

CLARKSVILLE AREA CHAMBER OF COMMERCE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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 audit. We conducted our audit 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, 2017 and 2016, 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

October 25, 2017

CLARKSVILLE AREA CHAMBER OF COMMERCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 283,052	\$ 252,979
Certificates of deposit	112,334	110,854
Accounts receivable	2,315	17,098
Grants receivable	13,815	4,280
Total current assets	<u>411,516</u>	<u>385,211</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	21,081	21,081
Leasehold improvements	48,793	48,793
Total property and equipment	<u>69,874</u>	<u>69,874</u>
Less: accumulated depreciation	<u>52,409</u>	<u>48,046</u>
Net property and equipment	<u>17,465</u>	<u>21,828</u>
 <u>OTHER ASSETS</u>		
Due from related party	25,000	25,000
Prepaid expenses	4,094	8,078
Total other assets	<u>29,094</u>	<u>33,078</u>
Total assets	<u>\$ 458,075</u>	<u>\$ 440,117</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 6,145	\$ 4,870
Due to related party	32,474	30,989
Unearned revenue	229,500	234,468
Total current liabilities	<u>268,119</u>	<u>270,327</u>
 <u>NET ASSETS</u>		
Unrestricted	<u>189,956</u>	<u>169,790</u>
Total net assets	<u>189,956</u>	<u>169,790</u>
Total liabilities and net assets	<u>\$ 458,075</u>	<u>\$ 440,117</u>

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

CLARKSVILLE AREA CHAMBER OF COMMERCE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>		
Revenues:		
Dues and membership	\$ 447,226	\$ 466,474
Special events	167,064	175,093
Support:		
Grant from Aspire Clarksville	136,394	141,036
Other	5,079	5,143
Total revenues and support	<u>755,763</u>	<u>787,746</u>
Expenses:		
Program services	668,578	654,387
Management and general	67,019	69,725
Fundraising	-	22
Total expenses	<u>735,597</u>	<u>724,134</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>	20,166	63,612
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>169,790</u>	<u>106,178</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 189,956</u>	<u>\$ 169,790</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, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and public relations	\$ 6,813	\$ -	\$ -	\$ 6,813
Audit	-	12,336	-	12,336
Communication	10,845	-	-	10,845
Computer software	2,596	-	-	2,596
Depreciation	-	4,363	-	4,363
Dues and memberships	6,593	-	-	6,593
Fringe benefits	57,977	-	-	57,977
Insurance	-	3,750	-	3,750
Lease	-	28,286	-	28,286
Other	2,883	-	-	2,883
Payroll taxes	27,849	-	-	27,849
Personnel	386,680	-	-	386,680
Printing	1,729	-	-	1,729
Professional services	-	2,792	-	2,792
Property taxes	-	98	-	98
Publications	20,495	-	-	20,495
Repairs and maintenance	-	13,592	-	13,592
Retail recruitment	65,876	-	-	65,876
Special events	64,116	-	-	64,116
Supplies	2,487	1,802	-	4,289
Travel and entertainment	11,639	-	-	11,639
Total expenses	<u>\$ 668,578</u>	<u>\$ 67,019</u>	<u>\$ -</u>	<u>\$ 735,597</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, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and public relations	\$ 5,699	\$ -	\$ -	\$ 5,699
Audit	-	12,670	-	12,670
Communication	10,960	-	-	10,960
Computer software	3,935	-	-	3,935
Depreciation	-	4,460	-	4,460
Dues and memberships	6,667	-	-	6,667
Fringe benefits	52,671	-	-	52,671
Insurance	-	4,234	-	4,234
Lease	-	27,252	-	27,252
Other	2,647	-	-	2,647
Payroll taxes	27,641	-	-	27,641
Personnel	372,987	-	-	372,987
Printing	2,358	-	-	2,358
Professional services	-	3,546	-	3,546
Property taxes	-	593	-	593
Publications	17,273	-	-	17,273
Repairs and maintenance	-	12,940	-	12,940
Retail recruitment	70,219	-	-	70,219
Special events	73,787	-	22	73,809
Supplies	1,687	4,030	-	5,717
Travel and entertainment	5,856	-	-	5,856
Total expenses	<u>\$ 654,387</u>	<u>\$ 69,725</u>	<u>\$ 22</u>	<u>\$ 724,134</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 20,166	\$ 63,612
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	4,363	4,460
Changes in:		
Accounts receivable	14,783	(2,752)
Grant receivable	(9,535)	620
Prepaid expenses	3,984	(4,190)
Accounts payable	1,275	(12,212)
Due to related party	1,485	1,443
Unearned revenue	(4,968)	(938)
Net cash provided by operating activities	<u>31,553</u>	<u>50,043</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	-	(581)
Purchases of certificates of deposits	-	(100,000)
Interest on certificates of deposits	(1,480)	(588)
Net cash used in investing activities	<u>(1,480)</u>	<u>(101,169)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	30,073	(51,126)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>252,979</u>	<u>304,105</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 283,052</u>	<u>\$ 252,979</u>

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

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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-six 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 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, 2014.

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 unrestricted net assets.

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

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 not-for-profit 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 three net asset categories follows:

Unrestricted

Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by grants or donors are included in this classification. All expenditures are reported in the unrestricted 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.

Temporarily Restricted

Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. The Chamber had no temporarily restricted net assets at June 30, 2017 and 2016.

Permanently Restricted

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Chamber had no permanently restricted net assets at June 30, 2017 and 2016.

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.

Cash and Cash Equivalents

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

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

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

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

Property and Equipment (Cont'd)

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 59% of revenues for the years ended June 30, 2017 and 2016. 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 \$6,813 and \$5,699 for advertising costs during the years ended June 30, 2017 and 2016, respectively.

Date of Management's Review

Subsequent events have been evaluated through October 25, 2017, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

Cash and cash equivalents were represented by bank deposits of \$396,132 and \$369,060 at June 30, 2017 and 2016, respectively, of which \$362,360 and \$360,858 were insured by the Federal Deposit Insurance Corporation or National Credit Union Association and \$33,772 and \$8,202, respectively, were uninsured.

3. Operating Leases

The Chamber leases office space in the Capital Bank building from EDC under a five-year agreement that was set to expire in November 2016. This lease was extended for another five years ending November 2021. Rental expense under the operating lease agreement was \$27,691 and \$26,664, for the fiscal years ended June 30, 2017 and 2016, respectively.

CLARKSVILLE AREA CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2017 AND 2016

3. Operating Leases (Cont'd)

Future payments on lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 28,427
2019	28,427
2020	28,427
2021	28,427
2022	9,476
	<u>\$ 123,184</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, 2017 and 2016, contributions to the plan totaling \$23,170 and \$20,332, respectively, were paid and expensed by the Chamber. Employee contributions to the plan were \$9,216 and \$8,809 for the years ended June 30, 2017 and 2016, 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.

6. Related Party Transactions

The total paid by the Chamber to EDC for expenses and group purchases for the years ended June 30, 2017 and 2016, was approximately \$265,900 and \$258,329, 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, 2017 and 2016, totaling \$32,474 and \$30,989, 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.