2005

THE MOUNTAIN RETREAT & LEARNING CENTERS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2005 AND 2004

the mountain

2005

THE MOUNTAIN RETREAT & LEARNING CENTERS, INC.

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ACCOUNTANTS' REVIEW REPORT

Board of Trustees
The Mountain Retreat and Learning Centers, Inc.
Highlands, North Carolina

We have reviewed the accompanying statements of financial position of The Mountain Retreat & Learning Centers, Inc. (the "Mountain") of Highlands, North Carolina as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information include in these financial statements is the representation of the management of the Mountain.

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Mountain will continue as a going concern. As discussed in Note M in the Notes to the financial statements, the Mountain has suffered recurring operating losses and significant reductions in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note M. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
March 30, 2006

THE MOUNTAIN RETREAT & LEARNING CENTERS, INC.

STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

DECEMBER 31, 2005 AND 2004

		2005		2004
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	93,640	$	48,728
Donor Pledges Receivable, Net		41,504		67,044
Other Receivables		28,200		-
Inventories, Net		8,603		10,594
Prepaid Expenses		33,863		36,743
Other Current Assets		311,432		30,366
Total Current Assets		517,242		193,475
Donor Pledges Receivable, Less Current Portion, Net		306,046		361,175
Property and Equipment, Net		2,131,087		2,622,953
Other Assets		350,000		350,000
Total Assets		**3,304,375**		**3,527,603**
LIABILITIES AND NET ASSETS (DEFICIT)				
Current Liabilities:				
Accounts Payable		60,385		65,647
Accrued Expenses		56,248		90,660
Accrued Interest		266,495		233,867
Demand Notes Payable		172,282		63,875
Amount Due Under Letter of Credit		-		204,778
Current Portion of Long-Term Debt		705,528		273,089
Deferred Revenue		64,201		36,623
Other Current Liabilities		26,829		35,232
Total Current Liabilities		1,351,968		1,003,771
Long-Term Debt, Less Current Portion		3,007,549		3,292,936
Total Liabilities		4,359,517		4,296,707
Net Assets (Deficit):				
Unrestricted		(1,579,142)		(1,293,104)
Temporarily Restricted		524,000		524,000
Total Net Assets (Deficit)		(1,055,142)		(769,104)
Total Liabilities and Net Assets (Deficit)	**$**	**3,304,375**	**$**	**3,527,603**

The notes to the financial statements are an integral part of the statements. See accompanying accountants' report.

THE MOUNTAIN RETREAT & LEARNING CENTERS, INC.

STATEMENTS OF ACTIVITIES (UNAUDITED)

YEAR ENDED DECEMBER 31, 2005 AND 2004

	2005			2004
	Unrestricted	Temporarily Restricted	Totals	Totals
REVENUES, GAINS AND OTHER SUPPORT				
Retreats and Conferences	$ 317,988	-	317,988	$ 403,921
Senior Programs	302,067	-	302,067	271,020
Youth Programs	328,546	-	328,546	315,707
Mountain Design Programs	94,664	-	94,664	47,193
Personal Retreat Guests	23,276	-	23,276	21,126
Store Margin	5,649	-	5,649	5,702
Gain on Sale of Property and Equipment	346,444	-	346,444	33,305
Other	10,780	-	10,780	56,196
Learning Center for Leadership Program	-	-	-	62,775
Contributions	215,767	-	215,767	277,206
Support from The Endowment Fund Contributions	15,152	-	15,152	18,908
Total Revenues, Gains and Other Support	1,660,333	-	1,660,333	1,513,059
EXPENSES				
Programs:				
Retreats and Conferences	247,130	-	247,130	297,508
Senior Programs	187,698	-	187,698	167,660
Youth Programs	280,952	-	280,952	246,405
Mountain Design Programs	53,489	-	53,489	53,124
Personal Retreat Guests	23,989	-	23,989	14,363
Learning Center for Leadership Program	-	-	-	95,139
Total Program Expenses	793,258	-	793,258	874,199
Support services:				
Administration and Board	700,163	-	700,163	681,320
Development	83,789	-	83,789	109,315
Interest Expense	247,847	-	247,847	230,485
Depreciation, Excluding Vehicles	121,314	-	121,314	117,171
Total Support Services Expenses	1,153,113	-	1,153,113	1,138,291
Total Expenses	1,946,371	-	1,946,371	2,012,490
Change in Net Assets	(286,038)	-	(286,038)	(499,431)
Net Assets (Deficit) at the Beginning of the Year	(1,293,104)	524,000	(769,104)	(269,673)
Net Assets (Deficit) at the End of the Year	$ (1,579,142)	524,000	(1,055,142)	$ (769,104)

The notes to the financial statements are an integral part of the statements. See accompanying accountants' report.

THE MOUNTAIN RETREAT & LEARNING CENTERS, INC.

STATEMENTS OF CASH FLOWS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Cash Flows From Operating Activities:		
Change in Net Assets	$ (286,038)	$ (499,431)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	133,374	130,206
Gain on Disposal of Property and Equipment	(346,444)	(33,305)
Forgiveness of Debt	(39,948)	(8,321)
(Increase) Decrease in Current Assets:		
Donor Pledges, Net	80,669	208,687
Other Receivables	(28,200)	-
Inventories, Net	1,991	(1,332)
Prepaid Expenses	2,880	(16,432)
Other Current Assets	18,934	21,887
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(5,262)	12,437
Accrued Expenses	(1,784)	59,185
Deferred Revenue	27,578	(52,479)
Other Current Liabilities	(8,403)	(12,032)
Net Cash Used in Operating Activities	**(450,653)**	**(190,930)**
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	(57,064)	(101,459)
Proceeds From the Sale of Property and Equipment	462,000	46,178
Net Cash Provided by (Used in) Investing Activities	**404,936**	**(55,281)**
Cash Flows From Financing Activities:		
Proceeds from Borrowings	755,939	1,356,838
Repayment of Debt	(665,310)	(1,086,489)
Net Cash Provided by Financing Activities	**90,629**	**270,349**
Net Increase in Cash and Cash Equivalents	**44,912**	**24,138**
Cash and Cash Equivalents at the Beginning of the Year	48,728	24,590
Cash and Cash Equivalents at the End of the Year	**$ 93,640**	**$ 48,728**
Non-Cash Transaction:		
Receipt of Promissory Note for the Sale of Property	$ 300,000	$ -

The notes to the financial statements are an integral part of the statements. See accompanying accountants' report.

NOTE A—NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Mountain Retreat & Learning Centers, Inc. ("MR&LC" or "The Mountain"), is incorporated in the state of Georgia as a private, not-for-profit charitable corporation. It is properly registered to conduct business in North Carolina, where it is physically located.

Founded in 1979, MR&LC is an Independent Affiliate of the Unitarian Universalist Association. The Mission of The Mountain Retreat & Learning Centers, Inc. is "to embrace the diversity of life, creating an environment to energize people to work for positive change."

With a vision "to serve as a relevant institution for generations to come, actively working with others to create communities committed to peace, justice, civility and compassionate behavior," The Mountain proactively anticipates and responds to issues impacting current and potential markets. MR&LCs commitment is to be flexible and open to incorporating changes necessary to meet financial and constituent needs - this is central to serving as a "relevant institution". Therefore, program offerings must be dynamic, innovative and designed to attract both participants and donors.

In order to achieve these goals, The Mountain has taken a number of proactive measures:

1) Dedicated staff time and energy to the creation of new programmatic initiatives that include establishing partnerships with educational institutions, justice-making organizations. Among these partnerships are The Interfaith Alliance and the Atlanta office of the International Rescue Committee. With The Interfaith Alliance ("TIA"), The Mountain has in the past year begun three major program initiatives: Leadership Education Advancing Democracy & Diversity camp ("LEADD") - a camp at The Mountain for rising high school sophomores and juniors. With intentionality, youth of widely diverse religious, cultural and geographical backgrounds are currently being selected to study the intersection of their personal values with their responsibility as citizens in a democratic society. This camp - scheduled to take place in August 2006 with the full expectation that this is the "First Annual" - is being funded by TIA Foundation. The second programmatic partnership with TIA is "Interfaith Visions for Peace," for which TIA and The Mountain share staff, marketing and some funding initiatives. Finally, in 2006, The Mountain and TIA launched a program to bring politically conservative and progressive people of many faiths together to find commonality and allow them to work specifically for equal rights in America.

The International Rescue Committee ("IRC") asked The Mountain to support their services for Refugee youth by running camps that bring these youth and American born teens together. In a safe and inspiring atmosphere, young refugees participate in "traditional" youth camps at The Mountain, and also attend Peace Camps and Peace weekends. The three primary goals of all these programs are to help create relationships with people in their community as refugee youth adjust to their new world; to help expand their understanding of living in a new culture while respecting and honoring their own; and to improve their English and leadership skills. The Mountain staff also are working with the IRC staff on team building, creating a strong mission and vision for their organization, and providing them with opportunities to get to spend time together away from the stress of their critically important work. The two organizations work together to find grants and gifts to support all of these efforts.

The primary goal of creating partnerships with other dynamic organization is to foster responsibility, build skills and learning, and engage in sustainable relationships. This provides the opportunity for partnering organizations to expand our constituents' interfaith, intercultural connections and increase the capacity to serve the larger communities we wish to reach.

NOTE A—NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) The Mountain has taken specific measures to increase revenue by hiring staff whose roles are to improve earnings and expand our Market. A Marketing Director and Sales Coordinator, both of whom report to the Development & Marketing Director, now dedicate virtually all of their time to the effort to establishing financial strength and increasing The Mountain's capacity to reach a broader market, create excitement about this organization, and attract a wider donor base.

3) In addition, MR&LC continues to maximize its unique site to incorporate experiential learning, spirituality and community building into its quality programs. From youth camps to Elderhostel, congregational retreats, organizational conferences and trainings, The Mountain serves a broad population on a year-round basis, providing meaningful, inspirational experiences for people of all ages. All of MR&LC's programs and practices are based upon our Core Values, which include the promotion of the inherent worth and dignity of all people, and commitment to a global community with peace, liberty and justice for all.

The significant accounting policies are as follows:

Method of Accounting

The financial statements of The Mountain Retreat & Learning Centers, Inc. have been prepared utilizing the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

MR&LC reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted as applicable, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-for-Profit Organizations."

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to Give

SFAS No. 116, "Accounting for Contributions Received and Contributions Made," requires that contributions be recognized when the donor makes an unconditional promise to give. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and / or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. MR&LC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based upon prior years' experience and management's analysis of specific promises made. Expensed charges for donor pledges written off as uncollectible were $11,155 in 2005 and $12,145 in 2004. See Note B for information on the allowance for uncollectible pledges and the provision for discount to present value. Pledges outstanding from board members at December 31, 2005 and December 31, 2004 were $4,672 and $8,863, respectively. Pledges outstanding from employees at December 31, 2005 and 2004 were $21,888 and $23,144, respectively.

NOTE A—NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist of store merchandise, The Mountain Quartet CDs, food and social hour items. Inventories are valued at cost (using the first-in, first-out method) or market, whichever is lower.

Prepaid Expenses

Prepaid expenses consist primarily of insurance premiums paid prior to December 31, 2005 for policies in effect during 2006.

Other Current Assets

Other current assets consist of a note receivable related to the sale of land (see Note K for details on this transaction), North Carolina sales tax to be refunded, and monies due to MR&LC for programs delivered and services rendered prior to December 31, 2005.

Other Assets

Other assets are temporarily restricted assets that consist of land donated through a Life Estate.

Property and Equipment

Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted support. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire specific property and equipment, if accepted, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, MR&LC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. MR&LC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are carried at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. MR&LC maintains a minimum capitalization threshold of $1,000.

Accrued Expenses

Accrued expenses consist of accruals for retirement funds, rent, payroll taxes and withholdings, compensated absences and compensation payable to the Chief Executive Officer ("CEO") that has been deferred until his retirement.

Income Taxes

MR&LC is a religious and educational based not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, no provision has been made for federal and state income taxes in the accompanying financial statements.

Deferred Revenue

Deferred revenues consist of deposits held for programs to be conducted in 2006.

NOTE A—NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

MR&LC considers all unrestricted highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures; accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2004 statements have been reclassified to conform to the 2005 presentation.

NOTE B—PROMISES TO GIVE, DONOR PLEDGES RECEIVABLE

Unconditional promises to give at December 31, 2005 and 2004 are as follows:

	2005	2004
Receivable in Less Than One Year	$ 41,504	$ 67,044
Receivable in More Than One Year	355,382	405,051
Total Unconditional Pledges to Give	396,886	472,095
Less Discounts to Present Value	30,491	28,876
Less Allowance for Uncollectible Promises	18,845	15,000
Sub-Total	49,336	43,876
Net Donor Pledges Receivable	$ 347,550	$ 428,219

NOTE C—INVENTORIES

Inventories consist of the following at December 31, 2005 and 2004:

	2005	2004
Food and Beverages	$ 5,284	$ 7,499
Store Merchandise	4,319	4,095
	9,603	11,594
Less Reserve for Obsolescence	1,000	1,000
Net Inventories	$ 8,603	$ 10,594

NOTE D—PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2005 and 2004:

	2005	2004
Land and Improvements	$ 867,708	$ 1,285,058
Buildings and Improvements	1,915,371	1,896,493
Furniture and Fixtures	103,536	102,026
Computer Hardware	91,045	91,045
Equipment	256,233	252,099
Vehicles	155,424	155,424
Intangibles	19,730	19,765
Construction in Progress	157,528	139,166
	3,566,575	3,941,076
Less Accumulated Depreciation	1,435,488	1,306,745
Net Property and Equipment	$ 2,131,087	$ 2,634,331

Depreciation of vehicles totaled $12,060 for 2005 and $13,035 for 2004, and has been expensed to various departments and program centers based upon usage per mileage logs.

NOTE E—RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following at December 31, 2005 and 2004:

	2005	2004
Donor Pledges Receivable	$ 174,000	$ 174,000
Land Held in a Life Estate	350,000	350,000
Total Temporarily Restricted Net Assets	$ 524,000	$ 524,000

NOTE F—LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2005 and 2004:

	2005	2004
Notes payable to members, unsecured, generally with maturities of 4 or more years; interest is payable quarterly or semiannually on some and deferred on others at interest rates ranging from 0% to 8% (averages approximately 6.75%.) Notes payable to employees at December 31, 2005 totaled $85,088 and $70,088 at December 31, 2004.	$ 2,052,935	$ 2,023,513
Notes payable to members, unsecured, with varying due dates, interest payable at 4.50% to 7.25%. Notes payable to employees at December 31, 2005 totaled $22,000 and $-0- at December 31, 2004.	131,665	150,337
Note payable to a vendor, unsecured, interest at a rate of 4.99%. Principal and interest payable in monthly installments of $577. This was paid in full in March 2005.	$ -	$ 1,718

See accountants' report.

NOTE F—LONG TERM DEBT (CONTINUED)

	2005	2004
Note payable to a bank, interest at its prime lending rate plus 1% (8.25% at December 31, 2005.) Principal and interest is payable in fixed monthly installments of $7,845 with the balance due March 2024. The debt is secured by a deed of trust on property owned by MR&LC.	$ 1,004,987	$ 1,025,265
Note payable to a bank, with interest at its prime lending rate plus 1% (8.25% at December 31, 2005), payable monthly with the balance due March 2024. The debt is secured by a deed of trust on property owned by MR&LC.	199,882	-
Annuities are payable to individuals with interest rates from 6.4% to 10.9%. Payments are made monthly, quarterly, semi-annually or annually for the life of each donor/annuitant. Payments range from $365 to $7,034 on an annual basis and were established based upon the fair value of the gifted asset. Decreases in annuities payable result from annual recalculation of the actuarial present value based upon the age of the annuitants. (See Note H also.)	158,519	187,259
Note payable to a bank, secured by a vehicle, interest at a rate of 6.75%. Principal and interest payable in monthly installments of $466 with the balance due December 2008.	15,172	19,548
Loan payable to and an investment of The Mountain Endowment Fund, Inc. which was founded exclusively for the ongoing financial support of The Mountain. Interest on the loan/investment is payable monthly at 4.5%.	149,917	158,385
Total Long-Term Debt	3,713,077	3,566,025
Less Current Portion of Long-Term Debt	705,528	273,089
Non-Current Portion of Long-Term Debt	$ 3,007,549	$ 3,292,936

Maturities of Long-Term Debt at December 31, 2005 are as follows:

2006	$ 705,528
2007	781,399
2008	581,936
2009	183,794
2010	103,130
Thereafter	1,357,290
Total	$ 3,713,077

The Mountain paid a total of $215,219 and $172,257 in interest charges during 2005 and 2004, respectively. Subsequent to December 31, 2005, the Mountain borrowed an additional $50,000 from a bank to pay off maturing promissory notes.

NOTE G—RETIREMENT PLAN

MR&LC adopted a defined contribution retirement plan (an IRC 403(b) deferred annuity plan) as of January 1, 1991. Each eligible employee may contribute up to 20% of their gross pay into the plan. For those qualified employees that contribute to the plan, MR&LC will make up to 3% matching contributions, dollar-for-dollar, at year-end. Additionally, MR&LC may contribute annually a discretionary percentage of each qualified employee's gross pay. This amount has historically been 2% but may vary year to year. Employees are immediately 100% vested in employee and employer funded contributions. Employer contributions for the years ending December 31, 2005 and 2004 totaled $16,810 and $18,783, respectively.

NOTE H— CHARITABLE GIFT ANNUITIES

MR&LC has seven charitable gift annuity agreements with individuals, whereby the individuals gifted an asset to MR&LC in exchange for an annuity. The annuities vary as to the amount and frequency of payments (see Note F). The excess of the fair value of each gifted asset over the actuarial present value of each annuity was recognized as a contribution in the year each agreement was signed and the asset was transferred to MR&LC. Each subsequent year the actuarial present value of the annuity is recalculated; any adjustments to the liability are recorded as an expense. There are no restrictions on the gifted assets, therefore each gifted asset has been recorded in the appropriate asset classification in the balance sheet and each annuity is backed by the full faith and credit of MR&LC. Gift annuitants are considered and consider themselves as a special class of investors in MR&LC. Upon the demise of an annuitant, the payments cease and the remaining balance is an unrestricted gift/contribution.

NOTE I— LETTER OF CREDIT AND DEMAND NOTES

During 2004 MR&LC executed a letter of credit with certain individuals for $200,000. The total amount outstanding at December 31, 2004, was $204,778, which was repaid in full in April 2005.

During 2004 and 2005, MR&LC executed unsecured demand notes with the CEO. These notes are unsecured with a stated interest rate of 6% and are payable on demand. The total amount outstanding at December 31, 2005 including interest was $75,200, up from $63,875 at December 31, 2004. During 2005 MR&LC executed unsecured demand notes with a staff member, with a stated interest rate of 6% and payable on demand. At December 31, 2005 the total due including interest was $97,082.

NOTE J— RELATED PARTY TRANSACTIONS

The Mountain Endowment Fund is a related party of MR&LC. It provided $15,152 and $18,908 in direct support to MR&LC for the years ended December 31, 2005, and December 31, 2004, respectively. In addition, the Mountain Endowment Fund has loaned MR&LC $164,917 and $173,385 as of December 31, 2005 and 2004, respectively. Of these amounts, $149,917 and $158,385 for December 31, 2005 and 2004, respectively, is recorded as a separate loan and $15,000 is included as a note to members in both years (see Note F).

NOTE K— SALE OF LAND

During 2005 the Mountain sold approximately 12 acres of land to Mountain Patch LLC. Two members of this LLC are currently serving on the Mountain's Board of Trustees. The selling price was $762,000, which was based on an independent appraisal. The Mountain received approximately $462,000 in cash at the closing and $300,000 in a promissory note receivable, which is due in full in December 2006 with interest at 5% beginning July 1, 2006. The promissory note is secured by the land sold. The Mountain recognized a gain of approximately $346,000 on the transaction, which was the difference between the selling price of $762,000 less the net book value of the land of approximately $416,000. The majority of the amount received at closing was used to pay down existing indebtedness. The Mountain has the option of repurchasing the land during the next five years at an amount equal to the selling price plus 5%, compounded annually. After the expiration of the option period, The Mountain has the right of first purchase at an amount equal to that offered by a third party.

NOTE L— FUNCTIONAL ALLOCATION OF EXPENSES FOR 2005

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon paying guest person nights as follows:

	Amount to Allocate	Retreats & Conf.'s	Seniors	Youth	Mountain Design	Personal Retreat Guests	LCL
Paid Person Nights	14,682	4,574	3,474	5,200	990	444	-
% of Total	100%	31%	24%	35%	7%	3%	0%
Food Service	270,293	84,207	63,956	95,731	18,226	8,174	-
Housekeeping	92,980	28,967	22,001	32,931	6,270	2,812	-
Office/Operations	150,644	46,931	35,645	53,354	10,158	4,556	-
Utilities	73,330	22,845	17,351	25,972	4,945	2,218	-
Direct Expenses	206,011	64,180	48,746	72,964	13,891	6,230	-
Totals	793,258	247,130	187,698	280,952	53,489	23,989	-
Final % - 2005	100%	31%	24%	35%	7%	3%	0%
Final % - 2004	100%	34%	19%	28%	6%	2%	11%

NOTE M - GOING CONCERN UNCERTAINTY

The financial statements have been prepared assuming The Mountain will continue as a going concern. The Mountain's financial condition has continued to deteriorate over the last four years as noted below:

- The decrease in net assets for the year ended December 31, 2005 was approximately $286,000.
- Net assets have decreased a total of approximately $1,350,000 in the last four years.
- The deficit in net assets is approximately $1,055,000 at December 31, 2005.
- Liabilities have increased approximately $1,094,000 in the last four years, with an additional $63,000 in 2005.
- The ratio of current assets to current liabilities is 0.38, compared to 0.50 four years ago.

Management's plans to remedy these conditions are included below:

- Continued focus on expense controls
- Adherence to the integrated marketing, program and development strategic plans
- Continued implementation of aggressive pricing strategies that will bring The Mountain in line with its markets AND accurately reflect the true variable and fixed costs of program and service provisioning
- Continued migration to a true tow-season operating model
- Increase board involvement in fund raising and marketing
- Continue to increase the volunteer base for continued wage savings
- Ensure that the Mountain Patch LLC ballon payment is made in line with their current obligation

However, there can be no assurance that these plans will be successful. As a result of the above, there is substantial doubt about The Mountain's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classifications of liabilities that may result from this uncertainty.