

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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From the Treasurer and Finance Committee

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 the Flying-O Ranch Community Association (a nonprofit mutual benefit corporation) as of December 31st, 2007, and the related statement of revenues, expenses and changes in members' equity and cash flows for the year.

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 15th, 2007

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF FINANCIAL POSITION
 December 31, 2007

	Operating Fund <u>(Deficit)</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets and Liabilities			
Cash	\$ 61,653		\$ 61,653
Assessment Receivable	510		510
Income Tax Receivable	-		-
Accounts Payable	-		-
Prepaid Assessment	(510)		(510)
Interfund Balance	<u>(50,000)</u>	<u>50,000</u>	<u> </u>
	<u>\$ 11,653</u>	<u>\$ 50,000</u>	<u>\$ 61,653</u>
Member's Equity (Deficit)	<u>\$ 11,653</u>	<u>\$ 50,000</u>	<u>\$ 61,653</u>

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBER'S EQUITY
 DECEMBER 31, 2007

	Operating Fund (Deficit)	Replacement Fund	Total
Revenues:			
Regular Assessments	\$ 25,245 **		\$ 25,245
Interest Income	2,075		2,075
Grazing Rental Income	4,760		4,760
Miscellaneous Income	20		20
Total Revenues	\$ 32,100		\$ 32,100
Expenses:			
Accounting Fees	695		695
Insurance	10,490		10,490
Office Supplies & Bank Charges	293		293
Repairs & Maintenance	2,594		2,594
Road Maintenance	6,180		6,180
Utilities	5,299		5,299
Income Taxes	736		736
Replacements and Improvements		2,874	2,874
Total Expenses	\$ 26,287	\$ 2,874	\$ 29,161
Excess (Deficit) of Revenues over Expenses	\$ 5,812	\$ (2,874)	\$ 2,938
Member's Equity (Deficit) Beginning of Year	\$ 8,715	\$ 50,000	\$ 58,715
Member's (Deficit) Equity End of Year	\$ 11,653	\$ 50,000	\$ 61,653

** The first quarter of 2007 Assessments (\$8,415) were included in the Prior Year
 Normally Assessments total \$33,660

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
December 31, 2007

	<u>Jan - Dec 2007</u>
Cash flows from operating activities	
Net Income	\$ 2,938
Adjustments to reconcile Net Income to net cash provided by operations:	
1200 - Accounts Receivable	\$ 10,590
Net cash provided by Operating Activities	<u>\$ 13,528</u>
Net cash increase	\$ 13,528
Cash at beginning of year	\$ 48,125
Cash at end of year	<u><u>\$ 61,653</u></u>

FLYING-O RANCH COMMUNITY ASSOCIATION

STATEMENT OF OPERATING FUND

2007 BUDGET VS ACTUAL

December 31, 2007

		2007 BUDGET	2007 ACTUAL	Variance
Revenues				
	Monthly Assessments (Dues)	33,660	33,660	0
	Interest Earned	1,600	2,075	475
	Pasture Rentals	4,760	4,760	0
	Misc. Income		20	
Total Revenues		40,020	40,515	495
Expenses				
General				
	Accounting Fees	1,000	695	305
	Insurance - Association Liability	9,845	8,470	1,375
	Mgr Worker's Comp&Directors Liability	2,300	2,020	280
	Office Supplies & Bank Charges	300	293	7
				0
Total General		13,445	11,478	1,967
Repairs & Maintenance				
	Barn	300	69	231
	Clubhouse (Includes Supplies)	1,120	295	825
	General Ranch Maintenance	1,514	572	942
	Ranch House	1,000	1,364	(364)
	Repairs	300	266	34
	Other	100	28	72
Total Repairs & Maintenance		4,334	2,594	1,740
Road Maintenance***				
	Gate Repairs	800	154	646
	Road Grading & Gravel	6,500	3,350	3,150
	Truck Fuel - Ranch Mgr	900	800	100
	Repairs (Culverts, Erosion, Brush)	2,000	1,876	124
Total Road Maintenance		10,200	6,180	4,020
Utilities				
	Electricity	600	716	(116)
	Propane	300	65	235
	Telephone - Clubhouse	500	488	12
	Trash Disposal	3,975	3,889	87
	Web Site	100	106	(6)
	Other - USPS Box Rent		36	(36)
Total Utilities		5,475	5,299	176
Replacements and Improvements		5,500	2,874	
	(5K transferred to Reserve Fund)		5,000	(2,374)
Federal Income Taxes		365	524	(159)
State Income Taxes		162	212	(50)
Total Expenses		39,481	34,162	5,319

FLYING-O RANCH COMMUNITY ASSOCIATION
NOTES TO COMPILED FINANCIAL STATEMENTS
December 31, 2007

1. Nature of organization:

The Flying-O Ranch Community Association is a nonprofit mutual benefit corporation organized for the purpose of operating and maintaining the common areas of the planned unit development known as the Flying-O Ranch located near the city of Coarsegold, California.

Specifically there are two “areas” we operate and maintain. The first area is the Cattle Lease Easement, which consists of all the land except the Home Site on each ranch parcel, and the Roads, which are part of each parcel but are provided to Madera County as an easement on each parcel. These first areas are owned by the individual parcel owners. The second area we operate and maintain is the Common Parcel Improvements, which consists of the Equestrian Facility, the Ranch Managers House, the Clubhouse and the Pond. We maintain these so we can keep an easement granted to us under that condition by the owner of that parcel, the Wyle O’Neals Cattle Ranch, Inc. This is kind of like paying rent, but is not like owning real estate. In both cases we have agreed to “band together” to share the cost of maintenance.

2. Summary of significant accounting policies:

Fund Accounting:

The association’s governing documents provide certain guidelines for conducting its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting purposes in the following funds established according to their nature and purpose:

Operating fund (deficit):

This fund is used to account for financial resources available for the general operations of the association.

Replacement fund:

This fund is used to accumulate financial resources designated for future repairs and replacements.

Member assessments:

Association members are subject to monthly assessments to provide funds for the association’s operating expenses, and major repairs and replacements. Assessment receivable at December 31, 2007 represents fees still due from the parcel owners.

No allowance for doubtful accounts has been set up as all the assessments receivable are currently collectible. All of the outstanding receivables shown are due from one member.

FLYING-O RANCH COMMUNITY ASSOCIATION
NOTES TO COMPILED FINANCIAL STATEMENTS
December 31, 2007

Property and Equipment:

The Association owns some things we are responsible for maintaining, like the powered gates. This is the only significant property of the Association. We're also responsible for maintaining the common roads easement area that passes through most owners' parcels. Finally, the Association is responsible under the terms of the CC&Rs for maintaining the Cattle Ranch Improvements on the parcel owned by Wyle O'Neals Cattle Ranch, Inc., parcel #27. This Real property once owned by the Association has been deeded back to members of the developer's family. Easements have been granted to the Association to use the facilities, provided that the Association pays all related maintenance expenses.

Income taxes:

The association may be taxed either as a homeowner's association or as a regular non-profit corporation. For the year ended December 31, 2007, the association was taxed as a regular non-profit corporation. As such, non-exempt function income, such as interest, cannot be reduced by the excess of exempt function expenses over exempt function income. However, this excess can be carried forward to offset function taxable income in future years. For state tax purposes, the taxable income consists of the excess of non-exempt function income over directly related expenses.

3. Future major repairs and replacements:

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds aggregate approximately \$55,800 on December 31, 2007. It is the Association's policy to allocate any interest and lease income to the operating fund and to allocate a portion of dues to replace monies used during the year from the replacement fund. The appropriated Reserves balance is now at \$50,000. This allows us a healthy buffer for significant events and fits in with the Association strategy of proactive maintenance to avoid sudden large replacement expenditures.

The Association is funding major repairs and replacements over the estimated useful lives of the various components. The useful lives of the components range from 4 to 30 years. Actual expenditure may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated into the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments until funds are available. The fund will not be charged for any costs under two hundred dollars.

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF OPERATING FUND
REVENUE AND EXPENSES
2008 PROPOSED BUDGET

Revenues

Monthly Assessments (Dues)	33,660
Interest Earned	2,000
Pasture Rentals	4,760

Total Revenues **40,420**

Operating Expenses

General (Includes Insurance)	11,950
Repairs & Maintenance	3,600
Road Maintenance	10,700
Utilities	5,970
Replacements and Improvements	7,500
Taxes	696

Total Operating Expenses **40,416**

FLYING-O RANCH COMMUNITY ASSOCIATION
NARRATIVE DETAIL FOR THE 2008 BUDGET
MARCH 15, 2008

2008 Budget Detail – Description

Income:

The Flying-O has income from collected owner assessments set at \$85 a month resulting in income of \$1020 per year from each owner. With 30 owners paying for 33 parcels we have scheduled assessment income of \$33,660. In addition, we lease the grazing rights on the Flying-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 \$2000. Overall our income is expected to be \$40,020 for 2008, 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 expenditures.

Our road maintenance budget, the second biggest budget item, is slightly higher than last years. The 2007 fall road maintenance was not completed (and not billed) until 2008, and is reflected in this years budget. However, because of the efforts of continual maintenance and our ranch manager's efforts we anticipate very little increased cost in this budget. We are continually evaluating the best approaches to keeping our roads in good condition at a reduced cost.

This year's Repair & Maintenance budget is based on last year's as we plan no major changes except a continued effort to drive down costs.

Utilities are a significant expense for us on the Flying-O, with trash pickup amounting to 60% of the \$5970 total. Electricity, propane, water and phone at the Common Parcel make up about 40%, and the web site a tiny fraction.

Every year something unplanned occurs that requires a larger than normal maintenance expenditure. We are responsible for repairing or replacing any of the structures for which we maintain and accrue reserves. In 2007, these expenditures were replacing the gutters on the barn and completing a major repair on the Road 200 cattle guard. We look ahead at what is aging to anticipate large expenditures, but we must allow for some surprises.

As a corporation, albeit a 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, such as leasing our land for cattle to earn a little income and maintain our Williamson Act status. The leasing income is taxable.

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF OPERATING FUND
REVENUE AND EXPENSES
2008 BUDGET DETAIL

		2008 ANNUAL BUDGET	vs 2007 ANNUAL BUDGET	vs 2007 ACTUAL
Revenues				
	Monthly Assessments (Dues)	33,660	33,660	33,660
	Interest Earned	2,000	1,600	2,075
	Pasture Rentals	4,760	4,760	4,760
Total Revenues		40,420	40,020	40,495
Expenses				
General				
	Accounting Fees	700	1,000	695
	Insurance - Association Property & Liability	9,000	9,845	8,470
	Insurance - Mgr Worker's Comp	850	1,000	870
	Insurance - Directors Liability	1,100	1,300	1,150
	Office Supplies & Bank Charges	300	300	293
Total General		11,950	13,445	11,478
Repairs & Maintenance				
	Barn	300	300	69
	Clubhouse (Includes Supplies)	900	1,120	295
	General Ranch Maint. & Repairs	1,200	1,514	572
	Ranch House	1,000	1,000	1,364
	Other	200	400	295
Total Repairs & Maintenance		3,600	4,334	2,594
Road Maintenance				
	Gate Repairs	300	800	154
	Road Grading & Gravel	8,000	6,500	3,350
	Truck Fuel - Ranch Mgr	900	900	800
	Repairs (Culverts, Erosion, Brush)	1,500	2,000	1,876
Total Road Maintenance		10,700	10,200	6,180
Utilities				
	Electricity	750	600	716
	Propane	370	300	65
	Telephone - Clubhouse	500	500	488
	Trash Disposal	4,100	3,975	3,889
	Web Site	150	100	106
	Other	100	0	36
Total Utilities		5,970	5,475	5,299
Replacements and Improvements				
	Improvements	2,500	5,500	2,874
	Reserve Fund (if available after expenses)	5,000		5,000
Federal Income Taxes		433	365.00	524
State Income Taxes		263	162.00	212
Total Expenses		40,416	39,481	34,162

FLYING-O RANCH COMMUNITY ASSOCIATION
2008 BUDGET
DUES PLANNER % Revenue and Expense

	2008 ANNUAL BUDGET	Percentages
Current Income		
Monthly Assessments (Dues)	33,660	83.3%
Interest Earned	2,000	4.9%
Pasture Rentals	4,760	11.8%
Total Income	40,420	100.0%
Current Operating Expenses		
General		
Accounting Fees	700	1.7%
Insurance - Association Property & Liability	9,000	22.3%
Insurance - Mgr Worker's Comp	850	2.1%
Insurance - Directors Liability	1,100	2.7%
Office Supplies & Bank Charges	300	0.7%
Total General	11,950	29.6%
Repairs & Maintenance		
Barn	300	0.7%
Clubhouse (Includes Supplies (\$400))	900	2.2%
General Ranch Maint. & Repairs	1,200	3.0%
Ranch House	1,000	2.5%
Other	200	0.5%
Total Repairs & Maintenance	3,600	8.9%
Road Maintenance		
Gate Repairs	300	0.7%
Road Grading & Gravel	8,000	19.8%
Truck Fuel - Ranch Mgr	900	2.2%
Repairs (Culverts, Erosion, Brush)	1,500	3.7%
Total Road Maintenance	10,700	26.5%
Utilities		
Electricity	750	1.9%
Propane	370	0.9%
Telephone - Clubhouse	500	1.2%
Trash Disposal	4,100	10.1%
Web Site	150	0.4%
Other	100	0.2%
Total Utilities	5,970	14.8%
Replacements and Improvements		
Improvements	2,500	6.2%
Reserve Fund (if available after expenses)	5,000	12.4%
Federal Income Taxes	433	1.1%
State Income Taxes	263	0.7%
Total Operating Expenses	40,416	100%
Net Difference	4	

FLYING-O RANCH COMMUNITY ASSOCIATION
ASSET POSITION as of MARCH 1, 2008

ASSETS

Current Assets

Checking/Savings

1008 - CVCB Checking Account	7,451
1011 - CVCB Savings Account	2,009
1012 - - CD 2289	11,295
1016 - - CD 0143	22,132
1017 - - CD 0324	25,932
1025 - Petty Cash	112

Total Checking/Savings 68,931

Accounts Receivable

1200 - Accounts Receivable	340 **
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Total Accounts Receivable 340

Total Current Assets 69,271

TOTAL ASSETS 69,271

**Accounts Receivable (\$1870) Minus Prepaid Expenses (\$1530)