

CLARKSVILLE AREA CHAMBER OF COMMERCE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report	1
Audited Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clarksville Area Chamber of Commerce
Clarksville, Tennessee

We have audited the accompanying financial statements of Clarksville Area Chamber of Commerce (the Chamber) (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Chamber as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

December 28, 2020

CLARKSVILLE AREA CHAMBER OF COMMERCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 528,876	\$ 422,002
Certificates of deposit	63,761	115,746
Accounts receivable	-	11,886
Grants receivable	11,763	14,985
Due from related party	-	2,506
Total current assets	604,400	567,125
 <u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	13,114	13,114
Leasehold improvements	48,793	48,793
Total property and equipment	61,907	61,907
Less: accumulated depreciation	55,920	51,805
Net property and equipment	5,987	10,102
 <u>OTHER ASSETS</u>		
Due from related party	25,000	25,000
Prepaid expenses	2,083	2,083
Total other assets	27,083	27,083
Total assets	\$ 637,470	\$ 604,310

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 1,997	\$ 5,611
Due to related party	22,347	22,302
Unearned revenue	218,198	238,088
Total current liabilities	242,542	266,001
 <u>NET ASSETS</u>		
Without donor restrictions - undesignated	394,928	338,309
Total net assets	394,928	338,309
Total liabilities and net assets	\$ 637,470	\$ 604,310

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE AREA CHAMBER OF COMMERCE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
Revenues:		
Dues and membership	\$ 438,343	\$ 465,302
Special events	163,531	177,369
Support:		
Grant from Aspire Clarksville	161,880	100,957
Other	16,262	25,435
Total revenues and support	<u>780,016</u>	<u>769,063</u>
Expenses:		
Program services	675,334	619,295
Management and general	48,063	67,248
Total expenses	<u>723,397</u>	<u>686,543</u>
<u>CHANGE IN NET ASSETS</u>	56,619	82,520
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>338,309</u>	<u>255,789</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 394,928</u>	<u>\$ 338,309</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE AREA CHAMBER OF COMMERCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Advertising and public relations	\$ 5,286	\$ -	\$ 5,286
Audit	-	10,150	10,150
Communication	2,850	-	2,850
Computer software	787	-	787
Depreciation	-	4,115	4,115
Dues and memberships	3,725	-	3,725
EDC shared expenses	226,102	28,427	254,529
Fringe benefits	34,846	-	34,846
Insurance	-	1,232	1,232
Other	4,241	-	4,241
Payroll taxes	15,052	-	15,052
Personnel	206,617	-	206,617
Printing	559	-	559
Project	73,440	-	73,440
Property taxes	-	57	57
Publications	9,893	-	9,893
Repairs and maintenance	-	3,979	3,979
Retail recruitment	20,184	-	20,184
Special events	67,491	-	67,491
Supplies	1,487	103	1,590
Travel and entertainment	2,774	-	2,774
Total expenses	<u>\$ 675,334</u>	<u>\$ 48,063</u>	<u>\$ 723,397</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE AREA CHAMBER OF COMMERCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Advertising and public relations	\$ 6,143	\$ -	\$ 6,143
Audit	-	13,066	13,066
Communication	6,248	-	6,248
Computer software	2,980	-	2,980
Depreciation	-	4,368	4,368
Dues and memberships	6,436	-	6,436
Fringe benefits	48,724	-	48,724
Insurance	-	4,526	4,526
Lease	-	30,387	30,387
Other	4,741	-	4,741
Payroll taxes	26,457	-	26,457
Personnel	372,832	-	372,832
Printing	1,620	-	1,620
Professional services	-	1,448	1,448
Property taxes	-	46	46
Publications	19,806	-	19,806
Repairs and maintenance	-	8,580	8,580
Retail recruitment	37,312	-	37,312
Special events	78,211	-	78,211
Supplies	2,133	4,827	6,960
Travel and entertainment	5,652	-	5,652
Total expenses	<u>\$ 619,295</u>	<u>\$ 67,248</u>	<u>\$ 686,543</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE AREA CHAMBER OF COMMERCE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 56,619	82,520
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	4,115	4,368
Changes in:		
Accounts receivable	11,886	(7,316)
Grant receivable	3,222	3,801
Due from related party	2,506	(2,506)
Prepaid expenses	-	786
Accounts payable	(3,614)	(3,879)
Due to related party	45	(10,445)
Unearned revenue	(19,890)	(15,429)
Net cash provided by operating activities	<u>54,889</u>	<u>51,900</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	-	(1,689)
Redemption of certificate of deposit	52,958	-
Interest on certificates of deposit	(973)	(1,726)
Net cash provided by (used in) investing activities	<u>51,985</u>	<u>(3,415)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	106,874	48,485
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>422,002</u>	<u>373,517</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 528,876</u>	<u>\$ 422,002</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

The Clarksville Area Chamber of Commerce (the Chamber) was granted a charter from the State of Tennessee on August 4, 1905. The mission of the Chamber is to foster a favorable business climate in the Clarksville trade area. The Chamber is a dues organization and is governed by a thirty-seven member Board of Directors (the Board) elected by the membership to serve three-year terms. The Chamber contracts with the Clarksville-Montgomery County Economic Development Council (EDC) to provide management, staffing, and all personnel services needed to administer the Chamber's programs and activities.

The Chamber, for financial statement purposes, includes all of the assets and liabilities relevant to the operations of the Chamber. The financial statements presented herein do not include any other funds, agencies, or organizations which are separate and distinct units of themselves. In fiscal year 1995, the Chamber, the Clarksville-Montgomery County Tourism Commission (Tourism), and the Clarksville-Montgomery County Industrial Development Board (IDB) jointly organized the EDC to develop, coordinate, and implement a comprehensive marketing plan relating to economic prosperity of Clarksville, Montgomery County and the surrounding area. The Chamber, Tourism, and the IDB equally divide the expenses related to the EDC's staff, such as salary, payroll taxes, benefits and other operating costs and expenses related to general administration of the EDC. All other expenses of the EDC are shared based on usage allocations. The shared costs are included in the EDC shared expenses line item.

The Chamber is qualified as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for income taxes has been made. However, the Chamber does file informational returns required by the Internal Revenue Service (IRS). The Chamber is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2017.

Use of Estimates

The Chamber's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Chamber utilizes the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. Operating revenues and expenses include those items that increase or decrease net assets without donor restrictions.

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting (Cont'd)

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental nonprofit organizations such as the Chamber. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Chamber to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the two net asset categories follows.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains and losses that are not restricted by grants or donors are included in this classification. All expenditures are reported in the net assets without donor restrictions class of net assets since the use of restricted contributions in accordance with the grantors' or donors' stipulations results in the release of the restriction.

Net Assets With Donor Restrictions

Net assets with donor restrictions are limited as to use by donor- or grantor-imposed restrictions. Some restrictions expire with the passage of time or may be satisfied by use for the specific purpose. Other donor-imposed restrictions are perpetual in nature, whether the donor stipulates that resources be maintained in perpetuity. The Chamber had no net assets with donor restrictions at June 30, 2020 and 2019.

Concentrations of Credit Risk

Financial instruments that potentially subject the Chamber to significant concentrations of credit risk consist principally of cash and accounts receivable. The Chamber places its cash with federally-insured financial institutions. With respect to accounts receivable, credit risk is dispersed across a large number of members who are geographically concentrated in the Clarksville, Tennessee service area. The Chamber does not obtain collateral for accounts receivable.

Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

Cash and Cash Equivalents

The Chamber considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Cont'd)

Accounts Receivable

An allowance for uncollectible accounts has not been made based on management's determination that such amount, if any, would be immaterial. Bad debts are recognized using the specific-identification method. Delinquency is determined based upon contractual payment dates.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at historical cost or, if contributed, at estimated fair values at the date of receipt. Property and equipment with a unit cost of \$500 or greater and an estimated useful life of more than two years are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expenses as incurred. Capitalized assets are depreciated over their estimated useful life using the straight-line method.

Unearned Revenue

Unearned revenue consists of dues paid in advance by members.

Compensated Absences

Employees are required to take earned vacation days within the fiscal year and sick days are not paid upon separation. Therefore, compensated absences are not accrued.

Concentration of Revenues

Dues and memberships accounted for 56% and 61% of revenues for the years ended June 30, 2020 and 2019, respectively. The ability of the Chamber to attract and retain members is significantly impacted by the local economy and other factors.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Advertising Costs

Advertising costs are expensed as incurred. The Chamber incurred and expensed \$5,286 and \$6,143 for advertising costs during the years ended June 30, 2020 and 2019, respectively.

Date of Management's Review

Subsequent events have been evaluated through December 28, 2020, which is the date the financial statements were available to be issued.

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

2. Cash and Cash Equivalents and Certificates of Deposit

Cash and cash equivalents and certificates of deposit were represented by bank deposits of \$592,783 and \$538,520 at June 30, 2020 and 2019, respectively, of which \$260,803 and \$366,271 were insured by the Federal Deposit Insurance Corporation or National Credit Union Association and \$331,980 and \$172,249, respectively, were uninsured.

3. Operating Leases

The Chamber leases office space in the First Horizon Bank building from the EDC under a five-year agreement. Rental expense under the operating lease was \$28,427 (included in "EDC shared expenses" line item) and \$30,387, for the fiscal years ended June 30, 2020 and 2019, respectively. The lease was renewed in November 2016 for a five-year term ending November 2021.

Future payments on lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 28,427
2022	9,476
	<u>\$ 37,903</u>

4. Retirement Plan

The EDC maintains a defined contribution 401(k) plan administered by the American Chamber of Commerce Executives (ACCE) under which employees of the Chamber can participate. Substantially all employees who have completed one year of service, reached age 21, and work one thousand hours or more per year are eligible to participate. For each plan year that the employee participates, the Chamber will contribute to the plan an amount not to exceed four percent of the participant's total annual earnings as the employer basic contribution. Employees can make pre-tax contributions from one to one hundred percent (subject to IRS limitations) of total annual earnings in which they are immediately vested. With regard to contributions of the Chamber, vesting occurs immediately.

During the fiscal years ended June 30, 2020 and 2019, contributions to the plan totaling \$13,393 and \$19,809, respectively, were paid and expensed by the Chamber. Employee contributions to the plan were \$14,095 and \$11,125 for the years ended June 30, 2020 and 2019, respectively.

5. Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to support the Chamber's programs, principally in committee work and Chamber functions. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Codification 958-605-50-1 have not been satisfied.

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

6. Related Party Transactions

The total paid by the Chamber to EDC for expenses and group purchases for the years ended June 30, 2020 and 2019, was approximately \$254,529 and \$254,112, respectively.

In addition to the transactions with EDC, the Chamber also had transactions with other member agencies of EDC for group purchases. The Chamber had related party payables at June 30, 2020 and 2019, totaling \$22,347 and \$22,302, respectively, and a related party receivable of \$25,000 and \$25,000, respectively, that was advanced to the EDC in a previous year to facilitate payment of routine Chamber expenses. The entire amount of the \$25,000 advance has been classified as long-term since it is not expected to be collected within the next twelve months.

7. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date is comprised of the following as of June 30, 2020:

Unrestricted cash	\$ 528,876
Certificate of deposit	63,761
Grants receivable	<u>11,763</u>
	<u>\$ 604,400</u>