

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2004 AND 2003  
WITH  
ACCOUNTANTS' REVIEW REPORT**



The Board of Directors  
Chamber of Commerce of Springdale, Arkansas, Inc.  
Springdale, Arkansas

We have reviewed the accompanying statements of financial position of Chamber of Commerce of Springdale, Arkansas, Inc. (a not-for-profit organization) as of December 31, 2004 and 2003, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Chamber of Commerce of Springdale, Arkansas, Inc.

A review consists principally of inquiries of the organization's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*S.F. Fiser & Company*

March 4, 2005

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.  
(A NOT-FOR-PROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003  
SEE ACCOUNTANTS' REVIEW REPORT

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Current assets		
Cash	\$ 302,756	\$ 204,246
Certificates of deposit	63,715	62,508
Accounts receivable, net of allowance for doubtful accounts of \$570	120,216	95,455
Other current assets	875	8,458
Total current assets	487,562	370,667
Property and equipment, at cost		
Land	10,000	10,000
Building improvements	493,106	493,106
Equipment	84,404	83,303
Furniture and fixtures	59,601	59,601
	647,111	646,010
Less accumulated depreciation	278,413	252,524
Total property and equipment	368,698	393,486
	\$ 856,260	\$ 764,153
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 2,580	\$ 900
Accrued payroll	6,829	11,418
Payroll taxes payable	2,189	6,213
Total current liabilities	11,598	18,531
Deferred revenue	383,349	337,484
Net assets		
Unrestricted - undesignated	121,400	141,730
Unrestricted - designated	16,782	22,316
Temporarily restricted	323,131	244,092
Total net assets	461,313	408,138
	\$ 856,260	\$ 764,153

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, 2004 AND 2003  
SEE ACCOUNTANTS' REVIEW REPORT

	<u>2004</u>	<u>2003</u>
Unrestricted revenue		
Member dues	\$ 232,510	\$ 225,013
Contractual income	137,400	137,400
Contributions	37,900	
Membership services	82,492	52,950
Governmental		8,950
Educational		23,050
NWA Business Expo	68,465	57,725
Leadership	16,956	25,700
Featherfest	118,106	146,993
Golf tournament	26,729	19,202
Publications	68,235	64,175
Web page sponsorships	27,870	32,000
Other revenue	18,055	15,556
Interest income	1,309	4,231
	<u>836,027</u>	<u>812,945</u>
Total unrestricted revenue		
Net assets released from restriction		
Contribution recognized	6,410	6,410
Assets released from benevolent fund		8,029
Assets released from Springdale Tomorrow fund	228,870	
	<u>235,280</u>	<u>14,439</u>
Total net assets released from restriction		
Total unrestricted revenue and net assets released from restriction	<u>1,071,307</u>	<u>827,384</u>
Expenses		
Program services	393,692	527,555
Management and general	363,952	368,047
Fund raising	230,559	3,122
Membership	108,968	50,533
	<u>1,097,171</u>	<u>949,257</u>
Total expenses		
Change in unrestricted net assets	<u>(25,864)</u>	<u>(121,873)</u>
Interest income from temporarily restricted net assets	984	
Temporarily restricted contributions	313,335	
Net assets released from restriction	<u>(235,280)</u>	<u>(14,439)</u>
Change in temporarily restricted net assets	<u>79,039</u>	<u>(14,439)</u>
	53,175	(136,312)
Net assets - beginning of year	<u>408,138</u>	<u>544,450</u>
Net assets - end of year	<u>\$ 461,313</u>	<u>\$ 408,138</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.  
 (A NOT-FOR-PROFIT ORGANIZATION)  
 STATEMENT OF FUNCTIONAL EXPENSES  
 YEAR ENDED DECEMBER 31, 2004  
 SEE ACCOUNTANTS' REVIEW REPORT

	Program Service	Management and General	Fund Raising	Membership	Total
Salaries and wages	\$ 143,652	\$ 211,733	\$ 15,762	\$ 4,379	\$ 375,526
Payroll taxes and retirement	15,319	26,905	275	555	43,054
Vehicle and mileage allowance	1,699	3,712	31,026	76	36,513
Insurance	15,048	24,010	227	461	39,746
Office supplies	8,466	8,312	2,422	169	19,369
Credit card fees		1,999			1,999
Computer supplies		1,507		1,508	3,015
Equipment maintenance		12,792		12,793	25,585
Dues and subscriptions		6,292			6,292
Professional fees		8,901	180,000		188,901
Training	28,238				28,238
Building repairs and maintenance		9,294			9,294
Utilities		6,666			6,666
Telephone	3,280	4,605	218	3,280	11,383
Postage	1,958	2,480	629	1,958	7,025
Board of directors		3,681			3,681
Membership				83,789	83,789
Governmental	508				508
NWA Business Expo	22,715				22,715
Leadership	7,040				7,040
Golf tournament	14,113				14,113
Featherfest	76,323				76,323
Web page maintenance	19,488				19,488
Contributions	35,845				35,845
Miscellaneous		5,174			5,174
Depreciation		25,889			25,889
	<u>\$ 393,692</u>	<u>\$ 363,952</u>	<u>\$ 230,559</u>	<u>\$ 108,968</u>	<u>\$ 1,097,171</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.  
 (A NOT-FOR-PROFIT ORGANIZATION)  
 STATEMENT OF FUNCTIONAL EXPENSES  
 YEAR ENDED DECEMBER 31, 2003  
 SEE ACCOUNTANTS' REVIEW REPORT

	Program Service	Management and General	Fund Raising	Membership	Total
Salaries and wages	\$ 130,496	\$ 192,341	\$ 1,973	\$ 3,978	\$ 328,788
Payroll taxes and retirement	26,225	46,060	471	951	73,707
Vehicle and mileage allowance	1,251	2,733	28	57	4,069
Insurance	14,007	22,350	211	429	36,997
Office supplies	9,180	8,906	92	184	18,362
Credit card fees		1,526			1,526
Computer supplies		2,442			4,884
Computer lease		823		2442	1,646
Equipment maintenance		11,075		823	12,898
Dues and subscriptions		9,636		11,075	22,150
Professional fees		3,365			9,636
Training	28,333				3,365
Building repairs and maintenance		10,838			28,333
Utilities		6,128			10,838
Telephone	3,313	4,196	221		6,128
Postage	1,887	2,390	126		11,043
Board of directors		4,193			6,290
Membership				25,394	4,193
Governmental	3,837				25,394
Educational	13,553				3,837
NWA Business Expo	22,941				13,553
Leadership	10,490				22,941
Golf tournament	16,033				10,490
Featherfest	136,450				16,033
Web page maintenance	35,741				136,450
City Future	22,822				35,741
Centerpiece magazine	13,585				22,822
Total resource center	31,593				13,585
Seminars	5,818				31,593
Interest		1,988			5,818
Miscellaneous		2,276			1,988
Depreciation		34,781			2,276
	\$ 527,555	\$ 368,047	\$ 3,122	\$ 50,533	\$ 949,257

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, 2004 AND 2003  
 SEE ACCOUNTANTS' REVIEW REPORT

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Change in net assets	\$ 53,175	\$ (136,312)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	25,889	34,781
Decrease (increase) in trade accounts receivable	(24,761)	14,666
Decrease (increase) in other current assets	7,583	(5,085)
Decrease in the cash value of life insurance		35,499
Increase (decrease) in accounts payable	1,680	(7,340)
Increase (decrease) in accrued payroll	(8,613)	2,942
Increase in deferred revenue	45,865	94,829
Net cash provided by operating activities	<u>100,818</u>	<u>33,980</u>
Cash flows from investing activities		
Purchase of assets	(1,101)	(13,197)
Increase in certificates of deposit	(1,207)	(3,311)
Net cash used by investing activities	<u>(2,308)</u>	<u>(16,508)</u>
Net increase in cash and cash equivalents	98,510	17,472
Cash and cash equivalents at beginning of year	<u>204,246</u>	<u>186,774</u>
Cash and cash equivalents at end of year	<u>\$ 302,756</u>	<u>\$ 204,246</u>

See notes to financial statements.

CHAMBER OF COMMERCE OF SPRINGDALE, ARKANSAS, INC.  
(A NOT-FOR-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
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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.

Business activities -

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 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.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction. The Chamber follows the policy of recording donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

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, 2004 and 2003.

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.

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, fund raising cost, and membership cost.

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.

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

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, 2004 and 2003.

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.

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 \$95,751 and \$84,724 and fees collected of \$287,598 and \$252,760, but unearned at December 31, 2004 and 2003, respectively.

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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, 2004 and 2003, were \$17,451 and \$20,381, 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, 2004 and 2003, were \$96,996 and \$53,350, respectively. Such deposits are maintained at a well capitalized commercial bank. 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:

As of January 1, 2003, the Chamber adopted 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 2004 and 2003, the Chamber made contributions into the plan of \$14,111 and \$48,571, respectively. In 2003, it reimbursed the plan for administrative expenses which totaled \$1,026.

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.  
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 NOTES TO FINANCIAL STATEMENTS  
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Note 5) Net assets:

Unrestricted net assets are available for general obligation 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, 2004 and 2003:

	<u>2004</u>		<u>2003</u>
Awards Fund		\$	5,166
Benevolent Fund	\$ 14,977		15,364
Building Fund	<u>1,805</u>		<u>1,786</u>
Total unrestricted-designated net assets	<u>\$ 16,782</u>	\$	<u>22,316</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, 2004 and 2003:

	<u>2004</u>		<u>2003</u>
Donated Building	\$ 194,445	\$	200,855
Benevolent Fund	42,948		41,964
Building Fund	1,273		1,273
Springdale Tomorrow Fund	<u>84,465</u>		<u></u>
Total temporarily restricted net assets	<u>\$ 323,131</u>	\$	<u>244,092</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. For 2004, the Chamber transferred \$6,410 from temporarily restricted net assets to unrestricted net assets.

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.

Building fund -

The building fund was established to track contributions and other income received for building improvements.

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Note 5) Net assets: (continued)

Springdale Tomorrow fund -

The Chamber plans to raise \$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.

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.