

ODD FELLOWS SIERRA RECREATION ASSOCIATION, INC.  
REVIEWED FINANCIAL STATEMENTS  
MAY 31, 2004

**E. CLAY MADDOX**

CERTIFIED PUBLIC ACCOUNTANT

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ACCOUNTANT'S REPORT

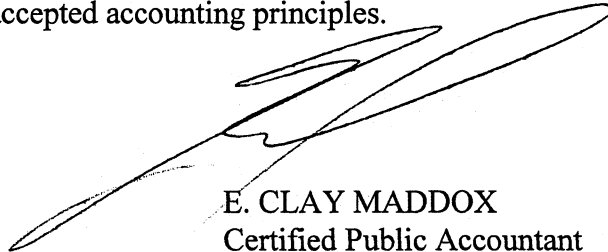
The Board of Directors  
ODD FELLOWS SIERRA RECREATION ASSOCIATION, INC.  
Long Barn, CA

I have reviewed the accompanying Statement of Assets and Liabilities of ODD FELLOWS SIERRA RECREATION ASSOCIATION, INC. as of May 31, 2004, the related Statement of Revenue and Expenditures 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. All information included in these financial statements is the representation of the management of ODD FELLOWS SIERRA RECREATION ASSOCIATION, INC.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

My review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles.



E. CLAY MADDOX  
Certified Public Accountant

October 13, 2004

ODD FELLOWS SIERRA RECREATION ASSOC., INC.  
 STATEMENTS OF ASSETS AND LIABILITIES  
 MAY 31, 2004

ASSETS

CURRENT ASSETS

Cash on hand	\$200.00
Cash in banks	555,366.70
Accounts receivable - legal fees (Note 7)	17,500.00
Income taxes	<u>8,400.00</u>
Total Current Assets	<u>\$581,466.70</u>

EQUIPMENT, FIXTURES AND BUILDING, at cost, less accumulated depreciation (Note 3)	<u>131,582.81</u>
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Total Assets	<u><u>\$713,049.51</u></u>
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LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Payroll taxes payable	\$1,589.82
Other payable	<u>150.00</u>
Total Current Liabilities	<u>\$1,739.82</u>

MEMBERS' EQUITY

Retained earnings	<u>\$711,309.69</u>
Total Members' Equity	<u>\$711,309.69</u>

Total Liabilities and Members' Equity	<u><u>\$713,049.51</u></u>
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See Accompanying Notes and Independent Accountant's Report.

ODD FELLOWS SIERRA RECREATION ASSOC., INC.  
STATEMENT OF REVENUE AND EXPENDITURES AND  
CHANGES IN MEMBERS' EQUITY  
FOR THE PERIOD ENDED MAY 31, 2004

REVENUE

Assessments	\$174,720.00
Property rental	6,767.41
Fish donations	2,196.00
Reserve income	7,280.00
Gate income	2,885.00
Timber	33,615.95
Interest	2,325.17
Timber interest	12,055.81
Other revenue	694.75
Total Revenue	<u>\$242,540.09</u>

EXPENDITURES

Advertising	\$63.75
Auto mileage reimbursement	3,520.73
Depreciation	86,445.00
Employee benefits	4,456.09
Fish derby	1,803.44
Fuel expenditure	4,480.26
Garbage expense	12,067.83
Gate expenditure	694.05
Health and safety	1,537.82
Insurance	38,603.06
Interest/bank chgs.	46.75
Professional expenditure	16,673.15
Accounting expenditure	12,975.73
Member communications	2,980.91
Office supplies	345.40
Outside services	140.00
Permits and fees	720.00
Recreation	1,565.30
Maintenance - building	6,390.25
Maintenance - equip.	3,284.07
Maintenance - roads	1,105.58
Maintenance - water system	3,109.46
Repairs and maintenance	1,399.07
Supplies - shop	1,029.69
Supplies - rec. hall	367.83
Taxes - payroll	5,156.07
Taxes - property	2,233.34
Taxes and licenses	223.00
Timber	6,710.00
Telephone	977.42
Utilities	12,704.96
Payroll	57,219.79
Water testing & fees	2,897.86
Franchise tax expenditure	22,345.00
Income tax	72,802.00
Total Expenditures	<u>\$389,074.66</u>

Excess Revenue Over Expenditures -\$146,534.57

Members' Equity - beginning of period 857,844.26

Members' Equity - end of period \$711,309.69

See Accompanying Notes and Independent Accountant's Report

ODD FELLOWS SIERRA RECREATION ASSOC., INC.  
STATEMENT OF CASH FLOWS  
For Year Ended May 31, 2004

	OPERATING FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess of revenues over expenditures	-\$146,534.57
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation	86,445.00
(Increase)/decrease in assets	
Accounts receivable	-25,900.00
Increase/(decrease) in payables	235.84
Total adjustments	60,780.84
 <b>NET CASH PROVIDED (USED)     BY OPERATING ACTIVITIES</b>	 -\$85,753.73
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisition of fixed assets	-54,957.91
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 -\$140,711.64
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>696,278.34</b>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <b>\$555,566.70</b>
 <b>SUPPLEMENTAL DISCLOSURE</b>	
Income taxes paid	\$800.00

See Accompanying Notes and Independent Accountant's Report.

ODD FELLOWS SIERRA RECREATION ASSOC., INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2004

NOTE 1. NATURE OF ORGANIZATION

ODD FELLOWS SIERRA RECREATION ASSOC., INC. (Association) was established in May 1949. The Association is incorporated under the state laws of California and restated its articles of incorporation on October 10, 1986.

The Association consists of approximately 400 acres of timberlands located in Long Barn, California. Within the boundaries of the Association exists a gated 365 lot subdivision and various park amenities. The purpose of the Association is to operate and maintain the common property of the Association, specifically the water system, garbage, and roads. The Association has established a timber plan to periodically log its timber. Proceeds from the timber harvest are used for capital acquisitions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing 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 and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Water Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements of the water system.

Equipment Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements of the equipment.

Road Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements of the roads.

Timber Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

### Member Assessments

Association members, the subdivision lot owners, are subject to yearly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are billed in June and are considered delinquent if not paid by July 31st. The Association may file a Notice of Assessment Lien in Tuolumne County against the property owner for delinquent dues.

### Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

### Interest Income

Interest income is allocated to the operating and other funds in proportion to the interest-bearing deposits of each fund.

### Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended May 31, 2004, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, property sales and investment income at regular federal and state corporate rates.

## NOTE 3. PROPERTY AND EQUIPMENT

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment acquired by the Association are recorded at cost.

Water system	\$166,944.42
Roadways and related improvements	481,686.16
Maintenance equipment and vehicles	214,257.07
Office equipment and furniture	4,249.00
Leasehold improvements	<u>8,100.16</u>
	\$875,236.81
Less accumulated depreciation	<u>(743,654.00)</u>
	<u>\$131,582.81</u>

### Depreciation Method

Depreciation is charged on the historical cost of plant and equipment on a straight-line basis ranging from five to thirty years.

#### NOTE 4. CASH AND CASH EQUIVALENTS

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Petty Cash	\$ 200.00
USB Checking	4,258.32
USB Money Market	5,806.14
USB Money Market	10,852.44
WSL Timber	42,515.74
WSL Water Reserve	38,787.79
Sentinel Savings Timber	95,521.16
Road Reserve Fund	19,657.91
Equipment Reserve	35,510.71
Westamerica Bank Timber	101,821.27
County Bank Timber	98,371.58
El Dorado Savings Timber	<u>102,263.64</u>
	\$555,566.70

#### NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has not conducted a study to determine the remaining useful lives of the roads and water systems and current estimated costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, The Association has the right to utilize available cash, increase the timber harvest, pass special assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

#### NOTE 6. INTERFUND TRANSFERS

The interfund transfer from the reserve fund to the operating consisted of assets purchased by reserve funds. All assets purchased with reserve funds are required to be reported in the operating fund.



NOTE 7. CONTINGENT LIABILITY

Alameda Boy Scouts have sued Odd Fellows Sierra Recreation Association and Del Wallis. The Association's attorney describes this case as a quiet title to a claimed roadway easement and for damages. A portion of this case was tried in June and July of 2004. No decision has been rendered. The Boy Scouts are seeking access to the road and \$400,000.00 in damages. Legal fees are expected to be reimbursed by the Association's insurance company.