

**BAY LAKE IMPROVEMENT ASSOCIATION, INC.**

**Audited Financial Statements**

**Years Ended December 31, 2006 and 2005**



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**JOHNSON, WEST & CO., PLC**  
Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

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ALLIANCE FOR CPA FIRMS

July 2, 2007

**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, 2006 and 2005 and the related statements of activities and changes in net assets 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, 2006 and 2005, and the results of its activities and changes in net assets 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, 2006 and 2005**

	<b>ASSETS</b>	
	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash		
Cash - checking	\$ 121,998	\$ 143,358
Total cash	\$ 121,998	\$ 143,358
Investments		
Certificates of deposit	\$ 39,795	\$ 39,050
Money market	14,338	13,930
Stock	1,128	-
Total investments	\$ 55,261	\$ 52,980
<b>TOTAL ASSETS</b>	<u>\$ 177,259</u>	<u>\$ 196,338</u>
	<b>NET ASSETS</b>	
	<u>2006</u>	<u>2005</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 55,261	\$ 52,980
Temporarily restricted	121,998	143,358
<b>TOTAL NET ASSETS</b>	<u>\$ 177,259</u>	<u>\$ 196,338</u>

See accompanying notes to financial statements.

**BAY LAKE IMPROVEMENT ASSOCIATION, INC.**  
**Statements of Activities and Change in Net Assets**  
**Year Ended December 31, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
<b>REVENUES</b>				
Member dues	\$ 15,943		\$ -	\$ 15,943
Donations		\$ 117,003		117,003
Donations - fireworks	6,280			6,280
Interest and dividend income	1,551			1,551
Other	11,739			11,739
Net assets released from restrictions:				
Restrictions satisfied	138,363	(138,363)		-
<b>Total revenues</b>	<b>\$ 173,876</b>	<b>\$ (21,360)</b>	<b>\$ -</b>	<b>\$ 152,516</b>
<b>EXPENSES</b>				
Database management	\$ 5,594	\$ -	\$ -	\$ 5,594
Fireworks	6,000			6,000
Insurance	1,930			1,930
Mailing expenses	9,585			9,585
Professional services	4,200			4,200
Water quality	143,564			143,564
Miscellaneous	722			722
	<b>\$ 171,595</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 171,595</b>
<b>Total expenses</b>				
<b>CHANGE IN NET ASSETS</b>	<b>\$ 2,281</b>	<b>\$ (21,360)</b>	<b>\$ -</b>	<b>\$ (19,079)</b>
<b>NET ASSETS - beginning of year</b>	<b>52,980</b>	<b>143,358</b>	<b>-</b>	<b>196,338</b>
<b>NET ASSETS - end of year</b>	<b>\$ 55,261</b>	<b>\$ 121,998</b>	<b>\$ -</b>	<b>\$ 177,259</b>

See accompanying notes to financial statements.

**BAY LAKE IMPROVEMENT ASSOCIATION, INC.**  
**Statements of Activities and Change in Net Assets**  
**Year Ended December 31, 2005**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
<b>REVENUES</b>				
Member dues	\$ 13,480		\$ -	\$ 13,480
Donations		\$ 126,811		126,811
Donations - fireworks	5,585			5,585
Interest and dividend income	1,301			1,301
Other	4,043			4,043
Net assets released from restrictions:				
Restrictions satisfied	134,864	(134,864)		-
<b>Total revenues</b>	<b>\$ 159,273</b>	<b>\$ (8,053)</b>	<b>\$ -</b>	<b>\$ 151,220</b>
<b>EXPENSES</b>				
Database management	\$ 5,271	\$ -	\$ -	\$ 5,271
Fireworks	5,700			5,700
Insurance	2,089			2,089
Mailing expenses	5,940			5,940
Professional services	1,950			1,950
Water quality	106,769			106,769
Miscellaneous	1,984			1,984
<b>Total expenses</b>	<b>\$ 129,703</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,703</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 29,570</b>	<b>\$ (8,053)</b>	<b>\$ -</b>	<b>\$ 21,517</b>
<b>NET ASSETS - beginning of year</b>	<b>23,410</b>	<b>151,411</b>	<b>-</b>	<b>174,821</b>
<b>NET ASSETS - end of year</b>	<b>\$ 52,980</b>	<b>\$ 143,358</b>	<b>\$ -</b>	<b>\$ 196,338</b>

See accompanying notes to financial statements.

**BAY LAKE IMPROVEMENT ASSOCIATION, INC.**  
**Statements of Cash Flow**  
**Years Ended December 31, 2006 and 2005**

	2006	2005
<b>OPERATING ACTIVITIES</b>		
Change in net assets for the year	\$ (19,079)	\$ 21,517
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ (19,079)	\$ 21,517
<b>INVESTING ACTIVITIES</b>		
(Increase) decrease in investments	\$ (2,281)	\$ (1,265)
<b>CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	\$ (2,281)	\$ (1,265)
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ (21,360)	\$ 20,252
CASH - beginning of year	143,358	123,106
CASH - end of year	\$ 121,998	\$ 143,358

See accompanying notes to financial statements.

**BAY LAKE IMPROVEMENT ASSOCIATION, INC.**

**Notes to Financial Statements**

**December 31, 2006 and 2005**

**NOTE A – 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 Corporation 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.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Association's significant accounting policies are summarized below to assist the reader in reviewing the financial statements presented in this report.

**Standards of Accounting, Financial Reporting, and Statement Presentation**

The Association follows the accounting and reporting practices as recommended by the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profit Organizations (SFAS 117)*.

In accordance with *SFAS 117*, 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.

See accountants' report.

**BAY LAKE IMPROVEMENT ASSOCIATION, INC.**

**Notes to Financial Statements**

**December 31, 2006 and 2005**

**NOTE B - 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 2006 or 2005.

**Cash**

The Association includes all cash accounts and all highly liquid debt instruments purchased with maturity of three months or less as cash and cash equivalents. The balances may at times exceed federally insured limits, however, the Association believes it is not exposed to any significant credit risk on the funds.

**Investments**

The Association records investments at fair value in accordance with Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations (SFAS 124)*. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Investment return consist of interest income and dividend income of \$ 1,551 and \$ 1,301 for the years ended December 31, 2006 and 2005, respectively.

**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.

**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.

See accountants' report.