

HIGHLANDS AREA CHAMBER OF COMMERCE, INC.

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Highlands Area Chamber of Commerce, Inc.

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Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Highlands Area Chamber of Commerce, Inc.
Highlands, NC

Opinion

We have audited the accompanying financial statements of Highlands Area Chamber of Commerce, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related disclosures to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highlands Area Chamber of Commerce, Inc. as of June 30, 2024, 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 Highlands Area Chamber of Commerce, Inc. 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 Highlands Area Chamber of Commerce, Inc.'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, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Highlands Area Chamber of Commerce, Inc.'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 Highlands Area Chamber of Commerce, Inc.'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activity for Occupancy Tax is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carliss & Solomon, PLLC

Asheville, North Carolina

June 3, 2025

Highlands Area Chamber of Commerce, Inc.

Statement of Financial Position

As of June 30, 2024

Assets

Current Assets

Cash and Cash Equivalents	\$	1,064,439
Accounts Receivable		272,564
Prepaid Expenses		119,150
Total Current Assets		<u>1,456,153</u>

Long-Term Assets

Property and Equipment, Net		<u>120,167</u>
Total Long-Term Assets		<u>120,167</u>

Total Assets **\$ 1,576,320**

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$	14,016
Accrued Salaries		2,393
Total Liabilities		<u>16,409</u>

Net Assets

Without Donor Restrictions		<u>1,559,911</u>
Total Net Assets		<u>1,559,911</u>

Total Liabilities and Net Assets **\$ 1,576,320**

The accompanying disclosures are an integral part of these financial statements.

Highlands Area Chamber of Commerce, Inc.

Statement of Activities

Year Ended June 30, 2024

Support and Revenue Without Donor Restrictions

Occupancy Tax	\$ 1,502,491
Experience Guide and Member Benefits	66,372
Interest Earned	1,832
Membership Dues	41,460
Merchandise Sales	13,927
In Kind Revenue	40,000
Other Income	10,984
Total Support and Revenue Without Donor Restrictions	<u>1,677,066</u>

Expenses

Program Services	1,444,199
Management and General	330,619
Total Expenses	<u>1,774,818</u>

Change in Net Assets, Without Donor Restrictions	(97,752)
Net Assets Without Donor Restrictions, Beginning of Year	<u>1,657,663</u>
Net Assets, End of Year, Without Donor Restrictions	<u>\$ 1,559,911</u>

The accompanying disclosures are an integral part of these financial statements.

Highlands Area Chamber of Commerce, Inc.

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services	Management and General	Total
<u>Personnel</u>			
Salaries	\$ 254,587	\$ 28,289	\$ 282,876
Payroll Taxes	19,889	2,202	22,091
Total Personnel Expense	<u>274,476</u>	<u>30,491</u>	<u>304,967</u>
<u>Economic Impact</u>			
Campaigns and Initiatives	117,031	-	117,031
Contract Labor	162,207	38,799	201,006
Grants to Nonprofits	407,921	-	407,921
Advertising and Placement	28,973	-	28,973
Production and Fulfillment	147,929	-	147,929
Merchandise for Resale Expense	13,303	-	13,303
Marketing Resources	<u>18,644</u>	<u>-</u>	<u>18,644</u>
Subtotal Economic Impact	896,008	38,799	934,807
Gifts	-	2,293	2,293
Website Expense	25,728	25,670	51,398
Insurance	2,264	1,381	3,645
Other Expenses	8,570	6,229	14,799
Office Equipment	-	1,396	1,396
Postage	20,038	13,869	33,907
Printing	96,640	96,637	193,277
Professional Fees	2,350	6,450	8,800
Repairs and Maintenance	25,576	23,053	48,629
Staff Development	14,625	3,151	17,776
Subscriptions and Dues	15,407	95	15,502
Supplies	15,273	17,390	32,663
Telephone	276	2,740	3,016
Travel and Related Expense	15,173	22,751	37,924
Utilities	11,795	6,658	18,453
Subtotal Expenses	<u>1,424,199</u>	<u>299,053</u>	<u>1,723,252</u>
In Kind Expense	20,000	20,000	40,000
Depreciation	<u>-</u>	<u>11,566</u>	<u>11,566</u>
Total Expenses	<u>\$ 1,444,199</u>	<u>\$ 330,619</u>	<u>\$ 1,774,818</u>

The accompanying disclosures are an integral part of these financial statements.

Highlands Area Chamber of Commerce, Inc.

Statement of Cash Flows

Year Ended June 30, 2024

Cash Flows from Operating Activities

Change in Net Assets Without Donor Restrictions	\$ (97,752)
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:	
Depreciation	11,566
(Increase)/Decrease in Operating Assets	
Accounts Receivable	(4,865)
Prepaid Expenses	(33,908)
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	(22,119)
Accrued Salaries	2,393
Net Cash Used by Operating Activities	<u>(144,685)</u>

Cash Flows from Investing Activities

Purchases of Equipment	<u>(38,494)</u>
Net Cash Used by Investing Activities	<u>(38,494)</u>

Net Decrease in Cash and Cash Equivalents	(183,179)
Cash and Cash Equivalents, Beginning of Year	<u>1,247,618</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,064,439</u>

The accompanying disclosures are an integral part of these financial statements.

Highlands Area Chamber of Commerce, Inc.

Disclosures to the Financial Statements

Year Ended June 30, 2024

1. **Description of the Organization, Corporate and Tax-Exempt Status**

Formed in 1931, the Highlands Area Chamber of Commerce provides services and support to businesses, residents, and visitors. Over the years, the organization has expanded its role to also lead tourism development for the Highlands area on behalf of Macon County. Through the support of our business community and occupancy tax funding from Macon County, we are able to partner with the Town of Highlands on initiatives that create cost savings and efficiencies. In addition, we enhance the community experience by hosting a wide range of educational programs, cultural events, and entertainment throughout the year. Together, we strive to make Highlands, NC an even better place to live, visit, and conduct business by driving destination economic impact, supporting job creation, fostering community sustainability, and enhancing quality of life.

Corporate and Tax-Exempt Status

The organization was incorporated in August 1976 as a not-for-profit corporation under the laws of the state of North Carolina and has been recognized as tax-exempt pursuant to Section 501(c)(6) of the Internal Revenue Code. A 501(c)(6) organization is an association of persons having common business interests. The organization's purpose must be to promote their common interests and improve business conditions, not to engage in a regular business for profit.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements have been prepared on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations.

Financial Statement Presentation

The classification of the organization's net assets, and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions and with donor restrictions – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Includes net assets that are not subject to donor-imposed restrictions and that may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and board of directors.

Net Assets With Donor Restrictions - Includes net assets that are subject to restrictions imposed by donors or grantors. Some donor and grantor restrictions are temporary in nature, such as those with a specified purpose or a timeframe for expenditure established by the donor or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentration of Credit Risk

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed FDIC federally insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Accounts Receivable

Accounts receivable consist of amounts billed and recognized as program income. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The organization separates accounts receivable into risk pools to help determine the amount of the allowance as of the statement of financial position date. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The organization has adopted a capitalization threshold of \$1,000 per item. Expenses for repairs and maintenance that do not improve or extend the life of an asset are expensed as incurred.

Grants

Grants are recognized in support: (1) when the organization receives cash, securities or other assets from a donor or grantor, (2) when a donor conveys a promise to make a donation in the future, on an unconditional basis, and (3) when a grantor awards a grant to be paid in the future, on an unconditional basis. Grants with conditions, such as performance requirements, are not recognized until the conditions on which they depend have been substantially met.

Leases

The Organization follows (ASU) No. 2016-02 *Leases* (Topic 842) as management believes the standard improves the usefulness and understandability of the organization's financial reporting. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases, except for short-term leases less than 12 months. The standard can have a material impact on the organization's statement of financial position but does not have a material impact on the statement of activities and cash flows.

Program Service Revenue

In accordance with U.S. GAAP, the organization follows ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Program service revenue includes Occupancy Tax.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function require management's allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

Income Taxes/Uncertain Tax Positions

Highlands Chamber of Commerce is exempt from federal income taxes under 501(c)(6) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income from unrelated business activities in 2024 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

<u>As of June 30:</u>	<u>2024</u>
Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 1,064,439
Accounts Receivable	<u>272,564</u>
Financial assets available to meet general expenditures over the following year	<u><u>\$ 1,337,003</u></u>

4. Cash and Cash Equivalents

Cash and cash equivalent amounts are shown in the list below.

<u>As of June 30:</u>	<u>2024</u>
Checking Accounts	\$ 525,164
Money Market Accounts	299,532
Savings Account	<u>239,743</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,064,439</u></u>

As of June 30, 2024, the organization had exceeded the FDIC federally insured limit in cash accounts by \$337,204. Management believes the organization is not exposed to any significant credit risk on its cash balances.

5. Occupancy Tax

The Macon County Board of Commissioners, by resolution dated October 6, 1986, authorized the disbursement of a portion of the county occupancy tax collections to the Chamber "with the understanding that this money is to be used as the law states for the promotion of travel and tourism". An annual report of the Occupancy Tax Fund is prepared for the Macon County Board of Commissioners. As of June 30, 2024, the balance is \$1,502,491, and \$272,564 is receivable.

6. Property and Equipment

Property and equipment consist of the following:

<u>As of June 30:</u>	<u>2024</u>
Office Equipment	\$ 88,596
Office Improvements	59,400
Furniture and Fixtures	2,367
Less: Accumulated Depreciation	(30,196)
Total Property and Equipment, Net	<u>\$ 120,167</u>

The organization made significant improvements to the donated office remains in possession of the premises, and intends to holdover until a new lease agreement or option to renew is executed. Depreciation expense is \$11,566 for the year ended June 2024.

7. Conditional Grants

Highlands Area Chamber of Commerce received a grant to fund the purchase of Electric Vehicle Car Chargers in Highlands, NC. and will receive these funds upon the completion of applicable conditions. In accordance with U.S. GAAP, conditional grants are not recognized in income or in receivables until the applicable conditions are met. Accordingly, the grant has not been recognized in the accompanying financial statements.

8. In-Kind

The organization received an in kind donation for facilities for the audit year ended June 30, 2024 total \$40,000. The value of the facilities is based on fair market value of comparable rents in the area. 501 (c) (6) organizations can accept donations, but these gifts are not tax-deductible as charitable donations.

9. Concentrations

Approximately 92% of the organization's revenue was received from contracts with Macon County, North Carolina to provide tourism events in Highlands. In the event funding was terminated, the organization's ability to continue as a going concern would be greatly diminished.

10. Subsequent Events

Subsequent events have been evaluated through June 3, 2025, which is the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

Highlands Area Chamber of Commerce, Inc.
Schedule of Occupancy Tax Activities
Year Ended June 30, 2024

Support and Revenue Without Donor Restrictions

Occupancy Tax	\$ 1,502,491
Total Support and Revenue Without Donor Restrictions	<u>1,502,491</u>

Expenses

Program Services	1,377,750
Management and General	<u>296,717</u>
Total Expenses	<u>1,674,467</u>

Change in Net Assets, Without Donor Restrictions (171,976)

Net Assets Without Donor Restrictions, Beginning of Year 1,475,869

Net Assets, End of Year, Without Donor Restrictions **\$ 1,303,893**