

COMBINED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

**KALISPELL AREA
CHAMBER OF COMMERCE**

DECEMBER 31, 2010



Junkermier • Clark

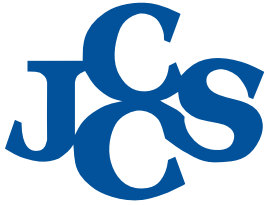
Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

KALISPELL AREA CHAMBER OF COMMERCE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kalispell Area Chamber of Commerce
Kalispell, Montana

We have audited the accompanying combined statement of financial position of Kalispell Area Chamber of Commerce (a nonprofit organization) as of December 31, 2010, and the related combined statement of activities, net assets, and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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.

In our opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Kalispell Area Chamber of Commerce as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental data on pages 12 - 16 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.

Junkermier, Clark, Campanella, Stevens, P.C.

March 7, 2011

**KALISPELL AREA CHAMBER OF COMMERCE
COMBINED STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2010

ASSETS

CURRENT ASSETS

Cash on hand	\$	186
Cash in bank		
General		73,570
Tourism Business Improvement District		101,155
Kalispell Chamber Foundation, Inc.		25,157
Lodging Facility Use Tax		26,974
Money market funds		<u>208,439</u>
TOTAL CASH AND CASH EQUIVALENTS		435,481

Accounts receivable		
General		28,768
Membership dues		31,042
Kalispell Chamber Foundation, Inc.		699
Inventory for resale		376
Prepaid expenses		
General		4,580
Kalispell Chamber Foundation, Inc.		<u>13</u>
TOTAL CURRENT ASSETS		500,959

PROPERTY AND EQUIPMENT - NET		<u>76,438</u>
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TOTAL ASSETS		<u><u>\$ 577,397</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		
General	\$	24,162
Kalispell Chamber Foundation, Inc.		10,676
Lodging Facility Use Tax		2,125
Payroll taxes payable		2,176
Accrued wages and vacation payable		16,712
Unearned income		
Prepaid membership dues		<u>6,275</u>
TOTAL CURRENT LIABILITIES		62,126

TOTAL UNRESTRICTED NET ASSETS		<u>515,271</u>
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TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 577,397</u></u>
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See Notes to Combined Financial Statements

**KALISPELL AREA CHAMBER OF COMMERCE
COMBINED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2010

REVENUES

Membership dues	\$ 278,936
Activities and programs	317,904
Other revenue	95,655
Kalispell Chamber Foundation, Inc.	50,142
Lodging Facility Use Tax	81,007
Tourism Business Improvement District	<u>136,442</u>

TOTAL REVENUES 960,086

EXPENSES

Program	
Activities and programs	353,988
Kalispell Chamber Foundation, Inc.	38,666
Lodging Facility Use Tax	79,783
Tourism Business Improvement District	<u>40,889</u>
Total Program	<u>513,326</u>

General and Administrative

Operating	154,455
Administrative	<u>178,580</u>
Total General and Administrative	<u>333,035</u>

TOTAL EXPENSES 846,361

CHANGE IN UNRESTRICTED NET ASSETS \$ 113,725

See Notes to Combined Financial Statements

**KALISPELL AREA CHAMBER OF COMMERCE
COMBINED STATEMENT OF NET ASSETS**

YEAR ENDED DECEMBER 31, 2010

	Unrestricted Net Assets			
	Kalispell Area Chamber of Commerce Net Assets	Kalispell Chamber Foundation, Inc. Net Assets	Lodging Facility Use Tax Net Assets	Total Net Assets
NET ASSETS, DECEMBER 31, 2009	\$ 364,597	\$ 15,196	\$ 21,753	\$ 401,546
CHANGE IN NET ASSETS	<u>101,025</u>	<u>11,476</u>	<u>1,224</u>	<u>113,725</u>
NET ASSETS, DECEMBER 31, 2010	<u>\$ 465,622</u>	<u>\$ 26,672</u>	<u>\$ 22,977</u>	<u>\$ 515,271</u>

See Notes to Combined Financial Statements

**KALISPELL AREA CHAMBER OF COMMERCE
COMBINED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

CHANGE IN NET ASSETS	\$ 113,725
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation	20,985
(Increase) decrease in assets:	
Accounts receivable - General	4,899
Accounts receivable - Membership dues	(6,444)
Accounts receivable - Kalispell Chamber Foundation, Inc.	(99)
Inventory for resale	761
Prepaid expenses - General	(307)
Prepaid expenses - Kalispell Chamber Foundation, Inc.	(13)
Increase (decrease) in liabilities:	
Accounts payable - General	10,281
Accounts payable - Kalispell Chamber Foundation, Inc.	7,837
Accounts payable - Lodging Facility Use Tax	(3,033)
Payroll taxes payable	(522)
Accrued wages and vacation payable	(807)
Unearned income - Prepaid membership dues	<u>4,125</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	151,388
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(6,028)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	145,360
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>290,121</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 435,481</u></u>

See Notes to Combined Financial Statements

**KALISPELL AREA CHAMBER OF COMMERCE
NOTES TO COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2010

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Kalispell Area Chamber of Commerce (the Chamber) is a corporation formed under the laws of the State of Montana and was incorporated on January 19, 1942. It was granted an exemption from Federal income tax in August 1942 under the provisions of Section 501(c)(6) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Chamber is a voluntary organization of businesses and professional men and women who have joined together for the purpose of promoting the civic, commercial and industrial progress of the community. The membership of the Chamber is comprised of members within Flathead County, Montana.

In 1994, the Kalispell Chamber Foundation, Inc. (the Foundation) was created and began operating under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Leadership Flathead Program provides education and training opportunities for the development of informed community leaders. Currently the Foundation consists of three divisions: Leadership Flathead Program, Alumni of the Leadership Flathead Program, and the Kalispell Chamber Foundation. Funds of the Foundation are limited to the restrictions of 501(c)(3) of the Internal Revenue Code and are not available for the general operation of the Chamber.

An agency relationship exists between the Kalispell Area Chamber of Commerce and the City of Kalispell (the City), whereby the City designated the Chamber as its representative to administer the Lodging Facility Use Tax monies that are received from the State of Montana. These monies are restricted to activities directed toward the promotion of tourism. The Chamber must present and receive approval of marketing plans on a yearly basis. Compliance auditing of the use of these funds is administered by the Montana State Department of Commerce. Balances and activities related to the Lodging Facility Use Tax are separately identified in the attached statements.

An agency relationship exists between the Kalispell Area Chamber of Commerce and the City of Kalispell (the City), whereby the City designated the Chamber as its representative to administer the Tourism Business Improvement District monies. These monies are restricted to activities directed toward the promotion of Kalispell for the purpose of tourism.

Principles of Combination

The combined financial statements of Kalispell Area Chamber of Commerce include the accounts of the Kalispell Area Chamber of Commerce and the Kalispell Chamber Foundation, Inc., collectively referred to as "the Organization," which are affiliated by virtue of a common Board of Directors. All significant intercompany transactions have been eliminated in combination.

**KALISPELL AREA CHAMBER OF COMMERCE
NOTES TO COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2010

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, which involves the application of accrual accounting whereby revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the Combined Statement of Cash Flows, the Organization considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

Accounts Receivable

The Organization does not anticipate any material collection loss with respect to the balance in accounts receivable; accordingly, no allowance for doubtful accounts has been established.

Inventory

Inventory is stated at lower of cost or market value on a first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost. It is the Organization's policy to capitalize property and equipment whose cost exceeds \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets, ranging from 5 to 10 years for equipment, and 15 to 30 years for leasehold improvements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Chamber and Foundation are exempt from income taxes under the provisions of Sections 501(c)(6) and 501(c)(3), respectively, of the Internal Revenue Code and therefore no provision has been made for Federal or Montana income taxes in the accompanying combined financial statements. There was no unrelated business income in 2010. Effective January 1, 2009, the Chamber implemented the new accounting guidance associated with accounting for uncertainty in income taxes. The income tax years of 2007 to 2009 remain open to examination by the federal taxing authorities.

**KALISPELL AREA CHAMBER OF COMMERCE
NOTES TO COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2010

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Chamber recognizes membership dues revenue in the month of renewal or sign-up for membership. Membership dues are considered fully earned upon receipt and dues not collected are recorded as decreases to membership revenue. Revenue from other activities and programs are recorded as earned.

Contributions received by the Foundation are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. During the year ended December 31, 2010, there have been no restrictions on contributions.

NOTE 2 -- PROPERTY AND EQUIPMENT - NET

Property and equipment at December 31, 2010, are summarized as follows:

Leasehold improvements	\$ 221,183
Web site	33,965
Furniture and equipment	<u>78,994</u>
	334,142
Less: Accumulated depreciation	<u>(257,704)</u>
Total Property and Equipment - Net	<u><u>\$ 76,438</u></u>

NOTE 3 -- NOTE PAYABLE - LINE OF CREDIT

The Chamber has a \$15,000 BusinessLine line of credit agreement with Wells Fargo Bank Montana, N.A. of Kalispell, which renews annually. Interest on the line of credit was variable and was charged at the Wells Fargo Bank, N.A. prime rate plus 1.75%. The line of credit requires monthly interest payments only. At December 31, 2010, the line of credit had no outstanding balance.

**KALISPELL AREA CHAMBER OF COMMERCE
NOTES TO COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2010

NOTE 4 -- LEASING ARRANGEMENTS

The Chamber leases the premises known as "Depot Park" which includes the old Great Northern Depot building from the City of Kalispell. Rent for this property was fixed at \$1.00 per year, all of which was paid at the time of signing the lease. The Chamber has undertaken extensive renovating and remodeling of the interior and exterior of the old depot building. The City has not charged more than nominal rental for the premises in the belief that such renovation and remodeling will be to the ultimate benefit of the City in lieu of a higher rental charge. The Chamber is responsible for all maintenance, repairs, upkeep and the security of the building and all utilities used thereon during the term of the lease. On November 1, 2006, the Chamber renewed its lease for 35 years, thereby securing the Depot Park premises through October 31, 2041. The estimated market value of the leased facility for the year ended December 31, 2010, totals \$65,000 and has been recorded in the Statement of Activities as rent expense and other revenue.

The Chamber sub-leases space within "Depot Park" to other entities on month-to-month terms. Rent revenue from unrelated entities is recorded as other income in the Statement of Activities and totals \$10,719 for the year ended December 31, 2010.

NOTE 5 -- PENSION PLAN

In 1996, the Chamber implemented a simplified employer pension plan (SARSEP under Section 408(k) of the Internal Revenue Code) covering all employees who are at least 21 years old and have performed services for the employer in at least one year of the immediately preceding five years. Contributions are decided by the Board of Directors each year and are based upon a percentage of compensation. The 2010 contribution to this plan was \$9,322.

NOTE 6 -- CONCENTRATIONS OF RISK AND FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

The Organization's financial instruments include cash and cash equivalents, other current assets and various payables. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

Uninsured Cash Balances

Cash balances are maintained by the Chamber in several financial institutions. From time to time, those balances exceed the FDIC insured limits.

**KALISPELL AREA CHAMBER OF COMMERCE
NOTES TO COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2010

NOTE 7 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2011, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**KALISPELL AREA CHAMBER OF COMMERCE
SUPPLEMENTAL INFORMATION
SCHEDULE OF OTHER REVENUE**

YEAR ENDED DECEMBER 31, 2010

OTHER REVENUE	
Interest income	\$ 259
In-kind revenue	65,000
Postage and copy income	5,727
Rent	10,719
Sponsorships	12,650
Miscellaneous	1,300
TOTAL OTHER REVENUE	<u>\$ 95,655</u>

See Independent Auditors' Report

**KALISPELL AREA CHAMBER OF COMMERCE
SUPPLEMENTAL INFORMATION
SCHEDULE OF ACTIVITIES AND PROGRAMS**

YEAR ENDED DECEMBER 31, 2010

ACTIVITIES AND PROGRAMS	<u>Revenues</u>	<u>Expenses</u>	<u>Excess (Deficit) of Revenues Over Expenses</u>
ABC Clinic	\$ 4,726	\$ 2,064	\$ 2,662
Agribusiness - Stock Sales	8,436	8,737	(301)
Airshow	-	295	(295)
Ambassadors	241	658	(417)
Annual Banquet	20,450	19,869	581
B.E.A.R. Program	-	929	(929)
Business Ed Initiative	-	796	(796)
Christmas Promo	-	545	(545)
Economic Development	-	8,539	(8,539)
Issue Advocacy	-	1,641	(1,641)
Luncheons	19,626	22,102	(2,476)
Membership Development	-	18,532	(18,532)
Natural Resources Projects	1,600	1,948	(348)
Newsletter	5,400	13,880	(8,480)
Parade Entry	150	524	(374)
Procurement Tech Assistance Center	135,399	132,768	2,631
Small Business Development Center	114,078	107,235	6,843
Tourism Business Improvement District	136,442	40,889	95,553
Trade Projects	-	2,801	(2,801)
Unwind	-	3,334	(3,334)
Visitor's Center	2,531	4,529	(1,998)
Web Site	5,267	2,262	3,005
TOTALS	<u>\$ 454,346</u>	<u>\$ 394,877</u>	<u>\$ 59,469</u>

See Independent Auditors' Report

**KALISPELL AREA CHAMBER OF COMMERCE
SUPPLEMENTAL INFORMATION
SCHEDULE OF OPERATING AND ADMINISTRATIVE EXPENSES**

YEAR ENDED DECEMBER 31, 2010

OPERATING EXPENSES

Accreditation	\$ 69
Awards and recognition	1,888
Bad debt	1,267
Bank fees and service charges	2,728
Board of Director meetings	2,644
Building and outdoor maintenance	4,901
Consumables	1,581
Contract labor	835
Custodial	4,383
Depreciation	20,432
Furniture and fixture maintenance	4,785
Hospitality	535
Insurance	4,293
Interest	85
Meetings - administrative	445
Miscellaneous	551
Organization dues	2,795
Professional fees	18,470
Publications	382
Rent - in-kind expense	65,000
Telephone	6,252
Technology and equipment	4,604
Utilities	5,530
TOTAL OPERATING EXPENSES	<u>\$ 154,455</u>

ADMINISTRATIVE EXPENSES

Salaries	\$ 270,440
FICA and Medicare taxes	20,793
Unemployment insurance	2,135
Workers' compensation insurance	2,836
Medical insurance	17,781
Employee benefits	7,535
Training and education	7,178
Salary reimbursements - affiliates	(150,118)
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 178,580</u>

See Independent Auditors' Report

**KALISPELL AREA CHAMBER OF COMMERCE
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND EXPENSES
KALISPELL CHAMBER FOUNDATION, INC.**

YEAR ENDED DECEMBER 31, 2010

REVENUES	
Alumni	\$ 5,372
Interest income	7
Leadership Flathead	
Session support	5,408
Tuition	28,050
Other revenue	<u>11,305</u>
 TOTAL REVENUES	 <u>50,142</u>
 EXPENSES	
Alumni	2,879
Leadership Flathead	
Office support	682
Participant support	7,888
Sessions	9,942
Office support - general	4,233
Other program expenses	3,111
Payroll	9,855
Depreciation	<u>76</u>
 TOTAL EXPENSES	 <u>38,666</u>
 EXCESS OF REVENUES OVER EXPENSES	 <u>\$ 11,476</u>

See Independent Auditors' Report

**KALISPELL AREA CHAMBER OF COMMERCE
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND EXPENSES
LODGING FACILITY USE TAX**

YEAR ENDED DECEMBER 31, 2010

REVENUES	
State warrants	\$ 81,000
Other	<u>7</u>
TOTAL REVENUES	<u>81,007</u>
EXPENSES	
Consumer marketing	15,774
Group marketing	9,431
Marketing support and administration	6,480
Opportunity	288
Publications and public relations	6,149
Telemarketing / Fulfillment	26,648
VIC staff funding	<u>15,013</u>
TOTAL EXPENSES	<u>79,783</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 1,224</u>

See Independent Auditors' Report