

CULLMAN AREA CHAMBER OF COMMERCE

FINANCIAL STATEMENTS

FEBRUARY 28, 2021

**CULLMAN AREA CHAMBER OF COMMERCE
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Cullman Area Chamber of Commerce

We have reviewed the accompanying statements of financial position of Cullman Area Chamber of Commerce (a nonprofit organization) as of February 28, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Chamber management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Warren Averett, LLC

Birmingham, Alabama
July 6, 2021

**CULLMAN AREA CHAMBER OF COMMERCE
STATEMENT OF FINANCIAL POSITION
FEBRUARY 28, 2021**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 340,999
Certificates of deposit	74,853
Members' and other accounts receivable	7,109
Prepaid expenses and other assets	<u>10,830</u>

Total current assets 433,791

PROPERTY AND EQUIPMENT, NET 714,905

TOTAL ASSETS \$ 1,148,696

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 12,930
Deferred revenue	37,172
Current portion of long-term debt	<u>40,559</u>

Total current liabilities 90,661

LONG-TERM DEBT 112,055

NET ASSETS

Net assets without donor restrictions	795,796
Net assets with donor restrictions	<u>150,184</u>

Total net assets 945,980

TOTAL LIABILITIES AND NET ASSETS \$ 1,148,696

See accompanying notes and independent accountants' review report.

**CULLMAN AREA CHAMBER OF COMMERCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2021**

NET ASSETS WITHOUT DONOR RESTRICTIONS:

REVENUES AND OTHER SUPPORT

Membership dues	\$ 218,356
Programs and events	131,121
Interest income	1,730
SBA Paycheck Protection Program grant income	<u>93,082</u>

444,289

NET ASSETS RELEASED FROM RESTRICTIONS

467,034

Total net assets without donor restrictions

911,323

EXPENSES

Advertising	2,553
Association fees	15,076
Bad debt expense	28,729
Bank service fees	3,154
Depreciation	50,894
Dues and subscriptions	7,218
Equipment rental	4,737
Insurance	5,766
Interest	5,410
Miscellaneous expense	1,609
Network and technical support	18,789
Office supplies and postage	22,516
Payroll taxes	7,713
Professional fees	89,919
Programs and events	131,907
Repairs and maintenance	8,265
Salaries, wages and benefits	212,050
Taxes and licenses	3,609
Utilities	<u>28,104</u>

Total expenses

648,018

**CHANGE IN NET ASSETS WITHOUT DONOR
RESTRICTIONS**

263,305

See accompanying notes and independent accountants' review report.

**CULLMAN AREA CHAMBER OF COMMERCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2021**

NET ASSETS WITH DONOR RESTRICTIONS	
Lodging tax receipts	\$ 402,646
Net assets released from restrictions	<u>(467,034)</u>
Change in net assets with donor restrictions	<u>(64,388)</u>
CHANGE IN NET ASSETS	198,917
NET ASSETS AT BEGINNING OF YEAR	<u>747,063</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 945,980</u></u>

See accompanying notes and independent accountants' review report.

**CULLMAN AREA CHAMBER OF COMMERCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 198,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	50,894
Gain on disposal of property and equipment	(20,348)
SBA Paycheck Protection Program grant income	(93,082)
Bad debt expense	28,729
Change in members' and other accounts receivable	44,385
Change in prepaid expenses and other assets	4,776
Change in accounts payable	(45,156)
Change in deferred revenue	(113,559)
	55,556
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the sale of property and equipment	27,500
Net change in certificates of deposit	(1,498)
	26,002
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	(68,687)
Proceeds from SBA Paycheck Protection Program loan	93,082
	24,395
CHANGE IN CASH AND CASH EQUIVALENTS	
	105,953
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	
	235,046
CASH AND CASH EQUIVALENTS AT END OF YEAR	
	\$ 340,999
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	\$ 5,410

See accompanying notes and independent accountants' review report.

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Cullman Area Chamber of Commerce (the Chamber) is a nonprofit organization formed to maintain and promote the quality of life and continued economic well-being for all persons in the Cullman, Alabama area. Members of the Chamber are from the city and surrounding area.

Financial Statement Presentation

The Chamber reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions (formerly unrestricted net assets) and net assets with donor restrictions (formerly temporarily and permanently restricted net assets).

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those which are subject to variance power (the unilateral power of the Board of Directors to redirect the use of assets). The variance power allows the Board of Directors to modify donor instructions that are incapable of fulfillment or inconsistent with the needs of the community. As a result of variance power, revenue from membership dues and programs and events are classified as net assets without donor restrictions for financial statement purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions primarily consist of lodgings tax receipts whose use by the Chamber have been limited by legislation to a specific purpose. When a donor-imposed restriction expires or is otherwise satisfied, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Basis of Financial Statement Preparation

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The Chamber includes cash equivalents (defined as investments having an original maturity of three months or less when purchased) in cash flows for each year. The Chamber maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Chamber has not experienced any losses in such accounts.

Certificates of Deposit

Certificates of deposit consist of four certificates with local financial institutions with maturity dates ranging from June 2020 to January 2022.

Members' and Other Accounts Receivable

The allowance for doubtful accounts on members' and other accounts receivable is maintained in amounts estimated to provide adequate reserves to cover anticipated losses based on payment date and historical bad-debt experience and evaluation of periodic aging of the accounts. Based on management's review, an allowance has not been recorded as of February 28, 2021.

Pledged Contributions

Unconditional promises to give are reported as receivables and recognized as revenue when the pledge is made. The Chamber had no unconditional promises to give as of February 28, 2021.

Deferred Revenue

Prepaid membership dues and other programs and events for the next fiscal year are treated as deferred revenue and classified as liabilities on the statements of financial position. Such deferred revenue is recognized as revenue when the following fiscal year begins.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and includes expenditures which substantially increase the useful lives of existing property and equipment. Donated property and equipment is recorded at fair value as of the date of the gift. Maintenance, repairs and minor renovations are charged to expense as incurred. When property and equipment is retired or otherwise disposed, the related costs and accumulated depreciation are removed from the respective accounts, and the gain or loss on the disposition is credited or charged to the change in net assets.

The Chamber provides for depreciation using the straight-line method designed to amortize costs over estimated useful lives as follows:

Item	Estimated Useful Life
Furniture and fixtures	5 - 15 years
Building	40 years

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The Chamber is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code; accordingly, no provision for federal income taxes has been included in the accompanying financial statements.

The Chamber applies the provisions of the Accounting Standards Codification (ASC) relating to uncertainty in income taxes. This guidance requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. The Chamber has determined that it does not have any positions at February 28, 2021, that it would be unable to substantiate. The Chamber has filed tax returns for all years through February 29, 2020.

Revenue Recognition from Members and Program and Events

Membership dues revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Chamber expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. New members are billed a prorated share of their annual membership if their membership starts after March. Any unearned amounts for memberships payments received are included in deferred revenue.

The Converging for Success Program revenue and Total Resource Campaign revenue are separate performance obligations for community members that are used to make the Cullman area an ideal place to live, work, operate a business and raise a family. Revenue is recognized as performance obligations are satisfied, which is over time. Any unearned amounts for payments received for these program and events are included in deferred revenue.

Other program and events revenue is recognized when earned, which is at the time of those programs or events or when the services are provided.

Lodgings Tax Receipts

The proceeds of the 5% lodgings tax levied by the State of Alabama Legislature are remitted to the Chamber by the Cullman County Commission. The Chamber will use 40% of the proceeds exclusively for the purpose of developing and promoting tourism and conventions, and 20% will be used exclusively for economic and industrial development purposes in the county. The Chamber recognizes these receipts as donor restricted net assets when they are received from the Cullman County Commission. The remaining 40% is to be used as follows: 30% of the remaining amount will be used exclusively for the purpose of developing and promoting tourism and conventions, and 70% is designated to fund debt entered into by the Cullman County Commission in order to fund the 222 Interchange Project. The Chamber entered into an agreement with the Cullman County Commission to fund the 222 Interchange Project during fiscal year 2014. In 2021, the Chamber received \$559,230 in lodgings tax receipts, of which \$156,584 was remitted to fund the 222 Interchange Projects debt. The Chamber's obligation began on March 1, 2013, and will cease March 1, 2023. In the event the loan is paid in full prior to the maturity date of the 10-year period, the monthly distributions required from the Chamber of Commerce for this project will cease. The State of Alabama Legislature lodgings tax was amended subsequent to year-end (see Note 11).

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In-Kind Contributions and Exchange Transactions

Volunteers contribute significant amounts of time to the Chamber's program services, administration and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by Accounting Standards Codification Topic 958, *Not-For-Profit Entities*.

The Chamber records exchanged professional services at the respective fair values of the services received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Chamber. Goods exchanged for sponsorships are recorded at fair value at the date the goods are provided. The Chamber did not have any exchanges recorded for goods and specialized professional during the year ended February 28, 2021.

Advertising Expense

Advertising and sales promotion costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and support services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The natural classification detail of expenses by function is reflected in Note 7. Most expenses have been allocated among the various functions based on time and effort. Some expenses relate to more than one function and must be allocated consistently on a reasonable basis. These expenses are allocated on a usage basis.

SBA Paycheck Protection Program

Currently there is no authoritative guidance under U.S. GAAP that addresses accounting and reporting by a nongovernmental entity, that is not a not-for-profit entity, (that is, it is a for-profit business entity) that receives a forgivable loan from a government entity. Accordingly, management has elected to analogize to International Accounting Standards No. 20, Accounting for Government Grants and Disclosure of Government Assistance, which states that a forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. Accordingly, the Chamber presents income from forgivable loans from government entities within other support in the statement of activities and changes in net assets when all performance obligations have been satisfied and forgiveness is reasonably assured.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. ASU No. 2016-02 is effective for the Chamber in 2022.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through July 6, 2021.

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

2. PROPERTY AND EQUIPMENT

A summary of property and equipment as of February 28, 2021, is as follows:

Furniture and fixtures	\$ 172,255
Building	<u>1,230,692</u>
	1,402,947
Less accumulated depreciation	<u>688,042</u>
	<u><u>\$ 714,905</u></u>

Depreciation expense was \$50,894 or the year ended February 28, 2021.

3. LONG-TERM DEBT

Long-term debt consists of the following at February 28, 2021:

Note payable – financial institution, secured by real estate, equipment and furniture. The note is due in monthly installments of \$3,873, including interest at 3.4%. The outstanding balance at February 28, 2021, is \$152,614, of which \$40,559 is current. The note is set to mature in July 2025, with a balloon payment due of the remaining balance.

Following is a summary of principal maturities on long-term debt for each of the next four fiscal years, thereafter and in the aggregate:

2022	\$ 40,559
2023	41,979
2024	41,979
2025	<u>28,097</u>
	<u><u>\$ 152,614</u></u>

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at February 28, 2021:

Cash and cash equivalents and accounts receivable: Lodgings tax and Total Resource Campaign (TRC) receivables (restricted for purpose)	<u>\$ 150,184</u>
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5. DEFINED CONTRIBUTION PLAN

The Chamber has a defined contribution salary deferral plan covering substantially all employees. Under the plan, employees are allowed to defer up to 15% of their salaries. The Chamber contributes 4% of compensation of all employees and uses amounts forfeited by employees as needed to supplement the contribution. The amount contributed by the Chamber for the year ended February 28, 2021 totaled \$5,274 and is included in salaries, wages and benefits.

6. OPERATING LEASES

The Chamber leases equipment under operating leases which expire in 2023. Total rent expense for 2021 was \$4,737. Future minimum lease payments under the leases with initial or remaining noncancelable lease terms in excess of one year as of February 28, 2021, are as follows:

2022	\$ 4,248
2023	<u>708</u>
	<u>\$ 4,956</u>

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

7. FUNCTIONAL EXPENSES

Functional expenses consisted of the following during the years ended February 28, 2021:

	Management and General	Tourism Program	Economic Development Program	Total
Advertising	\$ 851	\$ 851	\$ 851	\$ 2,553
Association fees	3,654	5,846	5,576	15,076
Bad debt expense	28,729	-	-	28,729
Bank service fees	-	2,781	373	3,154
Depreciation	26,010	12,442	12,442	50,894
Dues and subscriptions	2,406	2,406	2,406	7,218
Equipment rental	1,579	1,579	1,579	4,737
Insurance	1,922	1,922	1,922	5,766
Interest	1,804	1,803	1,803	5,410
Miscellaneous expense	1,296	313	-	1,609
Network and technical support	6,263	6,263	6,263	18,789
Office supplies and postage	7,099	7,909	7,508	22,516
Payroll taxes	2,571	2,571	2,571	7,713
Professional fees	29,973	29,973	29,973	89,919
Programs and events	55,690	68,175	8,042	131,907
Repairs and maintenance	2,753	2,756	2,756	8,265
Salaries, wages and benefits	46,659	78,469	86,922	212,050
Taxes and licenses	1,203	1,203	1,203	3,609
Utilities	9,414	9,345	9,345	28,104
	<u>\$ 229,876</u>	<u>\$ 236,607</u>	<u>\$ 181,535</u>	<u>\$ 648,018</u>

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

8. LIQUIDITY

The schedule below reflects the Chamber's financial assets as of February 28, 2021:

Financial assets consist of:

Cash and cash equivalents	\$ 340,999
Certificates of deposit	74,853
Members' and other accounts receivable	<u>7,109</u>
Financial assets, at fiscal year end	422,961
Less: assets unavailable for general expenditures within one year:	
Due to donor-imposed purpose or time restrictions	<u>(150,184)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 272,777</u></u>

As a part of the Chamber's liquidity management plan, cash is invested in either money market accounts or certificates of deposits.

9. SBA PAYCHECK PROTECTION PROGRAM GRANT INCOME

As of February 28, 2021, management believes the Chamber has met the eligibility and certain other criteria related to use of the funds, and there is reasonable assurance that full forgiveness will be granted. Accordingly, the Chamber has recognized \$93,082 of proceeds received under the PPP as SBA Paycheck Protection Program grant income during fiscal 2021, which is presented within other support in the statement of activities and changes in net assets. This is in accordance with International Accounting Standards No. 20, Accounting for Government Grants and Disclosure of Government Assistance, which states that a forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

10. COVID-19 PANDEMIC

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with response to the Chamber, its performance and its financial results.

**CULLMAN AREA CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2021**

11. SUBSEQUENT EVENT

In March 2021, the Chamber received a loan for \$150,000 from the United States Small Business Administration as a part of the Second Draw Paycheck Protection Program. The loan is due in monthly installments of \$641, including interest at 2.75% beginning March 2022. The note is set to mature March 2051.

The State of Alabama passed an amendment to the Lodgings Tax Act for Cullman County effective June 1, 2021. The lodgings tax proceeds levied by the State of Alabama Legislature are remitted to the Chamber by the Cullman County Commission. The Chamber will use two-fifths of the proceeds of the amount remitted to the County at their discretion to pay any operational expenses while promoting small businesses, promotion of marketing for Cullman being a destination shopping location, working with and enhancing the City of Cullman's and Cullman County's Industrial Boards, to working with the Cullman County Tourism Board; another two-fifths of the proceeds received shall continue to be used for the sole purpose of paying off the existing debt, which shall not be extended, of the County Road 222 Interchange Project. Once the debt is paid off, then, one hundred percent of the two-fifths will transfer for the sole purpose of paying off the remaining outstanding debt on the building occupied by the Chamber. Upon retirement of that debt, the Chamber will cease to receive those allocated funds.