

LES CHENEAUX ISLANDS AREA
TOURIST ASSOCIATION

FINANCIAL STATEMENTS
for the years ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Les Cheneaux Islands Area Tourist Association:

We have audited the accompanying statements of assets, liabilities and net assets - modified cash basis of Les Cheneaux Islands Area Tourist Association (a nonprofit corporation) as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets - modified cash basis 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 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 audits provide a reasonable basis for our opinion.

As described in Note B, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Les Cheneaux Islands Area Tourist Association as of December 31, 2010 and 2009, and its revenues, expenses, and the changes in its net assets for the years then ended, on the modified cash basis of accounting.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Smolinski & Christman, P.C.

LES CHENEAUX ISLANDS AREA TOURIST ASSOCIATION
STATEMENTS OF ASSETS AND NET ASSETS -
MODIFIED CASH BASIS
December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSET, Cash	<u>\$ 17,843</u>	<u>\$ 18,483</u>

NET ASSETS

NET ASSETS, Unrestricted	<u>\$ 17,843</u>	<u>\$ 18,483</u>
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The accompanying notes are a part of the financial statements.



LES CHENEAX ISLANDS AREA TOURIST ASSOCIATION
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES
 IN NET ASSETS - MODIFIED CASH BASIS
 for the years ended December 31, 2010 and 2009

	Unrestricted	
	2010	2009
REVENUES:		
Room assessments	\$ 18,269	\$ 17,249
Associate member dues	2,355	2,475
Advertising income	2,160	2,250
Grant income	1,875	-
Interest	171	164
Miscellaneous	386	-
Total revenues	25,216	22,138
EXPENSES:		
Program services, marketing	4,685	6,247
Support services, general and administrative	21,171	16,193
Total expenses	25,856	22,440
Decrease in net assets	(640)	(302)
NET ASSETS, BEGINNING OF YEAR	18,483	18,785
NET ASSETS, END OF YEAR	\$ 17,843	\$ 18,483

The accompanying notes are a part of the financial statements.



LES CHENEAUX ISLANDS AREA TOURIST ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
for the years ended December 31, 2010 and 2009

NOTE A - NATURE OF ORGANIZATION:

The Les Cheneaux Islands Area Tourist Association (the Association) was organized as a nonprofit corporation to perform marketing, advertising and promotion for the Les Cheneaux Islands area to potential visitors. The Association was organized in 1994 under Michigan Public Act No. 59 of 1984 (as amended by Senate Bill No. 1515 in 2010) under which the Association assesses each transient lodging facility with ten or more rooms located in Clark Township within Mackinac County a fee of two percent of each facility's aggregate room charges. In accordance with Michigan law, payment of the assessment entitles the facility to become a member of the Association. In addition, any person or organization supporting tourism activities in the Les Cheneaux Islands area and Clark Township whose interests are compatible with the purpose and philosophy of the Association are entitled to associate membership upon approval by the Board of Directors and payment of annual dues.

Revenues from assessments and dues are used for advertising and related expenses associated with promoting the area and to support operations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Association had no permanently or temporarily restricted net assets at December 31, 2010 and 2009.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under this basis of accounting, revenues and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with generally accepted accounting principles.

Advertising Costs

The Association expenses advertising costs when they are paid. Advertising expenses paid amounted to approximately \$4,700 and \$6,200 for the years ended December 31, 2010 and 2009, respectively.

Contributed Services

During the years ended December 31, 2010 and 2009, many individuals volunteered their time and performed a variety of tasks that assisted the Association with promotional events, but these services do not meet the criteria for recognition as contributed services.



LES CHENEUX ISLANDS AREA TOURIST ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
for the years ended December 31, 2010 and 2009

NOTE C - FEDERAL INCOME TAX:

The Internal Revenue Service (IRS) has determined the Association to be exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Association's federal tax returns for 2008, 2009 and 2010 are subject to examination by the IRS, generally for three years after the returns were filed.

NOTE D - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 25, 2011, the date the financial statements were available to be issued.



LES CHENEaux ISLANDS AREA TOURIST ASSOCIATION
 SCHEDULES OF GENERAL AND ADMINISTRATIVE
 EXPENSES - MODIFIED CASH BASIS
 for the years ended December 31, 2010 and 2009

	2010	2009
PERSONNEL EXPENSE, Contract labor	\$ 9,209	\$ 9,467
OCCUPANCY EXPENSES:		
Rent	2,167	1,833
Utilities	461	404
Repairs and maintenance	267	115
Total occupancy expenses	2,895	2,352
OTHER EXPENSES:		
Meetings and conferences	414	741
Office expenses	701	457
Accounting and bookkeeping	1,960	1,722
Annual audit	3,700	-
Insurance	538	383
Telephone and internet	1,221	1,000
Travel and mileage reimbursement	419	-
Miscellaneous	114	71
Total other expenses	9,067	4,374
Total general and administrative expenses	\$ 21,171	\$ 16,193

