

LATITUDE 49 RESORT PARK ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2006

INDEPENDENT AUDITOR'S REPORT

June 17, 2007

The Board of Directors
Latitude 49 Resort Park Association
Blaine, Washington

We have audited the accompanying balance sheet of Latitude 49 Resort Park Association as December 31, 2006 and 2005 the related statements of revenue and expense and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Association'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 misstatements. An audit includes examining, on 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 our audit provides a reasonable basis for our opinion.

The American Institute of Certified Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of the basic financial statements. As described in Note 6, Latitude 49 Resort Park Association has not presented the supplementary information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Latitude 49 Resort Park Association as of December 31, 2006 and 2005.

LATITUDE 49 RESORT PARK ASSOCIATION
BALANCE SHEET
December 31, 2006 and 2005

ASSETS	2006	2005
Current Assets		
Cash	\$ 22,300	\$ 19,751
Capital Reserve-WIB	11,993	
Accounts Receivable	7,606	3,803
Prepaid Insurance	15,161	10,053
Prepaid Expenses		348
Total Current Assets	57,060	33,955
Property and Equipment		
Land	18,227	18,227
Tenant Improvements	33,627	0
Equipment - Net	38,464	45,063
Total Property & Equipment	90,318	63,290
Other Assets		
Investment-Edward Jones	45,625	43,791
Investment in Co-Op	443	443
Total Other Assets	46,068	44,234
TOTAL ASSETS	\$ 193,446	\$ 141,479
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts Payable	\$ 37,475	\$ 3,486
Insurance contract	6,767	
Accrued Liabilities	1,536	6,356
Deferred Assessments	7,511	9,782
Total Current Liabilities	53,289	19,624
Fund Balances		
General	134,906	118,159
Activities Reserve	5,251	3,696
Total Fund Balances	140,157	121,855
TOTAL LIABILITIES & FUND BALANCES	\$ 193,446	\$ 141,479

The accompanying notes are an integral part of these statements.

LATITUDE 49 RESORT PARK ASSOCIATION
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
 For the Year Ended December 31, 2006 and 2005

	2006		2005	
	General Fund	Activities Reserve	Total	Total
REVENUES				
Common Expense Assessments	\$212,710	\$	\$212,710	\$189,600
Interest	606		606	
Activities		14,765	14,765	11,195
Other	11,296		11,296	15,545
Total Revenue	224,612	14,765	239,377	216,340
EXPENSES				
Salaries	54,718		54,718	\$41,886
Office & Bookkeeping	7,755		7,755	11,700
Legal & Professional (Note 10)	13,572		13,572	16,110
Management fees (Note 11)	11,850		11,850	
Insurance	20,101		20,101	15,488
Payroll & Business Taxes	6,386		6,386	7,056
Utilities(Net of recoveries)	48,073		48,073	44,756
Pool Supplies	8,628		8,628	11,577
Retirement	1,250		1,250	
Janitorial Supplies	1,522		1,522	2,232
Health Insurance	5,056		5,056	5,745
Auto	2,038		2,038	
Maintenance	17,120		17,120	39,804
Depreciation	10,155		10,155	9,232
Law suit Settlement (Note 10)	1,575		1,575	13,242
Activities		11,843	11,843	8,883
Miscellaneous	258		258	1,637
	210,057	11,843	221,900	229,348
Excess of Revenue Over Expense Before Federal Income Tax and Fund Transfers	14,555	2,922	17,477	(13,008)
Provision for Federal Income Tax	0		0	0
Transfer to General Fund	1,367	(1,367)	0	
Excess of Revenue Over Expense	15,922	1,555	17,477	(13,008)
Other Comprehensive Revenue Over Expense				
Unrealized Gain on Securities	825		825	878
Total Other Comprehensive Revenue Over Expense	825		825	878
Comprehensive Revenue Over Expense	16,747	1,555	18,302	(12,130)
Fund Balance, January 1,	118,159	3,696	121,855	133,985
Fund Balances, December 31,	\$134,906	\$5,251	\$140,157	\$121,855

The accompanying notes are an integral part of these statements.

LATITUDE 49 PARK ASSOCIATION
STATEMENT OF CASH FLOWS - ALL FUNDS
For the Year Ended December 31, 2006 and 2005

CASH FLOWS FROM OPERATING ACTIVITIES

	2006	2005
Members dues and assessments collected		
Activities and other receipts	\$233,676	\$213,175
Cash paid to suppliers	(127,233)	(180,978)
Cash paid for payroll	(54,718)	(41,886)
Federal income tax paid		(1,806)
Net cash provided by operating activities	51,725	(11,495)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(37,183)	(9,168)
Net cash used by investing activities	(37,183)	(9,168)

NET (DECREASE) INCREASE IN CASH 14,542 (20,663)

CASH, beginning of period 19,751 40,414

CASH, end of period \$34,293 \$19,751

RECONCILIATION OF EXCESS OF REVENUES OVER(UNDER) EXPENSES
TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Excess of comprehensive expenses over revenues	\$18,302	(\$12,130)
Adjustments to reconcile net cash by operating activities		
Depreciation	10,155	9,232
Increase in investment in securities	(1,009)	
Unrealized gain on securities	(825)	(878)
(Increase) decrease in:		
Accounts receivable	(3,803)	(1,286)
Prepaid expenses	(4,760)	(539)
Increase(decrease) in:		
Accounts payable	40,756	(2,470)
Accrued liabilities	(4,820)	(1,545)
Deferred assessments	(2,271)	(1,879)
Net cash provided (used) by operating activities	\$51,725	(\$11,495)

The accompanying notes are an integral part of these statements.

LATITUDE 49 RESORT PARK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1-ORGANIZATION – Latitude 49 Resort park Association (The Association) is a not-for-profit owners' association incorporated in the State of Washington and located in Blaine, Washington. The main purpose of the Association is to maintain, preserve and manage the common property. The Association is comprised of 318 parcels suitable for manufactured homes and recreational vehicles. It is funded by assessments from its members, as provided by the Declaration and Covenants, Conditions, Restrictions and Reservations for Latitude 49 Resort Park as originally recorded July 7, 1992.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Association prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, and expenses are recognized when goods or services are received, whether paid or not.

Fund Accounting – 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:

General Fund – This fund is used to account for financial resources available for the Association

Clubhouse Reserve – This fund is used to accumulate financial resources designated for Clubhouse improvements and equipment. No funds had been segregated for that purpose at December 31, 2006.

Activities Reserve – This fund is used to accumulate financial resources designated for Social activities in the Association.

Cash and Cash Equivalents – The Association maintains a petty cash account and checking accounts which is classified as cash for the purposes of the statement of cash flows.

Accounts Receivable and Deferred Assessments – Members' assessments receivables are recorded as accounts receivable, net of uncollectible amounts. The balance of accounts receivable as of December 31, 2006 is \$7,606. Management believes that all accounts are fully collectible. Prepaid assessments by members are recorded as deferred revenues. The deferred assessments as of December 31, 2006 is \$7,511.

Recognition of Assets and Depreciation Policy – Real property, common elements and improvements as provided by the Declarant are not recognized as association assets as the Association does not hold title to such property, and disposition is restricted by the Declaration. Assets acquired by the Association with Association funds are capitalized on a straight-line method over the estimated useful life.

All expenditures for real property common maintenance and replacements are reflected as an expense in the reporting period incurred.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LATITUDE 49 RESORT PARK ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2006 and 2005

NOTE 3 – OWNERS’ ASSESSMENTS – Monthly homeowner assessments are levied on each individual parcel owner as specified by the Declaration. In addition to monthly assessments, the Board of Directors has the authority to levy special assessments on the membership.

NOTE 4 – FEDERAL INCOME TAXES – For the year ended December 31, 2006, the Association was taxed as a Homeowners and filed Form 990H. No tax was due with that return. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is only taxed on its nonmember income, such as interest earnings, at regular federal corporate rates. As of December 31, 2006, no federal income tax was due based upon taxable income of \$12,042.

NOTE 5 – PROPERTY AND EQUIPMENT- At December 31, 2006 and 2005 property and equipment consists of the following:

	2006	2005
Land	\$ 18,227	\$ 18,227
Tenant improvement	33,627	
Equipment	<u>66,068</u>	<u>62,513</u>
	105,199	80,740
Accumulated depreciation	- (27,605)	(17,450)
Property & equipment net	\$ <u>90,318</u>	\$ <u>63,290</u>

NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS – The Declaration states the responsibility of the Association for maintaining the common areas, and defines the extent of such common areas. The Declaration allows the Board of Directors to include a provision in the annual budget for funding future repair and replacement costs. The Declaration also allows the Board of Directors to levy special assessments when existing funds are inadequate for that or any reason.

The Association has not undertaken a study to estimate the remaining lives and replacement costs of common property. Such estimates would provide information about the anticipated future costs of common properties and the funds necessary to accumulate toward such expenditures. The Board has also not developed a plan to fund those needs. When replacement funds are needed to meet future cost of major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

NOTE 7 – OTHER INCOME – Other income consists of miscellaneous revenues from laundry and pool facilities, key card income, and sales of clothing with the Association logo on them.

NOTE 8 – CONCENTRATION OF CREDIT RISK AND FINANCIAL INSTRUMENTS – At December 31, 2006, financial instruments that potentially subject the Association to credit risk include \$45,625, which represents brokerage funds insured through the Securities Investor Protection Corporation, a non-government source. The unrealized gain on these securities was \$825 for the year ended December 31, 2006.

NOTE 9 – CONTINGENCIES –Contingencies disclosed in the financial statements for the prior fiscal year were ultimately settled in 2005 and 2006. A final payment of \$1,575 was made to a unit holder in order to reimburse her for legal costs

LATITUDE 49 RESORT PARK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 10-LAWSUIT SETTLEMENT COSTS-During 2005 the Association settled a dispute with Telecom, LLC related to the provision of communications services to the Association. The final resolution was for Latitude 49 to pay the sum of \$15,095, dismissal of a lawsuit and entry into a new telecommunications contract.

Note 11-MANAGEMENT CONTRACT-The Association entered into a Condominium Management Agreement with Property Management Professionals, Inc. of Bellingham, Washington commencing August 1, 2006 for a one year term, automatically renewable for an additional year, unless affirmatively terminated. Monthly service fees are based upon an initial rate of \$7.50 per door month based upon the 316 units listed in the Association's Declaration. Extra charges are provided for extra services to the Association as they are required.