

**HOSPITALITY HOUSE OF NORTHWEST
NORTH CAROLINA**
Financial Statements
For the years ended June 30, 2022 and 2021

COMBS,

TENNANT & CARPENTER, P.C.
Certified Public Accountants

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

Board of Directors

June 30, 2022

Michael Cooper

Wayne Harris

Neil Hartley

Russell Headrick

Kristin Hyle

David Luther

Mark Mashburn

Chris May

Pan McCaslin

Ron McInnes

Gary Newman

Stephanie O'Brien

Lynn Patterson

Lisa Randolph

Julie Trueman

Tom Trueman

Amanda White

Advisory Board Members

Kay Borkowski

Allen Moseley

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA
Boone, North Carolina

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Independent Auditors' Report

The Board of Directors
Hospitality House of Northwest North Carolina
Boone, North Carolina

Opinion

We have audited the accompanying financial statements of Hospitality House of Northwest North Carolina (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospitality House of Northwest North Carolina as of June 30, 2022, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hospitality House of Northwest North Carolina and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Hospitality House of Northwest North Carolina's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgements 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 Hospitality House of Northwest North Carolina'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hospitality House of Northwest North Carolina'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 Summarized Comparative Information

We have previously audited Hospitality House of Northwest North Carolina's 2021 financial statements and expressed an unmodified audit opinion on those financial statements in our audit report dated June 16, 2022. In our opinion, the summarized comparative information reported herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompany schedule of expenditures of awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 March 24, 2023, on our consideration of Hospitality House of Northwest North Carolina'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 the 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 Hospitality House of Northwest North Carolina's internal control over financial reporting and compliance.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, North Carolina

March 24, 2023

Financial Statements

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Current Assets		
Cash		
Cash-unrestricted	\$ 519,091	\$ 286,082
Cash-restricted	77,190	54,725
Accounts receivable, net	35,907	31,053
Grants receivable, net	500,101	285,813
Pledges receivable, net	-	-
Total Current Assets	<u>1,132,289</u>	<u>657,673</u>
Beneficial interest in NC Community Foundation	65,329	64,776
Fixed assets, net	<u>3,555,834</u>	<u>3,646,356</u>
Total assets	<u>\$ 4,753,452</u>	<u>\$ 4,368,805</u>
Liabilities and net assets:		
Liabilities:		
Current Liabilities		
Accounts payable	\$ 78,183	\$ 9,520
Credit card payable	16,796	13,217
Accrued liabilities	38,987	31,862
Accrued vacation	15,913	17,452
Lines of credit	49,240	55,729
Current portion of long-term debt	9,896	9,896
Total Current Liabilities	<u>209,015</u>	<u>137,676</u>
Long-term Liabilities		
Notes payable	<u>1,208,577</u>	<u>1,218,473</u>
Total Long-term Liabilities	<u>1,208,577</u>	<u>1,218,473</u>
Total liabilities	<u>1,417,592</u>	<u>1,356,149</u>
Net assets:		
Without donor restrictions	3,258,670	2,957,931
With donor restrictions	<u>77,190</u>	<u>54,725</u>
Total net assets	<u>3,335,860</u>	<u>3,012,656</u>
Total liabilities and net assets	<u>\$ 4,753,452</u>	<u>\$ 4,368,805</u>

The accompanying notes are an integral part of the financial statements.

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

Statements of Activities

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions:		
Revenues and gains:		
Religious contributions	\$ 229,366	\$ 220,025
Individuals and organizations	982,583	861,136
Governmental funds - local	80,926	51,596
Governmental funds - Federal and State	1,214,072	1,663,008
In-kind contributions	365,249	427,544
Interest	882	641
Rental income	160,108	176,312
Other	6,145	9,976
	<hr/>	<hr/>
Total revenues and gains without donor restrictions	3,039,331	3,410,238
Net assets (added to) released from restrictions	<hr/>	<hr/>
	-	-
Total revenues, gains, and other support without donor restrictions	<hr/>	<hr/>
	3,039,331	3,410,238
Expenses:		
Program services	2,179,278	1,932,905
General and administrative	419,338	289,681
Fundraising	139,976	62,374
	<hr/>	<hr/>
Total expenses	2,738,592	2,284,960
Increase(decrease) in net assets without donor restrictions	<hr/>	<hr/>
	300,739	1,125,278
Changes in net assets with donor restrictions:		
Individuals and organizations	9,246	-
Governmental funds - Federal and State	13,219	7,860
	<hr/>	<hr/>
Increase (decrease) in net assets with donor restrictions	22,465	7,860
Increase (decrease) in net assets	<hr/>	<hr/>
	323,204	1,133,138
Net assets at beginning of year	<hr/>	<hr/>
	3,012,656	1,879,518
Net assets at end of year	<hr/>	<hr/>
	\$ 3,335,860	\$ 3,012,656

The accompanying notes are an integral part of the financial statements.

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services		Supporting Services		Totals June 30, 2022
	General and Administrative	Fund Raising	Total Supporting Services		
Salaries	\$ 823,513	\$ 43,343	\$ 260,056	\$	1,083,569
Payroll taxes and benefits	147,079	7,741	46,445		193,524
Meals provided	386,714	-	-		386,714
Utilities	74,272	-	18,568		92,840
Repairs and maintenance	28,737	-	28,737		57,474
Client services	473,553	-	-		473,553
Supplies	46,481	-	11,620		58,101
Insurance	-	-	20,759		20,759
Professional fees	-	-	18,451		18,451
Postage	-	27	27		27
Printing	197	-	295		492
Fundraising	-	75,104	75,104		75,104
Conferences	-	-	-		-
Travel	10,529	-	2,632		13,161
Bank charges/ credit card fees	-	-	1,664		1,664
Bad debt	-	-	-		-
Miscellaneous	53,958	-	8,260		62,218
Office equipment	13,041	-	16,312		29,353
Donor management	5,731	13,761	13,761		19,492
Interest	-	-	7,755		7,755
Depreciation	115,473	-	28,868		144,341
Total expenses	\$ 2,179,278	\$ 139,976	\$ 559,314	\$	2,738,592

The accompanying notes are an integral part of the financial statements.

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA
 Statement of Functional Expenses
 For the Year Ended June 30, 2021

	Program Services		Supporting Services		Totals June 30, 2021
	General and Administrative	Fund Raising	Supporting Services	Total Supporting Services	
Salaries	\$ 626,637	\$ -	\$ 32,420	\$ 194,520	\$ 821,157
Payroll taxes and benefits	102,229	-	5,380	32,282	134,511
Meals provided	476,391	-	-	-	476,391
Utilities	84,968	-	-	20,407	105,375
Repairs and maintenance	33,408	-	-	5,803	39,211
Client services	370,563	-	-	-	370,563
Supplies	45,565	-	105	11,496	57,061
Insurance	10,032	-	-	3,485	13,517
Professional fees	5,000	-	-	10,023	15,023
Postage	468	-	1,733	1,733	2,201
Printing	1,852	-	682	1,916	3,768
Fundraising	-	-	6,540	6,540	6,540
Conferences	796	-	-	-	796
Travel	3,765	-	-	3,765	7,530
Bank charges/ credit card fees	-	-	-	270	270
Bad debt	20,000	-	-	-	20,000
Miscellaneous	19,398	-	9,390	11,983	31,381
Office equipment	13,900	-	-	6,857	20,757
Donor management	3,318	-	6,124	6,124	9,442
Interest	-	-	-	5,440	5,440
Depreciation	114,615	-	-	29,411	144,026
Total expenses	\$ 1,932,905	\$ -	\$ 62,374	\$ 352,055	\$ 2,284,960

The accompanying notes are an integral part of the financial statements.

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from revenues and gains	\$ 3,061,796	\$ 3,418,098
Cash paid to employees and suppliers	<u>(2,731,128)</u>	<u>(2,540,408)</u>
Net cash provided (used) by operating activities	<u>330,668</u>	<u>877,690</u>
Cash flows from investing activities:		
Interest income	882	60
Contributions to beneficial interest trust	(12,361)	(4,500)
Purchase of property and equipment	<u>(53,819)</u>	<u>(843,544)</u>
Net cash provided (used) by investing activities	<u>(65,298)</u>	<u>(847,984)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	-	-
Payments on long-term debt	<u>(9,896)</u>	<u>(9,896)</u>
Net cash provided (used) by financing activities	<u>(9,896)</u>	<u>(9,896)</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	255,474	19,810
Beginning cash, cash equivalents, and restricted cash	<u>340,807</u>	<u>320,997</u>
Ending cash, cash equivalents, and restricted cash	<u>\$ 596,281</u>	<u>\$ 340,807</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	<u>\$ 323,204</u>	<u>\$ 1,133,138</u>
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	144,341	144,026
Noncash grant	-	(134,800)
Interest income	(882)	(641)
Unrealized (gain) loss on investments	11,808	(13,269)
(Increase) decrease in accounts receivable	(4,854)	(15,949)
(Increase) decrease in grants receivable	(214,288)	(224,871)
(Increase) decrease in pledges receivable	-	-
Increase (decrease) in accounts payable	68,663	(6,280)
Increase (decrease) in credit card payable	3,579	(6,727)
Increase (decrease) in lines of credit	(6,489)	(7,355)
Increase (decrease) in payroll liabilities	7,125	3,439
Increase (decrease) in accrued vacation	(1,539)	6,979
Increase (decrease) in deferred revenue	-	-
Total adjustments	<u>7,464</u>	<u>(255,448)</u>
Cash flows provided (used) by operating activities	<u>\$ 330,668</u>	<u>\$ 877,690</u>

The accompanying notes are an integral part of the financial statements.

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

Notes to Financial Statements

June 30, 2022

NOTE 1 – Summary of Significant Accounting Policies:

ORGANIZATION – Hospitality House of Northwest North Carolina, Inc., is located in Boone, North Carolina and organized and operated exclusively for charitable purposes in accordance with Section 501(c)(3) of the Internal Revenue Code. More specifically, the Organization is a crisis intervention agency which provides shelter and services to the homeless, operates the community soup kitchen, and administers local crisis assistance programs. Funding for the Organization is derived primarily from donor contributions and grants. During the year ended June 30, 2019 the Organization elected to change its name to Hospitality House of Northwest North Carolina to better reflect its service area footprint.

BASIS OF ACCOUNTING - The financial statements of Hospitality House of Northwest North Carolina have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION – The Organization has adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This update requires the Organization to present its net assets in the following categories:

Net assets without donor restrictions- Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions- Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

CASH AND EQUIVALENTS - Cash and equivalents include cash on hand and term certificates of deposit at financial institutions with an initial maturity of three months or less.

RESTRICTED CASH - The Organization's cash is subject to restrictions imposed by donors, granting agencies, and other external entities. Restricted cash balances were \$77,190 at June 30, 2022 and \$54,725 at June 30, 2021. The balances represent the Organization's obligation under loan covenants between the Organization and North Carolina Housing and Finance Agency (NCHFA). Those covenants require a minimum balance of cash reserves to be maintained by the Organization to meet future capital and operating expenses. Reserves may only be utilized with the permission of NCHFA and are required to be replenished within a timeframe established by them. The Organization also holds funds restricted for children's educational scholarships.

DONATED ASSETS – Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

DONATED PROPERTY AND EQUIPMENT – Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies restricted net assets to unrestricted net assets at that time.

DONATED SERVICES – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers also donated a significant amount of time to the Organization's operations and program services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

FUNCTIONAL EXPENSES – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

REVENUE RECOGNITION – During the year ended June 30, 2021 the Organization adopted ASC 606 using the modified retrospective method for those contracts which were not substantially completed as of the transition date. There was no material impact to any of the line items with the Organization's statements of activities or balance sheets as a result of applying ASC 606 for the fiscal years ended June 30, 2022 and 2021.

SUPPORT AND REVENUES - Certain revenues received under government grant programs are subject to audit by the providing agency. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or the Board of Directors.

ACCOUNTS RECEIVABLE - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts

receivable. An allowance for uncollectible accounts has been established based on historical collection experience of the Organization of \$0 and \$3,312 for 2022 and 2021, respectively.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost as of the date of acquisition or fair value at the date of donation. Depreciation is provided over the estimated life of each asset on the straight-line method. Asset lives range from seven to forty years for buildings and improvements, and three to seven years for computers, office equipment, and furniture and fixtures. The Organization maintains a capitalization policy of \$2,500.

INCOME TAXES - Hospitality House of Northwest North Carolina is an exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

ACCOUNTING ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles 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.

PLEDGES - Unconditional pledges to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. No allowance for uncollectible pledges has been established for years ended 2022 and 2021 based on historical collection experience of the Organization.

NOTE 2 - Accounts Receivable:

Accounts receivable on June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 35,907	\$ 34,365
Less allowance for uncollectible accounts	-	(3,312)
Total accounts receivable, net	<u>\$ 35,907</u>	<u>\$ 31,053</u>

NOTE 3 – Grants Receivable:

Grants receivable on June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Grants receivable	\$ 500,101	\$ 305,813
Less allowance for uncollectible accounts	-	(20,000)
Total grants receivable, net	<u>\$ 500,101</u>	<u>\$ 285,813</u>

NOTE 4 – Fixed Assets:

A detail of the fixed assets on June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 563,036	\$ 563,036
Construction in Progress	-	-
Buildings	4,210,949	4,210,949
Improvements	164,107	128,579
Furniture & Fixtures	192,423	192,423
Office Equipment	9,800	9,800
Other Equipment	135,916	117,625
	<u>5,276,231</u>	<u>5,222,412</u>
Less accumulated depreciation	<u>1,720,397</u>	<u>1,576,056</u>
Total fixed assets, net	<u>\$ 3,555,834</u>	<u>\$ 3,646,356</u>

Depreciation expense for the year ended June 30, 2022 and 2021 was \$144,341 and \$144,026, respectively.

NOTE 5 – Restrictions/Limitations on Net Assets :

Restricted net assets are available for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
NCHFA reserve requirement	\$ 67,944	\$ 54,725
Children's scholarship fund	9,246	-
	<u>\$ 77,190</u>	<u>\$ 54,725</u>

NOTE 6 – Vacation and Sick Pay:

Vacation is awarded annually and up to 5 days can be carried over each year. Accumulated vacation pay at June 30, 2022 and 2021 amounted to \$15,913 and \$17,452, respectively, which is reflected as a liability in the financial statements. The Organization's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest. Since the Organization has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

NOTE 7 – Notes Payable:

The Organization's obligation under notes payable consists of the following:

	<u>2022</u>	<u>2021</u>
Note payable, secured by a Deed of Trust on a building, interest at 0%, due April 22, 2040.	\$ 1,000,000	\$ 1,000,000
Note payable, secured by a Deed of Trust on a building, interest at 0%, with monthly payments of \$825, due November 1, 2033	115,353	125,249
Note payable, secured by a Deed of Trust on a building, interest at 0%, due November 3, 2033. Note shall be reduced (forgiven) by 10% of the original amount each anniversary date of the note starting 9 years prior to maturity date and then each year thereafter until maturity.	103,120	103,120
Total	1,218,473	1,228,369
Less current installments of long-term debt	9,896	9,896
Long term debt, excluding current installments	<u>\$ 1,208,577</u>	<u>\$ 1,218,473</u>

The future scheduled maturities of long-term debt are as follows:

<u>Year Ending</u>	<u>Amount</u>
2023	9,896
2024	9,896
2025	9,896
2026	9,896
Thereafter	1,168,993
	<u>\$ 1,208,577</u>

Paycheck Protection Program Loan:

On April 20, 2020, the Organization received loan proceeds in the amount of \$134,800 under the Paycheck Protection Program (PPP). The PPP provided funding for qualifying organizations under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Forgiveness of the loan principal and accrued interest could be applied for following a twenty-four-week period. Potential forgiveness was dependent upon the Organization using the funds for specified purposes including, payroll, benefits, rent, and utilities. On November 2, 2020 the Organization was granted forgiveness of the loan and interest. Funds forgiven under the Payroll Protection Program are recognized as grant revenue in the year ended June 30, 2021.

NOTE 8 – Lines of Credit:

The Organization maintained two revolving lines of credit; \$25,000 with First Horizon Bank and \$50,000 with First National Bank. On June 30, 2022 and 2021, the credit lines carried balances of \$49,240 and \$55,729, respectively. Advances on the credit lines are payable on demand and carry interest rates of 11% to First Horizon Bank and

6.00% to First National Bank. The credit lines are uncollateralized. The Organization elected to pay off and close the credit line held with First Horizon Bank during the year ended June 30, 2022.

NOTE 9 – Employee Benefit Plan:

A Savings Incentive Match Plan for Employees (SIMPLE) was established in 2006 by the Organization for the benefit of employees who have earned at least \$5,000 of compensation for the preceding year. A SIMPLE plan consists of separate retirement accounts established by the employer for each eligible employee. The Organization elected to match 3% of compensation for the years ended June 30, 2022 and 2021 which amounted to contributions of \$10,298 and \$6,062, respectively.

NOTE 10 – Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs - The Organization has received proceeds from several State and Federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 11 – Risk Management:

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization carries commercial coverage for risk of loss. Claims did not exceed coverage in the past two fiscal years. At June 30, 2022, operating cash had a carrying balance of \$596,281 and bank balances of \$704,908. At June 30, 2021, operating cash had a carrying balance of totaling \$340,807 and bank balances of \$408,695. Of the bank balances, \$288,431 and \$250,000 was covered by the Federal Deposit Insurance Corporation as of June 30, 2022 and 2021, respectively.

NOTE 12 – Non-Cash Donations:

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the statement of activities included:

	Revenue Recognized	Utilization in Program/Activities	Donor Restrictions	Valuation Techniques and Inputs
Food	\$ 310,236	Program support for clients	None	Average cost per pound
Medical services	55,013	Program support for clients	None	Average cost per visit
	<u>\$ 365,249</u>	Total contributions		

For the year ended June 30, 2021, contributed nonfinancial assets recognized within the statement of activities included:

	Revenue Recognized	Utilization in Program/Activities	Donor Restrictions	Valuation Techniques and Inputs
Food	\$ 305,929	Program support for clients	None	Average cost per pound
Medical services	121,615	Program support for clients	None	Average cost per visit
	<u>\$ 427,544</u>	Total contributions		

NOTE 13-Liquidity and Availability of Financial Assets:

The Organization typically satisfies restrictions in the year of donation and has not adopted a formal policy regarding maintaining operating revenues. The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 1,132,289	\$ 657,673
Less those unavailable for general expenditures within one year, due to:		
Donor-restrictions	<u>77,190</u>	<u>54,725</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,055,099</u>	<u>\$ 602,948</u>

Of the above financial assets available on June 30, 2022 and 2021, the Organization has restricted cash balances of \$77,190 and \$54,725, respectively. The balances represent the Organization's obligation under loan covenants between the Organization and North Carolina Housing and Finance Agency (NCHFA) and funds held for children's educational scholarships.

NOTE 14- Beneficial Interest in Assets Held by the North Carolina Community Foundation

The Organization has established an endowment fund with the North Carolina Community Foundation. The fund shall be governed by North Carolina law and the Foundation's governing instruments and be devoted to the support of the Organization. Distributions are available to be made annually to the Organization. The beneficial interest may be redirected at the discretion of the Foundation's Board of Directors and the investment is generally not redeemable by the Organization. On June 30, 2022, the fund had a balance of \$65,329 of which \$2,430 was available for distribution to the Organization. On June 30, 2021, the fund had a balance of \$64,776 of which \$1,840 was available for distribution to the Organization.

NOTE 15 - Fair Value Measurements:

Fair value measurement rules define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. In that regard, accounting rules establish a fair value hierarchy for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Inputs to valuation methodology include significant other observable inputs, other than Level 1 inputs, such as quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes significant assets measured at fair value on a recurring basis as of June 30, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value Measurements at June 30, 2022 using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest held at NC Community			
Foundation	\$ 65,329	\$ -	\$ 65,329
	\$ 65,329	\$ -	\$ 65,329

The following table summarizes significant assets measured at fair value on a recurring basis as of June 30, 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value Measurements at June 30, 2021 using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest held at NC Community			
Foundation	\$ 64,776	\$ -	\$ 64,776
	\$ 64,776	\$ -	\$ 64,776

The beneficial interest in assets held at the NC Community Foundation has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which include private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Foundation's investments are approximately composed of 70% equity (stocks), 20% fixed income, and 10% alternative investments which the Foundation believes are appropriate for the long-term perspective of philanthropic investing and for the investment objective to preserve fund principal and generate an appropriate return.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance at July 1, 2021	\$ 64,776
Additional amounts invested	11,356
Distributions received	-
Realized and unrealized gains/losses, net	(11,808)
Interest and dividends	1,005
Balance at June 30, 2022	<u>\$ 65,329</u>

NOTE 16 – Revenue from Contracts with Customers:

Hospitality House of Northwest North Carolina recognizes all revenue from contracts when the good or service is delivered to the customer. Any revenue that is billed in advance of service is recorded as unearned revenue/deposits and disclosed as a liability until the revenue is earned and contract obligations are satisfied. If substantial work is performed on a signed contract but not completed and billed a contract asset is booked. As of June 30, 2022 and 2021 the Organization reported no contract assets or liabilities.

Contract revenues at June 30, 2022 are disaggregated as follows :

	<u>Rental Income</u>
Type of Customer:	
Governmental	\$ 119,993
Nongovernmental	40,115
Total	<u>\$ 160,108</u>

Contract revenues at June 30, 2021 are disaggregated as follows:

	<u>Rental Income</u>
Type of Customer:	
Governmental	\$ 116,079
Nongovernmental	60,233
Total	<u>\$ 176,312</u>

NOTE 17 – Change in Accounting Principle:

During the year ended June 30, 2021 the Organization implemented ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Implementation of the new standard required no material change to the financial statements.

NOTE 18 – Subsequent Events:

The COVID-19 global pandemic continues to create economic uncertainty for individuals. The Organization may experience increased use of its services as a result of increased economic pressures in the community. The impact on the Organization's revenue streams is not reasonably estimable, however management believes additional funding will be secured and utilized to meet rising programmatic needs.

Management has evaluated subsequent events through March 24, 2023 – the date the financial statements were available to be issued.

Compliance Section

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TENNANT & CARPENTER, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' 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

To the Board of Directors
Hospitality House of Northwest North Carolina
Boone, 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 Hospitality House of Northwest North Carolina (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hospitality House of Northwest North Carolina'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 Hospitality House of Northwest North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospitality House of Northwest North Carolina'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 identify certain deficiencies in internal control described in Finding 2022-1, 2022-2, and 2022-3 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hospitality House of Northwest North Carolina'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 entity'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.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, North Carolina

March 24, 2023

COMBS,
TENNANT & CARPENTER, P.C.
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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance

To the Board of Directors
Hospitality House of Northwest North Carolina
Boone, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospitality House of Northwest North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hospitality House of Northwest North Carolina's major federal programs for the year ended June 30, 2022. Hospitality House of Northwest North Carolina's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hospitality House of Northwest North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hospitality House of Northwest North Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hospitality House of Northwest North Carolina's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hospitality House of Northwest North Carolina's federal programs.

Member: American Institute of CPAs N.C. Association of CPAs
Offices located in Boone and Newland

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hospitality House of Northwest North Carolina's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hospitality House of Northwest North Carolina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hospitality House of Northwest North Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hospitality House of Northwest North Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hospitality House of Northwest North Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Boone, North Carolina

March 24, 2023

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

June 30, 2022

Schedule of Findings and Questioned Costs

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X no

Significant deficiency(s) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

CFDA Number	Names of Federal Program or Cluster
14.231	Emergency Solutions Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? yes X no

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

June 30, 2022

Schedule of Findings and Questioned Costs

Section II, Financial Statement Findings

Finding: 2022-1

MATERIAL WEAKNESS

Criteria: Failure in the operation of effectively designed internal controls over significant account reconciliations.

Condition: Reconciliations of significant cash and receivables accounts were not routinely completed and evaluated by management within ninety days of month-end.

Effect: Information necessary to evaluate the financial standing of the Organization was not available timely and accurately.

Cause: Staffing constraints and turnover related to the COVID-19 pandemic, insufficient cross-training in the finance position, insufficient staffing for the volume and complexity of transactions processed.

Recommendation: Management and the Board should ensure the finance department is sufficiently staffed. Processes related to the recording of financial data should be automated via software applications to increase the efficiency of internal record keeping.

Views of responsible officials and planned corrective actions: Hospitality House of Northwest North Carolina agrees with this finding. The finance department will be staffed sufficiently, procedures will be implemented to cross-train where possible. Since the 2021-22 Audit, additional part-time staff have been hired and cross-trained. Management has since increased the finance staff to 80 hours per week, dedicating two full-time staff to this department. Software modules are being actively implemented to streamline processes.

Finding: 2022-2

MATERIAL WEAKNESS

Criteria: Management responsibility for financial close procedures and reporting under generally accepted accounting principles (GAAP).

Condition: Material audit adjustments were required to prevent the Organization's financial statements from being materially misstated.

Effect: May result in undetected errors and misstated interim financial reports.

Cause: Staffing constraints and turnover related to the COVID-19 pandemic and reliance on audit journal entries for the period under audit.

Recommendation: Management should document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments and ensure they are implemented and operating effectively.

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

June 30, 2022

Schedule of Findings and Questioned Costs

Views of responsible officials and planned corrective actions: Hospitality House of Northwest North Carolina agrees with this finding. The Finance department will be staffed sufficiently, as management has increased the finance staff to 80 hours per week, dedicating two full-time employees to this department to increase the accuracy of interim financial reports used by management.

Finding: 2022-3
MATERIAL WEAKNESS

Criteria: Books and records should be maintained on the same basis as the financial statement reporting method of the Organization.

Condition: Management maintained books and records on a hybrid basis of cash and accrual.

Effect: Material audit adjustments were required to issue the Organization's financial statements in accordance with accounting principles generally accepted in the United States of America. Billing for grant receivables could be missed entirely, or submitted beyond period of performance requirements causing potential revenue loss.

Cause: Growth of programmatic services and number of transactions. Management and finance staff recorded transactional data on the cash basis and were unable to reconcile and make necessary accrual adjustments in a timely manner.

Recommendation: We recommend the Board allocate resources to the finance department so it may keep pace with the increased programmatic demands of the Organization's size. Management should utilize the accrual functions of its financial software in its recording processes.

Views of responsible officials and planned corrective actions: Hospitality House of Northwest North Carolina agrees with this finding. The finance department will transition internal recording and reporting to the accrual basis, incorporating the related functions of its accounting software

Section III. Federal Award Findings and Questioned Costs

None Reported

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

June 30, 2022

Corrective Action Plan

Section II. Financial Statement Findings

Finding: 2022-1

Name of contact person: Tina Krause, Executive Director

Corrective Action: Financial close process will be retooled to be more efficient and staffing responsibilities altered to specifically address timeliness of significant account reconciliations.

Proposed Completion Date: June 30, 2023

Finding: 2022-2

Name of contact person: Tina Krause, Executive Director

Corrective Action: Financial close process will be retooled to be more efficient and staffing responsibilities altered to address cutoff and significant closing balance reconciliations and necessary adjustments.

Proposed Completion Date: June 30, 2023

Finding: 2022-3

Name of contact person: Tina Krause, Executive Director

Corrective Action: Finance staff will maintain the books and records on the accrual basis of accounting and utilize the related functions of its financial software.

Proposed Completion Date: June 30, 2023

Section III. Federal Award Findings and Questioned Costs

None Reported

Section IV. State Award Findings and Questioned Costs

None Reported

HOSPITALITY HOUSE OF NORTHWEST NORTH CAROLINA

June 30, 2022

Prior Year Audit Findings

- Finding:** 2021-1
Status: Reconciliations were more accurate and happened more consistently. However, the investment, credit card, line of credit, and reserve cash accounts were not reconciled appropriately. Processes have not improved enough to ensure accurate and timely financial reporting. Therefore the finding was reissued in the current audit as 2022-1.
- Finding:** 2021-2
Status: Areas of the the financial close process have improved. However, material audit adjustments were required to properly state the financials on the accrual basis. Therefore the finding was reissued in the current audit as 2022-2.
- Finding:** 2021-3
Status: Although a different major program was selected for testing than the one for which this finding was issued, no compliance findings were noted in the current fiscal period audit. Therefore, this finding is considered to be corrected.
- Finding:** 2021-4
Status: The finding is no longer valid due to the following:
(i) No funding was received by the Organization for the major program for which this finding applied.
- Finding:** 2021-5
Status: Corrected.

Section IV. State Award Findings and Questioned Costs

None Reported

**Hospitality House of Northwest North Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Housing and Urban Development</u>					
Passed-through NC Department of Health and Human Services					
Emergency Solutions Grant	14.231		\$ 986,359	\$ -	\$ -
Continuum of Care Grants	14.267		236,788	-	-
Total			<u>1,223,147</u>	<u>-</u>	<u>-</u>
<u>Federal Emergency Management Agency</u>					
Emergency Food and Shelter National Board Program	97.024		4,144	-	-
			<u>1,227,291</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>1,227,291</u>	<u>-</u>	<u>-</u>
Total assistance			<u>\$ 1,227,291</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal awards (SEFA) includes the Federal grant activity of Hospitality House of Northwest North Carolina under the programs of the federal government for the year ended June 30, 2022. The information in this SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of Hospitality House of Northwest North Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hospitality House of Northwest North Carolina.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Hospitality House of Northwest North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.