Financial Statements
Years Ended June 30, 2015 and 2014



Financial Statements

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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 (the "Organization"), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related 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 High Point International Home Furnishings Market Authority Corporation as of June 30, 2015 and 2014, 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.

### Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 28, 2015, on our consideration of High Point International Home Furnishings Market Authority Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 High Point International Home Furnishings Market Authority Corporation's internal control over financial reporting and compliance.

High Point, North Carolina September 28, 2015

Smith Leonard PLIC

### Statements of Financial Position Year Ended June 30, 2015

	U	nrestricted	aporarily estricted	Total 2015	Total 2014
Assets					
Cash and cash equivalents	\$	3,379,386	\$ 23,445	\$ 3,402,831	\$ 3,818,823
Support receivables:					
Transportation		600,000	-	600,000	-
General support		24,463	-	24,463	-
Showroom taxes		-	-	-	23,476
Occupancy taxes		30,741	-	30,741	21,351
Prepaid expenses		106,196	-	106,196	107,232
Other current assets		136,255	-	136,255	105,635
Property and equipment, less					
accumulated depreciation		83,467	-	83,467	101,337
Total assets	\$	4,360,508	\$ 23,445	\$ 4,383,953	\$ 4,177,854
<b>Liabilities and Net Assets</b>					
Liabilities					
Accounts payable	\$	166,877	\$ -	\$ 166,877	\$ 130,413
Capital lease		12,041	-	12,041	16,314
Accrued expenses		27,241	-	27,241	28,812
Deferred revenue		-	23,445	23,445	43,706
Total liabilities		206,159	23,445	229,604	219,245
Net assets		4,154,349	-	4,154,349	3,958,609
Total liabilities and net assets	\$	4,360,508	\$ 23,445	\$ 4,383,953	\$ 4,177,854

Statement of Activities Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Showroom licenses	\$ 1,628,241	\$ -	\$ 1,628,241
City of High Point	1,000,000	-	1,000,000
Transportation	-	1,200,000	1,200,000
North Carolina Department of Commerce – marketing	-	655,472	655,472
Occupancy taxes	362,423	-	362,423
Sponsorships	341,950	-	341,950
High Point Convention and Visitors Bureau	150,000	-	150,000
Guilford County	75,000	-	75,000
Interest	14,849	-	14,849
Miscellaneous	22,748	-	22,748
Net assets released from restrictions:			
Satisfaction of pre-market conditions	-	270,407	270,407
Transportation and marketing	2,125,879	(2,125,879)	
Total revenue and support	5,721,090	-	5,721,090
Expenditures			
Marketing	2,055,298	-	2,055,298
Transportation	1,448,013	-	1,448,013
Guest entertainment	639,224	-	639,224
Executive leadership and management	549,953	-	549,953
Centralized registration	403,567	-	403,567
Pre-market – exhibitor funded	270,407	-	270,407
Buyer parking	122,129	-	122,129
Depreciation	36,262	-	36,262
Miscellaneous	497	-	497
Total expenditures	5,525,350	-	5,525,350
Change in net assets	195,740	-	195,740
Net assets, beginning of year	3,958,609	-	3,958,609
Net assets, end of year	\$ 4,154,349	\$ -	\$ 4,154,349

Statement of Activities Year Ended June 30, 2014

	τ	Inrestricted	Temporarily Restricted	Total
Revenue and support				
Showroom licenses	\$	1,621,673	\$ -	\$ 1,621,673
City of High Point		1,000,000	-	1,000,000
Transportation		-	1,200,000	1,200,000
North Carolina Department of Commerce – marketing		-	655,472	655,472
Sponsorships		386,325	-	386,325
Occupancy taxes		326,623	-	326,623
High Point Convention and Visitors Bureau		150,000	-	150,000
Guilford County		75,000	-	75,000
Interest		18,390	-	18,390
Miscellaneous		16,061	-	16,061
Net assets released from restrictions:				
Satisfaction of pre-market conditions		-	257,722	257,722
Transportation and marketing		2,113,194	(2,113,194)	
Total revenue and support		5,707,266	-	5,707,266
Expenditures				
Marketing		1,825,475	-	1,825,475
Transportation		1,404,605	-	1,404,605
Guest entertainment		632,200	-	632,200
Executive leadership and management		564,269	-	564,269
Centralized registration		346,876	-	346,876
Pre-market – exhibitor funded		257,722	-	257,722
Buyer parking		136,350	-	136,350
Depreciation		31,775	-	31,775
Miscellaneous		557	-	557
Total expenditures		5,199,829	-	5,199,829
Change in net assets		507,437	-	507,437
Net assets, beginning of year		3,451,172	-	3,451,172
Net assets, end of year	\$	3,958,609	\$ -	\$ 3,958,609

Statements of Cash Flows Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 195,740	\$ 507,437
Adjustments to reconcile the change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation and amortization	36,262	31,775
Changes in assets and liabilities:		
Support receivables	(610,377)	3,472
Prepaid expenses	1,036	(74,333)
Other current assets	(30,620)	(105,635)
Accounts payable	36,464	96,564
Accrued expenses	(1,571)	8,064
Deferred revenue	(20,261)	(16,367)
Total adjustments	(589,067)	(56,460)
Total adjustments	(307,007)	(30,400)
Net cash provided by (used in) operating activities	(393,327)	450,977
Cash flows from investing activities		
Purchase of property and equipment	(18,392)	(59,107)
	, , ,	, , ,
Net cash used in investing activities	(18,392)	(59,107)
Cash flows from financing activities		
Payments on capital lease	(4,273)	(4,147)
Net cash used in financing activities	(4,273)	(4,147)
Net increase (decrease) in cash and cash equivalents	(415,992)	387,723
Cash and cash equivalents, beginning of year	3,818,823	3,431,100
Cash and cash equivalents, end of year	\$ 3,402,831	\$ 3,818,823

### **Summary of Significant Accounting Policies**

### **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 and grants from various 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:

- Unrestricted net assets Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted net assets Net assets subject to donorimposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently Restricted net assets Net assets subject to donorimposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all of or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (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. There are no permanently restricted net assets as of June 30, 2015 and 2014.

### **Cash and Cash Equivalents**

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

### **Summary of Significant Accounting Policies**

### **Support Receivables**

Support receivables are comprised substantially of previously agreed upon amounts due from city and county municipalities.

### **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
Leasehold improvements	7-10
Equipment	3-10
Office furniture	7-10

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

### **Use of Estimates**

The preparation of the financial statements in conformity 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 have been allocated between marketing, transportation, guest entertainment, executive leadership and management, centralized registration, Pre-market and buyer parking expenses as indicated in the statements of activities.

### **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.

### **Summary of Significant Accounting Policies**

## 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 unrestricted 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 restricted 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 temporarily restricted net assets to unrestricted net assets.

### **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. No material uncertain tax positions were identified for 2015 and 2014. Currently, the statute of limitations remains open subsequent to and including 2012; however, no examinations are in process or anticipated. 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 28, 2015, the date that the financial statements were available to be issued, determining no events require adjustment to or additional disclosure in the financial statements.

### **Notes to Financial Statements**

## 1. Property and Equipment

Major classes of property and equipment consist of the following:

	2015	2014
Leasehold improvements	\$ 515,683	\$ 512,355
Computer equipment	67,154	61,833
Office equipment	39,096	39,096
Office furniture	83,166	73,423
Market equipment	62,615	62,615
Less accumulated depreciation	767,714 (684,247)	749,322 (647,985)
Net property and equipment	\$ 83,467	\$ 101,337

## 2. Restrictions on Net Assets

Temporarily restricted revenue is comprised of amounts paid to the Organization by participating exhibitors for food and beverage, lodging and local transportation costs associated with Pre-market activities, as well as support derived directly or indirectly from the State of North Carolina. Exhibitors contribute to the Organization, with such funds used solely to finance Pre-market. No unrestricted funds of the Organization are used for Pre-market.

### 3. Capital Lease

The Organization leases equipment under a capital lease, which had a capitalized cost of \$24,813 and related amortization of \$15,301 and \$10,339 at June 30, 2015 and 2014, respectively. Payments of \$392 are due each month through February 2018, with an imputed interest rate of 3% per annum. Minimum future lease payments for the years ended June 30 are as follows:

Voar	ending.	Inno	30
rear	enaing.	June	JU.

2016	\$ 4,704
2017	4,704
2018	3,136
Total minimum lease payments	12,544
Less amount representing interest	503
Present value of minimum lease payments	12,041
Less current portion	4,403
Long-term obligation	\$ 7,638
	-

### **Notes to Financial Statements**

### 4. Commitments

**Leases** – The Organization leases its office facilities, office equipment, reception facilities and market parking lots under operating leases expiring through June 30, 2019. Future minimum rental payments required under these leases are as follows:

2016	\$ 138,463
2017	80,400
2018	80,400
2019	53,600
	\$ 352,863

Total rent expense and other related charges pursuant to these leases amounted to \$184,779 and \$193,325 for the years ended June 30, 2015 and 2014, respectively.

**Retirement Plan** – The Organization has a SIMPLE IRA plan to provide retirement benefits for eligible employees, into which employees may contribute up to \$7,000 of their annual compensation. The Organization matches employees' contributions up to 3% of their gross wages. Total Organization contributions for the years ended June 30, 2015 and 2014 were \$21,509 and \$17,390, respectively.

### 5. Concentrations

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

	2015	2014
Net showroom licenses and hotel occupancy taxes	35%	34%
Transportation, contract	21%	21%
City of High Point, grant	17%	18%
North Carolina Department of Commerce, grant	12%	11%
Other	15%	16%





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# 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 (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2015.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered High Point International Home Furnishings Market Authority Corporation's internal control over financial reporting to determine the 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether High Point International Home Furnishings Market Corporation'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 28, 2015

Smith Leonard PLIC

Schedule of Expenditures of State Awards Year Ended June 30, 2015

Grantor/Program Title	Receipts and <b>Expenditures</b>
North Carolina Department of Commerce	
Special Appropriations (Senate Bill 897)	\$ 655,472

See accompanying note to Schedules of Expenditures of State Awards.

Note to Schedule of Expenditures of State Awards Year Ended June 30, 2015

### 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 requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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.

**Schedule of Findings and Questioned Costs** Year Ended June 30, 2015

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

State Awards				
Internal control over major State programs:				
<ul> <li>Material weakness(es) identified?</li> </ul>		yes	X	no
• Significant deficiency(s) identified that are not				
considered to be material weaknesses?		yes	<u>X</u>	no
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 the OMB Circular A-133?		yes	X	no
Identification of major State programs:				
Name of State program				
North Carolina Department of Commerce Special Appropriations				
(Senate Bill 897)				