

INDIAN LAKE ESTATES, INC.
INDIAN LAKE ESTATES, FLORIDA
INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS,
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31,2006

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Bunting, Tripp & Ingley, LLP

CERTIFIED PUBLIC ACCOUNTANTS

A Tradition of Excellence for Over Seventy Years



March 23, 2007

Independent Auditor's Report

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ALSO WITH OFFICES IN
TAMPA, FLORIDA

The Board of Directors
Indian Lake Estates, Inc.
Indian Lake Estates, Florida

We have audited the accompanying statement of financial position of Indian Lake Estates, Inc. (the Corporation) as of December 31, 2006, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 misstatement. An audit includes examining, on a 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 that our audit provides a reasonable basis for our opinion.

As described in Note C to the financial statements, the Corporation does not consolidate its wholly owned subsidiary I.L.E. Utilities, Inc., which provides water and sewer services to residents and others at Indian Lake Estates. In our opinion, majority-owned subsidiaries should be consolidated when preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of not consolidating its wholly owned subsidiary, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Lake Estates, Inc., as of December 31, 2006, and the results of its activities, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on pages 10 - 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the information.

Bunting, Tripp & Ingley LLP
Certified Public Accountants

INDIAN LAKE ESTATES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

ASSETS

Cash	\$ 157,466
Assessments receivable - maintenance fees, net of allowance of \$222,221	53,579
Inventory	4,544
Prepaid insurance	6,673
Net property and equipment	<u>948,017</u>
Total assets	\$ <u>1,170,279</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 4,124
Accrued expenses	199
Capital lease contract payable	99,306
Security deposits	<u>19,755</u>
Total liabilities	<u>123,384</u>

Net Assets

Undesignated	1,043,681
Board designated	<u>3,214</u>
Total net assets	<u>1,046,895</u>
Total liabilities and net assets	\$ <u>1,170,279</u>

The accompanying notes to financial statements should be read in conjunction with this statement.

INDIAN LAKE ESTATES, INC.

STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2006

Revenues

Maintenance fees	\$ 651,582
Golf course:	
Memberships	72,605
Green fees	256,447
Cart fees	334
Golf shop sales	10,470
Cart storage	2,000
Other revenue - golf related	16,060
Miscellaneous revenue	49,121
Interest income	<u>36,821</u>
 Total revenues	 <u>1,095,440</u>

Expenses

Golf course	320,306
Golf shop	155,646
Clubhouse	79,264
Streets and grounds	250,040
Bingo and security	22,024
Restaurant	3,370
General and administrative	<u>165,290</u>
 Total expenses	 <u>995,940</u>

Increase in net assets	<u>99,500</u>
Net assets - beginning of year, as previously reported	928,229
Prior period adjustment (Note I)	<u>19,166</u>
Net assets - beginning of year, as restated	<u>947,395</u>
Net assets - end of year	<u>\$ 1,046,895</u>

The accompanying notes to financial statements should be read in conjunction with this statement.

INDIAN LAKE ESTATES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006

Operating Activities

Increase in net assets	\$ 99,500
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	69,257
Gain on sale of equipment	(2,800)
(Increase) decrease in:	
Inventory	5,758
Prepaid insurance	292
Increase(decrease) in:	
Accounts payable	(1,167)
Accrued expenses	<u>(204)</u>
Total adjustments	<u>71,136</u>
Net cash provided by operating activities	<u>170,636</u>

Investing Activities

Purchases of property and equipment	(158,990)
Proceeds on sale of equipment	4,000
Security deposits received	<u>3,086</u>
Net cash used by investing activities	<u>(151,904)</u>

Financing Activities

Repayment of capital lease	<u>(28,364)</u>
Net cash used by financing activities	<u>(28,364)</u>
Net decrease in cash	(9,632)
Cash - beginning of year	<u>167,098</u>
Cash - end of year	<u>\$ 157,466</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	<u>\$ 10,689</u>
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The accompanying notes to financial statements should be read in conjunction with this statement.

INDIAN LAKE ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

Note A - Organization

Indian Lake Estates, Inc. (the Corporation) is a not-for-profit corporation under Internal Revenue Code section 501(c)(4) and Florida Statutes 617. The Corporation was incorporated for the purpose of providing community enhancement services for the residents and property owners of Indian Lake Estates, Florida. Indian Lake Estates is located in central Florida, approximately 17 miles east of Lake Wales. The community encompasses approximately 135 square miles of paved and unpaved streets, a fishing pier, a golf course, a clubhouse with a restaurant, a community meeting center, and offices for the Corporation.

The Corporation has a wholly owned subsidiary, I.L.E. Utilities, Inc. (the Utility), which provides water service to residents and others within Indian Lake Estates (See Note C).

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation had no temporarily or permanently restricted net assets in 2006.

Member Assessments

The Corporation's members are assessed an annual maintenance fee which is collected to meet the Corporation's normal operating costs and fund capital expenditures. The fee is based on the assessed valuation of each member's property, with a minimum fee of \$50 and a maximum fee of \$150 per lot owner. There are 8,123 building lots within Indian Lake Estates.

Assessments receivable represent the net balance of the unpaid assessments expected to be collected in the ensuing year. The Corporation provides an allowance for doubtful accounts, equal to the estimated uncollectible amount, based on historical collection experience and a review of the individual member accounts. Balances outstanding after the Corporation has used reasonable collection efforts are written off through a charge to the valuation allowance. It is reasonably possible that the estimate of the allowance for doubtful accounts will change.

INDIAN LAKE ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED DECEMBER 31, 2006

Note B - Summary of Significant Accounting Policies - Continued

Inventory

Inventory consists of merchandise held for resale in the Corporation's golf shop and is stated at the lower of **cost** or market, with cost determined on a first-in, first-out basis.

Property and Equipment

Property and equipment purchased is recorded at cost. Equipment and vehicles are depreciated using mostly accelerated methods over the estimated useful life of the asset ranging from three to seven years. Real property is depreciated on a straight-line basis over a useful life of approximately thirty years. Property contributed to the Corporation by the developer has been recorded at estimated fair value at the date of receipt.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Revenues are recognized as they are earned or assessed.

Income Taxes

The Corporation has been granted tax-exempt status by the Internal Revenue Service, qualifying under Internal Revenue Code Section 501(c)(4). Tax-exempt status is based upon the Corporation operating as a social welfare organization, promoting the common good, and the general welfare of the Indian Lakes Estates community, as well as the general public.

Although organizations exempt under Section 501(c)(4) pay no tax on their exempt function income, they can be liable for business tax on income they earn from activities not related to their exempt purpose. The Corporation engaged in no activities that were not related to their exempt purpose in 2006.

INDIAN LAKE ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED DECEMBER 31,2006

Note B - Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note C - Water and Sewer Subsidiary

The Corporation owns all of the outstanding capital stock of I.L.E. Utilities, Inc. (the Utility). Generally accepted accounting principles require consolidation of subsidiaries which are wholly owned or where the owner has substantial control over the operations of the entity. The Corporation has not consolidated the Utility historically.

The Utility has an October year-end. Its tax return for the year ended October 31,2006, reflected the following information:

Assets

Cash	\$ 42,180
Receivables	5,559
Property and equipment, net	97,176
Other assets	<u>5,344</u>

Total assets \$ 150,259

Liabilities

Accrued expenses and debt \$ 86,088

Stockholder's Equity

Common stock	7,500
Paid in capital	2,699
Retained earnings	<u>53,972</u>

Total stockholder's equity 64,171

Total liabilities and equity \$ 150,259

The Utility had water revenues for the year ended October 31,2006, of \$94,470, and a net loss of \$9,607.

INDIAN LAKE ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED DECEMBER 31, 2006

Note D - Cash Accounts

At December 31, 2006, cash consists of the following:

Undesignated	\$ 154,252
Board designated for security and bingo accounts	<u>3,214</u>
Total	\$ <u>157,466</u>

Note E - Net Property and Equipment

Net property and equipment consist of the following:

Building, grounds, and golf course	\$ 980,767
Equipment	760,619
Vehicles	<u>63,668</u>
	1,805,054
Less: accumulated depreciation	<u>857,037</u>
Net property and equipment	\$ <u>948,017</u>

Note F - Capital Lease Contract Payable

The Corporation is indebted on a capital lease for golf course equipment. The lease is payable in annual installments of \$38,998 through 2009, including imputed interest.

Maturities of the capitalized lease obligation are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2007	\$ 30,619
2008	33,190
2009	<u>35,497</u>
Total	\$ <u>99,306</u>

INDIAN LAKE ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED DECEMBER 31, 2006

Note G - Operating Lease

At December 31, 2006, the Corporation is committed on an operating lease for golf carts. Future noncancelable minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2007	\$ 18,469
2008	18,469
2009	4,617

Note H - Fair Value of Financial Instruments

The Corporation estimates that the fair value of all financial instruments at December 31, 2006, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Note I - Prior Period Adjustment

Certain equipment purchases made in prior years were reported as expenses of those periods. Generally accepted accounting principles requires that major equipment purchases be capitalized and depreciated over the estimated useful life of the assets. The effect of capitalizing this equipment is an increase in net assets at December 31, 2005, of \$19,166.

Note J - Contingencies

There is currently a recall effort underway whereby certain corporate members seek to have the President and another member of the Board removed from the Board of Directors. As a component of that pending Polk County, Florida circuit court action styled as *Steve Mace vs. John Rasnic, Jeanne Rasnic, Patrick Landy, Janice Masotti, Sherry Way, Greg Gilchrist, and Harold Love; Case No. 2007CA-0240*, additional relief is sought by Board members, asking the trial court to rule on the efficacy of the recall effort. This litigation is in its early stages. The court has appointed a special master, Thomas M. Baynes Jr., Peterson & Myers, 141 5th Street, N.W. Winter Haven, Florida 33881, to oversee the Corporation until these matters can be sorted out and the makeup and membership of the Board can be settled. A copy of that court order is attached hereto. The attorney's fees and costs to the Corporation to resolve this matter will be substantial.

The Corporation is also involved in two matters regarding (1) enforcing restrictive covenants and (2) responding to inquiries by the Florida Public Service Commission into the operation and structure of ILE Utilities, Inc. (Note C). The disagreement described in the preceding paragraph makes it difficult to know who has authority to act on behalf of the Corporation in these two matters. Depending on the direction this case or matter takes will determine what financial impacts they may have on the Association.

SUPPLEMENTAL INFORMATION

INDIAN LAKE ESTATES, INC.

SUPPLEMENTAL SCHEDULE OF GOLF COURSE EXPENSES

YEAR ENDED DECEMBER 31, 2006

Salaries and wages	\$ 142,570
Gasoline and oil	27,132
Repairs and maintenance	25,730
Utilities and telephone	25,129
Fertilizer and chemicals	22,203
Depreciation	21,507
Supplies and small tools	14,210
Seed	12,946
Taxes - payroll	12,632
Interest	10,689
Group insurance	5,089
Miscellaneous	<u>469</u>
Total golf course expenses	\$ <u>320,306</u>

INDIAN LAKE ESTATES, INC.

SUPPLEMENTAL SCHEDULE OF GOLF SHOP EXPENSES

YEAR ENDED DECEMBER 31, 2006

Salaries and wages	\$ 56,712
Insurance	28,980
Lease expense - golf carts	28,884
Cost of sales - merchandise	14,608
Taxes - payroll	6,523
Utilities and telephone	6,230
Cost of snack food sales	5,060
Supplies	2,513
Professional fees	2,438
Taxes and licenses	2,127
Depreciation	672
Repairs	418
Miscellaneous	<u>481</u>
Total golf shop expenses	\$ <u>155,646</u>

INDIAN LAKE ESTATES, INC.

SUPPLEMENTAL SCHEDULE OF CLUBHOUSE EXPENSES

YEAR ENDED DECEMBER 31, 2006

Utilities	\$	25,884
Salaries and wages		21,641
Depreciation		14,486
Repairs and maintenance		6,550
Supplies		4,179
Sanitation services		3,581
Taxes - payroll		2,217
Miscellaneous		<u>726</u>
Total clubhouse expenses	\$	<u>79,264</u>

INDIAN LAKE ESTATES, INC.

SUPPLEMENTAL SCHEDULE OF STREETS AND GROUNDS EXPENSES

YEAR ENDED DECEMBER 31, 2006

Salaries and wages	\$ 109,931
Repairs and maintenance	30,553
Depreciation	26,363
Hired services	21,412
Utilities and telephone	16,848
Gasoline and oil	13,664
Supplies and small tools	11,988
Taxes - payroll	9,704
Insurance	5,862
Fertilizer and chemicals	772
Miscellaneous	<u>2,943</u>
Total streets and grounds expenses	\$ <u>250,040</u>

INDIAN LAKE ESTATES, INC.

SUPPLEMENTAL SCHEDULE OF BINGO AND SECURITY EXPENSES

YEAR ENDED DECEMBER 31, 2006

Utilities	\$	4,609
Repairs and maintenance		3,832
Depreciation		3,503
Supplies		3,245
Vehicle expense		2,873
Communication expense		144
License		146
Miscellaneous		<u>3,672</u>
Total bingo and security expenses	\$	<u>22,024</u>

INDIAN LAKE ESTATES, INC.

SUPPLEMENTAL SCHEDULE OF RESTAURANT EXPENSES

YEAR ENDED DECEMBER 31, 2006

Repairs and maintenance	\$ 2,028
Utilities and miscellaneous	<u>1,342</u>
Total restaurant expenses	<u>\$ 3,370</u>

INDIAN LAKE ESTATES, INC.

SUPPLEMENTAL SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 2006

Salaries and wages	\$ 68,165
Accounting and legal	27,271
Insurance - group and general	23,277
Office supplies and postage	9,184
Office furniture and equipment repair	8,953
Taxes - payroll	6,092
Telephone	4,200
Newsletter	4,166
Taxes - property and other	3,528
Social activities	3,484
Office equipment lease and rental	3,065
Depreciation	2,706
Credit and collection	(287)
Miscellaneous	<u>1,486</u>
Total general and administrative expenses	\$ <u>165,290</u>