</u>	<u>33,979</u>
TOTAL REVENUE	<u>4,551,381</u>	<u>4,554,159</u>
OPERATING EXPENSE		
Golf department	1,087,814	1,139,739
Food and beverage department	1,588,339	1,458,238
Swim and tennis department	28,636	24,231
General and administrative expenses	906,034	921,918
House department expense	338,572	299,656
Fitness department expense	4,086	1,893
Interest expense	<u>139,392</u>	<u>123,442</u>
TOTAL OPERATING EXPENSE	<u>4,092,873</u>	<u>3,969,117</u>
EXCESS OF REVENUE OVER OPERATING EXPENSE	<u>458,508</u>	<u>585,042</u>
OTHER EXPENSE		
Income tax expense	(1,695)	1,695
Depreciation and amortization expense	<u>496,366</u>	<u>498,335</u>
TOTAL OTHER EXPENSE	<u>494,671</u>	<u>500,030</u>
EXCESS OF REVENUE OVER EXPENSES	(36,163)	85,012
MEMBERS' EQUITY, BEGINNING OF YEAR	7,326,036	6,580,330
MEMBERSHIP ASSESSMENTS	465,920	447,996
MEMBERSHIP SALES AND UPGRADES	<u>177,789</u>	<u>212,698</u>
MEMBERS' EQUITY, END OF YEAR	<u>\$ 7,933,582</u>	<u>\$ 7,326,036</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF CASH FLOW
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ (36,163)	\$ 85,012
Noncash items included above:		
Depreciation	496,366	498,335
(Gain) loss on sale of assets	(86,768)	(151,855)
(Increase) decrease in:		
Accounts receivable (net)	574,132	(16,993)
Merchandise inventory	(5,425)	(14,853)
Prepaid expense	8,926	5,249
Other receivables	350	861
Increase (decrease) in:		
Book cash overdraft	-	(14,696)
Accounts payable	8,988	9,255
Accrued expenses and deferred charges	(158,472)	72,340
Deposits	(13,635)	9,055
Deferred dues	190,274	161,057
NET CASH USED BY OPERATING ACTIVITIES	<u>978,573</u>	<u>642,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(539,886)	(286,212)
Deferred expense	(9,033)	26,900
Other intangibles	(4,439)	-
Sale of assets	133,039	190,156
Notes receivable	5,373	(7,373)
NET CASH USED BY INVESTING ACTIVITIES	<u>(414,946)</u>	<u>(76,529)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership sales and upgrades	177,789	212,698
Membership assessments	465,920	447,996
Debt proceeds	1,952,372	-
Long-term debt reduction	(2,109,016)	(203,522)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>487,065</u>	<u>457,172</u>
NET INCREASE (DECREASE) IN CASH	1,050,692	1,023,410
CASH, BEGINNING OF YEAR	<u>1,424,237</u>	<u>400,827</u>
CASH, END OF YEAR	<u>\$ 2,474,929</u>	<u>\$ 1,424,237</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense	<u>\$ 139,392</u>	<u>\$ 99,260</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2007 and 2006

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.

As of March 31, 2007 and 2006, the Club has losses of \$2,822,733 and \$2,796,264 available as an offset to future member and non-member taxable income, respectively. Such losses begin to expire in the year 2012 if not used. These loss carryovers equate to a combined estimated deferred tax asset of \$564,547, 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, 2007 and 2006

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>2007</u>	<u>2006</u>
Demand Accounts:		
State National Bank	\$ 11,378	\$ 256,061
State National Bank	795,399	84,900
City Bank	-0-	715,507
Certificates of deposit:		
State National Bank	414,248	367,091
City Bank NM	1,253,084	-0-
Cash on hand	820	678
	<u>\$ 2,474,929</u>	<u>\$1,424,237</u>
Reflected in the financial statements as follows:		
Cash and cash equivalents	\$2,272,769	\$1,271,696
Cash restricted for capital expenditures	202,160	152,541

NOTE C - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 942,588	\$ 958,618
Paving and grounds improvements	1,984,463	1,860,810
Club buildings	5,518,363	5,459,716
Furniture, fixtures and equipment	716,023	666,113
Carts and pro shop fixtures and equipment	273,957	88,671
Machinery and equipment	788,805	794,813
Office furniture and equipment	239,163	239,800
Fitness room equipment	44,480	39,480
Swim and tennis furniture and equipment	122,444	91,777
	10,630,286	10,199,798
Less accumulated depreciation	(3,675,650)	(3,245,758)
	<u>\$ 6,954,636</u>	<u>\$6,954,040</u>

NOTE D - LONG-TERM DEBT – NOTES PAYABLE

Long-term notes payable consist of the following:

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. .

	<u>2007</u>	<u>2006</u>
	\$ 29,979	\$ 59,370

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS—Continued
Years Ended March 31, 2007 and 2006

NOTE D – LONG-TERM DEBT – NOTES PAYABLE (Continued)

	<u>2007</u>	<u>2006</u>
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 . . .	\$ 3,000	\$ 6,000
Note payable to City Bank New Mexico, payable \$21,669 per month, including interest of 6.65%, maturity date is February 18, 2017, secured by a mortgage on Club real estate and personal property . . .	1,875,894	-0-
Note payable to State National Bank, payable \$21,779 per month, including interest at the Wall Street Journal base rate (floating), currently 7.5%, maturity date is February 16, 2017, secured by Club real estate, and the common stock and water rights of Alto Lakes Water Corporation . . .	-0- 1,908,873	1,972,801 2,038,171
Less amount due within one year	<u>(172,460)</u>	<u>(172,460)</u>
	<u>\$1,736,413</u>	<u>\$ 1,865,711</u>

Maturities of long-term notes payable are as follows:

<u>Year Ended</u> <u>March 31</u>	<u>Amount</u>
2008	\$ 172,460
2009	149,045
2010	159,264
2011	170,184
2012	181,853
Thereafter	1,076,067
	<u>\$ 1,908,873</u>

NOTE E - ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts receivable are recorded net of an allowance for expected losses. The allowance for doubtful accounts was decreased by \$2,613 (from \$36,737 to \$34,124) for the year ended March 31, 2007 reflecting current collections and write-offs of accounts previously classified uncollectible.

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, 2007 of \$1,283,541, such note maturing in 2008.

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, 2007 and 2006 were \$358,210 and \$395,364, respectively. The Club owed the water company \$23,034 at March 31, 2007 and \$22,751 at March 31, 2006 for utility services.

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.

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS – Continued
Years Ended March 31, 2007 and 2006

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, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Assets	\$15,844,703	\$15,383,167
Liabilities	6,762,692	6,986,721
Equity	9,082,014	8,396,446
Net revenue	5,257,784	5,220,434
Expense	5,186,741	4,969,283
Net income (loss)	71,043	251,151

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, 2007 and 2006, the Club's bank accounts exceeded FDIC insured amounts by varying amounts at two local banks. At March 31, 2007 and 2006, the amounts in excess of FDIC insured amount were \$1,603,542 and \$1,145,013, respectively.

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, 2007 and 2006, the Club funded this plan with \$34,350 and \$34,465, respectively, which was allocated among the 23 employees in 2007 and 23 employees in 2006, who were eligible to participate.

NOTE K – CAPITAL LEASES

During the year ended March 31, 2005, the Club acquired golf course equipment, costing \$109,988, by negotiating a capital lease. Assets acquired under this lease are included in the equipment asset amounts and are depreciated accordingly.

Future minimum capital lease payments, including imputed interest of \$1,263, are as follows:

Years ending March 31,	2008	30,225
	2009	5,039
		<u>\$ 35,264</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS – Continued
Years Ended March 31, 2007 and 2006

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,	2008	\$ 23,095
	2009	23,095
	2010	<u>10,080</u>
Total minimum payments		\$ <u>56,270</u>

Equipment rental expense for the years ended March 31, 2007 and 2006 were \$26,787 and \$25,545 respectively.

NOTE M – SUBSEQUENT EVENTS

The Club is currently in negotiations for the sale of its wholly owned subsidiary, Alto Lakes Water Corporation, to a newly formed water district. Terms of the sale have not yet been finalized.

SUPPLEMENTARY INFORMATION

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF GOLF DEPARTMENT INCOME
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
INCOME		
Green fees	\$ 205,792	\$ 194,469
Cart rental	161,571	150,295
Private cart fees	107,731	104,901
Private cart repair fees	14,651	10,558
Pro shop lease	3,000	3,000
Other	75	200
TOTAL INCOME	<u>492,820</u>	<u>463,423</u>
EXPENSES		
Labor	468,070	486,056
Employee group insurance	42,206	34,733
Employee meals	10,026	14,373
Payroll taxes	40,854	42,057
Education and training	935	349
Retirement account funding	1,582	1,645
Building and grounds maintenance	13,442	7,741
Driving range	4,810	6,323
Dues and subscriptions	1,747	1,603
Equipment fuel	13,899	12,858
Equipment rental	-	128
Equipment repairs	37,350	31,003
Fertilizer and chemicals	36,664	28,740
Irrigation water	317,957	365,750
Laundry	2,037	2,962
Printing	1,062	1,778
Services purchased	7,696	8,015
Supplies	21,350	17,851
Other tax and license	173	50
Travel	3,148	2,377
Utilities	45,192	51,631
Telephone	627	1,279
Special projects	12,438	14,838
Miscellaneous	4,549	5,599
TOTAL EXPENSES	<u>1,087,814</u>	<u>1,139,739</u>
NET LOSS	<u>\$ (594,994)</u>	<u>\$ (676,316)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF FOOD AND BEVERAGE DEPARTMENT INCOME
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
INCOME		
Food sales	\$ 959,330	\$ 877,404
Cost of food sales	<u>411,229</u>	<u>365,913</u>
GROSS PROFIT ON FOOD SALES	<u>548,101</u>	<u>511,491</u>
 Beverage sales	 218,136	 210,188
Cost of beverage sales	<u>111,500</u>	<u>87,444</u>
GROSS PROFIT ON BEVERAGE SALES	<u>106,636</u>	<u>122,744</u>
 Unused food minimum	 <u>123,090</u>	 <u>129,266</u>
 TOTAL INCOME	 <u>777,827</u>	 <u>763,501</u>
 EXPENSES		
Labor	732,414	667,650
Employee group insurance	27,225	32,735
Employee meals	24,335	27,710
Taxes - payroll	100,720	87,227
Education and training	433	300
Retirement account funding	2,872	2,457
Dues and subscriptions	275	123
Equipment rental	1,866	1,829
Repairs	8,948	12,355
Laundry	56,711	75,606
Member relations	38,903	28,942
Printing	660	106
Services purchased	844	1,769
Supplies	56,280	56,346
Licenses	2,005	1,950
Telephone	551	650
Travel	630	234
Uniforms	<u>9,938</u>	<u>6,892</u>
 TOTAL EXPENSES	 <u>1,065,610</u>	 <u>1,004,881</u>
 NET LOSS	 <u>\$ (287,783)</u>	 <u>\$ (241,380)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF SWIM AND TENNIS DEPARTMENT INCOME
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
INCOME		
Swim fees	\$ 1,070	\$ 531
Tennis fees	<u>165</u>	<u>20</u>
TOTAL INCOME	<u>1,235</u>	<u>551</u>
EXPENSES		
Labor	9,758	8,409
Payroll taxes	976	836
Building and grounds maintenance	105	629
Equipment repairs	1,368	1,048
Chemicals	2,126	1,069
Services purchased	2,512	1,600
Supplies	1,506	915
Utilities	<u>10,285</u>	<u>9,725</u>
TOTAL EXPENSES	<u>28,636</u>	<u>24,231</u>
NET LOSS	<u>\$ (27,401)</u>	<u>\$ (23,680)</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Labor	\$ 379,981	\$ 343,240
Employee group insurance	26,366	30,259
Employee meals	4,996	4,629
Payroll taxes	18,717	21,738
Education and training	150	120
Retirement account funding	29,896	30,364
Annual meeting	32,819	33,012
Bad debt expense	-	(33,236)
Credit card fees	56,945	72,983
Donations	2,956	3,180
Dues and subscriptions	3,811	4,861
Equipment rental	24,804	23,588
Equipment repairs	14,619	12,330
General insurance	87,689	104,012
Legal and professional	13,847	24,035
Long range planning	34,099	998
Office supplies	10,630	12,992
Postage	19,049	21,082
Member services	29,517	25,587
Printing	1,653	3,585
Lincoln Hills pre-development costs	-	98,277
Water company sale expense	22,254	-
Services purchased	15,577	12,210
Supplies	5,525	5,106
Other taxes	360	410
Property taxes	38,343	37,052
Telephone	13,342	13,407
Miscellaneous	17,524	15,768
Travel	565	329
	<u> </u>	<u> </u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 906,034</u>	<u>\$ 921,918</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF HOUSE DEPARTMENT EXPENSES
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Labor	\$ 48,463	\$ 43,224
Payroll taxes	2,122	2,221
Cleaning contract	54,734	56,400
Education and training	-	130
Building and grounds maintenance	50,072	24,805
House decorations	11,360	14,332
Entertainment	8,573	8,025
Equipment repairs	8,703	4,700
Services purchased	6,383	7,651
Supplies	15,569	12,970
Other taxes	98	-
Utilities	125,995	125,198
Miscellaneous	<u>6,500</u>	<u>-</u>
TOTAL HOUSE DEPARTMENT EXPENSES	<u>\$ 338,572</u>	<u>\$ 299,656</u>

ALTO LAKES GOLF AND COUNTRY CLUB, INC.
SCHEDULE OF FITNESS DEPARTMENT EXPENSES
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
INCOME		
Fitness Fees	\$ <u>484</u>	\$ <u>-</u>
TOTAL INCOME	<u>484</u>	<u>-</u>
EXPENSES		
Labor	600	-
Equipment repairs	1,807	1,063
Services purchase	580	-
Supplies	<u>1,099</u>	<u>830</u>
TOTAL FITNESS DEPARTMENT EXPENSES	<u>4,086</u>	<u>1,893</u>
NET LOSS	\$ <u>(3,602)</u>	\$ <u>(1,893)</u>

