



ANNUAL REPORT
August 31, 2022



HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

ANNUAL REPORT

August 31, 2022

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of
Harbor Country Chamber of Commerce
Three Oaks, Michigan

Management is responsible for the accompanying financial statements of Harbor Country Chamber of Commerce (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton & Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan
January 17, 2023

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENTS OF FINANCIAL POSITION

August 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	331,404	340,762
Accounts receivable	165	3,207
Inventory	5,913	6,710
<hr/>		
Total Current Assets	<hr/> 337,482	<hr/> 350,679
PROPERTY AND EQUIPMENT		
Land	60,000	60,000
Building and improvements	226,899	226,899
Office furniture and equipment	68,051	68,051
Intangible asset	11,250	11,250
<hr/>		
Total	366,200	366,200
Accumulated depreciation and amortization	(130,450)	(124,632)
<hr/>		
Net Property and Equipment	<hr/> 235,750	<hr/> 241,568
TOTAL ASSETS	<hr/> 573,232	<hr/> 592,247

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts payable	-	162
Other current liabilities	3,604	2,880
Note payable, current portion	5,789	5,508
<hr/>		
Total Current Liabilities	9,393	8,550
OTHER LIABILITIES		
Note payable, less current portion	30,488	36,281
<hr/>		
TOTAL LIABILITIES	<hr/> 39,881	<hr/> 44,831
NET ASSETS		
Without donor restrictions	533,351	547,416
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TOTAL NET ASSETS	<hr/> 533,351	<hr/> 547,416
<hr/>		
TOTAL LIABILITIES AND NET ASSETS	<hr/> 573,232	<hr/> 592,247

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
PUBLIC SUPPORT AND REVENUE				
Membership dues	97,130	-	97,130	82,336
Paycheck Protection Program Grant	-	-	-	15,490
The Pokagon Fund Grant	-	-	-	4,800
Harbor Country Guide revenues	51,893	-	51,893	46,674
Special events (net of expenses of \$16,612 and \$7,427 in 2022 and 2021)	1,244	-	1,244	(5,082)
Rental income	10,200	-	10,200	9,975
Other revenues	1,110	-	1,110	867
Total Public Support and Revenue	161,577	-	161,577	155,060
EXPENSES				
Program	95,609	-	95,609	85,818
Management and general	80,033	-	80,033	44,550
Total Expenses	175,642	-	175,642	130,368
CHANGE IN NET ASSETS	(14,065)	-	(14,065)	24,692
NET ASSETS, BEGINNING OF YEAR	547,416	-	547,416	522,724
NET ASSETS, END OF YEAR	533,351	-	533,351	547,416

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	82,798	-	-	82,798
Payroll taxes	6,929	-	-	6,929
Advertising and marketing	5,882	-	-	5,882
Office supplies	-	9,038	-	9,038
Postage	-	656	-	656
Telephone	-	5,108	-	5,108
Licenses and fees	-	84	-	84
Dues and subscriptions	-	410	-	410
Professional fees	-	7,839	-	7,839
Utilities	-	2,997	-	2,997
Depreciation and amortization expense	-	5,818	-	5,818
Insurance	-	3,402	-	3,402
Property taxes	-	4,727	-	4,727
Interest expense	-	1,795	-	1,795
Repairs and maintenance	-	30,557	-	30,557
Bank fees	-	5,749	-	5,749
Travel and entertainment	-	1,802	-	1,802
Miscellaneous	-	51	-	51
TOTAL	<u>95,609</u>	<u>80,033</u>	<u>-</u>	<u>175,642</u>

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	74,952	-	-	74,952
Payroll taxes	6,011	-	-	6,011
Advertising and marketing	4,855	-	-	4,855
Office supplies	-	3,055	-	3,055
Postage	-	336	-	336
Telephone	-	4,897	-	4,897
Licenses and fees	-	302	-	302
Dues and subscriptions	-	80	-	80
Professional fees	-	4,890	-	4,890
Utilities	-	2,294	-	2,294
Depreciation and amortization expense	-	6,868	-	6,868
Insurance	-	3,573	-	3,573
Property taxes	-	4,710	-	4,710
Interest expense	-	2,428	-	2,428
Repairs and maintenance	-	5,695	-	5,695
Bank fees	-	4,181	-	4,181
Travel and entertainment	-	353	-	353
Miscellaneous	-	888	-	888
TOTAL	<u>85,818</u>	<u>44,550</u>	<u>-</u>	<u>130,368</u>

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(14,065)	24,692
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	5,818	6,868
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	3,042	10,199
Inventory	797	13
Accounts payable	(162)	162
Other current liabilities	724	(1,010)
<u>Net Cash Flows from Operating Activities</u>	<u>(3,846)</u>	<u>40,924</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<u>Payments on long-term debt</u>	<u>(5,512)</u>	<u>(5,046)</u>
<u>Net Cash Flows from Financing Activities</u>	<u>(5,512)</u>	<u>(5,046)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(9,358)	35,878
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>340,762</u>	<u>304,884</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>331,404</u></u>	<u><u>340,762</u></u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	1,795	2,428

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NATURE OF BUSINESS

Harbor Country Chamber of Commerce (the "Chamber") is a tax-exempt, nonprofit Michigan Corporation organized to promote tourism in the Harbor Country area. The Chamber's primary funding is from membership dues and sales revenue of its annual Harbor Country Guide.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Chamber have been prepared on the accrual basis.

The Chamber adheres to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Chamber's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Chamber or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Financial Position, the Chamber considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at several local banks and is insured up to the limits of the Federal Deposit Insurance Corporation ("FDIC"). It is common throughout the course of operations for the Chamber's cash balance to exceed the insured limit.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances and is presented net of allowance for doubtful accounts, which is estimated to be zero at August 31, 2022 and 2021, respectively. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. Interest is not charged on past due accounts.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

INVENTORIES

Inventories of posters and various memorabilia are stated at the lesser of cost or net realizable value and are determined by the first-in, first-out method.

PROPERTY AND EQUIPMENT

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation and amortization is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation and amortization expense for the year ended August 31, 2022 and 2021, was \$5,818 and \$6,868, respectively .

A summary of the range of lives by asset category follows:

Buildings and improvements	15 - 39 years
Office furniture and equipment	5 - 7 years
Website	3 years

DEFERRED REVENUES

The Chamber records deferred revenue in the Statements of Financial Position upon the receipt of cash from members in advance for advertising in the Undiscovered Season brochure. These fees are recognized as revenue in the Statements of Activities when the related expenses for the production of the brochure are incurred.

PUBLIC SUPPORT AND REVENUES

The Chamber generates contract revenue from membership fees. The Chamber recognizes revenue from these services on a ratable basis over the contract term beginning on the date service commences. The contract terms generally are on an annual basis that matches the reporting period and are billed on annual basis. These fees are recognized as revenue in the Statements of Activities at the start date of the membership.

The Chamber also recognizes revenues from sales of advertisements upon issuance of the annual Harbor Country Guide and Undiscovered Season brochure. These revenues are recognized at a point in time.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended August 31, 2022 and 2021, were \$5,882 and \$4,855, respectively.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services based upon actual costs incurred within each area.

Expense	Method of Allocation
Program; Supporting Services	Time and Effort

INCOME TAXES

The Chamber is a nonprofit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The Internal Revenue Service ("IRS") has determined that the Chamber is not a private foundation within the meaning of Section 509(a).

The *Income Taxes Topic*, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. ASC 740 requires a Chamber to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The Chamber recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Chamber has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Chamber's evaluation was performed for all federal and state periods still subject to examination. The Chamber's federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities for the three previous fiscal years.

The Chamber had no unrelated business income tax for the years ended August 31, 2022 and 2021.

NOTE 2 - LIQUIDITY AND AVAILABILITY

As of the years ended August 31, 2022 and 2021, the Chamber has working capital of \$328,089 and \$342,129 and average days of cash on hand of 689 and 954, respectively.

Financial assets at August 31:	2022	2021
Cash and cash equivalents	331,404	340,762
Accounts receivable	165	3,207
Total financial assets	331,569	343,969
Financial assets available to meet general expenditures within one year	331,569	343,969

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 3 - PAYCHECK PROTECTION PROGRAM

The Chamber applied for and received approval for a loan from New Buffalo Savings Bank under the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") as provided in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The loan was approved by the SBA in February 2021. The loan was funded in the amount of \$15,490 with a fixed interest rate of 1% and maturity date of February 2023, at which time the entire unpaid balance of principal and interest is due. Under the CARES Act, the loan calls for no payments during the deferral period and can be forgiven if used for the limited purposes outlined under the PPP and SBA requirements. The loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminated employees or reduced salaries during the twenty-four week period. Guidance provided in FASB ASC 405-20-40-1 states that the proceeds of the loan would remain recorded as a liability until either; the loan is, in part or wholly, forgiven and the debtor has been "legally released", or the debtor pays off the loan to the creditor. The Chamber received confirmation from New Buffalo Savings Bank that their SBA PPP loan was forgiven. Under guidance provided by ASC 450-30, the PPP loan was recognized as grant income of \$15,490 for the year ended August 31, 2021.

NOTE 4 - LONG-TERM DEBT

The following summarizes outstanding long-term debt as of August 31:

	<u>2022</u>	<u>2021</u>
Mortgage note payable to Country Heritage Credit Union for \$78,750, requiring monthly payments of \$623 through March 13, 2028, which includes interest rate of 5.0%. The note is secured by real estate of the Chamber.	36,277	41,789
Total long-term debt	36,277	41,789
Less current portion	(5,789)	(5,508)
<u> Long-term debt</u>	<u>30,488</u>	<u>36,281</u>

Long-term debt is scheduled to mature as follows for the years ending August 31:

2024	6,082
2025	6,397
2026	6,724
2027	7,068
2028	4,217
<u> Long-term debt</u>	<u>30,488</u>

NOTE 5 - CONCENTRATIONS

The Chamber members and Chamber activities are concentrated in the Harbor Country area. Accordingly, conditions in that area may affect its membership, gift, and other sources of support and revenue.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 6 - SUBSEQUENT EVENTS

The Chamber has evaluated subsequent events through January 17, 2023, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.