

League City Regional Chamber of Commerce

Independent Auditor's Report and Financial Statements for the Year Ended December 31, 2022



Richard Bennoch CPA

Certified Public Accountants

Nonprofit CPA and Consultants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
League City Regional Chamber of Commerce
League City, Texas

Opinion

We have audited the accompanying financial statements of League City Regional Chamber of Commerce (a nonprofit organization) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of League City Regional Chamber of Commerce as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the League City Regional Chamber of Commerce and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about League City Regional Chamber of Commerce's ability to continue as a going concern within one year after the date that the 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 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit 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 League City Regional 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about League City Regional 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 audit.

Richard Bennoch

Richard Bennoch CPA
Certified Public Accountants
Tomball, Texas

February 7, 2024

League City Regional Chamber of Commerce

Statement of Financial Position

<i>As of December 31,</i>	2022
Assets	
Cash and cash equivalents	\$225,074
Accounts receivable, net of allowance	80,129
Property and equipment, net	20,143
Operating right of use assets	30,862
Total Assets	\$356,208
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$1,512
Payroll liabilities	13,564
Operating lease liability	30,862
Refundable advances-membership and related dues	194,573
Total Liabilities	240,511
Net Assets	
Without donor restrictions	92,032
With donor restrictions	23,665
Total Net Assets	115,697
Total Liabilities and Net Assets	\$356,208

League City Regional Chamber of Commerce

Statement of Activities

<i>Year Ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total
Public Support and Revenues			
Membership revenue	\$291,906	\$0	\$291,906
Government grants	199,997	0	199,997
Contributions	0	2,835	2,835
Special events	262,445	0	262,445
Advertising revenue	16,635	0	16,635
Miscellaneous revenue	10,980	0	10,980
Net assets released from restrictions	0	0	0
Total Public Support and Revenues	781,963	2,835	784,798
Expenses			
Program Services			
Member services	523,864	0	523,864
Total Program Services	523,864	0	523,864
Supporting Services			
Management and general	93,229	0	93,229
Fundraising	118,122	0	118,122
Total Supporting Services	211,351	0	211,351
Total Expenses	735,215	0	735,215
Change in Net Assets	46,748	2,835	49,583
Net Assets, Beginning of Year	45,284	20,830	66,114
Net Assets, End of Year	\$92,032	\$23,665	\$115,697

League City Regional Chamber of Commerce

Statement of Functional Expenses

<i>Year Ended December 31,</i>	Supporting Services				2022 Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses					
Salaries and wages	\$240,861	\$48,172	\$32,115	\$80,287	\$321,148
Payroll taxes	19,123	3,825	2,550	\$6,375	25,498
Employee benefits	8,812	1,762	1,175	\$2,937	11,749
Total Salaries and Related Expenses	268,796	53,759	35,840	89,599	358,395
Other Expenses					
Advertising	13,772	0	3,443	3,443	17,215
Bad debt	0	0	46,732	46,732	46,732
Bank fees	4,719	944	3,775	4,719	9,438
Contracted services	7,410	2,117	1,059	3,176	10,586
Depreciation expense	3,839	1,097	548	1,645	5,484
Dues and subscriptions	5,217	1,491	745	2,236	7,453
Insurance	202	1,614	202	1,816	2,018
Lease expense	25,481	3,185	3,185	6,370	31,851
Member development	1,950	975	6,824	7,799	9,749
Member meetings and events	74,782	9,348	9,348	18,696	93,478
Miscellaneous	1,380	395	196	591	1,971
Office supplies	11,216	3,204	1,602	4,806	16,022
Printing	4,364	1,164	291	1,455	5,819
Professional development	15,368	3,074	2,049	5,123	20,491
Professional fees	750	5,999	750	6,749	7,499
Repairs and maintenance	468	1,871	0	1,871	2,339
Software expense	3,763	1,075	538	1,613	5,376
Speaker fees	73,354	0	0	0	73,354
Travel expenses	1,072	214	143	357	1,429
Utilities	5,961	1,703	852	2,555	8,516
Total Other Expenses	255,068	39,470	82,282	121,752	376,820
Total Expenses	\$523,864	\$93,229	\$118,122	\$211,351	\$735,215

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

League City Regional Chamber of Commerce

Statement of Cash Flows

<i>Year Ended December 31,</i>	2022
Cash Flows From Operating Activities	
Change in net assets	\$49,583
Adjustments to reconcile change in net assets to net change in cash from operating activities:	
Bad debt	46,732
Depreciation	5,484
Amortization of lease right-to-use assets	28,809
Changes in assets and liabilities:	
Accounts receivable	-19,162
Accounts payable	-5,104
Payroll liabilities	-6,555
Operating lease liabilities	-28,809
Deferred revenue	-37,172
Total Adjustments	-15,777
Net Change from Operating Activities	33,806
Cash Flows From Investing Activities	
Purchase of fixed assets	-3,750
Net Change from Investing Activities	-3,750
Cash Flows From Financing Activities	
	0
Net Change from Financing Activities	0
Net Change in Cash and Cash Equivalents	30,056
Cash and Cash Equivalents, Beginning of Year	195,018
Cash and Cash Equivalents, End of Year	\$225,074

League City Regional Chamber of Commerce

Notes to Financial Statements

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The League City Regional Chamber of Commerce (the “Chamber”) is a non-profit organization incorporated under the laws of the State of Texas and is exempt from federal income tax under Section 501(c)6 of the Internal Revenue Code. The Chamber’s mission is “To Drive the Region's Economic Success” by working alongside the business community. The Chamber has been a driving force in economic development, fostering enhanced educational opportunities, infrastructure improvements and leadership development in the League City community. The League City Regional Chamber of Commerce also services as the Visitor Center for the League City area. They distribute tourism information, relocation packets, the Chamber's Community Guide, maps, and Chamber member's promotional literature. Sources of revenue of the Chamber are membership dues, sponsorships, special events, and government grants.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Federal Tax Status

The Chamber is a nonprofit organization as described in Section 501(c)(6) of the United States Internal Revenue Code and is exempt from federal and state income taxes. As such, only unrelated business income is subject to income tax. Management has determined that the Chamber has no current obligations for unrelated business income tax. Accordingly, no provisions for federal taxes are required. The Chamber is not classified as a private foundation.

Net Asset Classification

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- Net assets with donor restrictions are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or used for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Receivables

Receivables consist primarily of support, membership dues and amounts due in conjunction with the Chamber’s programs, services and events. All amounts are due during the year ending December 31, 2023. The Chamber utilizes the allowance method to account for uncollectible accounts receivable. The Chamber’s estimate is based on historical collection experience and a review of the current status of specific accounts. Concentrations of credit risk with regard to receivables are limited due to the large number of accounts and their dispersion across different industries.

League City Regional Chamber of Commerce

Notes to Financial Statements

The allowance for uncollectible accounts as of December 31, 2022 was \$62,325.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the related assets which are as follows:

Furniture and fixtures	5 - 7 years
Leasehold improvements	3 years

Membership Projects

The Chamber conducts various training, educational seminars and promotions for its members. Tickets and sponsorships are sold to cover the expenses of conducting these functions. Project revenue is recognized on an accrual basis as earned.

Membership Dues

Membership dues received pertaining to all membership categories are recognized as revenue ratably over the term of the membership period. Amounts not yet earned by the end of the fiscal year are reported as deferred income. The Chamber has reviewed membership dues as part of the adoption of Topic 606 and has determined the Chamber provides service to members equally over the membership term and thus requires no change to the accounting of this revenue. Amounts deferred due to the service not yet having been provided and recorded as Refundable Advances – Membership and Related Dues were \$194,573 at December 31, 2022.

Grants

The chamber received a grant award from the City of League City as a subgrantee of a federal award grant, The American Rescue Plan Act Fund, which management has determined to be a non-exchange transaction as the local government does not receive direct commensurate value in exchange for the resources provided. The grant can only be used for assisting small businesses and non-profit organizations within the City of League City and the regional area that have suffered negative economic impacts as a result of the COVID-19 public health emergency. Funds received through the grant program are on a cost reimbursement basis, an award mechanism by which the Chamber is “reimbursed” when actual costs are incurred in carrying out the project.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. All contributions are considered to be without contractual restrictions unless specifically restricted by the contributor. The Chamber reports gifts of cash and other assets as restricted support if they are received with contractual or other stipulations that limit the use of the assets, or if they are designated as support for future periods. When a restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with contractual restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Contractually-restricted contributions whose restrictions are met in the same reporting period are reported first as net assets with contractual restrictions.

League City Regional Chamber of Commerce

Notes to Financial Statements

Use of Estimates

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

Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses for the year ended December 31, 2022 were \$17,215.

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Leases

Effective January 1, 2022, the Chamber recognizes and measures its leases in accordance with FASB Accounting Standards Codification (ASC) Topic 842, Leases (see Recent Accounting Pronouncements within this Note 1). The Chamber is the lessee of property and equipment under operating leases. Upon execution of a new contract, the Chamber determines whether an arrangement is or contains a lease. Right of use assets represent the Chamber's right to use leased assets over the term of the lease. Lease liabilities represent the Chamber's contractual obligation to make lease payments over the lease term. Right-of-use assets and lease liabilities are measured, categorized, and recognized at lease commencement. The commencement date is when the Chamber either takes possession of the asset, or in the case of real estate leases, when the landlord makes the facility available for use. Operating leases as lessee are included in operating lease right-of-use assets and operating lease liabilities on the Statements of Financial Position.

The Chamber has elected not to recognize right-of-use assets and obligations for leases with an initial term of twelve months or less, as well as certain leases consisting of generally low value (under \$5,000) equipment. To the extent a lease arrangement includes both lease and non-lease components, the components are combined as one component.

Operating and finance lease right-of-use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term. The Chamber uses the rate implicit in a lease, if it is determinable. When the rate implicit in the lease is not determinable, the Chamber has elected under ASC 2021-19 to use the risk free borrowing rate as of the commencement date to determine the present value of the lease payments. The lease term may include renewal or extension options to the extent they are reasonably certain to be exercised; this assessment is made at lease commencement. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases. Variable lease payments that do not depend on an index or rate are expensed as incurred (such as the pro rata share of actual real estate taxes, insurance, and common area maintenance costs associated with real estate leases).

League City Regional Chamber of Commerce

Notes to Financial Statements

Recent Accounting Pronouncements

In November 2021, the FASB issued ASU 2021-09, Leases (Topic 842): Discount Rates for Lessees That Are Not Public Entities. ASU 2021-09 allows lessees that are not public business entities (PBEs) to make an accounting policy election by class of underlying asset, rather than on an entity-wide basis, to use a risk-free rate as the discount rate for measuring and classifying leases, when the rate in the lease is not readily determinable. The amendments in this ASU affect lessees that are not PBEs, including all not-for-profit entities (whether or not they are conduit bond obligors). The new guidance is effective for entities that have adopted Topic 842 as of November 11, 2021, for fiscal years beginning after December 15, 2021, though earlier application is permitted. Entities are required to apply the amendments on a modified retrospective basis to leases that exist at the beginning of the fiscal year of adoption. The Chamber does not expect the new guidance to have a material impact on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their statements of financial position. The objective of this ASU is to increase transparency and comparability between organizations that enter into lease agreements. The Chamber adopted Topic 842 as of January 1, 2021 (the effective date) and elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The Chamber also elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. The Chamber elected the short-term lease exemption to not recognize leases with an initial term of 12 months or less on the Statement of Financial Position. The adoption of Topic 842 resulted in the recognition of operating lease right-of-use assets and operating lease liabilities of \$59,671 and \$59,671, respectively, as of January 1, 2022, primarily related to an office space lease. No cumulative effect adjustment to beginning net assets was required. Refer to Note 8 for additional information on the Chamber's leases pursuant to Topic 842.

NOTE 2 – CONCENTRATION OF CREDIT RISKS

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The Organization maintains cash balances at a financial institution located in Texas. As of December 31, 2022, all of the Organization's cash balances were fully insured.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, comprise the following:

Cash and cash equivalents	\$225,074
Accounts receivable, net of allowance	80,129
Financial assets available to meet cash needs for general expenditures within one year	\$305,203

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Chamber considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

League City Regional Chamber of Commerce

Notes to Financial Statements

The Organization is substantially supported by membership dues, and regularly monitors liquidity required to meet its operating needs. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

	2022
Furniture and fixtures	\$22,518
Leasehold improvements	12,215
Total property and equipment	34,733
Accumulated depreciation	(14,590)
Total property and equipment, net	\$20,143

NOTE 5 – EMPLOYEE BENEFITS

The Chamber has an Internal Revenue Code Section 401(k) plan for its eligible full-time employees who have been with the Chamber for twelve months. Employer contributions to the plan during the year ended December 31, 2022 were \$4,766, which represents a matching contribution of up to 3% of covered employees' salaries.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2022, net assets without donor restrictions consisted of the following:

	2022
Without donor restrictions	\$92,032
Total Net Assets Without Donor Restrictions	\$92,032

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022, net assets with donor restrictions consisted of the following:

	2022
With donor restrictions - Building Fund	\$23,665
Total Net Assets With Donor Restrictions	\$23,665

NOTE 8 – OPERATING LEASES

The Chamber leases office space and certain equipment under non-cancelable operating leases. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term. During 2022, lease costs associated with operating leases was \$29,378.

League City Regional Chamber of Commerce

Notes to Financial Statements

As of December 31, 2022, the remaining operating lease terms for office space and certain equipment are nine (9) months and twenty-seven (27) months, respectively. The discount rates associated with the office space and certain equipment operating leases as of December 31, 2022 are 0.68% and 1.62%, respectively.

Undiscounted cash flows related to operating leases as of December 31, 2022 are as follows:

	2022
2023	\$24,823
2024	2,823
2025	2,823
2026	706
Total undiscounted cash flows	31,174
Less discount to present value	(312)
Total discount present value of lease liabilities	\$30,862

NOTE 9 – CONCENTRATIONS

Grant Revenue Concentration

For the year ended December 31, 2022, grant revenue from the City of League City accounted for twenty-five percent (25%) of the total revenue to the Chamber.

Geographic Concentration

The Chamber conducts its operations solely in League City and Galveston County, within the Greater Houston metropolitan area, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in membership dues.

NOTE 10 – NONCOMPLIANCE WITH GRANTOR OR DONOR RESTRICTIONS

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Chamber for disallowed costs or noncompliance with grants or restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Chamber has evaluated events and transactions for potential recognition or disclosure through February 7, 2024 the date the financial statements were available to be issued. The Organization has determined that no change to the financial statements for the year ended December 31, 2022 is deemed necessary as a result of this evaluation.

On August 1, 2023, the Chamber entered into a new lease agreement for a new facility space. Terms of the lease are 60 months, expiring on July 31, 2028, with monthly payments of \$3,053.