CULLMAN AREA CHAMBER OF COMMERCE

FINANCIAL STATEMENTS

FEBRUARY 28, 2025



The report accompanying this deliverable was issued by Warren Averett, LLC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cullman Area Chamber of Commerce

Opinion

We have audited the accompanying financial statements of Cullman Area Chamber of Commerce (the Chamber) (a nonprofit organization), which comprise the statement of financial position as of February 28, 2025, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chamber as of February 28, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chamber 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 Chamber's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, is representations 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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether
 due to fraud or error, and design and perform audit procedures responsive to those risks.
 Such procedures include examining, on a test basis, evidence regarding the amounts and
 disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of the Chamber'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 Chamber'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.

Waven Avend, LLC Birmingham, Alabama June 16, 2025

CULLMAN AREA CHAMBER OF COMMERCE STATEMENT OF FINANCIAL POSITION FEBRUARY 28, 2025

ASSETS			
CURRENT ASSETS			
Cash	\$	580,449	
Certificates of deposit		104,493	
Members' and other accounts receivable		14,242	
Prepaid expenses and other assets		4,655	
Total current assets		703,839	
PROPERTY AND EQUIPMENT, NET		581,282	
TOTAL ASSETS	\$	1,285,121	
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	24,213	
Deferred revenue		78,871	
Current portion of long-term debt		3,895	
Total current liabilities		106,979	
LONG-TERM DEBT		123,446	
NET ASSETS			
Net assets without donor restrictions		975,825	
Net assets with donor restrictions		78,871	
Total net assets		1,054,696	
TOTAL LIABILITIES AND NET ASSETS	\$	1,285,121	

CULLMAN AREA CHAMBER OF COMMERCE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED FEBRUARY 28, 2025

NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER SUPPORT	Φ.	404 700
Membership dues	\$	191,768
Programs and events		392,606
Interest income		1,552
		585,926
NET ASSETS RELEASED FROM RESTRICTIONS		441,514
Total net assets without donor restrictions		1,027,440
EXPENSES		
Advertising		1,488
Association fees		24,255
Bad debt expense		5,540
Bank service fees		20,342
Depreciation		34,930
Dues and subscriptions		6,077
Equipment rental		882
Insurance		22,818
Interest		3,867
Miscellaneous expense		380
Network and technical support		13,434
Office supplies and postage		15,468
Payroll taxes		19,563
Professional fees		39,395
Programs and events		309,515
Repairs and maintenance		21,919
Retirement		2,914
Salaries, wages and benefits		250,143
Taxes and licenses		4,972
Travel		3,562
Utilities		20,960
Total expenses		822,424
CHANGE IN NET ASSETS WITHOUT DONOR		
RESTRICTIONS		205,016

CULLMAN AREA CHAMBER OF COMMERCE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED FEBRUARY 28, 2025

NET ASSETS WITH DONOR RESTRICTIONS Lodging tax receipts Net assets released from restrictions	\$ 447,186 (441,514)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	5,672
CHANGE IN NET ASSETS	210,688
NET ASSETS AT BEGINNING OF YEAR	844,008
NET ASSETS AT END OF YEAR	\$ 1,054,696

CULLMAN AREA CHAMBER OF COMMERCE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED FEBRUARY 28, 2025

Change in not assets	\$	210 600
Change in net assets	Ф	210,688
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		34,930
Loss on disposal of property and equipment		74
Provision for credit losses		5,540
Change in members' and other accounts receivable		(14,573)
Change in prepaid expenses and other assets		4,860
Change in accounts payable		13,489
Change in accrued expenses and amounts withheld		(2,041)
Change in deferred revenue		5,672
Net cash provided by operating activities		258,639
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in certificates of deposit		(28,366)
Net cash used in investing activities		(28,366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt		(12,933)
Net cash used in financing activities		(12,933)
CHANGE IN CASH		217,340
CASH AT BEGINNING OF YEAR		363,109
CASH AT END OF YEAR	\$	580,449
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:	•	0.007
Interest	\$	3,867

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Chamber is a nonprofit organization formed to maintain and promote the quality of life and continued economic well-being for all persons in the Cullman, Alabama, area. Members of the Chamber are from the city and surrounding area.

Financial Statement Presentation

The Chamber reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions (formerly unrestricted net assets) and net assets with donor restrictions (formerly temporarily and permanently restricted net assets).

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those which are subject to variance power (the unilateral power of the Board of Directors to redirect the use of assets). The variance power allows the Board of Directors to modify donor instructions that are incapable of fulfillment or inconsistent with the needs of the community. As a result of variance power, revenue from membership dues and programs and events are classified as net assets without donor restrictions for financial statement purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions primarily consist of lodgings tax receipts whose use by the Chamber have been limited by legislation to a specific purpose. When a donor-imposed restriction expires or is otherwise satisfied, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Basis of Financial Statement Preparation

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

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

Cash

The Chamber maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Chamber has not experienced any losses in such accounts.

Certificates of Deposit

Certificates of deposit consist of five certificates with local financial institutions with maturity dates ranging from currently matured to January 2026.

Members' and Other Accounts Receivable

The allowance for credit losses on members' and other accounts receivable is maintained in amounts estimated to provide adequate reserves to cover anticipated losses based on payment date and historical bad debt experience and evaluation of periodic aging of the accounts. Based on management's review, an allowance has not been recorded as of February 28, 2025.

Pledged Contributions

Unconditional promises to give are reported as receivables and recognized as revenue when the pledge is made. The Chamber had no unconditional promises to give as of February 28, 2025.

Deferred Revenue

Prepaid membership dues and other programs and events for the next fiscal year are treated as deferred revenue and classified as liabilities on the statement of financial position. Such deferred revenue is recognized as revenue when the following fiscal year begins.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and includes expenditures, which substantially increase the useful lives of existing property and equipment. Donated property and equipment are recorded at fair value as of the date of the gift. Maintenance, repairs and minor renovations are charged to expense as incurred. When property and equipment are retired or otherwise disposed, the related costs and accumulated depreciation are removed from the respective accounts, and the gain or loss on the disposition is credited or charged to the change in net assets.

The Chamber provides for depreciation using the straight-line method designed to amortize costs over estimated useful lives as follows:

Item

Estimated Useful Life

Furniture and fixtures Building

5 - 15 years 40 years

Leases

Management determines if an arrangement is a lease at inception. Right-of-use assets represent the Chamber's right to use an underlying asset for the lease term, and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The interest rate used in determining the present value of the lease liability is based on the explicit or implicit rate in the lease arrangement, or the Chamber's incremental borrowing rate. The Chamber amortizes the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership or contains an option to purchase the underlying asset that the Chamber is reasonably certain to exercise, the right-of-use asset is amortized over the useful life of the underlying asset.

The Chamber leases equipment used in operations. The leases are on a month-to-month basis and can be cancelled any time, by either party. As such, the Chamber has no operating leases at February 28, 2025. The leases do not contain any material residual value guarantee or material restrictive covenants that need to be recorded.

The Chamber has no financing leases at February 28, 2025.

Income Taxes

The Chamber is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code; accordingly, no provision for federal income taxes has been included in the accompanying financial statements.

The Chamber applies the provisions of the Accounting Standards Codification (ASC) relating to uncertainty in income taxes. This guidance requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. The Chamber has determined that it does not have any positions at February 28, 2025, that it would be unable to substantiate. The Chamber has filed tax returns for all years through February 29, 2024.

Revenue Recognition from Members and Program and Events

Membership dues revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Chamber expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. New members are billed a prorated share of their annual membership if their membership starts after March. Any unearned amounts for membership payments received are included in deferred revenue.

Program and events revenue is recognized when earned, which is at the time of those programs or events or when the services are provided.

Lodgings Tax Receipts

The state of Alabama passed an amendment to the Lodgings Tax Act for Cullman County effective June 1, 2021. The lodgings tax proceeds levied by the Alabama State Legislature are remitted to the Chamber by the Cullman County Commission. The Chamber will use two-fifths of the proceeds of the amount remitted to the County, at their discretion, to pay operational expenses while promoting small businesses, promoting the marketing for Cullman as a destination shopping location, working with and enhancing the City of Cullman's and Cullman County's Industrial Boards, and working with the Cullman County Tourism Board; the remaining three-fifths of the proceeds are remitted to the newly established Cullman County Tourism Bureau. The proceeds received from the lodgings tax are unrestricted for use in the Chamber's continuing operations.

In-Kind Contributions and Exchange Transactions

Volunteers contribute significant amounts of time to the Chamber's program services, administration and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by ASC Topic 958, *Not-For-Profit Entities*.

The Chamber records exchanged professional services at the respective fair values of the services received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Chamber. Goods exchanged for sponsorships are recorded at fair value at the date the goods are provided. The Chamber received no in-kind contributions for the year ended February 28, 2025.

Advertising Expense

Advertising and sales promotion costs are expensed as incurred.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through the date the financial statements are available to be issued, June 16, 2025.

2. PROPERTY AND EQUIPMENT

A summary of property and equipment as of February 28, 2025, is as follows:

Furniture and fixtures	\$ 184,559
Building	1,230,692
	1,415,251
Less accumulated depreciation	833,969
	\$ 581,282

Depreciation expense was \$34,930 for the year ended February 28, 2025.

3. LINE OF CREDIT

The Chamber has an unsecured revolving line of credit with Peoples Bank of Alabama, maturing on September 20, 2025, with a borrowing limit of \$60,000. Outstanding borrowings bear an interest rate of 8.5%, and interest payments are due monthly until the maturity date, at which time, the full principal balance outstanding plus any unpaid accrued interest will be due. As of February 28, 2025, there was no balance outstanding on the line of credit.

4. LONG-TERM DEBT

Long-term debt consists of the following at February 28, 2025.

Note payable – Small Business Administration, due in monthly installments of \$641, including interest at 2.75%, maturing in 2051; secured by various assets of the Chamber. The outstanding balance at February 28, 2025, is \$127,341.

Following is a summary of principal maturities on long-term debt for each of the next five fiscal years, thereafter and in the aggregate:

2026	9	3,895
2027		4,004
2028		4,115
2029		4,230
2030		4,347
Thereafter		106,750
	9	127,341

5. DEFINED CONTRIBUTION PLAN

The Chamber has a defined contribution salary deferral plan covering substantially all employees. Under the plan, employees are allowed to defer up to 15% of their salaries. The Chamber contributes 4% of compensation of all employees and uses amounts forfeited by employees as needed to supplement the contribution. Contributions transferred from forfeitures for the fiscal year ended February 28, 2025, totaled \$4,166.

6. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets.

7. LODGING TAX SHARING AGREEMENT

The Chamber entered into an agreement in February 2021 with a developer to help bring a name brand hotel to Cullman. The Chamber committed to return a portion of the lodging tax revenue generated by the developer's project after the first lodgings tax return is filed. The first lodgings tax return was filed in February 2023. The Chamber and the developer will evenly divide that portion of the Chamber's lodging tax from revenue generated and received by the developer's project for a period of eight years or until the Chamber has paid the amount of \$675,000, whichever occurs first. Payments are made monthly and are made 60 days in arrears once lodgings tax are collected from the County. During the year ended February 28, 2025, the Chamber remitted \$32,553 of lodging tax revenue to the developer.

8. LIQUIDITY

The schedule below reflects the Chamber's financial assets as of February 28, 2025:

Financial assets consist of:

Cash	\$ 580,449
Certificates of deposit	104,493
Members' and other accounts receivable	14,242
Financial assets, at fiscal year-end	699,184
Less: assets unavailable for general expenditures within one year Due to donor-imposed purpose or time restrictions	(78,871)
Financial assets available to meet cash needs for general expenditures within one year	\$ 620,313

As a part of the Chamber's liquidity management plan, cash is invested in either money market accounts or certificates of deposits.