

High Point International Home Furnishings Market Authority Corporation

Financial Statements
Schedule of Expenditures of State Awards
and Reports and Schedules Required by
North Carolina General Statute G.S. 143C-6-22
Years Ended June 30, 2022 and 2021



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Market Authority Corporation**

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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

Opinion

We have audited the accompanying financial statements of High Point International Home Furnishings Market Authority Corporation (a nonprofit entity, the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

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, 2022 and 2021, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 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 29, 2022, 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.



High Point, North Carolina
September 29, 2022

High Point International Home Furnishings Market Authority Corporation

Statements of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 1,975,653	\$ 4,559,518
Investments	2,524,245	-
Support receivables:		
Transportation	-	600,000
Fiscal Recovery	525,000	-
General support	62,500	62,500
Occupancy taxes	44,694	36,941
Other receivables	639	143,069
Prepaid expenses	104,054	277,874
Other current assets	-	11,874
Property and equipment, less accumulated depreciation	698,465	749,712
Total assets	\$ 5,935,250	\$ 6,441,488
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 69,764	\$ 289,779
Accrued expenses	149,989	151,829
Deferred revenue	52,597	104,894
Capital leases	16,551	5,702
Total liabilities	288,901	552,204
Commitments and contingencies		
Net assets – without donor restrictions	5,646,349	5,889,284
Total liabilities and net assets	\$ 5,935,250	\$ 6,441,488

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

High Point International Home Furnishings Market Authority Corporation

Statement of Activities

<i>Year ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Showroom licenses	\$ 1,702,509	\$ -	\$ 1,702,509
City of High Point	1,000,000	-	1,000,000
North Carolina Department of Commerce – Marketing	-	2,305,472	2,305,472
Transportation	-	1,700,000	1,700,000
North Carolina Department of Commerce – Fiscal Recovery	-	525,000	525,000
Occupancy taxes	472,047	-	472,047
Sponsorships	412,225	-	412,225
Registration fees	300,644	-	300,644
Building onsite registration	158,486	-	158,486
High Point Convention and Visitors Bureau	150,000	-	150,000
Guilford County	125,000	-	125,000
Miscellaneous	114,293	-	114,293
Net assets released from restrictions:			
Satisfaction of pre-market conditions	126,490	-	126,490
Transportation, marketing, and COVID	4,530,472	(4,530,472)	-
Total revenue and support	9,092,166	-	9,092,166
Expenditures			
Program services			
Transportation	1,695,145	-	1,695,145
Guest services and entertainment	1,635,205	-	1,635,205
Centralized registration	871,439	-	871,439
Pre-market – exhibitor funded	126,490	-	126,490
Buyer parking	125,362	-	125,362
Total program services	4,453,641	-	4,453,641
Support services			
Marketing	3,394,458	-	3,394,458
Executive leadership and management	773,293	-	773,293
Depreciation, excluding software	170,980	-	170,980
Miscellaneous and non-grant COVID expenditures	48,776	-	48,776
Total support services	4,387,507	-	4,387,507
Total expenditures	8,841,148	-	8,841,148
Change in net assets from operations	251,018	-	251,018
Interest income	25,315	-	25,315
Realized and unrealized losses on investments, net of fees	(519,268)	-	(519,268)
Change in net assets	(242,935)	-	(242,935)
Net assets, beginning of year	5,889,284	-	5,889,284
Net assets, end of year	\$ 5,646,349	\$ -	\$ 5,646,349

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

High Point International Home Furnishings Market Authority Corporation

Statement of Activities

<i>Year ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Showroom licenses	\$ 1,651,745	\$ -	\$ 1,651,745
City of High Point	760,000	-	760,000
North Carolina Department of Commerce – Marketing	-	1,755,472	1,755,472
Transportation	-	1,200,000	1,200,000
North Carolina Department of Commerce – COVID Grant	-	725,000	725,000
Occupancy taxes	384,601	-	384,601
Sponsorships	206,354	-	206,354
High Point Convention and Visitors Bureau	150,000	-	150,000
Building onsite registration	135,525	-	135,525
Guilford County	125,000	-	125,000
Registration fees	87,434	-	87,434
Miscellaneous	14,672	-	14,672
Net assets released from restrictions:			
Satisfaction of pre-market conditions	258,721	-	258,721
Transportation, marketing, and COVID	3,680,472	(3,680,472)	-
Total revenue and support	7,454,524	-	7,454,524
Expenditures			
Program services			
Transportation	1,606,252	-	1,606,252
Centralized registration	739,013	-	739,013
Guest services and entertainment	564,763	-	564,763
Pre-market – exhibitor funded	258,721	-	258,721
Buyer parking	121,038	-	121,038
Total program services	3,289,787	-	3,289,787
Support services			
Marketing	2,175,728	-	2,175,728
Executive leadership and management	830,827	-	830,827
North Carolina Department of Commerce – COVID Grant	725,000	-	725,000
Depreciation, excluding software	106,879	-	106,879
Miscellaneous and non-grant COVID expenditures	56,359	-	56,359
Total support services	3,894,793	-	3,894,793
Total expenditures	7,184,580	-	7,184,580
Change in net assets from operations	269,944	-	269,944
Interest income	12,785	-	12,785
Change in net assets	282,729	-	282,729
Net assets, beginning of year	5,606,555	-	5,606,555
Net assets, end of year	\$ 5,889,284	\$ -	\$ 5,889,284

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

High Point International Home Furnishings Market Authority Corporation

Statements of Cash Flows

Year ended June 30,	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (242,935)	\$ 282,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	241,238	185,537
Net loss on investments reported at fair value	501,464	-
Changes in operating assets and liabilities:		
Support receivables	209,677	(665,963)
Prepaid expenses	173,820	55,257
Other current assets	11,874	98,599
Accounts payable	(220,015)	196,322
Accrued expenses	(1,840)	110,364
Deferred revenue	(52,297)	(70,826)
Total adjustments	863,921	(90,710)
Net cash provided by operating activities	620,986	192,019
Cash flows from investing activities		
Purchase of property and equipment	(173,440)	(131,910)
Purchases of investments, net of sales	(3,025,709)	-
Net cash used in investing activities	(3,199,149)	(131,910)
Cash flows from financing activities		
Payments on capital lease	(5,702)	(3,101)
Net cash used in financing activities	(5,702)	(3,101)
Net change in cash and cash equivalents	(2,583,865)	57,008
Cash and cash equivalents, beginning of year	4,559,518	4,502,510
Cash and cash equivalents, end of year	\$ 1,975,653	\$ 4,559,518
Supplemental disclosures of cash flow information		
Property and equipment financed with:		
Capital lease	\$ 16,551	\$ 8,803

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

Organization

The High Point International Home Furnishings Market Authority Corporation (the "Organization") is organized as a 501(c)(6) nonprofit 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.

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.

Revenue Recognition

Revenue is recognized when control of the promised services is transferred, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services as follows:

Contributions and Grants

Most revenue is derived from contributions and grants, including unconditional promises to give, which are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period, are reported as revenues without donor restrictions. Unconditional promises to give that are scheduled to be received after the statements of financial position date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purposes or time restrictions are met.

Sponsorships, Pre-Market, and Registration Fees

A portion of revenue is derived from sponsorships, pre-market, and registration fees, which are recognized in the period where all conditions are met. The performance obligation is met at a point in time as market sponsorships and pre-market conditions are satisfied upon the completion of sponsored and pre-market events, which occur bi-annually. Exhibitors who later decide not to participate in pre-market are eligible for a refund of those revenues, which generally occurs in the same fiscal year.

Participants who register for Furniture Market purchase passes for access to Fall or Spring markets, at which time the revenues are recognized.

High Point International Home Furnishings Market Authority Corporation

Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of 12 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.

Fair Value of Financial Instruments

Financial instruments of the Organization include investments, support receivables, accounts payable, accrued expenses, and deferred revenue. The fair value of support receivables, accounts payable, accrued expenses, and deferred revenue approximates the carrying amount because of the short maturity of these instruments. Investments are recorded at fair value based upon quoted market prices.

Assets carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The following are assets measured at fair value as of June 30, 2022.

	Level 1	Level 2	Level 3	Total
Assets:				
Equities	\$ 1,538,473	\$ -	\$ -	\$ 1,538,473
Fixed income	797,172	-	-	797,172
Cash deposits	188,600	-	-	188,600
	\$ 2,524,245	\$ -	\$ -	\$ 2,524,245

Investments

Investments are reported at fair value. Purchases and sales of investments are recorded on a trade date basis from quoted market prices on national exchanges. Interest and dividends are recorded when earned.

Investments are made by investment managers engaged by the Organization. Management and the Board of Directors reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of investments.

Support Receivables

Support receivables are comprised substantially of previously agreed upon amounts due from city, state, and county municipalities, as well as registration fees from market participants. 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 2022 or 2021; 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

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. Equipment held under capital leases are amortized over the lesser of the lease term or the useful life of the equipment.

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, COVID expenditures, pre-market and buyer parking expenses as indicated in the statements of activities. Depreciation expense of approximately \$70,000 and \$79,000 is included in marketing expenses related to the Organization's smartphone application developed for market use as of June 30, 2022 and 2021. Therefore, the preparation of the table of functional expenses does not require estimation for allocation of expenses by functional category.

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 2019; however, no examinations are in process. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Subsequent Events

Management has evaluated events occurring subsequent to the balance sheet date through September 29, 2022, 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>	2022	2021
Total assets	\$ 5,935,250	\$ 6,441,488
Less:		
Cash with donor restrictions	52,597	104,930
Prepaid expenses	104,054	277,874
Other current assets	-	11,874
Property and equipment	698,465	749,712
Financial assets available within one year	\$ 5,080,134	\$ 5,297,098

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, 2022 and 2021.

2. Investments

Realized and unrealized losses on investments, net of fees consist of the following:

<i>Year ended June 30,</i>	2022	2021
Loss on investments reported at fair value	\$ (501,464)	\$ -
Investment management fees	(17,804)	-
Realized and unrealized losses, net of fees	\$ (519,268)	\$ -

3. Property and Equipment

Major classes of property and equipment consist of the following:

<i>June 30,</i>	2022	2021
Market technology – software	\$ 1,046,336	\$ 1,046,336
Market equipment	786,022	614,155
Leasehold improvements	556,825	554,153
Computer equipment	124,988	100,094
Office furniture	101,670	96,948
Office equipment	61,460	51,900
Registration software	54,346	54,346
Projects in process	-	29,593
	2,731,647	2,547,525
Less accumulated depreciation	(2,033,182)	(1,797,813)
Net property and equipment	\$ 698,465	\$ 749,712

High Point International Home Furnishings Market Authority Corporation

Notes to Financial Statements

4. Capital Leases

The Organization leases equipment under a capital lease, which has a capitalized cost of approximately \$17,000 and related amortization of approximately \$0 at June 30, 2022. In 2021, the Organization leased equipment with capitalized cost of approximately \$9,000 and related amortization of \$3,000. Under the new lease, payments of \$483 are due each month through January 2025. The lease has an imputed interest rate of 3.25% per annum. Minimum future lease payments for the years ended June 30 are as follows:

Year ending June 30,

2023	\$ 5,315
2024	5,798
2025	5,798
2026	483
Total minimum lease payments	17,394
Less amount representing interest	(843)
Present value of minimum lease payments	\$ 16,551

5. Commitments

Operating 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,

2023	\$ 160,000
2024	133,000
2025	41,000
	\$ 334,000

Total rent expense and other related charges pursuant to these leases amounted to approximately \$221,000 and \$200,000 for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, were approximately \$41,000 and \$35,000.

High Point International Home Furnishings Market Authority Corporation

Notes to Financial Statements

6. 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>	2022	2021
North Carolina Department of Commerce grants	33%	34%
Net showroom licenses and hotel occupancy taxes	25%	27%
Transportation	20%	16%
City of High Point, grant	12%	10%
Other	10%	13%

7. Expenditures by Function and Nature

Expenditures by function and nature for June 30, 2022, were:

Program services	Salaries and benefits	Operating expenses	Depreciation	Total
Transportation	\$ 465,352	\$ 1,229,793	\$ -	\$ 1,695,145
Guest services and entertainment	187,758	1,447,447	-	1,635,205
Centralized registration	389,380	482,059	-	871,439
Pre-market— exhibitor funded	-	126,490	-	126,490
Buyer parking	-	125,362	-	125,362
Total program services	\$ 1,042,490	\$ 3,411,151	\$ -	\$ 4,453,641
Support services				
Marketing	\$ 226,576	\$ 3,097,624	\$ 70,258	\$ 3,394,458
Executive leadership and management	-	773,293	170,980	944,273
Miscellaneous and non-grant COVID expenditures	-	48,776	-	48,776
Total support services	\$ 226,576	\$ 3,919,693	\$ 241,238	\$ 4,387,507
Total expenditures	\$ 1,269,066	\$ 7,330,844	\$ 241,238	\$ 8,841,148

Expenditures by function and nature for June 30, 2021, were:

Program services	Salaries and benefits	Operating expenses	Depreciation	Total
Transportation	\$ 320,623	\$ 1,285,629	\$ -	\$ 1,606,252
Centralized registration	410,715	328,298	-	739,013
Guest services and entertainment	134,075	430,688	-	564,763
Pre-market— exhibitor funded	-	258,721	-	258,721
Buyer parking	-	121,038	-	121,038
Total program services	\$ 865,413	\$ 2,424,374	\$ -	\$ 3,289,787
Support services				
Marketing	\$ 196,754	\$ 1,900,316	\$ 78,658	\$ 2,175,728
Executive leadership and management	-	830,827	106,879	937,706
North Carolina Department of Commerce - COVID Grant	-	725,000	-	725,000
Miscellaneous and non-grant COVID expenditures	-	56,359	-	56,359
Total support services	\$ 196,754	\$ 3,512,502	\$ 185,537	\$ 3,894,793
Total expenditures	\$ 1,062,167	\$ 5,936,876	\$ 185,537	\$ 7,184,580

High Point International Home Furnishings Market Authority Corporation

Notes to Financial Statements

8. Related Party Transactions

During 2022, the Organization received services from a board member and paid approximately \$29,000, in addition to approximately \$12,000 paid for reimbursement of goods received. Additionally, the Organization paid approximately \$12,000 to a nonprofit Organization chaired by a board member. There were no material related party transactions in 2021.

9. COVID-19

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 Organization's operations. However, Management is unable to estimate the effects of the COVID-19 outbreak on the Organization and it may have a material effect on future results of operations, financial condition, or liquidity.

10. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. Companies 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 may have on the Organization's future financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which eliminates previous methodology for recognizing credit losses on financial instruments (including trade receivables) and requires organizations to utilize an expected credit loss model. For the Organization, the guidance, as amended, is effective for fiscal years beginning after December 15, 2022. Management is currently assessing the impact that this guidance may have on the Organization's future financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities as well as increased disclosures about such assets. This ASU is effective for fiscal years beginning after June 15, 2021, with early application permitted. Management adopted this standard in 2022 with no material impact on the Organization's 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, 2022, and the related statement 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 29, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Report on 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 financial statements. 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Leonard PLLC

High Point, North Carolina
September 29, 2022

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

**Schedule of Expenditures of State Awards
Year Ended June 30, 2022**

<u>Grantor/Program Title</u>	<u>Expenditures</u>
North Carolina Department of Commerce Special Appropriations (House Bill 103)	\$ 2,305,472
North Carolina Department of Commerce Special Appropriations (House Bill 103)	525,000

High Point International Home Furnishings Market Authority Corporation

Note to Schedule of Expenditures of State Awards Year Ended June 30, 2022

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, 2022

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
(House Bill 103)

North Carolina Department of Commerce Special Appropriations
(House Bill 103)