

Chay Enterprises, Inc.
Form 10-Q
May 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X . QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2009**.

or

. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **333-146542**

CHAY ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Colorado

26-0179592

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

5459 S. Iris St., Littleton, CO

80123

(Address of principal executive offices)

(Zip Code)

303-932-9998

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **X** . Yes . No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). . Yes **X** . No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	.	Accelerated filer	.
Non-accelerated filer	. (Do not check if a smaller reporting company)	Smaller reporting company	X .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **X** . Yes . No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. . Yes . No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of **March 31, 2009**:
929,718

CHAY ENTERPRISES, INC.
(A Development Stage Enterprise)
BALANCE SHEETS

ASSETS	March 31, 2009 <i>(unaudited)</i>	December 31, 2008
CURRENT ASSETS:		
Cash	\$ 2,368	\$ 2,782
<i>Total current assets</i>	2,368	2,782
INVESTMENTS IN REAL ESTATE		
Fall River County	30,154	30,154
<i>Total assets</i>	\$ 32,522	\$ 32,936
 LIABILITIES AND SHAREHOLDERS' (DEFICIT)		
CURRENT LIABILITIES:		
Note payable, related parties	\$ 65,962	\$ 58,962
Advances payable, related party	9,078	9,078
Accounts payable	6,210	4,220
Accrued real estate taxes	1,391	1,091
Accrued interest payable, related parties	4,383	3,449
<i>Total current liabilities</i>	87,024	76,800
 Commitments and contingencies (Notes 1, 3 and 4)		
 SHAREHOLDERS' (DEFICIT)		
Preferred stock, no par value, 10,000,000 shares authorized, None issued and outstanding	-	-
Common stock, no par value, 100,000,000 shares authorized, 929,718 shares issued and outstanding	30,418	30,418
Accumulated deficit to July 31, 2001	(1,790)	(1,790)

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Deficit accumulated during the development stage	(83,130)	(72,492)
<i>Total shareholders' (deficit)</i>	(54,502)	(43,864)
<i>Total liabilities and shareholders' (deficit)</i>	\$ 32,522	\$ 32,936

The accompanying notes are an integral part of these statements.

CHAY ENTERPRISES, INC.
(A Development Stage Enterprise)
STATEMENTS OF OPERATIONS
(unaudited)

	Three months Ended March 31, 2009	Three months Ended March 31, 2008	Period From July 31, 2001 (Date of Development Stage) to March 31, 2009
INCOME:			
Sales	\$ -	\$ -	\$ -
EXPENSES:			
Accounting and audit	7,260	11,620	41,540
Legal fees	1,630	2,820	20,402
Real estate tax	300	300	8,684
Miscellaneous	514	1,233	8,121
<i>Total operating expenses</i>	9,704	15,973	78,747
OTHER (EXPENSE):			
Interest expense	(934)	(410)	(4,383)
NET LOSS	\$ (10,638)	\$ (16,383)	\$ (83,130)
LOSS PER SHARE	\$ (0.01)	\$ (0.02)	\$ (0.09)
WEIGHTED AVERAGE NUMBER OF			

SHARES OUTSTANDING	929,718	929,718	929,718
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The accompanying notes are an integral part of these statements.

CHAY ENTERPRISES, INC.**(A Development Stage Enterprise)****STATEMENTS OF CASH FLOWS***(unaudited)*

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Period From July 31, 2001 (Date of Development Stage) to March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (10,638)	\$ (16,383)	\$ (83,130)
Adjustments to reconcile net loss to net cash used by operating activities:			
Change in accounts payable and accrued expenses	3,224	916	11,984
Net cash used in operating activities	(7,414)	(15,467)	(71,146)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in real estate development costs	-	-	(2,338)
Net cash used in investing activities	-	-	(2,338)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from note payable, related party	7,000	14,962	65,962
Increase (decrease) in advances payable, related party	-	-	7,288
Proceeds from sale of common stock	-	-	2,602
Net cash provided by financing activities	7,000	14,962	75,852
NET INCREASE (DECREASE) IN CASH	(414)	(505)	2,368
CASH, at beginning of period	2,782	1,594	-
CASH, at end of period	\$ 2,368	\$ 1,089	\$ 2,368

SUPPLEMENTAL DISCLOSURE OF CASH FLOW

INFORMATION:

Cash paid for interest	\$	-	\$	-	\$	-
Cash paid for income taxes	\$	-	\$	-	\$	-

SUPPLEMENTAL DISCLOSURE OF

NON-CASH INVESTING AND FINANCING

ACTIVITIES:

Real estate acquired via issuance of common stock	\$	-	\$	-	\$	27,816
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The accompanying notes are an integral part of these statements.

CHAY ENTERPRISES, INC.

(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Information

The unaudited financial statements of Chay Enterprises, Inc. (Chay) included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for quarterly reports on Form 10-Q. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted as allowed by such rules and regulations. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature considered necessary for a fair presentation of the interim periods. The results for these interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2008.

Organization and Description of Business

The Company was incorporated on March 29, 1996 in the state of Colorado and is currently in the development stage. The Company is in the business of real estate investment and development.

Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has recurring losses, has negative working capital, and no revenue generating business operations, all of which raise substantial doubt about its ability to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management has opted to commence filing with the Securities and Exchange Commission (SEC) and then to raise funds through a private placement. Management believes that this plan provides an opportunity for the Company to continue as a going concern.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates utilized in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates.

Impairment of Long Lived Assets

The Company evaluates its real estate investment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets and SFAS 67 Accounting for Costs and Initial Rental Operations of Real Estate Projects. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate or its net realizable value. If such review indicates that the asset is impaired, the asset's carrying amount is written down to fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to sell.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. At March 31, 2009, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

Development Stage Company

Based on the Company's business plan, it is a development stage company since planned principle operations have not yet commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply to established operating enterprises. As a development stage enterprise, the Company discloses the deficit accumulated during the development stage and the cumulative statements of operations and cash flows from commencement of development stage to the current balance sheet date. The development stage began on July 31, 2001, when the Company acquired real estate.

Per Share Information

SFAS 128, "Earnings Per Share," provides for the calculation of "Basic" and "Diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (or loss) by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company, assuming the issuance of an equivalent number of common shares pursuant to options, warrants, or convertible debt arrangements. Diluted earnings per share is not shown for periods in which the Company incurs a loss because it would be anti-dilutive. Similarly, potential common stock equivalents are not included in the calculation if the effect would be anti-dilutive.

Recent Accounting Pronouncements

There were no accounting standards and interpretations issued recently which are expected to have a material impact on the Company's financial position, operations or cash flows.

NOTE 2 - INVESTMENT IN REAL ESTATE

The real estate owned by the Company was acquired in July of 2001. This property consists of land in the state of South Dakota. The carrying value of real estate includes the initial acquisition costs of land and subsequent development costs. Development costs consist principally of preliminary engineering plans.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Chief Executive Officer of the Company has advanced money to the Company for operating expenses. The aggregate amount owed by the Company as of March 31, 2009 was \$9,078. The advances are uncollateralized, non-interest bearing and are due on demand.

On April 23, 2007, the Company entered into a \$100,000 revolving convertible loan agreement with four of its shareholders. The loan is uncollateralized, bears interest at 6% per annum, is due on demand and is convertible into restricted common stock at \$0.10 per share. As of March 31, 2009, proceeds of \$65,962 had been received under the terms of this agreement.

The Company uses the offices of its Chief Executive Officer for its minimal office facility needs for no consideration. No provision for these costs has been provided since it has been determined that they are immaterial.

NOTE 4 - INCOME TAXES

Deferred income taxes arise from temporary timing differences in the recognition of income and expenses for financial reporting and tax purposes. The Company's deferred tax assets consist entirely of the benefit from net operating loss (NOL) carry forwards. The net operating loss carry forward, if not used, will expire in various years through 2029, and is subject to various restrictions pursuant to the Internal Revenue Code. The Company's deferred tax assets are offset by a valuation allowance due to the uncertainty of the realization of the net operating loss carry forwards.

The Company's deferred tax assets, valuation allowance, and change in valuation allowance are as follows:

Period Ending	Estimated NOL Carry-forward	NOL Expires	Estimated Tax Benefit from NOL	Valuation Allowance	Change in Valuation Allowance	Net Tax Benefit
December 31, 2008	\$ 69,043	Various	\$ 12,773	\$ (12,773)	\$ (12,773)	
March 31, 2009	\$ 9,704	2029	\$ 1,795	\$ (1,795)	\$ (1,795)	

Income taxes at the statutory rate are reconciled to the Company's reported income tax expense (benefit) as follows:

Income tax (benefit) at statutory rate resulting from net operating loss carry-forward	(15.0%)
State tax (benefit), net of federal benefit	(3.5%)
Deferred income tax valuation allowance	18.5%
Reported tax rate	0%

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Forward-Looking Statement Notice

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, will, expect, believe, anticipate, estimate or continue or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industries in which we may participate; competition within our chosen industry, including competition from much larger competitors; technological advances and failure to successfully develop business relationships.

Description of Business.

We incorporated on March 29, 1996 in the state of Colorado and are currently considered a development stage company. We are in the business of land development, pursuant to which we purchase raw land for subsequent real estate development. In July 2001 we purchased 32 residential building lots located in the Cold Spring Addition to the city of Hot Springs, Fall River County in South Dakota. We intend to combine and develop the lots into approximately 12 single and multi-family residential building sites.

We operate in the real estate industry and we primarily acquire tracts of raw land and develop them into residential lots for sale to homebuilders or individuals.

Considerable up front costs in any real estate platting project must first be incurred and paid for, thus in the early stages of our real estate projects significant amounts of capital can be required until platting occurs, and lots are improved and sold. Predictably, greater revenues will be achieved as soon as a portion of the lots are improved and sold. When the lot development plan has been completed and accepted by Fall River County, South Dakota, and construction of the lots completed, the sale of these lots will be currently funded and closed.

We currently own 32 residential building lots in Fall River County, South Dakota. All of our lots are located within one and a half block area in the city limits of Hot Springs. We intend to combine and develop the lots into approximately 12 single and multi family residential building sites.

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Nestled in the Southern Black Hills of South Dakota, Hot Springs is home to natural springs, pleasant year-round weather, many outdoor activities, scenic beauty, plentiful golfing, and unusual sandstone architecture.

We believe Hot Springs, South Dakota is attractive to potential real estate investors and purchasers because of the attractions, location and amenities discussed below.

Local attractions in Hot Springs include:

.

Evans Plunge and its naturally warm 87 degree spring water

.

The Mammoth Site which is America's greatest Ice Age treasure

.

The Wild Horse Sanctuary where American mustangs roam free

.

Close proximity, less than an hour, from Mt. Rushmore National Monument

.

Close proximity to the Wind Cave National Park and Custer State Park

Hot Springs is located at the southern edge of the Black Hills and offers:

.

Micro-climate with relatively mild winters

.

Summers include warm days and cool nights with low humidity

.

Red rock canyons and pine covered hills provide magnificent scenery

Hot Springs is a bustling community of 4,250 people that provides a small town atmosphere, including:

.

Good schools and churches

.

Low crime rate

.

An active and energetic business community

Hot Springs is the cultural capital of the Black Hills and offers:

.

Many fine galleries filled with original art

.

Annual arts festivals, songwriter s galleries and more

.

The Badger Clark Hometown Poetry and Music Gathering every fall

.

Locations for filming motion pictures such as Hildalgo which was filmed in the area

.

Local artists and musicians displaying their talents in local businesses at various times throughout the year

Outdoor recreational activities in and around Hot Spring include:

.

Golf at the well known Southern Hills Golf Course

.

Angostura Reservoir which offers top notch fishing and boating

.

Great hunting is available including wild turkeys, antelope, deer and elk

.

Winter sports activities are less than an hour away

Competition

We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S.

Governmental Regulation

Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are involved there is a high degree of uncertainty in obtaining these approvals.

Employees

We currently have only one employee, Philip J. Davis who is our sole officer and director. Mr. Davis will devote such time as needed to pursue the business operations of Chay Enterprises.

Description of Property

We own 32 residential building lots in Fall River County, South Dakota. Specifically, we own Lots 7, 8, 9, 10, 11, 12, 13, 14, 16 and 16, Block 5; and Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22, Block 6, all in Cold Spring Addition to the town, now city, of Hot Springs, Fall River County, South Dakota. The property is not encumbered.

We use office space provided by Philip J. Davis, our officer and director, at no charge for our business operations.

Plan of Operation

We intend to further develop our lots in Fall River County, South Dakota by combining and developing the lots into approximately 12 single and multi family residential building sites which we will then attempt to sell to individuals or other developers.

To date, we have performed preliminary engineering plans regarding basic utilities such as roads, water, sewer, and power. Our next steps will be to complete the full engineering plan and then obtain plat approval from the city of Hot Springs based on our full engineering plan showing how the property will be subdivided. We plan to obtain estimates for complete engineering of our property development. In response to the current downturn in the economy, and specifically with regard to uncertainty in the real estate industry, we decided to postpone our development plans for 2008 and 2009. We have not established a new timetable for property development and our decision to proceed will be dependent upon, among other things, availability of financing and improved real estate industry fundamentals.

Capital Resources and Liquidity

As of March 31, 2009, we had a working capital deficit of \$(84,656) comprised of current assets of \$2,368 and current liabilities of \$87,024. This represents an increased deficit of \$10,638 from the working capital deficit of \$(74,018) reported at December 31, 2008. During the three months ended March 31, 2009, our working capital deficit increased as we continued our efforts to implement our plan of operation.

To fund our operations, we entered into a revolving convertible loan agreement with four of our shareholders on April 23, 2007. The principal maximum amount of the loan that can be drawn is \$100,000 bearing interest at 6% per annum. At March 31, 2009, we had borrowed \$65,962 on the revolving loan, including \$7,000 borrowed during the three months ended March 31, 2009. The lenders are Philip J. Davis, Gary A. Agron, GM/CM Family Partners, Ltd. and Mathis Family Partners, Ltd. Through March 31, 2009, we have accrued interest on this loan of \$4,383.

In addition, our Chief Executive Officer has periodically advanced funds to us to meet our working capital needs. As of March 31, 2009, we owe our Chief Executive Officer \$9,078 for advances which are non-interest bearing and due on demand. During the three months ended March 31, 2009, we incurred other obligations and liabilities which are reflected in the accompanying balance sheet as accounts payable and accrued expenses.

We will need additional funding to achieve our real estate development goals. In the past we have relied on loans and advances from shareholders to fund our operations, however we have no written or firm agreement regarding financing.

Net cash used in operating activities was \$7,414 during the first three months of 2009, compared to \$15,467 during the first three months of 2008. During 2009, we were able to reduce our cash usage by reducing our operation expenses.

Results of Operations Three Months Ended March 31, 2009 Compared to the Three Months Ended March 31, 2008

We are considered a development stage company for accounting purposes, since we have not generated any revenues from operations. We are unable to predict with any degree of accuracy when this classification will change. We expect to incur losses until such time, if ever, as we begin generating revenue from operations.

For the three months ended March 31, 2009, we recorded a net loss of \$(10,638), or \$(0.01) per share, compared to a net loss for the corresponding period of 2008 of \$(16,383) or \$(0.02) per share. In neither period did we report any revenue.

Operating expenses decreased to \$9,704 for the three months ended March 31, 2009 compared to \$15,973 during the same period of 2008. The decrease of \$6,269 primarily reflects decreased professional fees associated with the audit of our financial statements and other reports we are required to file with the Securities and Exchange Commission.

Interest expense increased to \$934 in 2009 compared to \$410 in 2008, reflecting interest accrued on our revolving convertible loan agreement.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk.

Not required by smaller reporting companies.

Item 4T.

Controls and Procedures.

(a)

Evaluation of Disclosure Controls and Procedures. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has concluded that the Company's internal control over financial reporting was not effective as of March 31, 2009.

(b)

Changes in Internal Control over Financial Reporting. There were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer, that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 6.

Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

SEC Ref.

No.	Title of Document	Location
Exhibit 31.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
Exhibit 32.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **	Attached

** The Exhibit attached to this Form 10-q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amended 10-Q report to be signed on its behalf by the undersigned thereunto duly authorized.

CHAY ENTERPRISES, INC.

(Registrant)

Date: May 14, 2009

/s/ Philip J. Davis

Philip J. Davis

Chief Executive Officer and

Chief Financial Officer