



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B55755

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

September 15, 2020

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

We have reviewed the audit report of The Chamber of Commerce of St. Joseph County, which was opined upon by Aranowski & Company, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. 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, 2019 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 the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit 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, 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities and Changes in Net Assets	3
Consolidated Statements of Functional Expenses	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

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, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, consolidated statements of functional expenses, and the consolidated statements of cash flows for the years 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, 2019 and 2018, 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
February 27, 2020

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

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,053,221	\$ 1,678,196
Dues receivable, net	133,609	258,952
Grants receivables		104,359
Prepaid expenses	12,000	21,528
Property and equipment, net	28,394	49,877
Intangible asset, net	<u>15,639</u>	<u>36,834</u>
 Total Assets	 <u>\$ 2,242,863</u>	 <u>\$ 2,149,746</u>
 Liabilities and Net Assets		
Accounts payable	\$ 3,008	\$ 20,015
Accrued salaries	121,714	93,705
Deferred revenue	565,112	593,568
Capital lease obligations		<u>8,299</u>
Total Liabilities	<u>689,834</u>	<u>715,587</u>
 Net Assets		
Without Donor Restrictions		
Undesignated - Chamber of Commerce of St. Joseph County, Inc.	358,867	180,578
Designated for operating reserve	1,031,390	1,090,809
Designated for Chamber Foundation	<u>162,772</u>	<u>162,772</u>
Total Net Assets	<u>1,553,029</u>	<u>1,434,159</u>
 Total Liabilities and Net Assets	 <u>\$ 2,242,863</u>	 <u>\$ 2,149,746</u>

(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, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues						
Membership Dues	\$ 944,033	\$	\$ 944,033	\$ 811,567		\$ 811,567
Contributions and Pledges	29,256		29,256	9,020	\$ (48,987)	(39,967)
Hotel and Motel Tax	2,418,763		2,418,763	2,234,141		2,234,141
Investment Income	12,400		12,400	3,805		3,805
Programs	667,899		667,899	606,087		606,087
Administrative Fees	36,000		36,000			
Other Income	344,918		344,918	235,993		235,993
Net Assets Released from Restrictions	_____	_____	_____	92,000	(92,000)	_____
Total Revenues	<u>4,453,269</u>	<u>_____</u>	<u>4,453,269</u>	<u>3,992,613</u>	<u>(140,987)</u>	<u>3,851,626</u>
Expenses						
Program Services Expense						
Economic Development	112,187		112,187	41,762		41,762
Member Services	486,610		486,610	448,199		448,199
Convention and Tourism	2,889,854		2,889,854	2,680,017		2,680,017
Issue Management	<u>236,732</u>	_____	<u>236,732</u>	<u>218,043</u>	_____	<u>218,043</u>
Total Program Expenses	3,725,383		3,725,383	3,388,021		3,388,021
Supporting Services Expense:						
Management and General	306,525		306,525	275,745		275,745
Operations	<u>302,491</u>		<u>302,491</u>	<u>278,610</u>		<u>278,610</u>
Total Supporting Services Expenses	609,016		609,016	554,355		554,355
Total Expenses	<u>4,334,399</u>		<u>4,334,399</u>	<u>3,942,376</u>		<u>3,942,376</u>
Change in net assets	118,870		118,870	50,237	(140,987)	(90,750)
Net Assets, Beginning of Year	<u>1,434,159</u>	<u>_____</u>	<u>1,434,159</u>	<u>1,383,922</u>	<u>140,987</u>	<u>1,524,909</u>
Net Assets, End of Year	<u>\$ 1,553,029</u>	<u>\$ _____</u>	<u>\$ 1,553,029</u>	<u>\$ 1,434,159</u>	<u>\$ _____</u>	<u>\$ 1,434,159</u>

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

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

Consolidated Statement of Functional Expenses

December 31, 2019

	<u>Program Services</u>						
	<u>Economic Development</u>	<u>Member Services</u>	<u>CVB</u>	<u>Issue Mgmt</u>	<u>Management and Admin.</u>	<u>Operations</u>	<u>Totals 2019</u>
Salaries and wages		\$ 215,917	\$ 605,107	\$ 105,041	\$ 128,383	\$ 134,219	\$ 1,188,667
Payroll taxes		16,974	44,222	8,258	10,093	10,552	90,099
Retirement benefits		11,880	35,338	5,779	7,064	7,385	67,446
Employee benefits	\$ 62,967	31,313	80,039	15,233	18,618	19,465	227,635
Rent		43,221	116,815	21,026	25,699	26,867	233,628
Postage		1,206	14,620	587	717	750	17,880
Repairs and maintenance		2,790	9,264	1,358	1,659	1,735	16,806
Equipment lease		567		276	337	352	1,532
Vehicle lease		483		235	287	300	1,305
Special events		68,363	130,625	33,258	40,648	42,496	315,390
Office expense		2,552		1,242	1,518	1,587	6,899
Travel	3,162	5,957	69,650	2,898	3,542	3,703	88,912
Telephone		3,420	15,918	1,664	2,034	2,126	25,162
General insurance		2,792	8,863	1,358	1,660	1,736	16,409
Advertising	42,500	16,102	1,570,059	7,834	9,574	10,010	1,656,079
Printing and supplies			20,696				20,696
Bad debts		16,143	18,000	7,853	9,599	10,035	61,630
Outside labor			24,385		17,188		41,573
Payroll service		1,048		510	623	651	2,832
Computer support	1,200	10,698	24,391	5,205	6,361	6,650	54,505
Bank charges		2,757		1,341	1,639	1,714	7,451
Legal and professional		9,936	16,596	4,834	5,908	6,177	43,451
Dues and subscriptions	1,500	13,185	57,481	6,414	7,840	8,196	94,616
Depreciation and amort	858	7,237	22,261	3,521	4,303	4,499	42,679
Utilities and trash		2,043	5,524	994	1,215	1,270	11,046
Miscellaneous		26		13	16	16	71
	<u>\$ 112,187</u>	<u>\$ 486,610</u>	<u>\$ 2,889,854</u>	<u>\$ 236,732</u>	<u>\$ 306,525</u>	<u>\$ 302,491</u>	<u>\$ 4,334,399</u>

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

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

Consolidated Statement of Functional Expenses

December 31, 2018

	<u>Program Services</u>						Totals 2018
	<u>Economic Development</u>	<u>Member Services</u>	<u>CVB</u>	<u>Issue Mgmt.</u>	<u>Management and Admin</u>	<u>Operations</u>	
Salaries and wages	\$	\$ 197,399	\$ 539,405	\$ 96,032	\$ 117,363	\$ 122,707	\$ 1,072,906
Payroll taxes		15,790	41,056	7,682	9,389	9,815	83,732
Retirement benefits		12,418	27,838	6,041	7,384	7,719	61,400
Employee Benefits		24,521	61,184	11,929	14,580	15,243	127,457
Rent		42,253	114,213	20,556	25,124	26,266	228,412
Postage		1,418	27,579	690	843	882	31,412
Repairs & Maint		1,605	10,080	781	954	998	14,418
Equipment Lease		458		223	273	285	1,239
Vehicle Lease		1,048		510	623	652	2,833
Special Events		55,535	116,855	27,017	33,021	34,522	266,950
Office expense		2,301		1,119	1,368	1,430	6,218
Travel	3,153	10,909	67,758	5,307	6,487	6,781	100,395
Telephone		3,411	15,752	1,659	2,028	2,120	24,970
General insurance		2,696	8,617	1,311	1,603	1,676	15,903
Advertising	23,163	9,532	1,449,393	4,637	5,668	5,925	1,498,318
Printing and supplies			24,042				24,042
Bad debts		17,931	17,500	8,723	10,661	11,146	65,961
Outside labor			9,289		9,256		18,545
Payroll service		989		481	588	615	2,673
Computer Support	1,624	12,613	52,116	6,136	7,500	7,840	87,829
Bank charges		4,980		2,423	2,961	3,096	13,460
Legal and professional	6,515	6,916	33,897	3,364	4,112	4,299	59,103
Dues and subscriptions	6,449	7,280	38,170	3,542	4,329	4,526	64,296
Interest		232		113	138	144	627
Depreciation	858	13,658	19,152	6,645	8,121	8,490	56,924
Utilities and trash		2,265	6,121	1,102	1,347	1,408	12,243
Miscellaneous		41		20	24	25	110
	<u>\$ 41,762</u>	<u>\$ 448,199</u>	<u>\$ 2,680,017</u>	<u>\$ 218,043</u>	<u>\$ 275,745</u>	<u>\$ 278,610</u>	<u>\$ 3,942,376</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in net assets	\$ <u>118,870</u>	\$ <u>(90,750)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization	42,678	56,925
Changes in operating assets and liabilities		
Dues receivable, net	125,343	(112,191)
Pledges receivable, net		140,987
Grants receivables	104,359	(82,877)
Prepaid expenses	9,528	37,413
Accounts payable	(17,007)	11,703
Accrued expenses	28,009	(27,892)
Deferred revenue	<u>(28,456)</u>	<u>130,582</u>
 Net Cash from Operating Activities	 <u>383,324</u>	 <u>63,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u> </u>	<u>(13,558)</u>
 Net Cash used for Investing Activities	 <u> </u>	 <u>(13,558)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital leases	<u>(8,299)</u>	<u>(7,764)</u>
 Net Cash used for Financing Activities	 <u>(8,299)</u>	 <u>(7,764)</u>
 NET CHANGE IN CASH	 375,025	 42,578
 Cash - Beginning of Year	 <u>1,678,196</u>	 <u>1,635,618</u>
 CASH - End of Year	 <u>\$ 2,053,221</u>	 <u>\$ 1,678,196</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest expense	\$ 0	\$ 627

(See auditor's 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, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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)
- Chamber Foundation (Foundation)

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.

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.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Property, Equipment, and Depreciation

We record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

(See auditors' report.)

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

Notes to Financial Statements

December 31, 2019

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for Convention and Visitors Bureau.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, advertising expense was \$1,656,079 - 2019 and \$1,498,318 - 2018.

Consolidation

The consolidated financial statements include the accounts of the Chamber of Commerce of St. Joseph County Foundation, Inc. and 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 program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

(See auditors' report.)

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

Notes to Financial Statements

December 31, 2019

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.

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, 2016.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with our receivables is considered to be limited due to high historical collection rates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

We have evaluated subsequent events through February 27, 2020, the date on which the financial statements were available to be issued.

(See auditors' report.)

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

Notes to Financial Statements

December 31, 2019

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 2,053,221
Dues receivable	<u>133,609</u>
	<u>\$ 2,186,830</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Chamber designates a portion of any operating surplus to its operating reserve, which was \$1,031,390 as of December 31, 2019.

NOTE 3 - 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.

	<u>2019</u>	<u>2018</u>
Dues Receivable	\$ 156,269	\$ 281,987
Less Allowance for Uncollectible	<u>(22,660)</u>	<u>(23,035)</u>
Total	<u>\$ 133,609</u>	<u>\$ 258,952</u>

NOTE 4 - 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, \$0 - 2019 and \$104,359 - 2018. No allowance for uncollectible grants has been recorded.

NOTE 5 - PLEDGES RECEIVABLE

In 2018, the Board agreed to discontinue pledges. Instead, members were encouraged to increase member dues to replace future pledges and will be billed on an annual basis. As a result, remaining pledge balances were written off in the amount of \$48,987. There were no pledges in 2019.

(See auditors' report.)

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

Notes to Financial Statements

December 31, 2019

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 339,285	\$ 339,285
Vehicles	<u>29,492</u>	<u>29,492</u>
Total cost	368,777	368,777
Less accumulated depreciation	<u>(340,383)</u>	<u>(318,900)</u>
Property and equipment, net	<u>\$ 28,394</u>	<u>\$ 49,877</u>

Depreciation expense was \$21,483 - 2019 and \$35,730 - 2018.

NOTE 7 - INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Websites	\$ 182,468	\$ 182,468
Less accumulated amortization	<u>(166,829)</u>	<u>(145,634)</u>
Net intangible assets	<u>\$ 15,639</u>	<u>\$ 36,834</u>

Amortization expense was \$21,195 - 2019 and \$21,195 - 2018

NOTE 8 - DONATED PROFESSIONAL SERVICES AND MATERIAL

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, 2019 and 2018, no amounts for contributed services were recognized in the accompanying consolidated financial statements.

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

Notes to Financial Statements

December 31, 2019

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, 2019. Capital lease obligations consist of the following as of December 31:

	<u>2019</u>	<u>2018</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.	\$ 0	\$ 8,299
Less Current Maturities	<u>0</u>	<u>(8,299)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

The following is a summary of equipment held under capital lease obligations at December 31: 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 35,041	\$ 35,041
Less accumulated amortization	<u>(35,041)</u>	<u>(26,281)</u>
	<u>\$ 0</u>	<u>\$ 8,760</u>

NOTE 10 - FUNCTIONALIZED EXPENSE

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on percentages which are derived by management.

NOTE 11 - 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 \$67,446 - 2019 and \$61,400 - 2018.

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, 2019 and 2018.

(See auditors' report.)

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

Notes to Financial Statements

December 31, 2019

NOTE 12 - DEFERRED REVENUE

Annual membership dues and other sponsored events are billed in advance and are recognized as revenue over the period of the membership or sponsorship. Dues and other sponsorships received in advance are recorded as a liability and are reported as deferred revenue in the accompanying consolidated statement of financial position. Deferred revenue whose revenue recognition period extends beyond December 31, was \$565,112 - 2019 and \$593,568 - 2018.

NOTE 13 - 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 \$36,000 - 2019 and \$0 - 2018, of which none were from non-consolidated entities. As of December 31, 2019, there were no agreements that were in excess of one year.

NOTE 14 - 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 \$2,418,763 - 2019 and \$2,234,141 - 2018. These tax proceeds along with funds provided by the Chamber support the operations of the CVB.

NOTE 15 - 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 \$233,628 - 2019 and \$228,412 - 2018.

Minimum payments for operating leases with initial lease terms in excess of one year as of December 31, 2019 are as follows:

2020	\$ 152,856
2021	152,856
2022	<u>12,738</u>
	<u>\$ 318,450</u>

(See auditors' report.)

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

Notes to Financial Statements

December 31, 2019

NOTE 16 - 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 17- RELATED PARTY TRANSACTIONS

In 2018, the Chamber had transactions with Michiana Partnership. As of July 31, 2018, Michiana Partnership is no longer affiliated with the Chamber. The transactions with Michiana Partnership for the year ending December 31, 2018 is follows:

	<u>2019</u>	<u>2018</u>
<u>Michiana Partnership</u>		
Salaries and wages and employee benefits	\$ 0	\$ 143,136
Contributions to Michiana Partnership	0	50,000

(See auditors' report.)