

BAY LAKE IMPROVEMENT ASSOCIATION, INC.

Financial Statements

December 31, 2009 and 2008

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July 8, 2010

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bay Lake Improvement Association, Inc.
Bay Lake, Minnesota

We have audited the accompanying statements of financial position of Bay Lake Improvement Association, Inc. (a non-profit organization) as of December 31, 2009 and 2008 and the related statements of activities 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Lake Improvement Association, Inc. as of December 31, 2009 and 2008, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Johnson, West & Co., PLC

BAY LAKE IMPROVEMENT ASSOCIATION, INC.
Statements of Financial Position
December 31, 2009 and 2008

ASSETS		<u>2009</u>	<u>2008</u>
CURRENT ASSETS			
Cash			
Cash - checking	\$	54,326	\$ 62,723
Money market		18,155	18,192
Total cash	\$	<u>72,481</u>	<u>\$ 80,915</u>
Marketable securities		2,251	-
Certificates of deposit		<u>98,229</u>	<u>94,438</u>
TOTAL CURRENT ASSETS	\$	<u>172,961</u>	<u>\$ 175,353</u>
TOTAL ASSETS			
	\$	<u><u>172,961</u></u>	<u><u>\$ 175,353</u></u>
LIABILITIES AND NET ASSETS			
		<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES			
Accounts payable	\$	<u>5,484</u>	<u>\$ -</u>
TOTAL CURRENT LIABILITIES	\$	<u>5,484</u>	<u>\$ -</u>
NET ASSETS			
Unrestricted	\$	103,208	\$ 79,297
Temporarily restricted		<u>64,269</u>	<u>96,056</u>
Total net assets	\$	<u>167,477</u>	<u>\$ 175,353</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>172,961</u></u>	<u><u>\$ 175,353</u></u>

See accompanying notes to financial statements.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.

Statements of Activities

Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
REVENUES				
Member dues	\$ 14,545		\$ -	\$ 14,545
Donations		\$ 101,541		101,541
Donations - fireworks		6,390		6,390
Investment income	6,229			6,229
Other - runtilla	19,567	-		19,567
Net assets released from restrictions:				
Restrictions satisfied	<u>139,718</u>	<u>(139,718)</u>		<u>-</u>
 Total revenues	 \$ 180,059	 \$ (31,787)	 \$ -	 \$ 148,272
EXPENSES				
Database management	\$ 3,678	\$ -	\$ -	\$ 3,678
Fireworks	10,000			10,000
Insurance	1,050			1,050
Mailing expenses	4,857			4,857
Professional services	2,700			2,700
Program and social	5,173			5,173
Water quality	126,535			126,535
Miscellaneous	<u>2,155</u>			<u>2,155</u>
 Total expenses	 \$ 156,148	 \$ -	 \$ -	 \$ 156,148
 CHANGE IN NET ASSETS	 \$ 23,911	 \$ (31,787)	 \$ -	 \$ (7,876)
 NET ASSETS - beginning of year	 <u>79,297</u>	 <u>96,056</u>	 <u>-</u>	 <u>175,353</u>
 NET ASSETS - end of year	 <u>\$ 103,208</u>	 <u>\$ 64,269</u>	 <u>\$ -</u>	 <u>\$ 167,477</u>

See accompanying notes to financial statements.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.
Statements of Activities
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Assets</u>
REVENUES				
Member dues	\$ 14,845		\$ -	\$ 14,845
Donations		\$ 125,075		125,075
Donations - fireworks		7,620		7,620
Investment income	2,554			2,554
Other - runtilla	21,318	5,632		26,950
Net assets released from restrictions:				
Restrictions satisfied	<u>137,931</u>	<u>(137,931)</u>		<u>-</u>
 Total revenues	 \$ 176,648	 \$ 396	 \$ -	 \$ 177,044
 EXPENSES				
Database management	\$ 3,080	\$ -	\$ -	\$ 3,080
Fireworks	6,000			6,000
Insurance	1,108			1,108
Mailing expenses	6,118			6,118
Professional services	2,500			2,500
Program and social	2,244			2,244
Water quality	129,687			129,687
Miscellaneous	<u>6,922</u>			<u>6,922</u>
 Total expenses	 \$ 157,659	 \$ -	 \$ -	 \$ 157,659
 CHANGE IN NET ASSETS	 \$ 18,989	 \$ 396	 \$ -	 \$ 19,385
 NET ASSETS - beginning of year	 <u>60,308</u>	 <u>95,660</u>	 <u>-</u>	 <u>155,968</u>
 NET ASSETS - end of year	 <u>\$ 79,297</u>	 <u>\$ 96,056</u>	 <u>\$ -</u>	 <u>\$ 175,353</u>

See accompanying notes to financial statements.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.
Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,876)	\$ 19,385
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Changes in operating assets and liabilities		
Accounts payable	5,484	(1,252)
Certificates of deposit	(3,791)	(48,876)
NET CASH (USED) BY OPERATING ACTIVITIES	\$ (6,183)	\$ (30,743)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in marketable securities	\$ (2,251)	\$ (595)
NET CASH (USED) BY INVESTING ACTIVITIES	\$ (2,251)	\$ (595)
NET (DECREASE) IN CASH	\$ (8,434)	\$ (31,338)
 CASH - beginning of year	80,915	112,253
 CASH - end of year	\$ 72,481	\$ 80,915

See accompanying notes to financial statements.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.
Notes to Financial Statements
December 31, 2009 and 2008

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Bay Lake Improvement Association, Inc. is a non-profit corporation incorporated in the State of Minnesota in June 1970. The primary purpose of the Association is to provide civic, community and educational services to the Bay Lake area residents, Crow Wing County, Minnesota. The foregoing services shall include, but shall not be limited to, disseminating educational information relating to the preservation of Bay Lake and its shores in a clean and natural condition, examining into and reporting to the aforesaid residents regarding taxation, municipal services, property use and development, and all other matters directly or indirectly related to the preservation of a wholesome environment in the Bay Lake area.

Standards of Accounting, Financial Reporting, and Statement Presentation

Financial statement presentation follows the accounting and reporting practices as recommended by generally accepted accounting principles.

In accordance with generally accepted accounting principles, the Association reports its net assets into three groupings as follows -

Unrestricted Net Assets - Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include undesignated, board designated, and property and equipment amounts.

Temporarily Restricted Net Assets - The part of net assets of the Association resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time, or can be fulfilled and removed by actions pursuant to those stipulations

Permanently Restricted Net Assets - The part of net assets of the Association resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.
Notes to Financial Statements
December 31, 2009 and 2008

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled, unless the restrictions expire or are fulfilled in the same calendar year the contribution is received, in which case the contribution is recorded as unrestricted. Temporarily or permanently restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled.

Donated materials and equipment are recorded at their fair market value at the date they are received, if significant and measurable. There were no donated materials or equipment in 2009 or 2008.

Cash

The Association includes all demand deposit accounts and investments with an original maturity of three months or less to be cash and cash equivalents. The balances, at times, may exceed federally insured limits; however, the Association believes it is not exposed to any significant risks on these accounts.

Fair Value Measurements

On January 1, 2008, the Association adopted generally accepted accounting principles for Fair Value Measurements for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Association applied the new fair value definition and frame work for non financial assets and liabilities at the beginning of 2009. Fair Value Measurement guidance defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and expands disclosures about fair value measurements.

Certificates of Deposit

The Association's certificates of deposit, mature in March, May, and August of 2010. The certificates of deposit are valued at cost which approximates fair market value. The value of the certificates of deposit was \$98,229 and \$94,438 at December 31, 2009 and 2008 respectively.

Marketable Securities

The Association accounts for marketable securities by classifying them into one of three types: held-to-maturity, trading, or available-for-sale securities. The Association's marketable securities are all classified as available-for-sale securities and as such are recorded at their fair value at December 31, 2009 and 2008. Unrealized gains and losses are reported in the *Change in Net Assets* in the accompanying *Statements of Activities*. The cost of marketable securities sold is based on specific identification.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.
Notes to Financial Statements
December 31, 2009 and 2008

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association has been classified as an other-than-private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Association is subject to a tax on income from any unrelated business.

On January 1, 2009, the Association adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Association has analyzed tax positions taken for filings with the Internal Revenue Service and all state and foreign tax jurisdictions where it operates. The Association believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Association's financial condition, results of operations or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2009.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association believes it is no longer subject to income tax examinations for years prior to 2006.

The Association's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Reclassifications

Certain reclassifications have been made in the 2008 financial statements to conform to classifications used in 2009.

NOTE B – MARKETABLE SECURITIES

The Association, using the provisions with in the fair market measurements guidance has characterized its investments in marketable securities into a three-level fair value hierarchy, based on the priority of the inputs used to value the marketable securities. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the marketable securities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the marketable securities.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE B - MARKETABLE SECURITIES (CONTINUED)

Marketable securities recorded in the *Statements of Financial Position* are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access. The investments are exchange-traded equity securities.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Association carries investments in marketable securities with readily determinable fair values at their fair values in the *Statement of Financial Position*. Investments in certificates of deposit are valued at cost, which approximates fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying *Statement of Financial Position*.

As of December 31, 2009, the Association characterized all investments in available-for-sale securities as level 1:

	2009		2008	
	Cost	Market Value	Cost	Market Value
Common Stock	\$ 2,251	\$ 2,251	\$ -	\$ -
	<u>\$ 2,251</u>	<u>\$ 2,251</u>	<u>\$ -</u>	<u>\$ -</u>

The cost and market value of the common stock (which was donated in 2009) is the same. There has been no income or loss recognized as of December 31, 2009.

BAY LAKE IMPROVEMENT ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

The Association received contributions of \$107,931 and \$138,327 at December 31, 2009 and 2008, respectively, which were restricted for specific uses. Net assets released from restrictions were \$139,718 and \$137,931 for the years ended December 31, 2009 and 2008, respectively. Temporary restricted balances were \$64,269 and \$96,056 at December 31, 2009 and 2008, respectively.

NOTE D – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No interest or income taxes were paid during the years ended December 31, 2009 and 2008.

NOTE E – SUBSEQUENT EVENTS

The Association evaluated for the occurrence of subsequent events through July 8, 2010, the date which the financial statements were available for issue. No subsequent events occurred.