

**MARTINSVILLE-HENRY COUNTY  
CHAMBER OF COMMERCE, INC.**

**FINANCIAL STATEMENTS**

Years ended June 30, 2013 and 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Martinsville-Henry County Chamber of Commerce, Inc.  
Martinsville, VA

We have audited the accompanying financial statements of Martinsville-Henry County Chamber of Commerce, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, program and general and administrative expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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

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for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Martinsville-Henry County Chamber of Commerce, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mallard & Mallard CPAs, LLC*

January 7, 2014

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**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**Years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 169,442	\$ 194,533
Accounts receivable	27,451	10,303
Grant receivable - Business Services	12,955	15,064
Inventory	3,026	3,471
Prepaid expenses	<u>1,402</u>	<u>1,847</u>
Total current assets	<u>214,276</u>	<u>225,218</u>
Property and equipment		
Land, building, and equipment	215,848	218,942
Accumulated depreciation	<u>(141,662)</u>	<u>(141,235)</u>
	<u>74,186</u>	<u>77,707</u>
Total assets	<u>\$ 288,462</u>	<u>\$ 302,925</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 541	\$ 957
Income taxes payable	4,001	-
Payroll taxes payable	8,014	4,395
Deferred income	<u>-</u>	<u>1,055</u>
Total liabilities	<u>12,556</u>	<u>6,407</u>
Unrestricted net assets	<u>275,906</u>	<u>296,518</u>
Total liabilities and net assets	<u>\$ 288,462</u>	<u>\$ 302,925</u>

The accompanying notes are an integral part of this statement.

**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**STATEMENTS OF ACTIVITIES**

**Years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Dues	\$ 108,534	\$ 116,717
Interest income	1,221	1,693
Insurance commissions	20,515	18,391
Advertising commissions and sales	68,960	7,456
Other income	22,067	6,306
Annual meeting income	7,985	9,976
Leadership class income	7,250	6,625
Map income	473	409
Trade show income	66,281	66,335
Supervision training income	6,985	5,632
Chamber Partnership for Economic Growth - administrative fees	15,000	15,000
Chamber Champions	16,500	15,000
Legislative Affairs program	980	1,910
Shop local income	10,000	-
Business services income	<u>52,525</u>	<u>71,174</u>
<b>Total revenues, gains and other support</b>	<u>405,276</u>	<u>342,624</u>
<b>EXPENSES</b>		
Program services	348,792	283,399
Management and general	<u>67,893</u>	<u>62,722</u>
<b>Total expenses</b>	<u>416,685</u>	<u>346,121</u>
<b>Decrease in unrestricted net assets before taxes</b>	(11,409)	(3,497)
Taxes on unrelated business income	<u>(9,203)</u>	<u>(4,150)</u>
<b>Decrease in unrestricted net assets after taxes</b>	<u>(20,612)</u>	<u>(7,647)</u>
<b>UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR</b>	<u>296,518</u>	<u>304,165</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<u>\$ 275,906</u>	<u>\$ 296,518</u>

The accompanying notes are an integral part of this statement.

**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (20,612)	\$ (7,647)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	5,876	5,171
(Increase) decrease in operating assets		
Prepaid expenses	445	(262)
Accounts receivable	(17,148)	(6,913)
Grant receivable	2,109	1,532
Inventory	445	178
Increase (decrease) in operating liabilities		
Accounts payable and accruals	(416)	(2,346)
Income taxes payable	4,001	-
Payroll taxes payable	3,619	1,442
Deferred income	(1,055)	695
<b>Net cash used in operating activities</b>	<u>(22,736)</u>	<u>(8,150)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment, net of dispositions	<u>(2,355)</u>	<u>(4,754)</u>
<b>Net cash used in investing activities</b>	<u>(2,355)</u>	<u>(4,754)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(25,091)	(12,904)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>194,533</u>	<u>207,437</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u><u>169,442</u></u>	\$ <u><u>194,533</u></u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash payments for the following:

Income taxes	\$ <u><u>5,330</u></u>	\$ <u><u>4,750</u></u>
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The accompanying notes are an integral part of this statement.

**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**STATEMENTS OF PROGRAM AND GENERAL  
AND ADMINISTRATIVE EXPENSES**

**Years ended June 30, 2013 and 2012**

	<b>2013</b>		
	<b>Program</b>	<b>General and</b>	
	<b><u>Services</u></b>	<b><u>Administrative</u></b>	<b><u>Total</u></b>
Salaries	\$ 117,513	\$ 31,642	\$ 149,155
Salaries - Business services	39,075	-	39,075
Payroll taxes, benefits, insurance	34,863	7,045	41,908
Travel, meetings, conferences	1,946	-	1,946
Occupancy	7,366	7,366	14,732
Internet and website	2,503	2,503	5,006
Office expense	7,090	7,089	14,179
Printing and publications	25,328	-	25,328
Audit and professional fees	-	2,625	2,625
Annual meeting expense	3,899	-	3,899
Map expense	445	-	445
Leadership class expense	3,797	-	3,797
Trade show expense	42,137	-	42,137
Public and government affairs	866	-	866
Other program expense	28,821	-	28,821
Supervision training expense	4,458	-	4,458
Chamber Partnership for Economic Growth	12,500	-	12,500
Community development	10,850	-	10,850
Taxes and licenses	918	1,989	2,907
Lease expense	-	-	-
Shop local expense	4,123	-	4,123
Depreciation	-	5,876	5,876
Miscellaneous	-	32	32
Insurance - Directors and Officers	-	1,432	1,432
Insurance - Workers Compensation	294	294	588
<b>Total expenses</b>	<b>\$ <u>348,792</u></b>	<b>\$ <u>67,893</u></b>	<b>\$ <u>416,685</u></b>

The accompanying notes are an integral part of this statement.

2012		
Program	General	
<u>Services</u>	<u>and</u>	
	<u>Administrative</u>	<u>Total</u>
\$ 87,122	\$ 29,041	\$ 116,163
33,081	-	33,081
25,047	6,494	31,541
1,904	-	1,904
5,902	5,901	11,803
3,872	3,872	7,744
5,307	5,307	10,614
6,556	-	6,556
-	2,710	2,710
7,709	-	7,709
178	-	178
3,724	-	3,724
44,953	-	44,953
2,278	-	2,278
19,951	-	19,951
3,358	-	3,358
12,500	-	12,500
19,123	-	19,123
-	2,034	2,034
288	287	575
-	-	-
-	5,171	5,171
-	-	-
-	1,360	1,360
546	545	1,091
<u>\$ 283,399</u>	<u>\$ 62,722</u>	<u>\$ 346,121</u>

**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Years ended June 30, 2013 and 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Activities

The Martinsville-Henry County Chamber of Commerce, Inc. is organized for the purpose of advancing the commercial, industrial, and civic interests of the City of Martinsville and Henry County.

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents.

Inventory

Inventory consists of maps which are valued at the lower of cost or market (first-in, first-out).

Fixed Assets and Depreciation

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets, ranging from five to ten years for equipment and forty years for building. Assets with a life of five years or more are capitalized.

Accounts Receivable

Uncollectible dues are charged off directly in the period they are deemed uncollectible.

**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Years ended June 30, 2013 and 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting

The financial statements of the Chamber have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compensated Absences

The Chamber's financial statements do not include an accrual for compensated absences and the amount is not material.

Evaluation of Subsequent Events

The Chamber has evaluated subsequent events through January 7, 2014, the date the financial statements were available to be issued.

**NOTE 2: PROPERTY AND EQUIPMENT**

The following is a summary of land, building, and furniture and equipment as of June 30:

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 43,349	\$ 43,349
Building and improvements	120,518	120,518
Furniture and equipment	<u>51,981</u>	<u>55,075</u>
	215,848	218,942
Less accumulated depreciation	<u>(141,662)</u>	<u>(141,235)</u>
Total	<u>\$ 74,186</u>	<u>\$ 77,707</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$5,876 and \$5,171, respectively.

**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Years ended June 30, 2013 and 2012

**NOTE 3: SIMPLE IRA RETIREMENT PLAN**

The Chamber has a Simple IRA Retirement Plan in which they match up to 3% of each employee's base salary. Plan expenses incurred by the Chamber at June 30, 2013 and 2012 were \$4,164 and \$3,526, respectively.

**NOTE 4: INCOME TAXES**

The Chamber is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code. Tax on insurance sales commissions and advertising unrelated to its tax-exempt purpose consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Federal	\$ 6,456	\$ 2,911
Virginia	<u>2,747</u>	<u>1,239</u>
	<u>\$ 9,203</u>	<u>\$ 4,150</u>

The Chamber's Forms 990 and Forms 990-T, Return of Organization Exempt from Income Tax, for the three years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

**NOTE 5: ADVERTISING COSTS**

The Chamber expenses advertising costs as they are incurred.

**NOTE 6: PREPAID EXPENSES**

Prepaid expenses consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Insurance	\$ 1,402	\$ 1,285
Taxes	<u>-</u>	<u>562</u>
	<u>\$ 1,402</u>	<u>\$ 1,847</u>

**MARTINSVILLE-HENRY COUNTY CHAMBER OF COMMERCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Years ended June 30, 2013 and 2012

**NOTE 7: OTHER INCOME**

Other income consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
New College reimbursement	\$ 11,250	\$ -
Miscellaneous income	<u>10,817</u>	<u>6,306</u>
	<u>\$ 22,067</u>	<u>\$ 6,306</u>

**NOTE 8: OTHER PROGRAM EXPENSE**

Other program expense consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Membership services	\$ 784	\$ 3,023
Other program costs	24,452	13,253
Organizational dues	<u>3,585</u>	<u>3,675</u>
	<u>\$ 28,821</u>	<u>\$ 19,951</u>