

# **High Point International Home Furnishings Market Authority Corporation**

Financial Statements  
Years Ended June 30, 2020 and 2019



**High Point International Home Furnishings  
Market Authority Corporation**

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Financial Statements  
Years Ended June 30, 2020 and 2019

# High Point International Home Furnishings Market Authority Corporation

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## **Independent Auditor's Report**

Board of Directors  
High Point International Home Furnishings Market Authority Corporation  
High Point, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of High Point International Home Furnishings Market Authority Corporation (a nonprofit organization, the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related summary of significant accounting policies and notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 expenditures of state awards, as required by North Carolina General Statute G.S. 143C-6-22, 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

## **Emphasis of a Matter – COVID-19**

As more fully described in Note 7 to the financial statements, the Organization may be materially impacted by the outbreak of a novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



High Point, North Carolina  
September 11, 2020

# High Point International Home Furnishings Market Authority Corporation

## Statements of Financial Position

June 30, 2020 and 2019

<i>June 30,</i>	<b>Without Donor Restrictions 2020</b>	Without Donor Restrictions 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 4,502,510	\$ 4,494,505
Support receivables:		
Transportation	100,988	-
General support	62,500	18,750
Occupancy taxes	11,536	50,826
Other receivable	1,523	4,791
Prepaid expenses	333,131	237,459
Other current assets	110,473	163,374
Property and equipment, less accumulated depreciation	794,536	256,817
<b>Total assets</b>	<b>\$ 5,917,197</b>	<b>\$ 5,226,522</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 93,457	\$ 168,664
Accrued expenses	41,465	23,684
Deferred revenue	175,720	19,500
Capital leases	-	3,539
<b>Total liabilities</b>	<b>310,642</b>	<b>215,387</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>	<b>5,606,555</b>	<b>5,011,135</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,917,197</b>	<b>\$ 5,226,522</b>

*See accompanying summary of significant accounting policies and notes to financial statements.*

# High Point International Home Furnishings Market Authority Corporation

## Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Showroom licenses	\$ 1,696,954	\$ -	\$ 1,696,954
City of High Point	940,000	-	940,000
North Carolina Department of Commerce – marketing	-	1,755,472	1,755,472
Transportation	-	700,988	700,988
Occupancy taxes	347,528	-	347,528
Sponsorships	325,048	-	325,048
Guilford County	125,000	-	125,000
High Point Convention and Visitors Bureau	75,000	-	75,000
Interest	76,874	-	76,874
Miscellaneous	29,612	-	29,612
Net assets released from restrictions:			
Satisfaction of pre-market conditions	130,925	-	130,925
Transportation and marketing	2,456,460	(2,456,460)	-
<b>Total revenue and support</b>	6,203,401	-	6,203,401
<b>Expenditures</b>			
Marketing	2,469,066	-	2,469,066
Transportation	940,596	-	940,596
Executive leadership and management	718,178	-	718,178
Guest services and entertainment	621,451	-	621,451
Centralized registration	596,258	-	596,258
Pre-market – exhibitor funded	130,925	-	130,925
Buyer parking	92,814	-	92,814
Depreciation, excluding software	38,632	-	38,632
Miscellaneous	61	-	61
<b>Total expenditures</b>	5,607,981	-	5,607,981
<b>Change in net assets</b>	595,420	-	595,420
<b>Net assets, beginning of year</b>	5,011,135	-	5,011,135
<b>Net assets, end of year</b>	\$ 5,606,555	\$ -	\$ 5,606,555

*See accompanying summary of significant accounting policies and notes to financial statements.*

# High Point International Home Furnishings Market Authority Corporation

## Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Showroom licenses	\$ 1,707,841	\$ -	\$ 1,707,841
City of High Point	1,000,000	-	1,000,000
North Carolina Department of Commerce – marketing	-	1,755,472	1,755,472
Transportation	-	1,200,000	1,200,000
Occupancy taxes	405,082	-	405,082
Sponsorships	363,912	-	363,912
High Point Convention and Visitors Bureau	75,000	-	75,000
Guilford County	75,000	-	75,000
Interest	68,369	-	68,369
Miscellaneous	15,810	-	15,810
Net assets released from restrictions:			
Satisfaction of pre-market conditions	238,115	-	238,115
Transportation and marketing	2,955,472	(2,955,472)	-
<b>Total revenue and support</b>	6,904,601	-	6,904,601
<b>Expenditures</b>			
Marketing	2,635,105	-	2,635,105
Transportation	1,517,848	-	1,517,848
Guest services and entertainment	927,503	-	927,503
Executive leadership and management	824,676	-	824,676
Centralized registration	512,677	-	512,677
Pre-market – exhibitor funded	238,115	-	238,115
Buyer parking	125,062	-	125,062
Depreciation, excluding software	33,137	-	33,137
Miscellaneous	156	-	156
<b>Total expenditures</b>	6,814,279	-	6,814,279
<b>Change in net assets</b>	90,322	-	90,322
<b>Net assets, beginning of year</b>	4,920,813	-	4,920,813
<b>Net assets, end of year</b>	\$ 5,011,135	\$ -	\$ 5,011,135

*See accompanying summary of significant accounting policies and notes to financial statements.*

# High Point International Home Furnishings Market Authority Corporation

## Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 595,420	\$ 90,322
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization	157,491	265,174
Changes in assets and liabilities:		
Support receivables	(102,180)	573,300
Prepaid expenses	(95,672)	(10,351)
Other current assets	52,901	(25,199)
Accounts payable	(75,207)	18,442
Accrued expenses	17,781	-
Deferred revenue	156,220	(11,396)
Total adjustments	111,334	809,970
<b>Net cash provided by operating activities</b>	<b>706,754</b>	<b>900,292</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(695,210)	(128,365)
<b>Net cash used in investing activities</b>	<b>(695,210)</b>	<b>(128,365)</b>
<b>Cash flows from financing activities</b>		
Payments on capital lease	(3,539)	(3,166)
<b>Net cash used in financing activities</b>	<b>(3,539)</b>	<b>(3,166)</b>
<b>Net change in cash and cash equivalents</b>	<b>8,005</b>	<b>768,761</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>4,494,505</b>	<b>3,725,744</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,502,510</b>	<b>\$ 4,494,505</b>

*See accompanying summary of significant accounting policies and notes to financial statements.*

# High Point International Home Furnishings Market Authority Corporation

## Summary of Significant Accounting Policies

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### Organization

The High Point International Home Furnishings Market Authority Corporation (the “Organization”) is organized as a 501(c)(6) not-for-profit corporation founded in 2001 for the purpose of promoting and facilitating the International Home Furnishings Market in High Point, North Carolina. The Organization’s support comes from showroom licenses, hotel taxes, grants and contributions from various other organizations.

### Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Without donor restrictions – net assets that are not subject to donor-imposed stipulations.
- With donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time, as well as those that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all of or part of the income (which includes realized and unrealized gains on investments) earned on related investments for general or specified purposes.

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash equivalents. At various times throughout the year, the Organization may have cash balances in financial institutions that exceed federally insured amounts.

### Support Receivables

Support receivables are comprised substantially of previously agreed upon amounts due from city, state and county municipalities. An allowance is made for uncollectible support receivables based on an analysis of past collection experience and other relevant factors. No allowance is recorded for 2020 or 2019; however, actual write-offs could occur in the future.

### Other Current Assets

Other current assets are comprised of certain advertising and marketing costs that will be used by the Organization to promote the upcoming Fall International Home Furnishings Market in High Point. These costs will be charged to expense as the services are utilized, which is expected to occur in October, after fiscal year end.

# High Point International Home Furnishings Market Authority Corporation

## Summary of Significant Accounting Policies

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### Property and Equipment

Property and equipment above \$1,000 are stated at cost if purchased or fair value at the date the property was contributed. Assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Market technology – software	3-7
Market equipment	3-10
Leasehold improvements	7-10
Computer equipment	3-5
Office furniture	7-10
Office equipment	3-7
Registration software	3

When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Property held under capital leases was amortized over the lesser of the lease term or the useful life of the property.

### Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from those estimates.

### Functional Expenses

Functional expenses are directly attributable to marketing, transportation, guest services and entertainment, executive leadership and management, centralized registration, pre-market and buyer parking expenses as indicated in the statements of activities. Depreciation expense of approximately \$119,000 and \$232,000 is included in marketing expenses related to the Organization's smartphone application developed for market use as of June 30, 2020 and 2019. Therefore, the preparation of the table of functional expenses does not require estimation for allocation of expenses by functional category.

### Donated Equipment and Goods

Donations of equipment and goods are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restriction support unless donors indicate a specified purpose for contributed assets. Donations with explicit restrictions regarding their use, including contributions of cash that must be used to acquire property and equipment, are reported as with donor restriction support. Absent donor stipulations regarding holding periods for donated assets, the Organization reports expirations of donor restrictions when the contributed or acquired assets are placed in service as indicated by the donors, at which time the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

# High Point International Home Furnishings Market Authority Corporation

## Summary of Significant Accounting Policies

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### **Income Taxes**

The Organization is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

It is the Organization's policy to evaluate all tax positions and to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. Currently, the statute of limitations remains open subsequent to and including 2017; however, no examinations are in process. Any changes in the amount of a tax position will be recognized in the period the change occurs.

### **Reclassifications**

Certain prior year balances have been reclassified to conform to the current year presentation. These reclassifications had no effect on the change in net assets or total net assets previously reported.

### **Subsequent Events**

Management has evaluated events occurring subsequent to the balance sheet date through September 11, 2020, the date that the financial statements were available to be issued, determining no events require adjustment to or additional disclosure in the financial statements.

# High Point International Home Furnishings Market Authority Corporation

## Notes to Financial Statements

### 1. Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 are as follows:

<i>June 30,</i>	<b>2020</b>	2019
Total assets	<b>\$ 5,917,197</b>	\$ 5,226,522
Less:		
Cash with donor restrictions	<b>175,720</b>	19,500
Prepaid expenses	<b>333,131</b>	237,459
Other current assets	<b>110,473</b>	163,374
Property and equipment	<b>794,536</b>	256,817
Financial assets available within one year	<b>\$ 4,503,337</b>	\$ 4,549,372

The Organization manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows which identifies the uses of the Organization's cash and shows positive cash generated by operations for the years ended June 30, 2020 and 2019.

### 2. Property and Equipment

Major classes of property and equipment consist of the following:

<i>June 30,</i>	<b>2020</b>	2019
Market technology – software	<b>\$ 1,046,336</b>	\$ 846,337
Market equipment	<b>558,211</b>	54,058
Leasehold improvements	<b>539,221</b>	515,683
Computer equipment	<b>100,112</b>	93,718
Office furniture	<b>112,046</b>	84,178
Office equipment	<b>66,899</b>	66,899
Registration software	<b>54,346</b>	22,095
Projects in process	-	100,000
	<b>2,477,171</b>	1,782,968
Less accumulated depreciation	<b>(1,682,635)</b>	(1,526,151)
Net property and equipment	<b>\$ 794,536</b>	\$ 256,817

# High Point International Home Furnishings Market Authority Corporation

## Notes to Financial Statements

### 3. Commitments

#### **Leases**

The Organization leases its office facilities, certain office equipment, reception facilities and market parking lots under operating leases expiring through December 2024. Future minimum rental payments required under these leases are as follows:

*Year ending June 30,*

2021	<b>\$ 140,000</b>
2022	<b>146,000</b>
2023	<b>146,000</b>
2024	<b>120,000</b>
2025	<b>33,000</b>
	<b>\$ 585,000</b>

Total rent expense and other related charges pursuant to these leases amounted to approximately \$154,000 and \$182,000 for the years ended June 30, 2020 and 2019.

#### **Retirement Plan**

The Organization has a 401(k) plan that allows eligible employees to defer a percentage of compensation, which is limited to amounts permissible under the Employee Retirement Income and Security Act of 1974 (ERISA). The Organization, at its discretion, makes matching contributions equal to 100% of employee elective deferrals not in excess of 4% of eligible earnings. Total Organization contributions for the years ended June 30, 2020 and 2019 were approximately \$32,000 and \$31,000.

### 4. Concentrations

The Organization's primary sources of revenue and support, as a percentage of total revenue and support, are as follows:

<i>Year ended June 30,</i>	<b>2020</b>	2019
Net showroom licenses and hotel occupancy taxes	<b>33%</b>	31%
North Carolina Department of Commerce, grant	<b>29%</b>	26%
City of High Point, grant	<b>15%</b>	14%
Transportation, contract	<b>11%</b>	17%
Other	<b>12%</b>	12%

# High Point International Home Furnishings Market Authority Corporation

## Notes to Financial Statements

### 5. Expenses by Function and Nature

Expenses by function and nature for June 30, 2020 were:

	Program Services					Support Services		
	Transportation	Guest Services and Entertainment	Centralized Registration	Pre-Market - Exhibitor Funded	Buyer Parking	Marketing	Executive Leadership and Management	Total
Salaries and benefits	\$ 249,080	\$ 154,467	\$ 303,590	\$ -	\$ -	\$ 145,352	\$ -	\$ 852,489
Operating expenses	691,516	466,984	292,729	130,925	92,814	2,204,855	718,178	4,598,001
Depreciation	-	-	-	-	-	118,859	38,632	157,491
	\$ 940,596	\$ 621,451	\$ 596,319	\$ 130,925	\$ 92,814	\$ 2,469,066	\$ 756,810	\$ 5,607,981

Expenses by function and nature for June 30, 2019 were:

	Program Services					Support Services		
	Transportation	Guest Services and Entertainment	Centralized Registration	Pre-Market - Exhibitor Funded	Buyer Parking	Marketing	Executive Leadership and Management	Total
Salaries and benefits	\$ 240,871	\$ 143,116	\$ 241,038	\$ -	\$ -	\$ 111,101	\$ -	\$ 736,126
Operating expenses	1,276,977	784,387	271,795	238,115	125,062	2,291,967	824,676	5,812,979
Depreciation	-	-	-	-	-	232,037	33,137	265,174
	\$ 1,517,848	\$ 927,503	\$ 512,833	\$ 238,115	\$ 125,062	\$ 2,635,105	\$ 857,813	\$ 6,814,279

### 6. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the impact on the Foundation’s operations. However, Management is unable to estimate the effects of the COVID-19 outbreak on the Foundation and it may have a material effect on future results of operations, financial condition or liquidity.

# High Point International Home Furnishings Market Authority Corporation

## Notes to Financial Statements

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### 7. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which supersedes the prior revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. In June 2020, the FASB issued ASU No. 2020-05 allowing Organizations that have not yet issued financial statements to defer for an additional year. Management intends to adopt this ASU in fiscal year 2021 and is currently assessing the impact this guidance will have on the Organization’s future financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces all previous guidance on leases and will require entities to recognize assets and liabilities arising from operating leases. For the Organization, the ASU (as amended) is effective for fiscal years beginning after December 15, 2021, with early application permitted. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which provided an alternative transition method when initially applying ASU 2016-02. Organizations may elect to apply ASU 2016-02 at the beginning of the earliest period presented or recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Management is currently assessing the impact this guidance will have on the Organization’s future financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which clarifies how certain cash receipts and payments are presented and classified in the statement of cash flows. For the Organization, the ASU is effective for fiscal years beginning after December 15, 2018, with early application permitted. Management adopted this standard in 2020 with no impact on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change in total cash including restricted cash. For the Organization, the ASU is effective for fiscal years beginning after December 15, 2018, with early application permitted. Management adopted this standard in 2020 with no impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies disclosure requirements related to fair value measurements. The ASU is effective for fiscal years beginning after December 15, 2019, with early application permitted. Management does not expect this guidance to materially impact the Organization’s future financial statements.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors

High Point International Home Furnishings Market Authority Corporation

High Point, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of High Point International Home Furnishings Market Authority Corporation (a nonprofit organization, the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related summary of significant accounting policies and notes to the financial statements and have issued our report thereon dated September 11, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



High Point, North Carolina  
September 11, 2020

**High Point International Home Furnishings  
Market Authority Corporation**

**Schedule of Expenditures of State Awards  
Year Ended June 30, 2020**

<b><u>Grantor/Program Title</u></b>	<b><u>Receipts and Expenditures</u></b>
North Carolina Department of Commerce Special Appropriations (Senate Bill S257 - 2018)	\$ 1,755,472

# **High Point International Home Furnishings Market Authority Corporation**

## **Note to Schedule of Expenditures of State Awards Year Ended June 30, 2020**

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### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the High Point International Home Furnishings Market Authority Corporation and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* and North Carolina General Statute 143C-6-22. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# High Point International Home Furnishings Market Authority Corporation

## Schedule of Findings and Questioned Costs Year Ended June 30, 2020

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### Section I – Summary of Auditor’s Results

#### *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____	yes	<u>x</u>	no
_____	yes	<u>x</u>	none reported
_____	yes	<u>x</u>	no

Noncompliance material to financial statements noted?

#### *State Awards*

Internal control over major State programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____	yes	<u>x</u>	no
_____	yes	<u>x</u>	none reported

Type of auditor’s report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

_____	yes	<u>x</u>	no
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Identification of major State programs:

Name of State program

North Carolina Department of Commerce Special Appropriations  
(Senate Bill S257 - 2018)