

FLYING-O RANCH COMMUNITY ASSOCIATION  
(A NONPROFIT MUTUAL BENEFIT CORPORATION)

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**FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED DECEMBER 31, 2006

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To the Board of Directors  
All Parcel Owners  
Flying-O Ranch Community Association  
O'Neals, California

We have compiled the accompanying statement of financial position of Flying-O Ranch Community Association (a nonprofit mutual benefit corporation) as of December 31, 2006, and the related statement of revenues, expenses and changes in members' equity and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is in the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and accordingly, do not express an opinion or any other form of assurance on them.

March 16, 2007

FLYING =O= RANCH COMMUNITY ASSOCIATION

Prev Year Comparison  
As of December 31, 2006

	<u>Dec 31, 06</u>	<u>Dec 31, 05</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Checking/Savings</b>				
1008 · Central Valley Community Bank	9,399.97	8,710.70	689.27	7.91%
1025 · Petty Cash	90.54	82.77	7.77	9.39%
<b>Total Checking &amp; Cash Accounts</b>	<b>9,490.51</b>	<b>8,793.47</b>	<b>697.04</b>	<b>17.3%</b>
<b>Reserve/Savings/Replacment Fund:</b>				
1009 · CD - 0418 (Money Market Fund)	7,285.01	7,284.55	0.46	0.01%
1015 · - CD 0140	10,425.77	10,134.59	291.18	2.87%
1016 · - CD 0143	20,923.64	20,269.17	654.47	3.23%
<b>Total Reserve/Savings/Replacment Fund:</b>	<b>38,634.42</b>	<b>37,688.31</b>	<b>946.11</b>	<b>6.11%</b>
<b>Accounts Receivable</b>				
1200 · Accounts Receivable	10,590.00	4,475.00	6,115.00	136.65%
<b>Total Accounts Receivable</b>	<b>10,590.00</b>	<b>4,475.00</b>	<b>6,115.00</b>	<b>136.65%</b>
<b>Total Current Assets</b>	<i>48,124.93</i> <b>49,224.42</b>	<i>46,481.78</i> <b>42,163.31</b>	<b>7,061.11</b>	<b>16.75%</b>
<b>TOTAL ASSETS</b>	<b>58,714.93</b>	<b>50,956.78</b>	<b>7,758.15</b>	<b>15.23%</b>

FLYING =O= RANCH COMMUNITY ASSOCIATION  
**STATEMENT OF FINANCIAL POSITION**  
 December 31, 2006

	Operating Fund	Replacement Fund	TOTAL
Assets and Liabilities			
Cash	\$ 48,125.		\$ 48,125
Assessment Receivable	\$ 10,590.		\$ 10,590
Income Tax Receivable	\$ 0		\$ 0
Accounts Payable	\$ 0		\$ 0
Prepaid Assessment	\$ 0		\$ 0
<u>Interfund Balance</u>	<u>\$ (50,000)</u>	<u>\$50,000</u>	<u>\$ -</u>
	\$8,715.	\$50,000	\$58,715.
 Member's Equity	 \$ 8,715	 \$50,000	 \$58,715.

See accountant's compilation report

FLYING =O= RANCH COMMUNITY ASSOCIATION  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBER'S EQUITY**  
 DECEMBER 31, 2006

	Operating Fund	Replacement Fund	Total
Revenues:			
Regular Assessments	\$ 33,975		\$ 33,975
Grazing Rental Income	\$ 4,760		\$ 4,760
Interest Income	\$ 946		\$ 946
Misc Income	\$ 150		\$ 150
Developer Reimbursement	\$ 2465		\$ 2465
<hr/>			
<b>Total Revenues</b>	<b>\$ 42,296</b>		<b>\$ 42,296</b>
Expenses:			
Accounting Fees	\$ 520		\$ 520
Insurance	\$ 11,830		\$ 11,830
Office Supplies	\$ 204		\$ 204
Repairs & Maintenance	\$ 3,199		\$ 3,199
Road Maintenance	\$ 13,425		\$ 13,425
Utilities	\$ 5,106		\$ 5,106
Taxes	\$ 125		\$ 125
Miscellaneous	0		0
Replacements & Improvements	\$	(130)	\$ 130
<hr/>			
<b>Total Expenses</b>	<b>\$34,408</b>	<b>130.</b>	<b>\$ 34,538</b>
<b>Excess of Revenues over Expenses</b>	<b>\$ 7,888.</b>	<b>(130)</b>	<b>\$ 7,758</b>
<b>Member's Equity (Deficit) Beginning of Year</b>			<b>\$50957.</b>
<b>Member's Equity End of Year</b>	<b>\$7758</b>		<b>\$58715.</b>

FLYING =O= RANCH COMMUNITY ASSOCIATION  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2006

Jan - Dec 2006

**OPERATING ACTIVITIES**

Net Income	7,758.15
Adjustments to reconcile Net Income to net cash provided by operations:	
1200 · Accounts Receivable	-6115.00
Net cash provided by Operating Activities	1643.15
 <b>Net cash increase for period</b>	 <b><u>1,643.15</u></b>
 Cash at beginning of period	 46481.78
<b>Cash at end of period</b>	<b><u><u>48,124.93</u></u></b>

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STATEMENT OF OPERATING FUND  
2006 BUDGET VS ACTUALS  
DECEMBER 31, 2006

	2006 BUDGET	2006 ACTUAL	VARIANCE
<b>Revenues</b>			
Monthly Assessments (Dues)	33660.00	33975.00	315.00
Interest Earned	500.00	946.11	446.11
Pasture Rentals	4760.00	4760.00	0.00
Developer Reimbursement	0.00	2465.00	2465.00
Misc Income		150.00	150.00
<b>Total Revenues</b>	<b>38920.00</b>	<b>42296.11</b>	<b>3376.11</b>
<b>Expenses</b>			
General			
Accounting Fees	1500.00	520.00	980.00
Insurance - Association Liability	5645.00	9377.42	204.58
Insurance on Structures in Comn	3937.00		
Other Insurance (D&O, Workers	2364.00	2452.11	(88.11)
Office Supplies	300.00	203.76	96.24
<b>Total General</b>	<b>13746.00</b>	<b>12553.29</b>	<b>1192.71</b>
Repairs & Maintenance			
Barn	300.00	50.00	250.00
Clubhouse	1190.00	366.53	823.47
General Ranch Maintenance	500.00	1377.24	(877.24)
Ranch House	300.00	1404.80	(1104.80)
Repairs	300.00	0.00	300.00
Other	100.00	0.00	100.00
<b>Total Repairs &amp; Maintenance</b>	<b>2690.00</b>	<b>3198.57</b>	<b>(508.57)</b>
Road Maintenance			
Gate Repairs	0.00	878.14	(878.14)
Road Grading & Gravel	6000.00	9392.86	(3392.86)
Truck Fuel - Ranch Mgr	600.00	300.00	300.00
Repairs (Culverts, Erosion)	1500.00	2854.11	(1354.11)
<b>Total Road Maintenance</b>	<b>8100.00</b>	<b>13425.11</b>	<b>(5325.11)</b>
Utilities			
Electricity	600.00	510.25	89.75
Propane	300.00	239.13	60.87
Telephone - Clubhouse	500.00	488.56	11.44
Trash Disposal	3600.00	3773.00	(173.00)
Web Site	120.00	95.52	24.48
<b>Total Utilities</b>	<b>5120.00</b>	<b>5106.46</b>	<b>13.54</b>
Replacements and Improvement	7000.00	129.53	6870.47
Federal Income Taxes	1000.00	125.00	875.00
State Income Taxes	450.00	0.00	450.00
Miscellaneous Expenses	200.00	0.00	200.00
<b>Total Expenses</b>	<b>38306.00</b>	<b>34537.96</b>	<b>3768.04</b>
<b>Brushing Expense</b>	<b>0.00</b>	<b>-7500.00</b>	
<b>Brushing Income</b>		<b>7500.00</b>	
<b>Difference</b>	<b>614.00</b>	<b>7758.15</b>	<b>7144.15</b>



FLYING =O= RANCH COMMUNITY ASSOCIATION  
STATEMENT OF OPERATING FUND  
REVENUE AND EXPENSES  
2007 PROPOSED BUDGET

**Revenues**

Monthly Assessments (Dues)	\$33,660.00
Interest Earned	\$1,600.00
Pasture Rentals	\$4,760.00
Misc Income	.

<b>Total Revenues</b>	<b>\$40,020.00</b>
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**Operating Expenses**

Accounting Fees	\$1,000.00
Insurance	\$12,145.00
Office Supplies	\$300.00
Repairs & Maintenance	\$4,334.00
Road Maintenance	\$10,200.00
Utilities	\$5,475.00
Replacements and Improvements	\$5,500.00
Income Taxes	\$527.00

<b>Total Expenses</b>	<b>\$39,481.00</b>
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<b>Brushing Expense</b>	<b>-\$7,500.00</b>
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<b>Brushing Income</b>	<b>\$7,500.00</b>
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<b>Difference</b>	<b>\$539.00</b>
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## 1. 2007 Budget Detail – Description

### Income:

The Flying =O= has income from collected owner assessments set at \$85/month resulting in income of \$1020. per year from each owner. With 33 owners paying we have scheduled assessment income of \$33,660. In addition, we lease the grazing rights for the =O= to an outside cattle company. This year the lease will bring in \$4,760. Finally, with the reserve account increasing we are now earning interest of about \$1600 per year. This has increased this year since the Board has moved some accounts into higher yield CD's. Overall our income is expected to be \$40,020.00 for 2007, assuming no special assessments are necessary. At this time the board does not see a need to increase the monthly assessments.

### Expense:

We have relatively few kinds of expenses in operating and maintaining the Flying =O=. We pay for repairs and maintenance of the property and the improvements, utilities, roads, insurance, taxes, and the accountant.

Insurance and Roads are our biggest expenses. We have budgeted a 5% increase for the association liability and insurance on structures.

We are anticipating our road maintenance budget, the second biggest budget item to go down in 2007 thanks to the efforts of continual maintenance, our ranch managers efforts and (unfortunately) the dryer weather this year. We are continually evaluating the best approaches to keeping our roads in tip top condition at reduced cost.

This year's Repair & Maintenance budget is based on last year's as we plan continual maintenance of the facilities. We are responsible for repairing or replacing any of the structures for which we maintain and accrue reserves. A volunteer painting party is scheduled for the ranch house. Every year something surprising happens and we have to repair something larger than standard maintenance.

Utilities are a significant expense for us on the Flying =O=, with trash pickup approximately 75% of the \$5475 total. Electricity, water, phone and website make up the remaining 25%.

As a corporation, albeit non-profit, we still pay taxes on our non-exempt function income. The exempt function is the function of a non-profit corporation that is its purpose and reason for being non-profit. In our case our purpose, and the reason for our non-profit status, is the quiet mutual enjoyment of our community. Non-exempt functions are the ones that aren't specifically part of that, like leasing our land for cattle to earn a little income. That income is taxable, both Federal and State after deductions.

		2007 ANNUAL BUDGET	2006 ANNUAL BUDGET	ACTUAL REVENUE & EXPENSES 2006
<b>Revenues</b>				
	Monthly Assessments (Dues)	33660	33660	33975
	Interest Earned	1600	500	946.11
	Pasture Rentals	4760	4760	4760
	Developer Reimbursement	0	0	2465
	Misc Income			150
<b>Total Revenues</b>		<b>40020</b>	<b>38920</b>	<b>42296.11</b>
<b>Expenses</b>				
General				
	Accounting Fees	1000	1500	520
	Insurance - Association Liability	9845	5645	9377.42
	Insurance on Structures in Common Area		3937	
	Other Insurance (D&O, Workers Comp for M	2300	2364	2452.11
	Office Supplies	300	300	203.76
<b>Total General</b>		<b>13445</b>	<b>13746</b>	<b>12553.29</b>
Repairs & Maintenance				
	Barn	300	300	50
	Clubhouse (Supplies,Cleaning @60/mo)	1120	1190	366.53
	General Ranch Maintenance	1514	500	1377.24
	Ranch House	1000	300	1404.8
	Repairs	300	300	0
	Other	100	100	0
<b>Total Repairs &amp; Maintenance</b>		<b>4334</b>	<b>2690</b>	<b>3198.57</b>
Road Maintenance				
	Gate Repairs	800	0	878.14
	Road Grading & Gravel	6500	6000	9392.86
	Truck Fuel - Ranch Mgr	900	600	300
	Repairs (Culverts, Erosion, etc)	2000	1500	2854.11
<b>Total Road Maintenance</b>		<b>10200</b>	<b>8100</b>	<b>13425.11</b>
Utilities				
	Electricity	600	600	510.25
	Propane	300	300	239.13
	Telephone - Clubhouse	500	500	488.56
	Trash Disposal	3975	3600	3773
	Web Site	100	120	95.52
<b>Total Utilities</b>		<b>5475</b>	<b>5120</b>	<b>5106.46</b>
Miscellaneous				
	Replacements and Improvements	5500	7000	129.53
	Federal Income Taxes	365	1000	125
	State Income Taxes	162	450	0
	Miscellaneous Expenses	0	200	0
<b>Total Expenses</b>		<b>39481</b>	<b>38306</b>	<b>34537.96</b>
<b>Brushing Expense</b>		<b>-7500</b>	<b>0</b>	<b>-7500</b>
<b>Brushing Income</b>		<b>7500</b>		<b>7500</b>
<b>Excess of Operating Revenues over Operating Expenses</b>		<b>539</b>	<b>614</b>	<b>7758.15</b>

FLYING =O= RANCH COMMUNITY ASSOCIATION  
DUES PLANNER % of Revenue & Expense

2007 Budget

	Proposed Budget	Percentages
<b>Current Income</b>		
Monthly Assessments (Dues)	\$33,660.00	84.11%
Interest Earned	\$1,600.00	4.00%
Pasture Rentals	\$4,760.00	11.89%
<b>Total Revenues</b>	<b>\$40,020.00</b>	<b>100.00%</b>
<b>Current Operating Expenses</b>		
Accounting Fees	\$1,000.00	2.53%
Insurance - Association Liability & Structure	\$9,845.00	24.94%
Insurance - DO & Worker's Comp	\$2,300.00	5.83%
Office Supplies	\$300.00	0.76%
<b>Repairs &amp; Maintenance</b>		
Barn	\$300.00	0.76%
Clubhouse (Incl. Supplies & Cleaning)	\$1,120.00	2.84%
General Ranch Maintenance	\$1,514.00	3.83%
Ranch House	\$1,000.00	2.53%
Repairs	\$300.00	0.76%
Other	\$100.00	0.25%
<b>Total Repairs &amp; Maintenance</b>	<b>\$4,334.00</b>	<b>10.98%</b>
<b>Road Maintenance</b>		
Gate Repairs	\$800.00	2.03%
Road Grading & Gravel	\$6,500.00	16.46%
Truck Fuel - Ranch Mgr	\$900.00	2.28%
Repairs (Culverts, Erosion, brush....)	\$2,000.00	5.07%
<b>Total Road Maintenance</b>	<b>\$10,200.00</b>	<b>25.84%</b>
<b>Utilities</b>		
Electricity	\$600.00	1.52%
Propane	\$300.00	0.76%
Telephone - Clubhouse	\$500.00	1.27%
Trash Disposal	\$3,975.00	10.07%
Web Site	\$100.00	0.25%
<b>Total Utilities</b>	<b>\$5,475.00</b>	<b>13.87%</b>
Replacements and Improvements	\$5,500.00	13.93%
Federal Income Taxes	\$365.00	0.92%
State Income Taxes	\$162.00	0.41%
Miscellaneous Expenses	\$0.00	0.00%
<b>Total Expenses</b>	<b>\$39,481.00</b>	<b>100.00%</b>
<b>Net Difference</b>	<b>\$539.00</b>	

FLYING =O= RANCH COMMUNITY ASSOCIATION

Where are we Today?

Prev Year Comparison

As of March 15, 2007

	<u>Mar 15, 07</u>	<u>Mar 15, 06</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Checking/Savings</b>				
1008 · Central Valley Community Bank	8,506.43	3,587.53	4,918.90	137.11%
1025 · Petty Cash	90.54	217.13	-126.59	-58.3%
<b>Total Checking &amp; Cash Accounts</b>	<b>\$8,596.97</b>	<b>\$3,804.66</b>	<b>\$4,792.31</b>	<b>78.81%</b>
<b>Reserve/Savings/Replacement Fund:</b>				
1009 · CD - 0418	7,285.01	7,285.01	0.00	0.0%
1011 · CVCB Savings Account	2,000.00	0.00	2,000.00	100.0%
1012 · - CD 2289	6,000.00	0.00	6,000.00	100.0%
1015 · - CD 0140	12,514.72	10,194.06	2,320.66	22.77%
1016 · - CD 0143	20,923.64	20,410.11	513.53	2.52%
<b>Total Reserve/Savings/Replacement Fund:</b>	<b>\$48,723.37</b>	<b>\$37,889.18</b>	<b>\$10,834.19</b>	<b>28.59%</b>
<b>Accounts Receivable</b>				
1200 · Accounts Receivable	255.00	6,060.00	-5,805.00	-95.79%
<b>Total Accounts Receivable</b>	<b>\$255.00</b>	<b>\$6,060.00</b>	<b>-\$5,805.00</b>	<b>-95.79%</b>
<b>Other Current Assets</b>				
1499 · Undeposited Funds	0.00	225.00	-225.00	-100.0%
<b>Total Other Current Assets</b>	<b>0.00</b>	<b>225.00</b>	<b>-225.00</b>	<b>-100.0%</b>
<b>TOTAL ASSETS</b>	<b>\$57,575.34</b>	<b>\$47,978.84</b>	<b>\$9,596.50</b>	<b>20.00%</b>