

CHAMBER OF COMMERCE
OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005
WITH
REPORT OF INDEPENDENT AUDITORS



S.F. Fiser & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

Report of Independent Auditors
To The Board of Directors
Chamber of Commerce of Springdale, Arkansas, Inc.
Springdale, Arkansas

We have audited the accompanying statement of financial position of Chamber of Commerce of Springdale, Arkansas, Inc., (a not-for-profit organization) as of December 31, 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The 2005 financial statements were reviewed by us and our report thereon, dated May 4, 2006, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chamber of Commerce of Springdale, Arkansas, Inc. as of December 31, 2006, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

S.F. Fiser & Company

February 28, 2007
Springdale, Arkansas

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005

	<u>(Audited)</u> <u>2006</u>	<u>(Reviewed)</u> <u>2005</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 660,059	\$ 608,873
Certificates of deposit	66,855	64,650
Accounts receivable, net of allowance for doubtful accounts of \$570	90,147	169,847
Other current assets	<u>3,347</u>	<u>3,187</u>
Total current assets	<u>820,408</u>	<u>846,557</u>
Property and equipment, at cost		
Land	10,000	10,000
Building improvements	497,689	493,106
Equipment	102,574	94,507
Furniture and fixtures	<u>59,601</u>	<u>59,601</u>
	669,864	657,214
Less accumulated depreciation	<u>327,275</u>	<u>303,176</u>
Total property and equipment	<u>342,589</u>	<u>354,038</u>
	<u>\$ 1,162,997</u>	<u>\$ 1,200,595</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 5,807	
Accrued payroll	3,610	\$ 3,672
Payroll taxes payable	<u>5,735</u>	<u>5,182</u>
Total current liabilities	<u>15,152</u>	<u>8,854</u>
Deferred revenue	<u>252,030</u>	<u>392,693</u>
Net assets		
Unrestricted - undesignated	23,627	108,367
Unrestricted - designated	16,584	17,155
Temporarily restricted	<u>855,604</u>	<u>673,526</u>
Total net assets	<u>895,815</u>	<u>799,048</u>
	<u>\$ 1,162,997</u>	<u>\$ 1,200,595</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	(Audited) <u>2006</u>	(Reviewed) <u>2005</u>
Unrestricted revenue		
Member dues	\$ 281,534	\$ 262,833
Contractual income	157,400	157,400
Contributions	3,938	1,000
Membership services	85,301	93,165
Governmental	1,240	24,242
Educational		1,200
NWA Business Expo		63,783
Leadership	12,865	19,260
Featherfest	92,569	124,474
Golf tournament	35,807	31,967
Publications	75,990	89,400
Web page sponsorships	17,740	20,050
Other revenue	22,291	17,279
Interest income	<u>6,827</u>	<u>2,969</u>
Total unrestricted revenue	<u>793,502</u>	<u>909,022</u>
Net assets released from restriction		
Contribution recognized	6,410	6,410
Assets released from Springdale Tomorrow fund	<u>276,617</u>	<u>45,678</u>
Total net assets released from restriction	<u>283,027</u>	<u>52,088</u>
Total unrestricted revenue and net assets released from restriction	<u>1,076,529</u>	<u>961,110</u>
Expenses		
Program services	420,044	418,326
Management and general	388,118	376,342
Fund raising	252,255	48,245
Membership	<u>129,624</u>	<u>130,857</u>
Total expenses	<u>1,190,041</u>	<u>973,770</u>
Change in unrestricted net assets	<u>(113,512)</u>	<u>(12,660)</u>
Interest income from temporarily restricted net assets	13,895	2,795
Temporarily restricted contributions	479,412	399,688
Net assets released from restriction	<u>(283,028)</u>	<u>(52,088)</u>
Change in temporarily restricted net assets	<u>210,279</u>	<u>350,395</u>
	96,767	337,735
Net assets - beginning of year	<u>799,048</u>	<u>461,313</u>
Net assets - end of year	<u>\$ 895,815</u>	<u>\$ 799,048</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
 (A NOT-FOR-PROFIT ORGANIZATION)
 STATEMENT OF FUNCTIONAL EXPENSES (AUDITED)
 YEAR ENDED DECEMBER 31, 2006

	Program Service	Management and General	Fundraising	Membership	Total
Salaries and wages	\$ 177,765	\$ 212,123	\$ 2,188	\$ 4,413	\$ 396,489
Payroll taxes and retirement	23,931	43,257	430	868	68,486
Vehicle and mileage allowance	473	1,033	24	20	1,550
Insurance	15,801	25,213	238	484	41,736
Office supplies	6,879	12,620	63	138	19,700
Credit card fees		1,488			1,488
Computer supplies		623		623	1,246
Equipment maintenance		13,525		13,525	27,050
Dues and subscriptions		8,080			8,080
Professional fees		12,771	248,910		261,681
Training	45,228				45,228
Building repairs and maintenance		5,077			5,077
Utilities		9,226			9,226
Telephone	3,919	4,964	261	3,919	13,063
Postage	2,117	2,681	141	2,117	7,056
Board of directors		4,646			4,646
Membership				103,517	103,517
Governmental	2,709				2,709
Leadership	12,254				12,254
Golf tournament	15,356				15,356
Featherfest	57,205				57,205
Web page maintenance	19,467				19,467
Miscellaneous	36,940	6,515			43,455
Depreciation		24,276			24,276
	<u>\$ 420,044</u>	<u>\$ 388,118</u>	<u>\$ 252,255</u>	<u>\$ 129,624</u>	<u>\$ 1,190,041</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES (REVIEWED)
YEAR ENDED DECEMBER 31, 2005

	Program Service	Management and General	Fundraising	Membership	Total
Salaries and wages	\$ 146,179	\$ 215,456	\$ 2,210	\$ 4,456	\$ 368,301
Payroll taxes and retirement	15,437	27,113	278	560	43,388
Vehicle and mileage allowance	597	1,304	13,729	(1,211)	14,419
Insurance	14,382	22,948	217	441	37,988
Office supplies	8,632	8,976	6,252	173	24,033
Credit card fees		3,283			3,283
Computer supplies		992		991	1,983
Equipment maintenance		10,539		10,539	21,078
Dues and subscriptions		10,729			10,729
Professional fees		15,192	25,161		40,353
Training	45,482				45,482
Building repairs and maintenance		9,668			9,668
Utilities		7,361			7,361
Telephone	3,286	4,387	219	3,286	11,178
Postage	2,149	2,722	179	2,149	7,199
Board of directors		4,009			4,009
Membership				109,473	109,473
Governmental	6,212				6,212
NWA Business Expo	23,236				23,236
Leadership	10,317				10,317
Golf tournament	19,265				19,265
Featherfest	105,851				105,851
Web page maintenance	17,199				17,199
Miscellaneous	102	6,900			7,002
Depreciation		24,763			24,763
	<u>\$ 418,326</u>	<u>\$ 376,342</u>	<u>\$ 48,245</u>	<u>\$ 130,857</u>	<u>\$ 973,770</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	(Audited) <u>2006</u>	(Reviewed) <u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ 96,767	\$ 337,735
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	24,276	24,763
Decrease (increase) in trade accounts receivable	79,700	(49,631)
Increase in other current assets	(160)	(2,312)
Increase (decrease) in accounts payable	5,807	(2,580)
Decrease in accrued payroll	(62)	(164)
Increase in payroll taxes payable	553	
Increase (decrease) in deferred revenue	<u>(140,663)</u>	<u>9,344</u>
Net cash provided by operating activities	<u>66,218</u>	<u>317,155</u>
Cash flows from investing activities		
Purchase of equipment	(12,827)	(10,103)
Increase in certificates of deposit	<u>(2,205)</u>	<u>(935)</u>
Net cash used by investing activities	<u>(15,032)</u>	<u>(11,038)</u>
Net increase in cash and cash equivalents	51,186	306,117
Cash and cash equivalents at beginning of year	<u>608,873</u>	<u>302,756</u>
Cash and cash equivalents at end of year	<u>\$ 660,059</u>	<u>\$ 608,873</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 1) Summary of significant accounting policies:

Organization -

Chamber of Commerce of Springdale, Arkansas, Inc., (the Chamber), is a not-for-profit organization which was incorporated in the State of Arkansas on June 24, 1946. The Chamber promotes economic growth and development in Springdale, Arkansas, as well as community involvement and interaction. Revenues are derived primarily from membership dues, economic and industrial development contracts, and various programs provided for the community.

Basis of accounting -

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Basis of presentation -

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of the restriction and reported in the statement of activities and changes in net assets, as net assets released from restriction.

As required by SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, the Chamber reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Organization had no permanently restricted net assets at December 31, 2006 and 2005.

Income taxes -

The Chamber is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and similar statutes of the State of Arkansas. Therefore, no provision for income taxes has been made in the financial statements.

Estimates and assumptions -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 1) Summary of significant accounting policies: (continued)

Functional allocation of expenses -

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated between program cost, general and administrative cost, fundraising cost, and membership cost.

Cash equivalents -

For purposes of the statement of cash flows, the Chamber considers all highly liquid short-term securities with original maturities of three months or less to be cash equivalents. However, no such investments were owned by the Chamber at December 31, 2006 and 2005.

Property and equipment -

Property and equipment is being depreciated based upon the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building improvements	20 - 39
Equipment	3 - 10
Furniture and fixtures	5 - 10

Repairs and maintenance along with replacement cost of insignificant items are expensed as incurred, while major property additions are capitalized.

Accounts receivable and allowance for uncollectible accounts -

Accounts receivable are stated at unpaid account balances, less the allowance for uncollectible accounts.

The Chamber uses the allowance method of accounting for bad debts. This allowance, as of the end of each year, is determined by management based upon a complete review of all individual account balances comprising total accounts receivable. Management considers past credit history, member's financial condition, subsequent payment of account balances, and other facts as appropriate.

The Chamber's practice is to charge off any account or portion of account when the account is determined by management to be uncollectible due to failure to meet repayment terms, deteriorating or deteriorated financial condition, or for other reasons.

Deferred revenue -

The Chamber records membership dues as deferred revenue when the cash is received. The amount earned each month is appropriately recognized as income in that period. The Chamber also records fees collected in advance for special events as deferred revenue. The fees are recognized as revenue when the events occur. The existing balance in deferred revenue consists of dues received of \$110,569 and \$129,755 and fees collected of \$141,461 and \$262,938, but unearned at December 31, 2006 and 2005, respectively.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 1) Summary of significant accounting policies: (continued)

Advertising -

The Chamber follows the policy of charging the cost of advertising to expense as incurred. Total advertising cost for the years ended December 31, 2006 and 2005, were \$14,564 and \$15,436, respectively.

Promises to give -

Contributions are recognized when the donor makes an unconditional promise to give monies or other non-cash items to the Chamber. A conditional promise to give is recorded when the condition on which it depends is substantially met. Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a time or event restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated services -

The Chamber receives limited donated services from volunteers for the various community programs. Management cannot practically determine the number of volunteer hours. The volunteers' time does not meet the criteria for recognition.

Note 2) Concentrations of credit risk:

Cash deposits in excess of federally insured limits at December 31, 2006, were \$264,036. Such deposits are maintained at well capitalized commercial banks. In management's opinion, the associated risk is minimal.

The Chamber's success is greatly dependent upon the growth and development of Springdale, Arkansas and surrounding area.

Note 3) Retirement plan:

The Chamber maintains a 401(k) defined contribution salary deferral plan covering substantially all of its employees. Under the plan, the Chamber matches each employee's salary deferral dollar for dollar up to five percent of their salary. In 2006 and 2005, the Chamber made contributions into the plan of \$14,246 and \$13,596, respectively.

Note 4) Related party transactions:

The Chamber maintains a policy of conducting their business activities, as much as possible, with members of the Chamber. These activities are conducted in the ordinary course of business as arm's length transactions.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
 (A NOT-FOR-PROFIT ORGANIZATION)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006 AND 2005

Note 5) Net assets:

Unrestricted net assets are available for general obligations of the Chamber.

Unrestricted-designated net assets are monies designated by management or the Board of Directors for a specific purpose. Unrestricted-designated net assets consists of the following at December 31, 2006 and 2005:

	<u>2006</u>		<u>2005</u>
Benevolent Fund	\$ 13,310	\$	14,009
Building Fund	<u>3,274</u>	<u>3,146</u>	
Total unrestricted-designated net assets	<u>\$ 16,584</u>	<u>\$ 17,155</u>	

Temporarily restricted net assets are restricted by donors to be used for some specific purpose or over a specific time. Temporarily restricted net assets consists of the following at December 31, 2006 and 2005:

	<u>2006</u>		<u>2005</u>
Donated Building	\$ 181,625	\$	188,035
Benevolent Fund	45,242		43,883
Springdale Tomorrow Fund	<u>628,737</u>	<u>441,608</u>	
Total temporarily restricted net assets	<u>\$ 855,604</u>	<u>\$ 673,526</u>	

An explanation of the specific uses of designated and temporarily restricted net assets are as follows:

Donated building -

A building was donated to the Chamber for use as its office in May, 1996. The fair market value of the building at the date of donation was \$250,000. The Chamber has elected to adopt an accounting policy to imply a time restriction on the building which expires over its useful life of 39 years. This allows for better matching of the recognition of the non-cash donation with depreciation taken each year. The Chamber transferred \$6,410 from temporarily restricted net assets to unrestricted net assets during 2006 and 2005.

Benevolent fund -

The benevolent account arose from excess funds received from the United Way of Springdale upon its merger with the United Way of Fayetteville. These funds are controlled by a separate board of directors, but are in the Chamber's name. Certain donor imposed restrictions have been placed on these funds. They must be used in or for the Springdale community, and there is a \$1,000 maximum contribution limit to each donee.

Springdale Tomorrow fund -

The Chamber is in the process of raising \$2.2 million to implement Springdale Tomorrow. This is a targeted series of strategic and community-minded initiatives expected to expend in excess of \$2 million over the next four years and impact Springdale and Northwest Arkansas for years to come.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 6) Fair value of financial instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and interest-bearing deposits -

The carrying amount of cash and interest-bearing deposits is their fair value.