

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING FINANCIAL STATEMENTS

December 31, 2018



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Combining Statement of Financial Position	3
Combining Statement of Activities	4
Combining Statement of Functional Expenses	6
Combining Statement of Cash Flows	9
Notes to Combining Financial Statements	10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Memphis Chamber
Memphis, Tennessee

We have audited the accompanying combining financial statements of the Greater Memphis Chamber and the Memphis Chamber Foundation (collectively, the "Entity", a non-profit organization), which comprise the combining statement of financial position as of December 31, 2018, and the related combining statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combining financial statements.

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

Opinion

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of the Greater Memphis Chamber and the Memphis Chamber Foundation as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Entity's 2017 combining financial statements, and we expressed an unmodified audit opinion on those audited combining financial statements in our report dated August 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

Watkins Mikusall, PLLC

Memphis, Tennessee
September 16, 2019

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2018
(with summarized financial information as of December 31, 2017)

	Greater Memphis Chamber	Memphis Chamber Foundation	Eliminations	Combined Total 2018	Combined Total 2017
<u>Assets</u>					
Current Assets					
Cash and cash equivalents	\$ 258,541	\$ 283,779	\$ -	\$ 542,320	\$ 543,754
Cash restricted for Epicenter operations	-	-	-	-	453,244
Receivables:					
Membership subscriptions, net	151,475	-	-	151,475	205,450
Due from related party	47,744	-	(47,744)	-	-
Grants, current portion	331,002	-	-	331,002	322,173
Epicenter operations	-	-	-	-	50,000
Other	44,800	-	-	44,800	70,157
Prepaid expenses	7,402	-	-	7,402	1,904
Total current assets	<u>840,964</u>	<u>283,779</u>	<u>(47,744)</u>	<u>1,076,999</u>	<u>1,646,682</u>
Property and Equipment					
Leasehold improvements	11,103	-	-	11,103	168,177
Furniture and equipment	337,205	22,647	-	359,852	398,903
	<u>348,308</u>	<u>22,647</u>	<u>-</u>	<u>370,955</u>	<u>567,080</u>
Accumulated depreciation	(280,815)	(7,252)	-	(288,067)	(463,655)
Total property and equipment	<u>67,493</u>	<u>15,395</u>	<u>-</u>	<u>82,888</u>	<u>103,425</u>
Grants receivable, net of current portion	-	-	-	-	100,000
Total assets	<u>\$ 908,457</u>	<u>\$ 299,174</u>	<u>\$ (47,744)</u>	<u>\$ 1,159,887</u>	<u>\$ 1,850,107</u>
<u>Liabilities and Net Assets</u>					
Current Liabilities					
Accounts payable and accrued expenses	\$ 618,591	\$ 22,234	\$ -	\$ 640,825	\$ 585,796
Line of credit payable	462,500	-	-	462,500	350,000
Capital lease obligation (current portion)	5,955	-	-	5,955	5,694
Due to related party	-	47,744	(47,744)	-	-
Accrued bonuses payable	155,068	-	-	155,068	348,662
Deferred event revenue	9,500	-	-	9,500	9,500
Deferred lease commitment	20,448	-	-	20,448	63,369
Total current liabilities	<u>1,272,062</u>	<u>69,978</u>	<u>(47,744)</u>	<u>1,294,296</u>	<u>1,363,021</u>
Long Term Liabilities					
Capital lease obligation	7,830	-	-	7,830	13,785
Net Assets					
Without donor restrictions	(768,336)	175,696	-	(592,640)	(863,043)
With donor restrictions	396,901	53,500	-	450,401	1,336,344
Total net assets	<u>(371,435)</u>	<u>229,196</u>	<u>-</u>	<u>(142,239)</u>	<u>473,301</u>
Total liabilities and net assets	<u>\$ 908,457</u>	<u>\$ 299,174</u>	<u>\$ (47,744)</u>	<u>\$ 1,159,887</u>	<u>\$ 1,850,107</u>

The accompanying notes are an integral part of the combining financial statements.

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	Greater Memphis Chamber	Memphis Chamber Foundation	Eliminations	Combined Total 2018	Combined Total 2017
Net Assets Without Donor Restrictions					
Operating Support and Revenues:					
Membership subscriptions	\$ 4,968,490	\$ -	\$ -	\$ 4,968,490	\$ 4,700,026
Grants	118,544	96,500	-	215,044	425,204
Contributions:					
In-kind	53,300	50,283	(50,283)	53,300	128,787
Public	-	20,000	-	20,000	1,428,500
Program partnerships	495,608	-	-	495,608	523,615
Event revenues	494,495	-	-	494,495	395,469
Council funding	50,000	-	-	50,000	50,000
Chamber products	15	-	-	15	249
Affinity programs	-	-	-	-	560
Mid-South Quality Productivity Center	-	130,390	-	130,390	363,694
Advertising revenue	55,057	-	-	55,057	27,552
Miscellaneous income	38,974	48	-	39,022	47,242
	<u>6,274,483</u>	<u>297,221</u>	<u>(50,283)</u>	<u>6,521,421</u>	<u>8,090,898</u>
Net assets released from donor restrictions	<u>600,600</u>	<u>495,093</u>	<u>-</u>	<u>1,095,693</u>	<u>383,151</u>
Total operating support and revenues	<u>6,875,083</u>	<u>792,314</u>	<u>(50,283)</u>	<u>7,617,114</u>	<u>8,474,049</u>
Expenses:					
Program Services					
Economic development	2,742,270	523,290	-	3,265,560	4,039,197
Community development	921,731	-	-	921,731	1,102,684
Organizational development	227,792	-	-	227,792	287,953
Mid-South Quality Productivity Center	-	252,259	(50,283)	201,976	298,489
Total program services	<u>3,891,793</u>	<u>775,549</u>	<u>(50,283)</u>	<u>4,617,059</u>	<u>5,728,323</u>
Supporting Services					
Membership development	1,466,154	-	-	1,466,154	1,350,866
General and administrative	1,133,990	129,508	-	1,263,498	1,851,462
Total expenses	<u>6,491,937</u>	<u>905,057</u>	<u>(50,283)</u>	<u>7,346,711</u>	<u>8,930,651</u>
Change in net assets without donor restrictions	383,146	(112,743)	-	270,403	(456,602)

The accompanying notes are an integral part of the combining financial statements.

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	Greater Memphis Chamber	Memphis Chamber Foundation	Eliminations	Combined Total 2018	Combined Total 2017
Net Assets With Donor Restrictions					
Operating Support and Revenues:					
Grants	-	28,500	-	28,500	447,501
Membership subscriptions for 2019	181,250	-	-	181,250	-
Membership subscriptions for 2018	-	-	-	-	368,750
Total operating support and revenues	181,250	28,500	-	209,750	816,251
Net assets released from donor restrictions	(600,600)	(495,093)	-	(1,095,693)	(383,151)
Change in net assets with donor restrictions	(419,350)	(466,593)	-	(885,943)	433,100
Change in net assets	(36,204)	(579,336)	-	(615,540)	(23,502)
Net assets - beginning of year	(335,231)	808,532	-	473,301	496,803
Net assets - end of year	\$ (371,435)	\$ 229,196	\$ -	\$ (142,239)	\$ 473,301

The accompanying notes are an integral part of the combining financial statements.

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

Greater Memphis Chamber							
	Program Services			Supporting Services			Total
	Economic Development	Community Development	Organizational Development	Total Program Services	General and Administrative	Membership Development	
Compensation	\$ 1,288,475	\$ 584,276	\$ 38,277	\$ 1,911,028	\$ 474,017	\$ 659,666	\$ 3,044,711
Occupancy costs	73,277	47,287	29,961	150,525	32,127	77,248	259,900
Travel	129,845	10,209	4,213	144,267	6,982	5,122	156,371
Meetings and seminars	88,484	16,519	4,399	109,402	19,615	29,434	158,451
Entertainment	6,299	-	-	6,299	110	1,971	8,380
Dues and subscriptions	41,224	1,304	7,364	49,892	31,757	352	82,001
Postage	4,859	59	5,496	10,414	882	1,583	12,879
Program supply	28,408	9,571	5,750	43,729	21,143	27,799	92,671
Insurance and other benefits	115,240	53,344	16,354	184,938	103,387	87,097	375,422
Contract services	655,798	56,195	64,694	776,687	273,756	377,582	1,428,025
Printing	323	1,837	11,497	13,657	8,872	5,950	28,479
Advertising	19,537	-	929	20,466	-	384	20,850
Other	-	-	-	-	19,270	-	19,270
Professional fees	-	-	-	-	27,150	-	27,150
Payroll taxes	97,141	43,487	1,505	142,133	32,691	46,528	221,352
401(k)	111,200	44,623	3,761	159,584	46,211	58,826	264,621
Telephone	5,919	3,820	2,420	12,159	2,595	6,240	20,994
Depreciation and amortization	7,866	5,076	3,216	16,158	3,449	8,292	27,899
Interest expense	7,274	4,694	2,974	14,942	3,189	7,668	25,799
Bad debt	61,101	39,430	24,982	125,513	26,787	64,412	216,712
Total	\$ 2,742,270	\$ 921,731	\$ 227,792	\$ 3,891,793	\$ 1,133,990	\$ 1,466,154	\$ 6,491,937

The accompanying notes are an integral part of the combining financial statements.

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	Memphis Chamber Foundation				
	Program Services			Supporting Activities	Total
	Economic Development	Mid-South Quality Productivity Center	Total Program Services	General and Administrative	
Compensation	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy costs	-	-	-	-	-
Travel	-	6,271	6,271	-	6,271
Meetings and seminars	-	1,379	1,379	-	1,379
Entertainment	-	-	-	-	-
Dues and subscriptions	-	3,177	3,177	-	3,177
Postage	-	37	37	-	37
Program supply	-	14,871	14,871	-	14,871
Insurance and other benefits	-	-	-	-	-
Contract services	523,166	177,211	700,377	129,400	829,777
Printing	-	615	615	-	615
Advertising	-	1,567	1,567	-	1,567
Other	124	40,833	40,957	108	41,065
Professional fees	-	-	-	-	-
Payroll taxes	-	-	-	-	-
401(k)	-	-	-	-	-
Telephone	-	2,170	2,170	-	2,170
Depreciation and amortization	-	4,128	4,128	-	4,128
Interest expense	-	-	-	-	-
Bad debt	-	-	-	-	-
Total	\$ 523,290	\$ 252,259	\$ 775,549	\$ 129,508	\$ 905,057

The accompanying notes are an integral part of the combining financial statements.

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	Eliminations	Combined Total 2018	Combined Total 2017
Compensation	\$ -	\$ 3,044,711	\$ 3,280,295
Occupancy costs	-	259,900	264,517
Travel	-	162,642	131,314
Meetings and seminars	-	159,830	131,064
Entertainment	-	8,380	6,775
Dues and subscriptions	-	85,178	105,860
Postage	-	12,916	26,609
Program supply	-	107,542	113,008
Insurance and other benefits	-	375,422	410,541
Contract services	(50,283)	2,207,519	3,467,910
Printing	-	29,094	82,602
Advertising	-	22,417	19,040
Other	-	60,335	62,535
Professional fees	-	27,150	26,000
Payroll taxes	-	221,352	222,581
401(k)	-	264,621	290,837
Telephone	-	23,164	20,668
Depreciation and amortization	-	32,027	31,946
Interest expense	-	25,799	5,242
Bad debt	-	216,712	231,307
Total	<u>\$ (50,283)</u>	<u>\$ 7,346,711</u>	<u>\$ 8,930,651</u>

The accompanying notes are an integral part of the combining financial statements.

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	Greater Memphis Chamber	Memphis Chamber Foundation	Eliminations	Combined Total 2018	Combined Total 2017
Cash Flows Provided By (Used For)					
Operating Activities:					
Change in net assets	\$ (36,204)	\$ (579,336)	\$ -	\$ (615,540)	\$ (23,502)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For)					
Operating Activities:					
Depreciation	27,899	4,128	-	32,027	31,946
Bad debt expense	216,713	-	-	216,713	231,307
Changes in assets and liabilities:					
Membership subscriptions	(162,738)	-	-	(162,738)	(263,566)
Grants receivable	(231,002)	-	-	(231,002)	(422,173)
Due from related party	(13,379)	4,000	9,379	-	-
Mid-South Quality Productivity Center receivable	297,140	25,033	-	322,173	37,800
Epicenter operations	-	50,000	-	50,000	(50,000)
Other receivables	9,857	15,500	-	25,357	(35,113)
Prepaid expenses	(5,498)	-	-	(5,498)	11,734
Accounts payable and accrued expenses	65,811	(10,782)	-	55,029	102,190
Accrued bonus payable	(193,594)	-	-	(193,594)	(26,696)
Due to related party	(4,000)	13,379	(9,379)	-	-
Deferred event revenue	-	-	-	-	9,350
Deferred lease commitment	(42,921)	-	-	(42,921)	(38,787)
Total adjustments	(35,712)	101,258	-	65,546	(412,008)
Net cash provided by (used for) operating activities	(71,916)	(478,078)	-	(549,994)	(435,510)
Cash Flows Used For Investing Activities:					
Purchases of property and equipment	(11,490)	-	-	(11,490)	(23,997)
Cash Flows Used For Financing Activities:					
Net proceeds from line of credit	112,500	-	-	112,500	350,000
Principal payments on capital lease obligation	(5,694)	-	-	(5,694)	(5,443)
Net cash provided by (used for) financing activities	106,806	-	-	106,806	344,557
Net increase (decrease) in cash	23,400	(478,078)	-	(454,678)	(114,950)
Cash at beginning of the year	235,141	761,857	-	996,998	1,111,948
Cash at end of the year	\$ 258,541	\$ 283,779	\$ -	\$ 542,320	\$ 996,998
Supplemental Disclosure of Cash Flow Information:					
Cash paid during year for interest	\$ 20,095	\$ -	\$ -	\$ 20,095	\$ 1,010

The accompanying notes are an integral part of the combining financial statements.

**GREATER MEMPHIS CHAMBER
AND MEMPHIS CHAMBER FOUNDATION**

NOTES TO THE COMBINING FINANCIAL STATEMENTS

December 31, 2018 (with Comparative Totals for 2017)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Greater Memphis Chamber (the “Chamber”) and the Memphis Chamber Foundation (the “Foundation”) are Tennessee non-profit organizations whose mission is to encourage vigorous, planned economic growth in the Memphis region in order to provide good jobs for and expand the standard of living of all citizens of the community and encourage an atmosphere in which private enterprise may operate profitably and efficiently.

The Chamber’s primary sources of support include membership subscriptions, member contributions, program partnerships, and special events. The primary sources of support for the Foundation are in-kind donations, training and seminar fees, and consulting revenue.

The Foundation is related to the Chamber through common Board members. Two of the Foundation’s Board members are on the Chamber’s Board of Directors. Accordingly, its operations and results of its activities have been combined with the Chamber to form one economic entity (the “Entity”).

As part of the Entity’s economic development program, they performed bookkeeping and operational activities for the Epicenter, utilizing restricted funding. During 2018 the Entity ceased performing these activities for the Epicenter, after the Epicenter obtained their own nonprofit with a 501(c)(3) status. As a result, there will be a decrease in funding received on the Foundation within the public contributions support received and contract services expense on the combining statement of activities. The restricted cash available at that time was then transferred over to the Epicenter which also decreased restricted net assets.

Program Services

The missions of the economic, community, and organizational development programs are to serve Chamber members, partners, and the community by improving the quality of life through regional economic prosperity.

The Mid-South Quality Productivity Center (MSQPC) is a collaboration between the Foundation and Southwest Tennessee Community College that provides education designed to help businesses achieve quality productivity.

Basis of Combination

The combining financial statements include the accounts of the Entity after elimination of all inter-company accounts and transactions.

Method of Accounting and Basis of Presentation

The financial statements of the Entity have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition and Public Support

The Chamber recognizes contributions as revenue when they are received or unconditionally pledged. Membership subscriptions are non-refundable and are recognized as revenue when due, or as net assets with donor restrictions if paid early.

Contributions received are recorded as net assets with donor restrictions or without, depending upon the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions.

In-Kind Contributions

The Entity records various types of in-kind contributions received in the course of daily operations. Contributions of tangible assets are recognized at fair market value when received.

Contributed professional services are recognized if the services received (a) create or enhance long-lived 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 substantial number of volunteers have donated significant amounts of time and services to the Chamber's programs. Certain donated services satisfy the criteria for recognition in the financial statements. See Note 6 for contributed professional services recorded as in-kind contributions.

Membership Subscriptions

Membership subscriptions are dues collected from local businesses who have requested to be members of the Chamber. The allowance for uncollectible dues is estimated monthly based on 15% of the original billed amount and then adjusted for year-end reporting purposes to reflect actual subsequent write-offs. The Chamber considers dues that are 120 days delinquent as uncollectible. As a result, the receivable is written off and the related membership is cancelled. At December 31, 2018 and 2017, the allowance for uncollectible dues was \$38,575 and \$55,892, respectively. Bad debt expense was \$216,713 and \$231,307, for the years ended December 31, 2018 and 2017, respectively. Chairman's Circle membership dues are a level of investment for the top leaders of companies in the community and are included in the statement of activities in membership subscriptions. The Chamber considers Chairman's Circle dues uncollectible if a payment is not made on the balance before it is 120 days delinquent. At December 31, 2018 and 2017, management does not consider an allowance for uncollectible Chairman's Circle dues necessary.

Credit Risks

The Entity's credit risk primarily relates to cash and cash equivalents and accounts receivable. The Entity maintains cash balances at several banks. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to an aggregate of \$250,000 at each institution. The Entity's cash deposits exceeded FDIC limits at various times during the year. The Entity believes it is not exposed to any significant credit risk on its cash balances, due to its policy of banking with high quality financial institutions.

Concentrations

The Chamber depends heavily on contributions and membership dues for its revenue. The ability of the Chamber's contributors and members to continue making contributions and dues payments comparable to present levels depends upon many factors, including current and future economic conditions. While the Chamber's Board of Directors believes it has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent upon the above factors.

Cash Equivalents

The Entity considers all cash accounts which are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

The policy set forth by the Entity is to capitalize assets with an acquisition cost of \$500 or greater. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 10 years. Donated property and equipment are recorded at estimated fair market value at the date of receipt. Expenditures which materially extend the economic lives, change capacities, or improve the efficiency of the related assets are capitalized. Maintenance and repairs are charged to expense as incurred.

Deferred Lease Commitment

Leasing costs are amortized on the straight-line basis over the period of the related lease. See Note 7 for further disclosure.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions of a perpetual nature at December 31, 2018 or 2017. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Advertising and Publications

The Entity charges non-campaign specific advertising and public relations costs to expense as they are incurred. Non-campaign specific advertising and public relations costs for the years ended December 31, 2018 and 2017 were \$22,417 and \$18,540, respectively.

Federal Tax Status

The Chamber is exempt from federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code. The Chamber is subject to federal and state taxes on its net unrelated business income. No income tax expense was incurred for the years ended December 31, 2018 and 2017. The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee taxes under the provisions of the Tennessee Tax Code.

Reclassifications

For comparability, certain prior year amounts have been reclassified where appropriate to conform to the presentation in the current year.

Recent Accounting Pronouncement

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019. The Entity is evaluating the impact the standard will have on the financial statements and expects the standard to have a material impact due to the recognition of additional assets and liabilities for operating leases.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required. For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/release) to determine whether gifts or grants are conditional or unconditional.

For federal and other government grants, the ASU clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today.

For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in this ASU on contributions received to annual periods beginning after December 15, 2018. For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in this ASU on contributions made to annual periods beginning after December 15, 2019. Early adoption of the amendments is permitted. The Entity is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU did not have a material effect on the financial statements.

Date of Management’s Review

The Entity evaluated its December 31, 2018, combining financial statements for subsequent events through September 16, 2019, the date the combining financial statements were available to be issued. Management is not aware of any other subsequent event which would require recognition or disclosure in the combining financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2018	2017
Cash and cash equivalents	\$ 542,320	\$ 543,754
Membership subscription receivable, net	151,475	205,450
Grants receivable, current portion	331,002	322,173
Other receivables	44,800	70,157
	<u>\$ 1,069,597</u>	<u>\$ 1,141,534</u>

The Entity’s goal is generally to maintain financial assets to meet 90-180 days of operating expenses (currently approximately \$1,835,000 to \$3,670,000). As part of its liquidity plan, excess cash is held in reserve. As described in Note 4, the Organization also has a line of credit in the amount of \$500,000, of which only \$37,500 is still available to draw on.

NOTE 3 – GRANTS RECEIVABLE

At December 31, 2018 and 2017, grants receivable were \$331,002 and \$422,173, respectively. Management has evaluated the balance outstanding and does not consider an allowance for doubtful accounts necessary. These unconditional contributions are recorded as income when contributed. Grants receivable at December 31, 2018 are all due in less than one year.

NOTE 4 – LINE OF CREDIT

The Organization holds a line of credit with a financial institution with a credit limit of \$500,000. Regular monthly payments of all accrued unpaid interest are due as of each payment date, beginning December 15, 2017, with all subsequent interest payments to be due on the same day of each month thereafter. The line of credit matures on November 15, 2019, with all outstanding principal plus all accrued unpaid interest due on that date. Interest is equal to the prime rate plus 1%. At December 31, 2018, the rate was 6.25%. The line of credit is collateralized by inventory, chattel paper, accounts, equipment and general intangibles. As of December 31, 2018 and 2017, the balance of the line of credit was, respectively, \$462,500 and \$350,000.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31:

	2018	2017
Greater Memphis Chamber		
Time restrictions	\$ 181,250	\$ 368,750
Business opportunity portal project	215,651	317,534
Memphis export alliance project	-	129,967
	<u>396,901</u>	<u>816,251</u>
Memphis Chamber Foundation		
Purpose Restrictions:		
Epicenter contributions	-	453,244
Event program partnership	25,000	25,000
Greenprint grant	28,500	-
Extension of Memphis made project	-	41,849
	<u>53,500</u>	<u>520,093</u>
Total net assets with donor restrictions	<u>\$ 450,401</u>	<u>\$ 1,336,344</u>

NOTE 6 – IN-KIND CONTRIBUTIONS

Non-cash contributions have been reflected as in-kind contributions and a like amount included in expenses. For the years ended December 31, 2018 and 2017, the Chamber had \$53,300 and \$128,787, respectively, of in-kind contributions, which included \$39,300 and \$84,937, respectively, in contributed professional services; with the remainder being other contributions of various items. For the years ended December 31, 2018 and 2017, the Foundation had \$50,283 and \$51,027, respectively, of in-kind contributions related to the Mid-South Quality Productivity Center (MSQPC). See Note 9 for related party disclosure.

NOTE 7 – COMMITMENTS

On September 10, 2010, the Chamber renegotiated the terms of the office space operating lease which expires on August 31, 2022, with monthly rent to range from \$20,973 to \$24,703. Over the life of the lease, the Chamber will receive nineteen months of free rent. As a result, the deferred lease commitment at December 31, 2018 and 2017 totaled \$20,448 and \$63,369, respectively. Rental expense, amortization

expense, and real estate taxes were \$246,460 and \$246,249, for the years ended December 31, 2018 and 2017, respectively.

The Chamber also has non-cancelable operating leases for office equipment, internet and IT services. The leases expire at various dates through 2022. Rental expense for office equipment was \$8,641 and \$9,824 for the years ended December 31, 2018 and 2017, respectively.

At December 31, 2018, future minimum lease payments are as follows:

2019	\$	388,387
2020		392,702
2021		395,708
2022		25,213
	\$	<u>1,202,010</u>

During 2018, the Entity committed funds to a plan to clean up Memphis, approved by the Chamber's Chairman Circle. This commitment included \$150,000 in 2018, \$150,000 in 2019, and \$200,000 in 2020 of funds being committed to Memphis Transformed.

NOTE 8 – RETIREMENT PLAN

The Chamber sponsors a 401(k) safe harbor pension plan that covers all employees over 21 years old with three months of service. Under this plan, participants may make salary contributions up to 100% of their compensation, subject to IRS salary deferral limitations. The Chamber makes a matching contribution for each participant equal to 100% of the participant's salary contributions, up to 3% of annual compensation. In addition, the Chamber funds safe harbor qualified non-elective and profit sharing contributions for each participant equal to 3% and 4% of annual compensation, respectively. The plan provides for partial vesting of the Chamber match and profit sharing contributions after two years and full vesting after six years of service. Participants are immediately vested in the Chamber safe harbor qualified non-elective contributions. For the years ended December 31, 2018 and 2017, pension plan expense charged to operations for the 401(k) plan was \$264,621 and \$290,837, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Chamber is affiliated through common management and membership with the Foundation. The Chamber provides office space, accounting, and administrative service for the Foundation and is reimbursed for expenses incurred. The Foundation also collects certain donations and pledges for the Chamber. At December 31, 2018 and 2017, the total due from the Foundation to the Chamber was \$47,744 and \$34,365, respectively. In addition, the Chamber will receive funds from customers of the training seminars held by the Foundation and will remit these funds to the Foundation once received. As of December 31, 2018, there was no amount due to the Foundation from the Chamber; and as of December 31, 2017, the total due to the Foundation from the Chamber was \$4,000. These amounts have been eliminated in the combination.

In addition, the Chamber charges the Foundation for certain accounting and administrative in-kind services for the Foundation's Mid-South Quality Productivity Center (MSQPC) initiative. These in-kind services totaled \$50,283 and \$51,027 for the years ended December 31, 2018 and 2017, respectively, and have also been eliminated in the combination.

In the normal course of business, the Entity purchased products and services from local companies who have individuals representing them on the Entity's Board of Directors. The amount of expenses during 2018 and 2017 totaled \$101,594 and \$90,602, respectively. For 2018, the amount included \$66,104 paid to a Memphis hotel for various meetings and seminars held, \$6,817 for various shipping services, and \$26,506 paid to a service provider for phone and teleconference services. For 2017, the amount included \$44,379 paid to a Memphis hotel for various meetings and seminars held, \$8,367 for various shipping services, and \$31,056 paid to a service provider for phone and teleconference services. The Entity had a balance of \$31,250 remaining in accounts payable as of December 31, 2018 related to these expenses.

The Entity maintains cash balances in numerous banks. Officers of some of these banks serve on the Board of Directors of the Entity. At December 31, 2018 and 2017, the amount of cash maintained at these institutions was \$522,560 and \$1,077,124, respectively.

NOTE 10 – CAPITAL LEASE

During 2016, the Entity entered into a lease agreement for telephone equipment over a period of five years. Certain leases essentially transfer the risks of ownership and are accounted for as capital leases. The lease contains a bargain purchase option at the end of the lease term and is payable in monthly installments of principal and interest, due in full on March 31, 2021. The interest rate on this lease is 4.5%.

The following is an analysis of the leased assets included in furniture and equipment at December 31:

	2018	2017
Furniture and equipment	\$ 28,955	\$ 28,955
Less accumulated amortization	(7,985)	(5,089)
	<u>\$ 20,970</u>	<u>\$ 23,866</u>

As of December 31, 2018 and 2017, capital lease obligations were \$13,785 and \$19,479, respectively. Capital lease amortization expense for the years ended December 31, 2018 and 2017, was \$2,896 and \$2,917, respectively, and they are included in depreciation expense of furniture and equipment.

The following is a schedule by years of future minimum payments required under the capital lease, together with its present value as of December 31, 2018:

2019	\$ 6,454
2020	6,453
2021	1,613
	<u>\$ 14,520</u>
Less amount representing interest	<u>(735)</u>
Present value of minimum lease payments	<u>\$ 13,785</u>