

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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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, 2008, 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.

April 4th, 2009

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF FINANCIAL POSITION
 December 31, 2008

	Operating Fund <u>(Deficit)</u>	Replacement <u>Fund</u>	<u>Total</u>
Assets and Liabilities			
Cash	\$ 71,992		\$ 71,992
Assessment Receivable	495		495
Income Tax Receivable	-		-
Accounts Payable	-		-
Prepaid Assessment	(765)		(765)
Interfund Balance	<u>(50,000)</u>	<u>50,000</u>	<u> </u>
	<u>\$ 21,722</u>	<u>\$ 50,000</u>	<u>\$ 71,722</u>
Member's Equity (Deficit)	<u>\$ 21,722</u>	<u>\$ 50,000</u>	<u>\$ 71,722</u>

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBER'S EQUITY
 DECEMBER 31, 2008

	Operating Fund (Deficit)	Replacement Fund	Total
Revenues:			
Regular Assessments	33,660		\$ 33,660
Interest Income	2,264		2,264
Grazing Rental Income	4,760		4,760
Miscellaneous Income	1		1
	40,685		\$ 40,685
Expenses:			
Accounting Fees	640		640
Legal Fees (CC&R Review)	500		500
Insurance	6,462		6,462
Office Supplies & Bank Charges	199		199
Repairs & Maintenance	3,013		3,013
Road Maintenance	11,186		11,186
Utilities	5,899		5,899
Income Taxes	686		686
Replacements and Improvements		2,030	2,030
	28,586	\$ 2,030	\$ 30,616
Total Expenses	28,586	\$ 2,030	\$ 30,616
Excess (Deficit) of Revenues over Expenses	12,099	\$ (2,030)	\$ 10,069
Member's Equity (Deficit) Beginning of Year	11,653	\$ 50,000	\$ 61,653
Member's (Deficit) Equity End of Year	21,722	\$ 50,000	\$ 71,722

FLYING-O RANCH COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
December 31, 2008

	<u>Jan - Dec 2008</u>
Cash flows from operating activities	
Net Income	10,070
Adjustments to reconcile Net Income to net cash provided by operations:	
1200 - Accounts Receivable	270
Net cash provided by Operating Activities	<u>10,340</u>
Net cash increase	10,340
Cash at beginning of year	<u>61,653</u>
Cash at end of year	<u><u>\$71,992</u></u>

FLYING =O= RANCH COMMUNITY ASSOCIATION
STATEMENT OF OPERATING FUND

2008 Budget vs Actual
December 31st, 2008

	Account	2008 Budget	2008 Actual	Variance
Revenues				
	Monthly Assessments (Dues)	33,660	33,660	0
	Interest Earned	2,000	2,264	264
	Pasture Rentals	4,760	4,760	0
	Misc. Income (Gaspara License)	0	1	1
	Total Revenues	40,420	40,685	265
Expenses				
General				
	Accounting Fees	700	640	60
	Legal Fees	0	500	(500)
	Insurance - Association Property & Liability	9,000	4,482	4,518
	Insurance - Mgr Worker's Comp	850	880	(30)
	Insurance - Directors Liability	1,100	1,100	0
	Office Supplies & Bank Charges	300	199	101
	Total General	11,950	7,801	4,149
Repairs & Maintenance				
	Barn	300	300	0
	Clubhouse - Cleaning & Supplies	900	880	20
	General Ranch Maint. & Repairs	1,200	1,139	61
	Ranch House	1,000	325	675
	Other (Owners Mtg. Lunch)	200	287	(87)
	Total Repairs & Maintenance	3,600	2,930	670
Road Maintenance				
	Gate Repairs	300	0	300
	Road Grading	5,500	3,733	1,768
	Road Gravel	2,500	6,090	(3,590)
	Truck Fuel - Ranch Mgr	900	888	12
	Repairs (Culverts, Erosion, Brush)	1,500	476	1,024
	Total Road Maintenance	10,700	11,186	(486)
Utilities				
	Electricity	750	736	14
	Propane	370	370	0
	Telephone - Clubhouse	500	483	17
	Trash Disposal	4,100	4,147	(47)
	Web Site	150	126	24
	Other	100	38	62
	Total Utilities	5,970	5,899	71
Replacements and Improvements				
	Improvements	2,500	2,030	470
	Reserve Fund	5,000	5,000	0
Federal Income Taxes		433	423	10
State Income Taxes		263	263	0
Total Expenses		40,416	35,533	4,883

Flying-O Ranch Community Association

Balance Sheet Prev Year Comparison

As of December 31, 2008

	Dec 31, 08	Dec 31, 07	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
1003 & 1008- BANK Checking	3,984	5,912	-1,927	-32.6%
1004 & 1011 - Savings	1,986	2,009	-22	-1.1%
Total CD Balances	65,845	53,701	12,144	22.6%
1025 - Petty Cash	177	32	145	451.8%
Total Checking/Savings	71,992	61,653	10,340	16.8%
Accounts Receivable				
1200 - Accounts Receivable	-270	0	-270	-100.0%
Total Accounts Receivable	-270	0	-270	-100.0%
Total Current Assets	71,722	61,653	10,070	16.3%
TOTAL ASSETS	71,722	61,653	10,070	16.3%
LIABILITIES & EQUITY				
Equity				
3900 - Retained Earnings	11,653	8,715	2,938	33.7%
3910 - Appropriated Retained Earnings	50,000	50,000	0	0.0%
Net Income	10,070	2,938	7,132	242.7%
Total Equity	71,722	61,653	10,070	16.3%
TOTAL LIABILITIES & EQUITY	71,722	61,653	10,070	16.3%

****Accounts Receivable = Receivables minus Prepaid Assessments**

2007 - Receivables (510.00) minus Prepaid Assessments (510.00)

2008 - Receivables (765.00) minus Prepaid Assessments (495.00)

FLYING-O RANCH COMMUNITY ASSOCIATION
NOTES TO COMPILED FINANCIAL STATEMENTS
December 31, 2008

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, 2008 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, 2008

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, 2008, 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 \$61,650 on December 31, 2008. 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
2009 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)	8,675
Repairs & Maintenance	4,950
Road Maintenance	11,400
Utilities	6,295
Replacements and Improvements	7,500
Taxes	1,600

Total Operating Expenses **40,420**

FLYING-O RANCH COMMUNITY ASSOCIATION
NARRATIVE DETAIL FOR THE 2009 BUDGET
April 4th, 2009

2009 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 a year. Overall our income is expected to be \$40,420 for 2009, 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.

Roads and Insurance are our biggest expenditures.

Our road maintenance budget, the biggest budget item, is slightly higher than last years. To keep the roads in good condition we added six loads of gravel in 2008 and three more in 2009. 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 has increased as we anticipate some needed maintenance in the ranch house and clubhouse. One of the major maintenance tasks last year, was the painting of the barn paddocks. There are no major changes planned except a continued effort to drive down costs.

Utilities are a significant expense for us on the Flying-O, with trash pickup amounting to 70% of the \$6295 total. Electricity, propane, water and phone at the Common Parcel make up about 30%, 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 2008, this expenditure was adding a bench railing to the clubhouse deck. 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 and interest on our Reserve Balance. The leasing and interest income is taxable.

FLYING =O= RANCH COMMUNITY ASSOCIATION
STATEMENT OF OPERATING FUND
2009 Proposed Budget
04/04/2009

	Account	2009 ANNUAL BUDGET	vs 2008 ANNUAL BUDGET	vs 2008 ACTUAL
Revenues				
	Monthly Assessments (Dues)	33,660	33,660	33,660
	Interest Earned	2,000	2,000	2,264
	Pasture Rentals	4,760	4,760	4,760
	Total Revenues	40,420	40,420	40,684
Expenses				
General				
	Accounting Fees	800	700	640
	Legal Fees	1,000	0	500
	Insurance - Association Property & Liability	4,200	9,000	4,482
	Insurance - Mgr Worker's Comp	925	850	880
	Insurance - Directors Liability	1,100	1,100	1,100
	Office Supplies & Bank Charges	350	300	199
	Social	300		
	Total General	8,675	11,950	7,801
Repairs & Maintenance				
	Barn	600	300	300
	Clubhouse - Cleaning,Supplies & Maint.	1,200	900	880
	General Ranch Maint. & Repairs	1,500	1,200	1,139
	Ranch House	1,150	1,000	325
	Ranch Tools	500	200	287
	Total Repairs & Maintenance	4,950	3,600	2,930
Road Maintenance				
	Gate Repairs	300	300	0
	Road Grading	5,500	5,500	3,733
	Road Gravel	3,200	2,500	6,090
	Truck Fuel - Ranch Mgr	900	900	888
	Repairs (Culverts, Erosion, Brush)	1,500	1,500	476
	Total Road Maintenance	11,400	10,700	11,186
Utilities				
	Electricity	775	750	736
	Propane	450	370	370
	Telephone - Clubhouse	500	500	483
	Trash Disposal	4,400	4,100	4,147
	Web Site	150	150	126
	Other	20	100	38
	Total Utilities	6,295	5,970	5,899
Replacements and Improvements				
	Improvements	2,500	2,500	2,030
	Reserve Fund	5,000	5,000	5,000
	Federal Income Taxes	1,000	433	423
	State Income Taxes	600	263	263
	Total Expenses	40,420	40,416	35,533

FLYING-O RANCH COMMUNITY ASSOCIATION

2009 BUDGET

DUES PLANNER % Revenue and Expense

		2009 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	800	2.0%
	Legal Fees	1,000	2.5%
	Insurance - Association Property & Liability	4,200	10.4%
	Insurance - Mgr Worker's Comp	925	2.3%
	Insurance - Directors Liability	1,100	2.7%
	Office Supplies & Bank Charges	350	0.9%
	Social	300	0.7%
Total General		8,675	21.5%
Repairs & Maintenance			
	Barn	600	1.5%
	Clubhouse - Cleaning,Supplies & Maint.	1,200	3.0%
	General Ranch Maint. & Repairs	1,500	3.7%
	Ranch House	1,150	2.8%
	Ranch Tools	500	1.2%
Total Repairs & Maintenance		4,950	12.2%
Road Maintenance			
	Gate Repairs	300	0.7%
	Road Grading	5,500	13.6%
	Road Gravel	3,200	7.9%
	Truck Fuel - Ranch Mgr	900	2.2%
	Repairs (Culverts, Erosion, Brush)	1,500	3.7%
Total Road Maintenance		11,400	28.2%
Utilities			
	Electricity	775	1.9%
	Propane	450	1.1%
	Telephone - Clubhouse	500	1.2%
	Trash Disposal	4,400	10.9%
	Web Site	150	0.4%
	Other	20	0.0%
Total Utilities		6,295	15.6%
Replacements and Improvements			
	Improvements	2,500	6.2%
	Reserve Fund (if available after expenses)	5,000	12.4%
Federal Income Taxes		1,000	2.5%
State Income Taxes		600	1.5%
Total Operating Expenses		40,420	100%

FLYING-O RANCH COMMUNITY ASSOCIATION
ASSET POSITION as of March, 1st 2009

ASSETS

Current Assets

Checking/Savings

1003 - WaMu Checking	5,300.89
1004 - WaMu Money Market	1,986.22
1018 - CD - 5332	15,338.41
1019 - CD - 5358	20,392.98
1020 - CD - 6413	30,624.08
1025 - Petty Cash	300.00

Total Checking/Savings 73,942.58

Accounts Receivable

1200 - Accounts Receivable	-400.00 **
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Total Accounts Receivable -400.00

Total Current Assets 73,542.58

TOTAL ASSETS 73,542.58

**Accounts Receivable (\$1190) Minus Prepaid Assessments (\$1590)