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**Taylor Chamber of Commerce**

**December 31, 2016**

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## *INDEPENDENT AUDITOR'S REPORT*

To the Board of Directors of the  
Taylor Chamber of Commerce

We have audited the accompanying financial statements of the Taylor Chamber of Commerce, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Taylor Chamber of Commerce as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Brooks Cardiel, PLLC*

BrooksCardiel, PLLC  
Certified Public Accountants  
Houston, Texas  
August 21, 2017

**Taylor Chamber of Commerce**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 95,024
Accounts receivable	4,511
Other current assets	688
<b>TOTAL CURRENT ASSETS</b>	<u>100,223</u>
Fixed assets	73,626
Less: Accumulated depreciation	(56,199)
Total fixed assets, net	<u>17,427</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 117,650</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 3,655
Deferred revenue	70,815
<b>TOTAL CURRENT LIABILITIES</b>	<u>74,470</u>
 <b>NET ASSETS</b>	
Unrestricted	20,137
Temporarily restricted	23,043
<b>TOTAL NET ASSETS</b>	<u>43,180</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 117,650</u></u>

The accompanying notes are an integral part of these financial statements.

# Taylor Chamber of Commerce

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Donations	\$ 1,075	\$ -	\$ 1,075
Hotel/Motel income	-	50,167	50,167
Fundraisers	76,324	-	76,324
Membership dues	71,742	-	71,742
Other	120	-	120
Interest	-	18	18
<b>TOTAL REVENUE</b>	<u>149,261</u>	<u>50,185</u>	<u>199,446</u>
<b>EXPENSES</b>			
Fundraising	33,114	10,986	44,100
Community project	738	-	738
Advertising	20	-	20
General & administrative	21,067	-	21,067
Membership expenses	1,374	-	1,374
Grants to other organizations	-	18,502	18,502
Employee expenses	5,324	-	5,324
Salaries and wages	70,186	15,050	85,236
Maintenance and repairs	5,412	-	5,412
Depreciation	2,201	-	2,201
Interest	41	-	41
<b>TOTAL EXPENSES</b>	<u>139,477</u>	<u>44,538</u>	<u>184,015</u>
Increase in net assets	9,784	5,647	15,431
Net assets, beginning of year	<u>10,353</u>	<u>17,396</u>	<u>27,749</u>
Net assets, end of year	<u>\$ 20,137</u>	<u>\$ 23,043</u>	<u>\$ 43,180</u>

The accompanying notes are an integral part of these financial statements.

# Taylor Chamber of Commerce

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

### CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 15,431
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	2,201
Change in assets and liabilities:	
Accounts receivable	(549)
Prepaid expense	(688)
Accounts payable & accrued expenses	1,239
Deferred revenue	35,905
<b>Net cash provided by operating activities</b>	<u>53,539</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	53,539
Cash and cash equivalents, beginning of period	<u>41,485</u>
Cash and cash equivalents, end of period	<u>\$ 95,024</u>

The accompanying notes are an integral part of these financial statements.

# **Taylor Chamber of Commerce**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2016**

### **ORGANIZATION AND PURPOSE**

The Taylor Chamber of Commerce, (the “Chamber”) is a 501(c)(6) non-profit corporation. The Chamber is committed to advancing the general welfare and prosperity of the City of Taylor, Texas, and its surrounding areas, so that its citizens and all areas of its business community shall prosper. Its mission is to provide and maintain a suitable place for the conduct of its business and establish and maintain uniformity in commercial usages, to acquire, preserve and disseminate valuable business information and generally to promote the interest of trade and increase the facilities of commercial transactions and to perform other services and functions as normally provided by a chamber of commerce.

The Greater Taylor Chamber of Commerce and Visitor Center represents a thriving, progressive community nestled in Williamson County, the fastest growing area in the country. The Chamber has a membership of over 330 businesses from around the County and beyond including Austin, Hutto, Round Rock, Georgetown, Coupland, Granger, Thorndale, and Thrall. Services offered to the members include networking opportunities, entrepreneurship promotion, and programs designed to raise professional awareness of their businesses.

The Chamber is governed by a volunteer Board of Directors and generates income and revenue through membership dues, fundraising events, and grants.

### **BASIS OF PRESENTATION**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues are recognized when earned and expenses are recognized when incurred.

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

#### **Estimates**

The preparation of 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

# Taylor Chamber of Commerce

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### Net Asset Classification

The Taylor Chamber of Commerce presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 – *Not For Profit Entities* (“ASC 958”). Under ASC 958, the Chamber reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets represent the difference between assets and liabilities. Additionally, the Chamber is required to present a statement of cash flows.

*Unrestricted net assets* – Include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Chamber.

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that will be met either by actions of the Chamber and/or the passage of time. When donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets that are subject to donor-imposed restrictions that specify assets are donated to be invested to provide a permanent source of income. There were no permanently restricted assets as of December 31, 2016.

As of the end of the reporting period, the Chamber had unrestricted and temporarily restricted net assets. Temporarily restricted revenues received during the year, relate to the hotel/motel tax revenue grant from the City of Taylor which are to be spent for the purpose designated by the agreement. As of the end of the year, temporarily restricted net assets totaled \$23,043.

### Budgetary Control

The Chamber has established its fiscal year as the twelve-month period beginning January 1. The Chamber’s President and Board of Directors estimate expenditures for the ensuing fiscal year after which the Board of Directors submits a budget of estimated expenditures and revenues to the entire Board for review and discussion. The budget is then authorized by a motion and majority vote of the Board.

# Taylor Chamber of Commerce

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### Revenue Recognition

The Chamber accounts for contributions in accordance with recommendations of ASC 958, (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When donor-imposed restrictions expire, (i.e., the donor-stipulated purpose has been satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as program expenses under the restricted assets column. When donor-restricted funds are expended, they are either capitalized or expensed, whichever is applicable. Estimates of completion are based on judgments by management and the donor. Those judgments are based on specific requirements of the donor agreements and the amount of work completed. Revenue which is earned but not billed is reported as accounts receivable on the statement of financial position.

Unrestricted contributions, grants, and donor bequests and donor-restricted contributions, grants, and donor bequests to the Chamber are recorded as revenue. The Chamber reports donations as unrestricted revenue when the donor does not restrict its use as well as when the donor's restrictions are met in the same reporting period. Nonreciprocal revenues or contributions are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions or conditions.

### Cash and Cash Equivalents

The Chamber considers all cash on hand, demand bank deposits, and highly liquid investments available for current use with an initial maturity of three months or less when purchased to be defined as cash and cash equivalents.

### Custodial Credit Risk

Financial instruments which potentially subject the Chamber to credit risk include cash and cash equivalents and accounts receivable. In the case of bank deposits, custodial credit risk is the risk that in the event of a bank failure, the Chamber's bank deposits, whose balances exceed the insurance coverage guaranteed by the Federal Deposit Insurance Corporation (FDIC), which was \$250,000 for 2016, may not be returned to it. At no point during the year did the Chamber's cash balances exceed this FDIC limit. The Chamber has not experienced any losses and management believes it is not exposed to any significant custodial credit risk on cash.

# Taylor Chamber of Commerce

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### **Donated Materials and Services**

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. The Chamber recognizes donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The value of other donated services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

### **Membership Dues**

Membership dues are recognized during the period of recognized over the periods to which the dues and fees relate. Dues received in advance are deferred until the subsequent period. Membership rates range from \$100 to \$475 depending on your membership type and number of employees.

### **Accounts Receivable**

Accounts receivable arise in the normal course of business and are stated at the amount the Chamber expects to collect from balances outstanding at year-end. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts. Based on the Chamber's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial, and as such, no allowance for doubtful accounts was determined necessary by management at December 31, 2016.

### **Compensated Absences**

The Chamber maintains formal programs for vacation and sick leave. The Chamber's eligible employees are granted both vacation pay and sick leave benefits in varying amounts to specified maximums depending on tenure with the Chamber. The Chamber's personnel policy states that no more than one year's worth of vacation time can be carried forward and accumulated. Upon separation from the Chamber, employees will be paid for their earned and unused current vacation pay benefits accrued up to the date of termination. Sick leave accrues to eligible employees to specified maximums. Upon separation from the Chamber, employees will not be paid for accumulated sick leave. As of year end, no liability for compensated absences was outstanding.

# Taylor Chamber of Commerce

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### Income Taxes

The Chamber is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Chamber is not required to pay income taxes and has made no provision for federal income taxes in the accompanying financial statements.

### Fixed Assets and Depreciation

All asset purchases are recorded at cost when purchased. The Chamber defines assets with a life of over one year and a cost of over \$500 as fixed assets that are to be capitalized and depreciated. Donated assets are recorded at fair market value on the date acquired. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation has been calculated based on the asset's estimated useful life for each class of depreciable property using the straight-line method as follows:

Building & improvements	45 years
Office equipment & signage	5 - 10 years
Furniture & fixtures	7 years

### Deferred Revenue

Income from membership dues and fees are deferred and recognized over the periods to which the dues and fees relate. The Chamber also receives fundraising event revenue in advance which is deferred at year end.

### NOTE 2 - DEPOSITS

For the year ending December 31, 2016, all of the Chamber's deposits were cash held in bank demand deposit checking or savings accounts or highly liquid cash investments, all of which are subject to custodial credit risk. The Chamber has no investments and as such is not exposed to interest rate risk or other investment-related risks.

Cash on deposit at December 31, 2016 is summarized as follows:

Operating account	\$ 76,328
Restricted Hotel/Motel Tax account	<u>18,696</u>
Total cash on deposit	<u>\$ 95,024</u>

# Taylor Chamber of Commerce

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### NOTE 3 – FIXED ASSETS

A detail of the Chamber's fixed assets costs and related accumulated depreciation expense as of December 31, 2016, is as follows:

Building	\$ 40,491
Furniture and equipment	<u>33,135</u>
Total Fixed Assets	<u>73,626</u>
Less Accumulated Depreciation	<u>(56,199)</u>
Total Fixed Assets, net	<u>\$ 17,427</u>

Depreciation expense for the year ended December 31, 2016 was \$2,201.

### NOTE 4 – ADVERTISING

The Chamber expenses advertising costs as incurred. Advertising expenses incurred for the year ended December 31, 2016 were \$20.

### NOTE 5 – HOTEL/MOTEL TAX GRANT AGREEMENT

The Chamber has a publicity and tourism agreement with the City of Taylor, Texas whereas the City provides the Chamber 75% of the hotel/motel taxes collected by the City up to an amount not to exceed \$50,000 in a contract year. The contract year is consistent with the City's fiscal year which runs from October through September. All hotel/motel taxes derived from sporting events shall be excluded from payment to the Chamber and are retained by the City. The Chamber shall expend the tax revenue disbursed under this agreement for the exclusive purpose of advertising and conducting solicitations and programs to attract tourists and visitors to the City and its vicinity, as provided by the Texas Tax Code Chapter §351.101(a)(3). All such revenues shall be expended in a manner directly enhancing and promoting tourism and the hotel industry in the City and the immediate vicinity. 30% of the hotel/motel occupancy tax funds may be spent by the Chamber for office rental, travel expenses, and other administrative costs, directly related to the promotion of tourism. The Chamber is required to maintain the revenue provided from the local hotel/motel occupancy tax in a separate account established for that purpose and shall not commingle that revenue with any other monies of the Chamber. Annual revenue received under this agreement during the year totaled \$50,167.

### NOTE 6 - INCOME TAX STATUS

# **Taylor Chamber of Commerce**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2016**

The Chamber applied for and received a tax determination letter from the Internal Revenue Service, which exempted the Chamber from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Chamber did not conduct unrelated business activities. The Chamber is not required to pay income taxes and has made no provision for federal income taxes in the accompanying financial statements.

The Chamber's federal tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

### **NOTE 7 - RISK MANAGEMENT**

The Chamber is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; personal injury and death; and natural disasters for which the Chamber purchases commercial insurance. The Chamber has no additional risk or responsibility outside of the payment of insurance premiums. The Chamber has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts at any time in its history.

### **NOTE 8 - COMMITMENTS AND CONCENTRATIONS**

During the year ended December 31, 2016, approximately 25%, or \$50,167 of the Chamber's total revenue and 100% of accounts receivable are from the City of Taylor, Texas as part of the recurring hotel/motel tax grant agreement.

### **NOTE 9 - CONTINGENT LIABILITIES**

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Chamber participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs may be subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Chamber had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of Chamber's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants;

# Taylor Chamber of Commerce

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

### NOTE 10 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Chamber recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Chamber's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

There were no material subsequent events through August 21, 2017, the date the financial statements were issued.

### NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

The FASB issued Accounting Standards Update No. 2016-14, entitled *Presentation of Financial Statements of Not-for-Profit Entities*; The provisions of this update are effective for reporting periods beginning after December 15, 2017. The update requires two classes of net assets are reported on the statement of net position rather than three as currently is required; net assets with donor restriction and net assets without donor restrictions will be the new classifications. The same change in classifications will be applied to the statement of activities. The update also enhances various disclosures with the footnotes to the financial statements. The update will impact the yearend financial reporting for the Organization in the year ended December 31, 2018. The change will result in more disclosures and the aforementioned change in presentation of the statement of financial position and statement of activities.