FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC

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BALANCE SHEETS

DECEMBER 31, 2003 and 2002

	2003	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 3)	$ 56,195	$ 8,919
Current portion of notes receivable (Note 4)	301,800	308,800
Allowance for loan losses (Note 4)	(125,000)	(125,000)
Current portion notes receivable, preferred shareholders (Note 7)	114,606	45,482
	347,601	238,201
Participation notes receivable (Notes 4 and 5)	717,984	717,984
Notes receivable, preferred shareholders less current portion shown above (Note 7)	530,300	541,349
Notes receivable, related party (Note 7)	95,108	95,108
	1,343,392	1,354,441
Property and equipment, at cost (Note 1)	22,588	22,588
Less - Accumulated depreciation	18,705	16,924
	3,883	5,664
	$1,694,876	$1,598,306

The accompanying notes to financial statements are an integral part of these statements.

Exhibit to:

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Paragraph 11

FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

BALANCE SHEETS

DECEMBER 31, 2003 and 2002

	2003	2002
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Demand and short-term notes payable (Note 6)	$ 519,346	$ 519,346
Accounts payable	56,039	46,040
Accrued expenses (Note 8)	91,876	193,295
Notes payable - officer	273,450	-
Total current liabilities	940,711	758,681
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock - $1 par value, 15,000 shares authorized, 15,000 shares issued and outstanding	15,000	15,000
Preferred stock subscribed, $1,000 par value, 994 shares pending	994,000	994,000
Preferred stock, $1,000 par value, 0 shares authorized, 392 shares issued and outstanding (Note 9)	392,000	392,000
Additional paid-in capital	242,950	242,950
Retained earnings	(889,785)	(804,325)
	754,165	839,625
	$1,694,876	$1,598,306

The accompanying notes to financial statements are an integral part of these statements.

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FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

	2003	2002
REVENUE	$3,797,427	$3,131,903
OPERATING EXPENSES:		
Mortgage expense	1,568,822	918,459
Commissions	513,502	415,184
Interest expense	491,510	321,524
Client fees expense	150,832	114,893
Advertising and promotion	155,836	24,370
Salaries and related payroll taxes	307,721	210,441
Rent (Note 8)	78,000	77,450
Fees	16,387	49,424
Telephone	20,347	23,256
Insurance	74,514	34,548
Postage	20,885	13,108
Supplies	41,262	98,918
Maintenance	13,946	61,160
Professional expenses (Note 8)	99,154	109,833
Client refunds	32,763	24,788
Travel and entertainment	5,597	6,944
Utilities	16,153	7,576
Contributions	52,126	34,922
Office	45,975	39,246
Depreciation	1,781	2,701
Miscellaneous	876	3,733
Provision for credit losses (Note 4)	-	125,000
	3,707,989	2,717,478
INCOME FROM OPERATIONS	89,438	414,425
OTHER INCOME (EXPENSES):		
Interest income (Note 7)	-	124,288
INCOME BEFORE PROVISION FOR INCOME TAXES	89,438	538,713
PROVISION FOR TAXES (Note 2)	8,578	4,000
NET INCOME	$ 80,860	$ 534,713

The accompanying notes to financial statements are an integral part of these statements.

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FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

	Common Stock	Preferred Stock	Preferred Stock Subscribed	Additional Paid In Capital	Retained Earnings
Balance, December 31, 2001	$15,000	$459,000	$930,000	$242,950	$(1,172,718)
Shares issued/subscribed	-	-	64,000	-	-
Net income	-	-	-	-	534,713
Dividends	-	-	-	-	(166,320)
Shares redeemed	-	(67,000)	-	-	-
Balance, December 31, 2002	$15,000	$392,000	$994,000	$242,950	$ (804,325)
Shares issued/subscribed	-	-	-	-	-
Net income	-	-	-	-	80,860
Dividends	-	-	-	-	(166,320)
Shares redeemed	-	-	-	-	-
Balance, December 31, 2003	$15,000	$392,000	$994,000	$242,950	$ (889,785)

The accompanying notes to financial statements are an integral part of these statements.

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FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 80,860	$534,713
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,781	2,701
Provision for credit losses	-	125,000
Increase (decrease) in the following liabilities:		
Accounts payable	9,999	19,321
Accrued expenses	(101,419)	79,000
Net cash provided by operating activities	(8,779)	760,735
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	-	-
Payments (advances) on notes receivable	7,000	(83,100)
Payments (advances) preferred shareholders notes receivable	(58,075)	(48,018
Payments received from related party notes receivable, net	-	98,399
Net cash used in investing activities	(51,075)	(32,719
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from officer notes payable	273,450	-
Advances (repayments) from short-term financing	-	(504,319)
Advances (repayments) on related party notes payable	-	(55,501)
Subscribed preferred stock	-	68,000
Preferred stock redeemed	-	(71,000)
Dividend paid	(166,320)	(166,320)
Net cash (used) provided by financing activities	107,130	729,140
NET INCREASE (DECREASE) IN CASH	47,276	(1,124)
CASH AND CASH EQUIVALENTS, beginning of year	8,919	10,043
CASH AND CASH EQUIVALENTS, end of year	$ 56,195	$ 8,919

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2003	2002
CASH PAID DURING THE YEAR FOR:		
Interest	$491,510	$321,524
Income taxes	$ 6,314	$ 2,495

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Exhibit to:

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PENALTY/FINE WAIVER FORM

Date: 04/08/04

Name of Licensee: FINANCIAL RESOURCES AND ASSISTANCE OF THE LAKES REGION INC.

License Type: 1st MORTGAGE BANKER & BROKER; SECOND MTGE HOME LOAN LNDR

	Amount Invoiced	Amount Waived	Balance Due
☐ Complaint			
☐ Annual Report			
☒ Financial Statement	25.00	25.00	0.00

Recommended by: _____

Approved by: _____

Recommendation:

WAIVE PENALTY.

Reason:

PACKAGE WAS READY FOR MAILING ON 3/26. NEEDED TO BE SIGNED BY BOSS. BOSS WENT INTO HOSPITAL FOR MINOR SURGERY WITHOUT TELLING ANYONE. RETURNED TO WORK ON 3/30, SIGNED REPORT AND WAS SENT IN A DAY LATE.x

Business Office:

Invoice #:_____ Date of Invoice:_____ Initials:_____ Date Processed:_____

Exhibit to:

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