



MANAGEMENT LETTER

Board of Directors
Greater Bentonville Area Chamber of Commerce
Bentonville, AR

In planning and performing our audit of the consolidated financial statements of Greater Bentonville Area Chamber of Commerce and its subsidiary as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be a material weakness. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been detected.

In addition, during our audit, we noted certain matters involving the internal control, compliance, and other operational matters that are presented for your consideration. This letter does not affect our report dated July 21, 2022 on the consolidated financial statements of Greater Bentonville Area Chamber of Commerce. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or compliance or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Grant Reconciliation

The Chamber has a shared drive that contains all contracts and the Chamber is aware of restrictions and available funds when incurring costs. However, there is currently no summary schedule kept for the Chamber's grants. A summary schedule helps to keep track of the various aspects pertaining to various grants in one place. We suggest that the Chamber maintain a summary schedule of its grants, which should include the amount, term, dates of receipt, reporting requirements, any restrictions, and other pertinent information.

Management Response:

On July 8, 2022, Interim President/CEO, Ashley Wardlow, created a summary schedule of grants received by the Greater Bentonville Area Chamber of Commerce Foundation.

Uninsured Cash

While conducting the audit of cash we noted the Chamber has cash on deposit in excess of the federally insured limit in a financial institution. This presents a potential for losses to the Chamber in the event of bank or institutional failure. We have discussed this situation with management and we understand that due to the large deposits of cash receipts it is difficult to maintain less than \$250,000 in the operating account. We suggest that management closely monitor cash balances and transfer excess balances to other banks, where possible, to reduce the potential for loss of monetary amounts in excess of the federally insured level, or consider collateralization by the bank.

In-Kind Donations

The chamber currently has only a verbal understanding for recording in-kind contributions of goods and contributed services. To define the area better and establish consistency, we suggest that the Chamber formalize a written policy for recognizing in-kind contributions of goods and services. The policy should specify a minimum dollar amount to be recorded and the method used to determine the fair market value of donated services or assets. This policy will be most beneficial in that it will allow for easier and more consistent accounting treatment for contributed goods and services.

Management Response:

On Monday, July 11, 2022, Interim President/CEO, Ashley Wardlow, located a template policy to be used for recognizing in-kind contributions of goods and services.

Written Accounting Policies

During our audit, we noted the Chamber has no formal written accounting policies. We suggest that the Chamber establish a standard accounting manual that would inform all employees of desired operating procedures and policies. Such a manual would serve as an aid in training new employees, monitoring the performance of existing employees, and improving internal communications. At a minimum, at this point in time, we suggest the Chamber develop policies and procedures for the following areas:

- The review and follow-up of accounts receivable
- The cash receipt and cash disbursement process
- The payroll process
- Deferred revenue process

Management Response:

On Monday, July 11, 2022, Interim President/CEO, Ashley Wardlow, located a template manual of Financial Policies & Procedures for adoption and use within the Greater Bentonville Area Chamber of Commerce. This manual includes a capitalization policy.

Capitalization Policy

During our audit, we noted that the Chamber has no formal policy for the capitalization of property and equipment purchases. This leaves the Chamber open to the possibility that fixed assets will not be appropriately recorded, depreciated, or reported for accounting and tax purposes. We suggest that the Chamber implement a written policy requiring all assets costing more than an established amount to be capitalized and depreciated over the assets' useful lives.

Management Response:

See management response to "written accounting policies" above.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Landmark PLC". The word "Landmark" is written in a cursive style, and "PLC" is written in a simpler, blocky font.

Rogers, Arkansas
July 21, 2022



Consolidated Financial Statements
December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

Greater Bentonville Area Chamber of Commerce

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greater Bentonville Area Chamber of Commerce
Bentonville, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of **Greater Bentonville Area Chamber of Commerce** (a nonprofit corporation) and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Greater Bentonville Area Chamber of Commerce** as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Greater Bentonville Area Chamber of Commerce** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Greater Bentonville Area Chamber of Commerce's** ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 **Greater Bentonville Area Chamber of Commerce's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Greater Bentonville Area Chamber of Commerce's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas
July 21, 2022

Greater Bentonville Area Chamber of Commerce

Consolidated Statements of Financial Position December 31, 2021 and 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 1,787,530 | \$ 1,348,553 |
| Accounts receivable, net of allowance for doubtful accounts of \$82,347 and \$45,298, respectively | 131,910 | 151,924 |
| Unconditional promises to give | 300,000 | 600,000 |
| Prepaid expenses | 14,309 | 28,089 |
| Total Current Assets | 2,233,749 | 2,128,566 |
| Property and Equipment, Net | 49,412 | 63,475 |
| Other Assets | | |
| Deposits | - | 400 |
| Unconditional promise to give | - | 600,000 |
| | - | 600,400 |
| TOTAL ASSETS | \$ 2,283,161 | \$ 2,792,441 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 316,045 | \$ 1,940 |
| Accrued liabilities | 5,118 | 26,266 |
| Deferred revenue | 228,583 | 209,721 |
| Total Current Liabilities | 549,746 | 237,927 |
| Net Assets | | |
| Without donor restrictions | 949,775 | 824,998 |
| With donor restrictions | 783,640 | 1,729,516 |
| Total Net Assets | 1,733,415 | 2,554,514 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,283,161 | \$ 2,792,441 |

See accompanying notes to consolidated financial statements.

Greater Bentonville Area Chamber of Commerce

Consolidated Statement of Activities Year ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|------------------|
| REVENUE AND SUPPORT | | | |
| Contracts | \$ 48,000 | \$ - | \$ 48,000 |
| Contributions | 35,900 | 230,000 | 265,900 |
| Fundraisers and special events | 852,940 | - | 852,940 |
| Membership income | 403,419 | - | 403,419 |
| Advertising income | 14,487 | - | 14,487 |
| Interest income | 1,731 | - | 1,731 |
| In-kind revenues | 61,120 | - | 61,120 |
| Paycheck Protection Program loan forgiveness | 127,917 | - | 127,917 |
| Other income | 11,775 | - | 11,775 |
| Net assets released from restriction | | | |
| Satisfaction of purpose restrictions | 575,876 | (575,876) | - |
| Unused funds returned | 600,000 | (600,000) | - |
| | 2,733,165 | (945,876) | 1,787,289 |
| EXPENSES | | | |
| Program expenses | 1,671,769 | - | 1,671,769 |
| General and administrative | 575,139 | - | 575,139 |
| Fundraising | 361,480 | - | 361,480 |
| | 2,608,388 | - | 2,608,388 |
| CHANGE IN NET ASSETS | 124,777 | (945,876) | (821,099) |
| NET ASSETS, BEGINNING OF YEAR | 824,998 | 1,729,516 | 2,554,514 |
| NET ASSETS, END OF YEAR | \$ 949,775 | \$ 783,640 | \$ 1,733,415 |

See accompanying notes to consolidated financial statements.

Greater Bentonville Area Chamber of Commerce

Consolidated Statement of Activities Year ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Contracts | \$ 55,000 | \$ - | \$ 55,000 |
| Contributions | - | 1,850,000 | 1,850,000 |
| Fundraisers and special events | 581,075 | - | 581,075 |
| Membership income | 402,131 | - | 402,131 |
| Advertising income | 18,112 | - | 18,112 |
| Interest income | 2,782 | - | 2,782 |
| In-kind revenues | 46,945 | - | 46,945 |
| Other income | 18,014 | - | 18,014 |
| Net assets released from restriction Satisfaction of purpose restrictions | 481,545 | (481,545) | - |
| Total Revenue and Support | 1,605,604 | 1,368,455 | 2,974,059 |
| EXPENSES | | | |
| Program expenses | 763,081 | - | 763,081 |
| General and administrative | 411,303 | - | 411,303 |
| Fundraising | 258,655 | - | 258,655 |
| Total Expenses | 1,433,039 | - | 1,433,039 |
| CHANGE IN NET ASSETS | 172,565 | 1,368,455 | 1,541,020 |
| NET ASSETS, BEGINNING OF YEAR | 652,433 | 361,061 | 1,013,494 |
| NET ASSETS, END OF YEAR | \$ 824,998 | \$ 1,729,516 | \$ 2,554,514 |

See accompanying notes to consolidated financial statements.

Greater Bentonville Area Chamber of Commerce

Consolidated Statement of Functional Expenses Year ended December 31, 2021

| | Supporting Services | | | Total |
|-------------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Program | General and Administrative | Fundraising | |
| Advertising | \$ 5,467 | \$ - | \$ 5,467 | \$ 10,934 |
| Bad debts | 73,964 | - | - | 73,964 |
| Bank charges | - | 14,496 | - | 14,496 |
| Computer expenses | 3,184 | 1,910 | 1,273 | 6,367 |
| Depreciation | - | 14,063 | - | 14,063 |
| Donations | 12,758 | - | - | 12,758 |
| Dues and subscriptions | 15,616 | - | - | 15,616 |
| Employee benefits | 28,403 | 10,963 | 10,464 | 49,830 |
| Entertainment | 4,162 | - | 2,775 | 6,937 |
| Event expenses | 372,575 | 223,545 | 149,029 | 745,149 |
| Grant funds returned | 600,000 | - | - | 600,000 |
| In-kind expenses | 61,120 | - | - | 61,120 |
| Insurance | - | 7,964 | - | 7,964 |
| Maintenance and repairs | - | 10,504 | - | 10,504 |
| Office supplies/expense | - | 22,409 | - | 22,409 |
| Payroll taxes | 31,529 | 12,169 | 11,616 | 55,314 |
| Postage | 1,285 | 1,285 | 1,713 | 4,283 |
| Professional services | - | 55,013 | - | 55,013 |
| Rent | 16,251 | 27,085 | 10,834 | 54,170 |
| Rent, equipment | 1,433 | 1,024 | 1,638 | 4,095 |
| Salaries | 425,103 | 164,075 | 156,616 | 745,794 |
| Taxes | - | 3,958 | - | 3,958 |
| Telephone | 8,176 | 743 | 5,947 | 14,866 |
| Training and meetings | 1,492 | - | 804 | 2,296 |
| Travel | 9,251 | 661 | 3,304 | 13,216 |
| Utilities | - | 3,272 | - | 3,272 |
| TOTAL EXPENSES | \$ 1,671,769 | \$ 575,139 | \$ 361,480 | \$ 2,608,388 |

See accompanying notes to consolidated financial statements.

Greater Bentonville Area Chamber of Commerce

Consolidated Statement of Functional Expenses Year ended December 31, 2020

| | <u>Program</u> | <u>Supporting Services</u> | | <u>Total</u> |
|-------------------------|-------------------|---------------------------------------|--------------------|---------------------|
| | | <u>General and Administrative</u> | <u>Fundraising</u> | |
| Advertising | \$ 1,567 | \$ - | \$ 1,566 | \$ 3,133 |
| Bad debts | 49,520 | - | - | 49,520 |
| Bank charges | - | 10,185 | - | 10,185 |
| Computer expenses | 12,248 | 7,349 | 4,898 | 24,495 |
| Depreciation | - | 14,689 | - | 14,689 |
| Donations | 8,269 | - | - | 8,269 |
| Dues and subscriptions | 5,209 | - | - | 5,209 |
| Employee benefits | 27,504 | 10,616 | 10,133 | 48,253 |
| Entertainment | 4,048 | - | 2,698 | 6,746 |
| Event expenses | 170,458 | 102,275 | 68,182 | 340,915 |
| In-kind expenses | 46,945 | - | - | 46,945 |
| Insurance | - | 7,298 | - | 7,298 |
| Maintenance and repairs | - | 2,038 | - | 2,038 |
| Office supplies/expense | - | 20,169 | - | 20,169 |
| Payroll taxes | 28,532 | 11,012 | 10,512 | 50,056 |
| Postage | 1,040 | 1,040 | 1,387 | 3,467 |
| Professional services | - | 47,265 | - | 47,265 |
| Rent | 16,365 | 27,275 | 10,910 | 54,550 |
| Rent, equipment | 1,304 | 932 | 1,491 | 3,727 |
| Salaries | 373,497 | 144,157 | 137,604 | 655,258 |
| Taxes | - | 229 | - | 229 |
| Telephone | 7,722 | 702 | 5,616 | 14,040 |
| Training and meetings | 2,738 | - | 1,475 | 4,213 |
| Travel | 6,115 | 437 | 2,183 | 8,735 |
| Utilities | - | 3,635 | - | 3,635 |
| TOTAL EXPENSES | \$ 763,081 | \$ 411,303 | \$ 258,655 | \$ 1,433,039 |

See accompanying notes to consolidated financial statements.

Greater Bentonville Area Chamber of Commerce

Consolidated Statements of Cash Flows Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (821,099) | \$ 1,541,020 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 14,063 | 14,689 |
| Allowance for doubtful accounts | 37,049 | 12,699 |
| Paycheck Protection Program loan forgiveness | (127,917) | - |
| Change in: | | |
| Accounts receivable | (17,035) | (63,800) |
| Unconditional promises to give | 900,000 | (1,075,000) |
| Prepaid expenses | 13,780 | 5,680 |
| Deposits | 400 | - |
| Accounts payable | 314,105 | (65,455) |
| Accrued liabilities | (21,148) | (21,608) |
| Deferred revenue | 18,862 | 19,515 |
| Total Adjustments | 1,132,159 | (1,173,280) |
| Net Cash From Operating Activities | 311,060 | 367,740 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Paycheck Protection Program loan | 127,917 | - |
| Net Cash From Investing Activities | 127,917 | - |
| NET CHANGE IN CASH | 438,977 | 367,740 |
| CASH, BEGINNING OF YEAR | 1,348,553 | 980,813 |
| CASH, END OF YEAR | \$ 1,787,530 | \$ 1,348,553 |

See accompanying notes to consolidated financial statements.

Greater Bentonville Area Chamber of Commerce

Notes to Consolidated Financial Statements December 31, 2021 and 2020

NOTE 1: NATURE OF BUSINESS

Greater Bentonville Area Chamber of Commerce (GBACC) was established as a nonprofit organization in 1926 to work in conjunction with citizens, businesses, and educational and governmental partners to improve quality of life and provide business expansion in Bentonville, Bella Vista, and surrounding areas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements are presented using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues and support are recognized in the period in which they were earned. Expenses are recognized in the period in which they are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards board (FASB) Codification Topic *Not-for-Profit Entities*. Under this Topic, the Chamber is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of GBACC and its wholly owned subsidiary, Bentonville Bella Vista Chamber of Commerce Foundation (the Foundation). Collectively they are referred to as “the Chamber”. All significant inter-organizational transactions and balances have been eliminated in consolidation.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable consist of membership dues, event fees, and sponsorships from members located in the Bentonville area of Northwest Arkansas and is reported net of an allowance for doubtful accounts. The allowance is based on management’s estimate of the overall collectability of accounts receivable, considering historical losses, economic conditions, and knowledge of individual customers. Based on these same factors, individual accounts are charged against the allowance when management determines those individual accounts are uncollectible. Credit extended to customers is generally uncollateralized. Past due status on dues is accounts greater than 30 days old. Past due status on non-dues is based on contractual terms. Past due accounts are not charged interest.

Greater Bentonville Area Chamber of Commerce

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Property and Equipment

The Chamber capitalizes all expenditures for property and equipment with useful lives greater than one year at cost, if purchased, and at fair market value on the date donated, if contributed. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

Deferred Revenue

Deferred revenue consists of advance payments of membership dues, sponsorships event fees, and contract services. Unexpended revenues are deferred and recognized when the related expenditures occur.

Revenue Recognition

The Chamber recognizes contributions when cash, other assets, or an unconditional promise to give is received. Membership dues, which are nonrefundable, are an exchange transaction based on the value of benefits provided. The Chamber recognizes membership dues over the membership period. The Chamber records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Net Assets and Contribution Revenue

Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions.

The Chamber recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions in the same year. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Gifts of land, buildings, and equipment are presented as support and revenue without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Chamber reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as support without donor restriction. Other contributed services that enhance the Chamber's programs, but are not so essential that they would otherwise be purchased, are not recorded as support.

In-Kind Contributions

In addition to receiving cash contributions, the Chamber receives in-kind contributions of products and supplies from various donors. It is the policy of the Chamber to record the estimated fair value of certain in-kind donations as an expense and contribution revenue in its consolidated financial statements. Donated materials are recorded at estimated fair market value on date of donation.

Greater Bentonville Area Chamber of Commerce

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Functional Classification of Expenses

The Chamber allocates its expenses to the program or supporting service benefited on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification while indirect costs that benefit multiple functional areas have been allocated among various functional areas based on the time and effort.

Advertising and Promotion

The Chamber follows the policy of charging advertising and promotion to expense as incurred.

Income Taxes and Uncertain Tax Positions

GBACC qualifies as an organization exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(6) and a similar state statute and is not subject to tax at the entity level for federal and state income tax purposes. The Foundation qualifies as an organization exempt from income taxes under IRC Section 501(c)(3) and a similar state statute and is not subject to tax at the entity level for federal and state income tax purposes. The Chamber accounts for uncertain tax positions in accordance with the provisions of the FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Chamber to recognize in their consolidated financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Chamber and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

GBACC and the Foundation file informational “Return of Organization Exempt from Income Tax” (Form 990) in the U.S. federal jurisdiction.

Upcoming Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. This ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Lease will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the consolidated statements of activities. This ASU will be effective for the Chamber for the year ending December 31, 2022. The Chamber is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, (Topic 958). This ASU requires contributed nonfinancial assets to be presented as a separate line item in the Statement of Activities apart from contributions of cash and other financial assets. This ASU also requires a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by category that depicts the type of contributed nonfinancial assets, whether the contributed nonfinancial assets were monetized or utilized and if utilized, a description of the programs or other activities in which those assets were used. If monetized, this ASU requires additional disclosures. Donor-imposed restrictions associated with the contributed nonfinancial assets are also required to be disclosed. This ASU will be effective for the Chamber for the year ending December 31, 2022. The Chamber does not expect this ASU to have a material impact on its financial statements.

Greater Bentonville Area Chamber of Commerce

Notes to Consolidated Financial Statements December 31, 2021 and 2020

NOTE 3: CONCENTRATIONS OF CREDIT RISK AND RISK OF ACCOUNTING LOSS

The Chamber uses financial institutions in which it maintains cash balances, which at times may exceed the federally insured limits. The Chamber has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash. At December 31, 2021, the Chamber had uninsured deposits of approximately \$1,339,000.

The Chamber's accounts receivable are comprised of membership dues, event fees, and sponsorships from companies and organizations located in the Bentonville area of Northwest Arkansas. The success of these businesses is dependent on the continued strength of the local economy.

NOTE 4: PROPERTY AND EQUIPMENT

Major classifications of property and equipment at December 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|------------------|------------------|
| Computers and office equipment | \$ 25,179 | \$ 25,179 |
| Furniture and fixtures | 53,237 | 53,237 |
| Leasehold improvements | <u>8,093</u> | <u>8,093</u> |
| | 86,509 | 86,509 |
| Less accumulated depreciation | <u>37,097</u> | <u>23,034</u> |
| | <u>\$ 49,412</u> | <u>\$ 63,475</u> |

NOTE 5: OPERATING LEASE

In July 2019, the Chamber entered a lease for a new office space under a long-term operating lease that expires June 30, 2024 with two renewable five year lease options.

Rental expense for the office facility for the years ended December 31, 2021 and 2020 was \$54,170 and \$54,550, respectively. Future minimum lease payments are as follows:

| | | |
|--------------|----|----------------|
| December 31, | | |
| 2022 | \$ | 52,106 |
| 2023 | | 53,669 |
| 2024 | | <u>27,226</u> |
| | \$ | <u>133,001</u> |

NOTE 6: CONCENTRATIONS

One organization provided approximately 15% and 62% of the Chamber's revenue and support during the years ended December 31, 2021 and 2020, respectively. See Notes 7 and 9 for details.

Greater Bentonville Area Chamber of Commerce

Notes to Consolidated Financial Statements December 31, 2021 and 2020

NOTE 7: UNCONDITIONAL PROMISES TO GIVE

The Chamber has unconditional promises to give from a foundation of \$300,000 and \$1,200,000 at December 31, 2021 and 2020, respectively. The balance at December 31, 2021 of \$300,000 is all expected to be collected within one year.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted by the donor as of December 31, 2021 and 2020 as follows:

| | 2021 | 2020 |
|---|-------------|--------------|
| <i>Purpose Restriction</i> | | |
| COVID-19 Relief Assistance | \$ 38,949 | \$ 50,000 |
| Economic Development Program | 415,477 | 280,000 |
| Influence Amplification Campaign | 29,214 | 199,516 |
| <i>Total purpose restriction</i> | 483,640 | 529,516 |
| <i>Timing Restriction</i> | | |
| Economic Development Program | 300,000 | 600,000 |
| Influence Amplification Campaign | - | 600,000 |
| <i>Total timing restriction</i> | 300,000 | 1,200,000 |
| <i>Total net assets with donor restrictions</i> | \$ 783,640 | \$ 1,729,516 |

NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses to satisfy the purpose restrictions or by returning unused funds as shown on the Consolidated Statements of Activities.

A foundation agreed to grant the Chamber a total of \$900,000 in three installments of \$300,000, all of which was recorded in Donor Restricted Contributions during the year ended December 31, 2020. These funds were given to promote and accelerate tourism in Bentonville, Arkansas through an influence amplification campaign. Through December 31, 2021, \$270,786 had been spent according to the restrictions. By February 2022, \$300,000 had been spent according to the restrictions and the decision was made to terminate the grant contract received from the foundation. The Chamber plans to pay back the second installment of \$300,000 that was received in 2021, which has been recorded in accounts payable as of December 31, 2021. As stated above, the contract has been terminated, so the third installment will not be received and the unconditional promise to give at December 31, 2021 has been adjusted accordingly. These funds were also released from restrictions during the year ended December 31, 2021. This decision was made when the Chamber was able to forecast their inability to meet all the restrictions they had originally agreed to when signing the grant contract.

Greater Bentonville Area Chamber of Commerce

Notes to Consolidated Financial Statements December 31, 2021 and 2020

NOTE 10: PAYCHECK PROTECTION PROGRAM

The Chamber applied for Paycheck Protection Program (PPP) funding to provide small businesses and not-for-profit entities with funds to pay up to 24 weeks of payroll costs and other qualifying expenses. These funds are provided in the form of unsecured loans that may be forgiven when used for allowable expenses, subject to certain conditions. The Chamber's application was approved on January 29, 2021 in the amount of \$127,917, maturing January 2026, with an initial fixed rate of 1%. On August 18, 2021, the Company received determination from the SBA that the PPP loan was forgiven.

NOTE 11: RETIREMENT PLAN

On January 1, 2019, the Chamber adopted a Simple IRA plan in which the Chamber matches up to 3% of employee contributions. During the years ended December 31, 2021 and 2020, the Chamber's contributions were \$17,212 and \$17,759 and are included in employee benefits on the Consolidated Statements of Functional Expenses.

NOTE 12: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Chamber's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-----------------------|
| Financial assets at year end: | | |
| Cash | \$ 1,787,530 | \$ 1,348,553 |
| Accounts receivable, net | 131,910 | 151,924 |
| Unconditional promises to give | <u>300,000</u> | <u>600,000</u> |
| Total financial assets available within one year | 2,219,440 | 2,100,477 |
| Less total amounts unavailable for general expenditure within one year: | | |
| Restricted by donor with time or purpose restrictions | <u>783,640</u> | <u>1,129,516</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,435,800</u> | <u>\$ 970,961</u> |

As part of the Chamber's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Chamber manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Greater Bentonville Area Chamber of Commerce

Notes to Consolidated Financial Statements December 31, 2021 and 2020

NOTE 13: NONMONETARY EXCHANGE TRANSACTIONS

On occasion, the Chamber has purchased goods or services for its operations from organizations at or about the same time that it provided membership services to these organizations. These transactions are recorded at terms the Chamber considers to be fair value. Nonmonetary transactions that represent the culmination of an earnings process are recorded at the fair value of the products or services delivered or products or services received. Revenues and expenses recognized under reciprocal arrangements involving nonmonetary transactions, as defined above, were approximately \$4,000 and \$6,300 during the years ended December 31, 2021 and 2020, respectively.

NOTE 14: RISKS AND UNCERTAINTIES

The COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the Chamber's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 21, 2022, the date that the consolidated financial statements were available to be issued.