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AN EQUAL OPPORTUNITY EMPLOYER

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July 11, 2018

Board of Directors  
The Chamber of Commerce of St. Joseph County  
101 North Michigan Street  
South Bend, IN 46601

We have reviewed the report prepared by The Chamber of Commerce of St. Joseph County and opined upon by Aranowski & Company, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of The Chamber of Commerce of St. Joseph County as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Aranowski & Company prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**South Bend, Indiana**

**Annual Report**

**December 31, 2017**

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# ARANOWSKI & COMPANY

*CPAs and Business Advisors*

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Chamber of Commerce of St. Joseph County, Inc., and its Affiliates  
South Bend, Indiana

We have audited the accompanying consolidated financial statements of The Chamber of Commerce of St. Joseph County, Inc., and its Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, and the consolidated statements of cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based upon 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Chamber of Commerce of St. Joseph County, Inc. and its Affiliates as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

  
ARANOWSKI & COMPANY  
SOUTH BEND, INDIANA  
March 5, 2018

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY AND ITS AFFILIATES**

**Consolidated Statements of Financial Position**

**December 31, 2017 and 2016**

Assets	<u>2017</u> Temporarily			<u>2016</u> Temporarily		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>Current Assets</b>						
Cash	\$ 1,635,618	\$	\$ 1,635,618	\$ 1,647,540	\$	\$ 1,647,540
Dues receivable (net of allowance for uncollectible dues of \$23,035 - 2017; \$23,035 - 2016)	146,761		146,761	133,407		133,407
Other receivables	21,482		21,482	23,716		23,716
Pledges (net of allowance for doubtful pledges of \$4,000 - 2017; \$4,400 - 2016)		75,210	75,210		77,351	77,351
Prepaid expenses	58,941		58,941	13,850		13,850
Total Current Assets	<u>1,862,802</u>	<u>75,210</u>	<u>1,938,012</u>	<u>1,818,513</u>	<u>77,351</u>	<u>1,895,864</u>
<b>Other Assets</b>						
Property and equipment, net	85,606		85,606	118,707		118,707
Intangible asset (net of accumulated amortization of \$153,931 - 2017; \$137,527 - 2016)	44,444		44,444	10,848		10,848
Pledges receivable (net of current portion and allowance for doubtful pledges of \$15,100 - 2017; \$0 - 2016)		65,777	65,777			
Total Other Assets	<u>130,050</u>	<u>65,777</u>	<u>195,827</u>	<u>129,555</u>		<u>129,555</u>
<b>Total Assets</b>	<b><u>\$ 1,992,852</u></b>	<b><u>\$ 140,987</u></b>	<b><u>\$ 2,133,839</u></b>	<b><u>\$ 1,948,068</u></b>	<b><u>\$ 77,351</u></b>	<b><u>\$ 2,025,419</u></b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Current portion of capital lease payable	\$ 7,764	\$	\$ 7,764	\$ 7,386	\$	\$ 7,386
Accounts payable	8,312		8,312	29,244		29,244
Accrued salaries	121,597		121,597	138,897		138,897
Deferred revenue	462,986		462,986	390,844		390,844
Total Current Liabilities	<u>600,659</u>		<u>600,659</u>	<u>566,371</u>		<u>566,371</u>
<b>Long Term Liabilities</b>						
Current portion of capital lease payable, net of current portion	<u>8,299</u>		<u>8,299</u>	<u>16,064</u>		<u>16,064</u>
<b>Net Assets</b>						
Chamber of Commerce of St. Joseph County, Inc.	1,035,531	140,987	1,176,518	1,060,939	77,351	1,138,290
Convention and Visitors Bureau	348,363		348,363	304,694		304,694
Total Net Assets	<u>1,383,894</u>	<u>140,987</u>	<u>1,524,881</u>	<u>1,365,633</u>	<u>77,351</u>	<u>1,442,984</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,992,852</u></b>	<b><u>\$ 140,987</u></b>	<b><u>\$ 2,133,839</u></b>	<b><u>\$ 1,948,068</u></b>	<b><u>\$ 77,351</u></b>	<b><u>\$ 2,025,419</u></b>

(See auditors' report and notes to financial statements.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues</b>						
Membership Dues	\$ 675,327		\$ 675,327	\$ 690,250		\$ 690,250
Contributions and Pledges	9,282	\$ 685,969	695,251	13,815	\$ 181,069	194,884
Hotel and Motel Tax	1,825,000		1,825,000	1,610,101		1,610,101
Investment Income	3,369		3,369	2,904		2,904
Programs	572,689		572,689	482,133		482,133
Gain (Loss) on sale of assets						
Other Income	25,184		25,184	52,968		52,968
Net Assets Released from Restrictions	<u>622,333</u>	<u>(622,333)</u>	<u>          </u>	<u>648,961</u>	<u>(648,961)</u>	<u>          </u>
<b>Total Revenues</b>	<u><b>3,733,184</b></u>	<u><b>63,636</b></u>	<u><b>3,796,820</b></u>	<u><b>3,501,132</b></u>	<u><b>(467,892)</b></u>	<u><b>3,033,240</b></u>
<b>Expenses</b>						
<b>Program Services:</b>						
Economic Development	558,799		558,799	651,549		651,549
Member Services	393,595		393,595	392,769		392,769
Convention and Tourism	2,092,354		2,092,354	1,892,591		1,892,591
Issue Management	191,479		191,479	191,077		191,077
Leadership				5,306		5,306
Grant Expense						
<b>Total Program Services</b>	<u><b>3,236,227</b></u>		<u><b>3,236,227</b></u>	<u><b>3,133,292</b></u>		<u><b>3,133,292</b></u>
<b>Support Services:</b>						
Management and General	234,029		234,029	233,539		233,539
<b>Facilities:</b>						
Operations	<u>244,667</u>		<u>244,667</u>	<u>244,154</u>		<u>244,154</u>
<b>Total Expenses</b>	<u><b>3,714,923</b></u>		<u><b>3,714,923</b></u>	<u><b>3,610,985</b></u>		<u><b>3,610,985</b></u>
<b>Change in net assets</b>	<b>18,261</b>	<b>63,636</b>	<b>81,897</b>	<b>(109,853)</b>	<b>(467,892)</b>	<b>(577,745)</b>
<b>Net Assets - Beginning</b>	<b>1,365,633</b>	<b>77,351</b>	<b>1,442,984</b>	<b>1,638,626</b>	<b>545,243</b>	<b>2,183,869</b>
<b>Leadership Affiliate Net Assets Fund Transfer</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>(163,140)</u>	<u>          </u>	<u>(163,140)</u>
<b>Net Assets - Ending</b>	<u><b>\$ 1,383,894</b></u>	<u><b>\$ 140,987</b></u>	<u><b>\$ 1,524,881</b></u>	<u><b>\$ 1,365,633</b></u>	<u><b>\$ 77,351</b></u>	<u><b>\$ 1,442,984</b></u>

(See auditors' report and notes to financial statements.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Consolidated Statements of Cash Flows**

**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ <u>81,897</u>	\$ <u>(577,745)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,939	33,259
Amortization	16,404	31,864
(Increase) decrease in		
Dues receivable	(13,354)	(29,523)
Pledges receivable	(63,636)	467,340
Other receivables	2,234	(23,716)
Prepaid expenses	(45,091)	29,067
Increase (decrease) in		
Accounts payable	(20,932)	(503)
Accrued expenses	(17,300)	8,009
Deferred revenue	<u>72,142</u>	<u>(58,102)</u>
 Total adjustments	 <u>(33,594)</u>	 <u>457,695</u>
 Net Cash Provided (Used) by Operating Activities	 <u>48,303</u>	 <u>(120,050)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment		(163,140)
Transfer of leadership fund net assets		(29,492)
Purchase of property and equipment	<u>(52,838)</u>	<u>(29,492)</u>
 Net Cash (Used) by Investing Activities	 <u>(52,838)</u>	 <u>(192,632)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease	<u>(7,387)</u>	<u>(6,876)</u>
 Net Cash Provided (Used) by Financing Activities	 <u>(7,387)</u>	 <u>(6,876)</u>
<b>NET (DECREASE) IN CASH</b>	<b>(11,922)</b>	<b>(319,558)</b>
 Cash - beginning of year	 <u>1,647,540</u>	 <u>1,967,098</u>
<b>CASH - END OF YEAR</b>	<b>\$ <u>1,635,618</u></b>	<b>\$ <u>1,647,540</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest expense	\$ 1,341	\$ 1,363

(See auditors' report and notes to financial statements.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Consolidated Notes to Financial Statements**

**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity and Presentation**

The Chamber of Commerce of St. Joseph County, Inc. (the Chamber) was founded in 1909 as a private, not-for-profit member association to serve its member businesses and advance community prosperity. The Chamber is dedicated to its members' growth and prosperity. The Chamber is the primary advocate for area business and is committed to helping members compete by providing leadership, advocacy and services. The Chamber is primarily funded by membership dues, members' contributions and pledges, program income and local government.

The Chamber has the following affiliates:

- Visit South Bend/Mishawaka (CVB)
- Leadership/Youth Leadership
- Chamber Foundation (Foundation)
- South Bend Region

The CVB program is focused upon attracting meetings, conventions, sports, and other leisure activities and visitors to stimulate economic growth in St. Joseph County, Indiana.

The Leadership/Youth Leadership programs develop informed and effective leaders to become engaged in shaping and strengthening the community. The Chamber for many years operated Leadership South Bend/Mishawaka as an affiliate program of the Chamber. As a result of the growth of the program, the Chamber and Leadership South Bend/Mishawaka determined it to be in their mutual best interests to separate and for Leadership South Bend/Mishawaka to operate under its own 501(c)(3) entity. This became effective January 1, 2016.

During 2004, the Foundation was created to promote, develop, sponsor and assist in the betterment of the community of St. Joseph County, Indiana. The Foundation will solicit and receive contributions and donations which will be used for charitable and educational activities which will result in such community betterments.

South Bend Region serves as the lead economic development organization for the South Bend area and surrounding counties in northern Indiana and southern Michigan focusing on business attraction, start up, growth and retention activities.

**Basis of Accounting**

The Chamber of Commerce of St. Joseph County, Inc. and its Affiliates' (the Organization) operations are accounted for on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Fund Accounting*

To ensure observance, limitations and restrictions placed on the use of resources available to the Chamber, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

*Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards. Under accounting principles generally accepted in the United States of America (GAAP), the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* - Reflect assets which have not been restricted as to use by donors and currently available for use by the Organization. A designation within this asset group represents assets restricted by the Administrative Management.

*Temporarily Restricted Net Assets* - Reflect contributed assets with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

*Permanently Restricted Net Assets* - Reflect contributions with donor imposed restrictions which do not expire and which allow, in certain cases, only the income earned thereon to be expended by the Organization.

*Consolidation*

The consolidated financial statements include the results of operations and account balances of the Organization. All material intercompany balances and transactions have been eliminated.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated between the program and supporting service expense.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates. Significant estimates used in the accompanying financial statements include allowance for doubtful accounts receivable, allowance for pledges receivable, unearned revenue and allocations of costs among program and supporting services.

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Organization has cash and cash equivalents in high quality financial institutions, which at times may exceed the \$250,000 FDIC insurance limitations at each institution. The Organization has not experienced any losses in such securities and believes it is not exposed to any significant credit risk.

*Dues Receivable*

Dues receivable are recorded at the amount the Organization expects to collect on balances outstanding at year end. The Organization closely monitors outstanding balances and reserves for the uncollectible balances at year end. Management uses the allowance method to determine uncollectible receivables. The allowance is based on prior years experience and management's analysis of specific receivables. The Organization does not accrue interest on any of its dues receivables.

*Grants Receivable*

The Organization receives some grants for reimbursement of expenses incurred. A receivable for the reimbursement of allowable program expenditures due from grantors is recorded as other receivables in the consolidated statement of financial position. The balance of other receivables at December 31, \$21,482 - 2017 and \$23,716 - 2016. No allowance for uncollectible grants has been recorded.

*Pledges Receivable*

Unconditional promises expected to be collected within one year are reported at their net realizable value. Those promises expected to be collected in more than one year, if material to the financial statements, are reported at the present value of their estimated future cash flows using a risk free rate at the date of the pledge to determine the discounts. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributed support.

*Membership Dues*

Annual membership dues are billed in advance and are recognized as revenue over the period of the membership. Dues received in advance are recorded as a liability and are reported as deferred revenue in the accompanying consolidated statement of financial position. Membership revenue whose revenue recognition period extends beyond December 31, was \$385,412 - 2017 and \$358,853 - 2016.

*Fair Value of Financial Instruments*

Financial instruments consist of cash and cash equivalents, dues and pledges receivable, accounts payable and accrued liabilities. The carrying amounts reported in the consolidated statements of financial position for these assets and liabilities approximate fair value.

*Advertising Costs*

The Organization expenses all advertising costs when incurred. For the years ended December 31, advertising expense was \$1,163,060 - 2017 and \$1,001,658 - 2016.

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Contributions

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Donations of property and equipment are recorded at fair market value as of the date received and are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Major improvements and betterments are capitalized; maintenance and repairs are charged to expenses as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Property, equipment, improvements and betterments are depreciated for both financial and income tax reporting purposes using the straight-line method over the estimated useful lives of the assets as shown below:

	<u>YEARS</u>
Office equipment	3-10
Leasehold improvements	10

Depreciation expense was \$35,939 - 2017 and \$33,259 - 2016.

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Income Taxes*

The Organization's policy is to record an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. Interest and penalties related to gross unrecognized tax benefits would be included within the provision for income taxes. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued would be reduced in the period that such determination is made and reflected as a reduction of the overall income tax provision.

The Organization files two federal and two Indiana state not-for-profit tax returns. Management has evaluated its uncertain tax positions and related income tax contingencies and believes it is not material to the financial statements. The Organization is no longer subject to examination by the federal and Indiana tax jurisdictions for the years ended prior to December 31, 2014.

*Contributed Services*

Contributions of services are required to be recognized if the services received required specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided, or services that create or enhance a non financial asset. However, a substantial number of unpaid volunteers make significant contributions of their time to the Organization. The value of this time is not reflected in the accompanying financial statements, because the services are not susceptible to objective measurement or valuation. As of December 31, 2017 and 2016, no amounts for contributed services were recognized in the accompanying consolidated financial statements.

**NOTE 2 - INCOME TAXES**

The Chamber operates as a not-for-profit organization under the Internal Revenue Code Section 501(c)(6) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes, except for taxes on unrelated business income.

The Chamber of Commerce of St. Joseph County Foundation, Inc., operates as a not-for-profit organization under the Internal Revenue Code Section 501(c)(3) and similar section of the Indiana tax law, which provides exemption from federal and state income taxes, except for taxes on unrelated business income.

**NOTE 3 - CONCENTRATIONS**

The Organization's members, donors and activities are concentrated in the St. Joseph County, Indiana area. Accordingly, membership dues, donations and a substantial amount of its support and revenue, and collection of pledges receivable, may be affected by economic conditions in the area.

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 4 - BENEFICIAL INTEREST IN ASSETS**

For the year ending December 31, 2017 and 2016, the donations received by the Community Foundation of St. Joseph County, Inc. (the Community Foundation) on behalf of the Organization from donors other than the Organization are not reflected as an asset on the Organization's financial statements as the donor granted the Community Foundation variance power, which precludes recognition of expected cash flows by the beneficiary.

The Community Foundation's spending policy is to distribute a percentage of each fund's market values. The objectives of the Community Foundation's spending policy are to allocate total earnings from the portfolio between current spending and reinvestment for future earnings, and to provide a predictable and growing stream of income to beneficiaries of Community Foundation grants. The Community Foundation's spending policy may be adjusted at their discretion depending upon market conditions. Distributions for the years ended December 31 were \$0 - 2017 and \$0 - 2016, and are included in contributions and pledge revenue on the consolidated statement of activities and changes in net assets.

**NOTE 5 - ADMINISTRATIVE FEES**

The Organization includes affiliates and other contracted partners that utilize Chamber personnel and resources to carry out various initiatives. The Chamber provides administrative services to some of these entities. Fees are assessed on a monthly basis and range from month to month to annual agreements. For the years ended December 31, the Chamber received administrative fees totaling \$152,520 - 2017 and \$140,640 - 2016, of which none were from non-consolidated entities. As of December 31, 2017, there were no agreements that were in excess of one year.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 339,285	\$ 336,446
Vehicles	<u>29,492</u>	<u>29,492</u>
Total cost	368,777	365,938
Less accumulated depreciation	<u>(283,171)</u>	<u>(247,231)</u>
Property and equipment, net	<u>\$ 85,606</u>	<u>\$ 118,707</u>

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 7 - DESTINATION MARKETING AGREEMENT**

The Organization has an agreement with the St. Joseph County Board of Managers (the Board) to receive funds from the St. Joseph County Hotel/Motel Tax.

The Board remits funds to the Organization on a monthly basis to use for the promotion of conventions and tourism in the St. Joseph County, Indiana area. The funds received from this agreement for the years ended December 31, were \$1,825,000 - 2017 and \$1,610,101 - 2016. These tax proceeds along with funds provided by the Chamber support the operations of the CVB.

**NOTE 8 - OPERATING LEASES**

Effective July 2015, the Chamber entered into a lease agreement until January 2022 for new office facilities. The monthly payments until July 2018 are \$12,085 and from August 2018 until January 2022 will be \$12,738. The Chamber also includes an annual reconciliation of common area maintenance charges, parking fees and insurance costs associated with the office space as rent expense. The lessor pays for major repairs and improvements and the Chamber pays for minor repairs.

For the years ended December 31, total rent expense for the above leases was \$219,453 - 2017 and \$229,556 - 2016.

The Organization leases vehicles with monthly payments ranging from \$435 to \$498 per month. The lease agreements expire at various times through 2018.

Minimum payments for operating leases with initial lease terms in excess of one year as of December 31, 2017 are as follows:

2018	\$ 153,505
2019	152,860
2020	152,860
2021	152,860
2022	<u>12,738</u>
	<u>\$ 624,823</u>

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 9 - CAPITAL LEASES**

In March 2015, the Chamber leases certain office equipment under a capital lease expiring in 2019. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the assets. The assets are depreciated over their estimated productive lives. Depreciation expense of assets under capital leases is included in depreciation expense for the year ended December 31, 2017. Capital lease obligations consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Capital lease payable to equipment leasing company in monthly payments of \$699 which includes interest at 5% to December 2019, secured by office equipment.	\$ 16,063	\$ 23,450
Less Current Maturities	<u>(7,764)</u>	<u>(7,386)</u>
	<u>\$ 8,299</u>	<u>\$ 16,064</u>

Minimum future lease payments under capital leases as of December 31, 2017 over the next three years are as follows:

2018	\$ 8,391
2019	<u>8,528</u>
Total Future Payments	16,919
Less Interest Portion	<u>(856)</u>
Present Value of Future Payments	<u>\$ 16,063</u>

The following is a summary of equipment held under capital lease obligations at December 31, 2017:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 35,041	\$ 35,041
Less accumulated depreciation	<u>(19,273)</u>	<u>(12,264)</u>
	<u>\$ 15,768</u>	<u>\$ 22,777</u>

**NOTE 10 - RETIREMENT AND DEFERRED COMPENSATION**

The Organization maintains qualified retirement plans under section 401(k) of the Internal Revenue Code. Under these plans, employees may defer up to 15% of their salary. The Organization makes contributions to the plans of up to 7.5% of the eligible employee's annual compensation to a group annuity contract. The Organization's contributions for the plan years ended December 31, were \$78,630 - 2017 and \$81,015 - 2016.

The Organization offers a Section 457 nonqualified deferred compensation plan to its employees. There were no deferred compensation payments made by the Chamber during the years ended December 31, 2017 and 2016.

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 11 - CONTINGENCIES**

Under the terms of State and Federal grants, periodic audits are required and certain costs may be challenged as to what may be allowable under the terms of the grants. Grant resources are expendable only for operating purposes specified by the grant. Such audits could lead to reimbursement of the grantor agencies.

Management is of the opinion that the risk of material disallowance is remote. Therefore, no provision for contingencies has been reflected in the financial statements.

**NOTE 12 - PLEDGES RECEIVABLE**

Pledges receivable consist of unpaid pledge commitments extended through 2021 relating to the fundraising campaign conducted by the Chamber. The South Bend Region campaign is an economic development strategic initiative designed to create new jobs and investment in St. Joseph County, Indiana. The funds for the South Bend Region campaign are to be used to bolster the Chamber's economic development efforts by providing the necessary resources to better position St. Joseph County, Indiana to compete in a global economy. The campaign was set up for a four year period ending in 2021. The pledges are promises to give associated with the campaign and have been discounted to their present value. Pledges receivable are unsecured and are due from local businesses, universities, governmental agencies and not-for-profit organizations. The pledges receivable are presented in the financial statements as temporarily restricted net assets and revenue.

Pledges receivable due in excess of one year as of December 31, 2017 consist of the following.

2018	\$ 89,000
2019	62,000
2020	34,500
2021	<u>2,000</u>
Total pledges due	187,500
Less present value discount	<u>(27,413)</u>
Pledges receivable after discount	160,087
Less allowance for doubtful pledges	<u>(19,100)</u>
Pledges receivable, net	<u>\$ 140,987</u>

Pledges receivable as of December 31, 2017 and, 2016 are shown on the Statements of Financial Position, as follows:

	<u>2017</u>	<u>2016</u>
Current	\$ 75,210	\$ 77,351
Non-current	<u>65,777</u>	<u>0</u>
Total	<u>\$ 140,987</u>	<u>\$ 77,351</u>

(See auditors' report.)

**THE CHAMBER OF COMMERCE  
OF ST. JOSEPH COUNTY, INC., AND ITS AFFILIATES**

**Notes to Financial Statements**

**December 31, 2017**

**NOTE 13 - INTANGIBLE ASSETS**

Intangible assets consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Websites	\$ 168,883	\$ 118,883
Less accumulated amortization	<u>(124,439)</u>	<u>(108,035)</u>
Net intangible assets	<u>\$ 44,444</u>	<u>\$ 10,848</u>

Amortization expense was \$16,404 - 2017 and \$31,864 - 2016

**NOTE 14 - RELATED PARTY TRANSACTIONS**

In 2017, the Chamber had transactions with Michiana Partnership and the Youth Leadership division, which as disclosed in Note 1, was a division of the Chamber until January 1, 2016. The transactions with Michiana Partnership and the Leadership division for the years ending December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
<u>Michiana Partnership</u>		
Salaries and wages and employee benefits	\$ 228,278	\$ 266,888
Contributions to Michiana Partnership	50,000	76,188
<u>Leadership</u>		
Expenses paid	-	5,306

**NOTE 15 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events for recognition and disclosure through March 5, 2018, the date on which the financial statements were available to be issued.

(See auditors' report.)

# ARANOWSKI & COMPANY

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April 23, 2018

**The Chamber of Commerce  
of St. Joseph County, Inc.  
Schedule of Government Funding  
For the Year Ended December 31, 2017**

St. Joseph County Hotel/Motel Tax

Total Funds Received \$1,825,000

Total Funds Disbursed \$1,825,000

City of South Bend

Total Funds Received \$115,000

Total Funds Disbursed \$115,000

City of Mishawaka

Total Funds Received \$50,000

Total Funds Disbursed \$50,000

Economic Development Contribution

Total Funds Received \$142,500

Total Funds Disbursed \$142,500

Total Funds received from Governmental Agencies for the year ended December 31, 2017 was \$2,132,500.