

LEAGUE CITY CHAMBER OF COMMERCE
AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER
OF COMMERCE

FINANCIAL STATEMENTS
AS OF AND FOR THE
YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITOR'S REPORT



MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
League City Chamber of Commerce and Business Association
dba League City Regional Chamber of Commerce

Opinion

We have audited the financial statements of League City Chamber of Commerce and Business Association dba League City Regional Chamber of Commerce (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the year 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 the Organization as of December 31, 2020, 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 ("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 the Organization 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 the 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 the Organization's ability to continue as a going concern for 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 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.

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATON
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets (Deficit)	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

Melton & Melton, LLP

Houston, Texas
September 2, 2021

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current Assets:

Cash	\$ 236,150
Grant receivable	<u>2,500</u>
Total current assets	238,650

Property, net

26,860

\$ 265,510

LIABILITIES AND NET ASSETS (DEFICIT)

Current Liabilities:

Accrued liabilities	\$ 11,935
Deferred revenue	<u>103,937</u>
Total current liabilities	115,872

Long-Term Debt

150,000

Net Assets (Deficit):

Without donor restrictions	(22,935)
With donor restrictions	<u>22,573</u>
	<u>(362)</u>

\$ 265,510

(See Notes to Financial Statements)

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
For the Year Ended December 31, 2020

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Support and Revenues (Losses):			
Membership fees	\$ 241,766	\$ -	\$ 241,766
Grants and contributions	122,869	22,573	145,442
Special events	97,068	-	97,068
Rent	24,000	-	24,000
Advertising	14,500	-	14,500
Loss on retirement of property	(6,827)	-	(6,827)
Other	4,805	-	4,805
	<u>498,181</u>	<u>22,573</u>	<u>520,754</u>
Net assets released from restrictions	<u>3,115</u>	<u>(3,115)</u>	<u>-</u>
Total support and revenues (losses)	<u>501,296</u>	<u>19,458</u>	<u>520,754</u>
Expenses:			
Program services	179,415	-	179,415
Costs of direct benefits to donors	109,743	-	109,743
Management and general	114,178	-	114,178
Fundraising	34,669	-	34,669
Total expenses	<u>438,005</u>	<u>-</u>	<u>438,005</u>
Change in net assets	63,291	19,458	82,749
Net assets (deficit), beginning of year	<u>(86,226)</u>	<u>3,115</u>	<u>(83,111)</u>
Net assets (deficit), end of year	<u>\$ (22,935)</u>	<u>\$ 22,573</u>	<u>\$ (362)</u>

(See Notes to Financial Statements)

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

		Costs of	Support Services			
	Program	Direct	Management		Total	Total
	<u>Services</u>	<u>Benefits</u>	<u>and General</u>	<u>Fundraising</u>	<u>Support</u>	<u>Expenses</u>
		<u>to Donors</u>			<u>Services</u>	
Salaries, benefits, and taxes	\$ 114,640	\$ -	\$ 31,970	\$ 24,690	\$ 56,660	\$ 171,300
Other Expenses:						
Bank charges	6,877	-	100	-	100	6,977
Costs of direct benefits to donors	-	109,743	-	-	-	109,743
Facilities and equipment rental	29,093	-	43,639	-	43,639	72,732
Insurance	-	-	3,353	-	3,353	3,353
Professional development	4,221	-	184	9,584	9,768	13,989
Professional services	-	-	10,365	-	10,365	10,365
Repairs and maintenance	6,391	-	6,391	-	6,391	12,782
Supplies	2,054	-	685	-	685	2,739
Technology	6,236	-	2,506	-	2,506	8,742
Utilities	4,635	-	6,953	-	6,953	11,588
Miscellaneous	1,979	-	4,743	395	5,138	7,117
Total expenses before depreciation	176,126	109,743	110,889	34,669	145,558	431,427
Depreciation	3,289	-	3,289	-	3,289	6,578
Total Functional Expenses	\$ 179,415	\$ 109,743	\$ 114,178	\$ 34,669	\$ 148,847	\$ 438,005

(See Notes to Financial Statements)

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

Cash Flows from Operating Activities:

Change in net assets	\$ 82,749
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,578
Loss on retirement of property	6,827
Changes in operating assets and liabilities:	
Accounts receivable	(2,500)
Accounts payable	(11,608)
Accrued liabilities	7,234
Deferred revenue	<u>1,194</u>
Net cash provided by operating activities	<u>90,474</u>

Cash Flows from Investing Activities:

Purchase of property	<u>(28,944)</u>
Net cash used in investing activities	<u>(28,944)</u>

Cash Flows from Financing Activities:

Proceeds from long-term debt	<u>150,000</u>
Net cash provided by financing activities	<u>150,000</u>

Net increase in cash	211,530
----------------------	---------

Cash, beginning of year	<u>24,620</u>
-------------------------	---------------

Cash, end of year	<u><u>\$ 236,150</u></u>
-------------------	--------------------------

(See Notes to Financial Statements)

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

League City Chamber of Commerce and Business Association dba League City Regional Chamber of Commerce (the "Organization") is a nonprofit organization incorporated in the state of Texas to drive the region's economic success. The Organization is governed by a Board of Directors (the "Board"), who are elected pursuant to the Organization's bylaws. The Board has the ultimate authority to manage the finances and the governance for the Organization. The chief executive officer directs the Organization's overall operations and manages the annual budget that is approved by the Board. The Organization's office is located in League City, Texas.

Basis of Accounting and Presentation

The financial statements of the Organization are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets, revenues, 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 use 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. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. The guidance introduced Accounting Standards Codification Topic 606 ("ASC 606") that prescribes a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09, as amended, also required disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization adopted ASC 606, effective January 1, 2020, using the modified retrospective method applying ASC 606 to contracts that were not complete as of the date of initial application. The adoption of ASC 606 resulted in no significant changes to the Organization's revenue recognition and had no effect on net assets as of the date of initial application, January 1, 2020.

Revenue Recognition from Contracts with Customers (Excluding Contributions)

As discussed under "Change in Accounting Principle" above, the Organization adopted the provisions of ASC 606 effective January 1, 2020. The Organization accounts for revenue from exchange agreements, i.e. agreements whereby resource providers receive direct commensurate value for assets transferred, in accordance with ASC 606. Under ASC 606, an exchange agreement (contract with a customer) is an agreement which both parties have approved, creates enforceable rights and obligations, has commercial substance, identifies payment terms, and collectability is probable. Once the Organization has entered into a contract, the contract is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration when applicable. The Organization's contracts contained no significant variable consideration in 2020.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's primary sources of revenues from customers are membership fees, advertising, and special events.

Membership Fees

The Organization has several membership packages ranging from \$200 for individuals, non-profit organizations, and government entities to \$15,000 for the Chairman's Circle – Five Star membership. The types of services provided to the Organization's members vary and are based on their selected membership package. Membership in the Organization is for one year and begins on the date the membership fee is collected. Fees are recognized ratably as revenue over a period of time, which is the membership term. Fees received in advance of providing member services are recorded as deferred revenue until the services are provided.

Advertising

The Organization provides advertising spots in Momentum, the Organization's online magazine; email blasts; and the Organization's membership directory. Advertising revenue is recognized at a point in time in which the advertisement is provided.

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. This portion of the gross proceeds is recognized as revenues from contracts at a point in time in the period the special event was conducted; the remaining portion is treated as a contribution. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct benefits to donors in the statement of activities and changes in net assets (deficit).

Contract Balances

Contract assets relate to the Organization's right to consideration for products sold or services provided but not billed at the reporting date. There were no contract assets at December 31, 2020. Contract liabilities relate to advance consideration received from customers for which revenue has not been recognized. Contract liabilities consist primarily of deferred revenue from membership fees and are recorded as current liabilities in the statement of financial position. Contract liabilities are reduced when the associated revenue from the contract is recognized.

Critical Accounting Estimates

As discussed above, estimates are used to determine the portion of the gross proceeds from special events that are applicable to benefits received by the participants at such events. The Organization adjusts such estimates from time to time to reflect changes in circumstances.

Revenue Recognition from Grants and Contributions

Revenue from grants are recognized when conditions in the agreements have been met and the amounts realized can be reasonably determined. The Organization's right to consideration for meeting the conditions that are not collected at the reporting date are included as a grant receivable on the statement of financial position. Conditional grants have a measurable performance, a right of return, and are recognized when conditions have been substantially met. The Organization's grant received in 2020 is conditioned upon the incurrence of allowable qualifying expenses. All of the grant's conditions were met in 2020.

Revenue from contributions are recognized upon notification of a donor's unconditional promise to give to the Organization. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the absence or existence of restrictions. Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Contributed services and in-kind gifts are recognized at fair value when an unconditional commitment is received from the donor. Contributed services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation. A number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under U.S. GAAP.

Grant Receivable

Grant receivable is stated at the amount management expects to collect. Management provides for probably uncollectible amounts through a provision for doubtful accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. No valuation allowance was considered necessary at December 31, 2020.

Property

Property is recorded at cost. The Organization has no donated property to be valued. Improvements or betterments of a permanent nature are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Property is depreciated using the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and currently has no taxable unrelated business income. Accordingly, no provision for income taxes has been recorded.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements. In 2020, the Organization had no tax-related interest or penalties included in the statement of activities and changes in net assets (deficit). With few exceptions, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2017.

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses are reported by their functional classification as program, management and general, and fundraising. Program services are the direct conduct or supervision of activities that fulfill the purpose for which the Organization exists. Fundraising activities include the solicitation of contributions of money, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted on the basis of management's determination. Salaries and payroll taxes are allocated based on a percentage of time spent with each activity by employees.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for operating or financing lease arrangements exceeding a twelve-month term, a right-of-use asset and a lease obligation will be recognized on the statement of financial position of the lessee while the statement of activities and changes in net assets (deficit) will reflect lease expense for operating leases and amortization/interest expense for financing leases. ASU 2016-02, as amended by ASU 2020-05, is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted and applied using the modified retrospective approach. Management is currently evaluating the impact this ASU will have on the Organization's financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020, are comprised of the following:

Cash	\$213,577
Grant receivable	<u>2,500</u>
Total financial assets available for general expenditures	<u>\$216,077</u>

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - LIQUIDITY AND AVAILABILITY (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization 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. General expenditures do not include capital projects funded by capital campaigns or the Organization's building fund.

In addition to the financial assets available to meet general expenditures, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. As part of the liquidity management practices, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash.

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table represents an analysis of revenue by the timing of such revenue recognized during the year ended December 31, 2020:

Revenue recognized at a point in time:	
Advertising	\$ 14,500
Special events	<u>97,068</u>
	111,568
Recognized over a period of time:	
Membership fees	<u>241,766</u>
Total revenues from contracts with customers	<u>\$353,334</u>

Contract Liabilities

The following table provides information about contract liabilities for 2020:

Deferred revenue, beginning of the year	<u>\$102,743</u>
Deferred revenue, end of the year	<u>\$103,937</u>

All contract liabilities were current at both the beginning and the end of the year ended December 31, 2020.

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 - PROPERTY

Property consists of the following at December 31, 2020:

	<u>Useful Lives</u>	
Furniture and fixtures	5 – 7 years	\$16,728
Leasehold improvements	3 years	<u>12,215</u>
		28,943
Less: Accumulated depreciation		<u>2,083</u>
		<u>\$26,860</u>

NOTE 5 - LONG-TERM DEBT

In September 2020, the Organization received loan proceeds of \$150,000 under an Economic Injury Disaster Loan (“EIDL”) agreement with the SBA. The loan accrues interest at 2.75% with monthly payments beginning in September 2022. Each payment will be first applied to accrued interest, and the balance, if any, will be applied to principal. Final payment of principal and interest is due at maturity in September 2050. The loan is collateralized by substantially all assets of the Organization. In February 2021, the Organization made a payment on the loan to fully pay-off the balance plus accrued interest for a combined total of approximately \$152,000.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

<i>Subject to expenditure for a specific purpose:</i>	
Building Fund	<u>\$22,573</u>

Net assets were released from restrictions during 2020 by incurring expenses satisfying the restricted purpose, as follows:

<i>Satisfaction of purpose restrictions:</i>	
Building Fund	<u>\$3,115</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash deposits in excess of federally insured limits. The Organization places its cash with financial institutions that are considered high quality financial institutions by the Organization’s management. At times, such cash investments may be in excess of federally insured limits.

LEAGUE CITY CHAMBER OF COMMERCE AND BUSINESS ASSOCIATION
dba LEAGUE CITY REGIONAL CHAMBER OF COMMERCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Operating Leases

Through September 2020, the Organization leased office space from a third-party and subleased a portion of the space to another third-party. Rental income of \$24,000 was received in 2020. In September 2020, the Organization moved locations, upon the expiration of its current lease agreement, and entered into a new noncancelable operating lease agreement for office space with a different lessor. The lease agreement expires in September 2023, with an option to renew for twenty-four additional months, and no portion of the new office space is subleased. The Organization also leases office equipment under a cancelable operating lease agreement. Rental expense under these operating lease agreements amounted to approximately \$73,000 for 2020. At December 31, 2020, future minimum lease payments under the remaining noncancelable operating lease is as follows:

<u>For the Year Ending December 31:</u>	
2021	\$26,400
2022	26,400
2023	<u>19,800</u>
	<u>\$72,600</u>

Benefit Plan

The Organization has a 401(k) plan that covers all eligible employees. The plan allows eligible employees to contribute on a pre-tax basis to the Plan. Employer contributions to the Plan are 100% of employee contributions, limited to 6% of the employee's compensation. For 2020, total employer contributions were approximately \$8,100. Effective January 1, 2021, the Organization terminated the 401(k) plan and began participation in a SIMPLE IRA Plan which requires employer contributions to be 100% of employee contributions, limited to 3% of the employee's compensation.

NOTE 8 - SUBSEQUENT EVENTS

In March 2021, the Organization received proceeds of \$47,200, under the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved partner. Established as part of the CARES Act, the PPP provides forgivable loans to qualifying organizations for certain expenditures, such as payroll and related benefits, rent, and utilities. The proceeds were received in the form of a loan which bears interest at 1% per annum and matures in March 2026. On July 22, 2021, the Organization was notified that the SBA approved the Organization's PPP loan forgiveness application for the full amount of \$47,200.

Management has evaluated subsequent events through September 2, 2021, the date the financial statements were available to be issued.