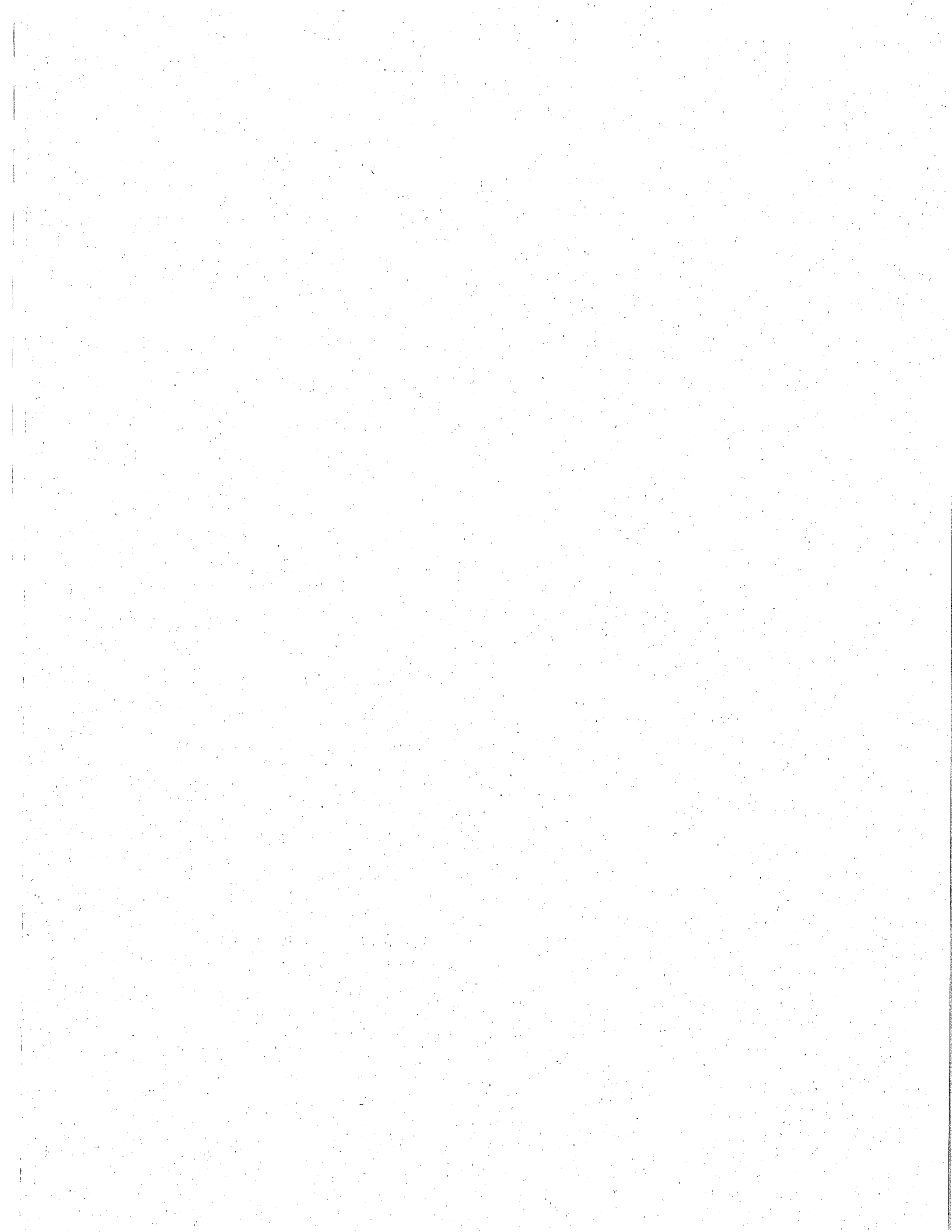


**HOSPITALITY HOUSE OF THE
BOONE AREA, INC.**

Financial Statements

For the years ended June 30, 2018 and 2017

COMBS,
TENNANT & CARPENTER, P.C.
Certified Public Accountants



HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Board of Directors

June 30, 2018

Kay Borkowski

Larry Brown

Mary Anne Caplinger

Adele Dunbar

Jacque Dunbar

Dean Gropper

Neil Hartley

Ted Henry

David Kline

Chris May

Pan McCaslin

Casey Miller

Allen Moseley

Steve Murphree

Gary Newman

Trey Oakley

Diandra Lynn Patterson

Marvin "Leo" Ritch

Tom Trueman

Lory Whitehead

HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Boone, North Carolina

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Tanya L. Singleton, CPA
Harry B. Cardwell IV, CPA
Emily W. Reynolds, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hospitality House of the Boone Area, Inc.
Boone, North Carolina

We have audited the accompanying financial statements of Hospitality House of the Boone Area, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider 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 financial statement 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 opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Hospitality House of the Boone Area, Inc. as of June 30, 2018 and 2017, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of Hospitality House of the Boone Area, Inc.'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 the Boone Area, Inc.'s internal control over financial reporting and compliance.

COMBS, TENNANT & CARPENTER, P.C.

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

October 26, 2018

Financial Statements

HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets		
Cash	\$ 66,197	\$ 91,500
Accounts receivable, net	24,268	2,528
Grants receivable	30,314	40,483
Pledges receivable, net	2,050	4,050
Total Current Assets	<u>122,829</u>	<u>138,561</u>
Fixed assets, net	<u>3,172,640</u>	<u>3,277,259</u>
Total assets	<u>\$ 3,295,469</u>	<u>\$ 3,415,820</u>
Liabilities and net assets:		
Liabilities:		
Current Liabilities		
Accounts payable	\$ 43,817	\$ 40,201
Accrued liabilities	18,845	25,722
Accrued vacation	7,827	6,878
Client funds held	42,388	38,923
Deferred Revenue	1,038	37,389
Lines of credit	73,900	63,258
Current portion of long-term debt	16,474	9,900
Total Current Liabilities	<u>204,289</u>	<u>222,271</u>
Long-term Liabilities		
Notes payable	1,267,335	1,255,612
Total Long-term Liabilities	<u>1,267,335</u>	<u>1,255,612</u>
Total liabilities	<u>1,471,624</u>	<u>1,477,883</u>
Net assets:		
Unrestricted:		
Undesignated	(64,986)	(73,810)
Designated	-	-
Investment in fixed assets, net of related debt	1,888,831	2,011,747
Total unrestricted	1,823,845	1,937,937
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	<u>1,823,845</u>	<u>1,937,937</u>
Total liabilities and net assets	<u>\$ 3,295,469</u>	<u>\$ 3,415,820</u>

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

HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Statements of Activities

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Religious contributions	\$ 196,564	\$ 202,009
Individuals and organizations	505,180	461,684
Governmental funds - local	55,590	55,500
Governmental funds - Federal and State	274,633	281,606
Thrift store sales	6,284	33,433
In kind contributions	348,996	428,970
Interest	78	307
Rental/Lease income	148,150	138,738
Gain on sale of property	-	-
Other	1,258	947
	<hr/>	<hr/>
Total unrestricted revenues and gains	1,536,733	1,603,194
Net assets released from restrictions	-	-
	<hr/>	<hr/>
Total unrestricted revenues, gains, and other support	1,536,733	1,603,194
Expenses:		
Program services	1,268,584	1,380,403
General and administrative	288,525	282,810
Fund raising	93,716	92,571
	<hr/>	<hr/>
Total expenses	1,650,825	1,755,784
Increase(decrease) in unrestricted net assets	(114,092)	(152,590)
Changes in temporarily restricted net assets:		
Individuals and organizations	-	-
	<hr/>	<hr/>
Temporarily restricted net assets	-	-
Net assets released from restrictions	-	-
	<hr/>	<hr/>
Increase(decrease) in temporarily restricted net assets	-	-
Changes in permanently restricted net assets:		
Individuals and organizations	-	-
	<hr/>	<hr/>
Increase(decrease) in permanently restricted net assets	-	-
Increase (decrease) in net assets	(114,092)	(152,590)
Net assets at beginning of year	1,937,937	2,090,527
	<hr/>	<hr/>
Net assets at end of year	\$ 1,823,845	\$ 1,937,937
	<hr/>	<hr/>

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

HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

	Supporting Services			Totals June 30, 2018
	Program Services	General and Administrative	Fund Raising	
Salaries	\$ 366,239	\$ 170,501	\$ 34,260	\$ 571,000
Payroll taxes and benefits	53,414	32,693	5,132	91,239
Meals provided	289,687	-	-	289,687
Utilities	80,951	19,815	-	100,766
Repairs	-	-	-	-
Client Services	243,428	-	-	243,428
Supplies	2,265	3,397	-	5,662
Insurance	14,882	3,721	-	18,603
Client rent	17,840	-	-	17,840
Professional fees	74,555	10,436	-	84,991
Postage	519	346	-	865
Printing	332	498	-	830
Fundraising	-	-	47,464	47,464
Conferences	-	-	-	-
Travel	2,665	5,173	-	7,838
Bank charges	3,521	947	206	4,674
Bad debt	-	-	-	-
Misc	1,100	5,678	253	7,031
Office equipment	-	2,544	-	2,544
Donor management	5,521	-	6,401	11,922
Interest	-	4,860	-	4,860
Depreciation	111,665	27,916	-	139,581
Total expenses	\$ 1,268,584	\$ 288,525	\$ 93,716	\$ 1,650,825

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

HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2017

	Supporting Services			Totals June 30, 2017
	Program Services	General and Administrative	Fund Raising	
Salaries	\$ 384,137	\$ 154,809	\$ 34,375	\$ 573,321
Payroll taxes and benefits	61,858	21,160	4,385	87,403
Meals provided	337,581	-	-	337,581
Utilities	57,131	13,960	-	71,091
Repairs	13,735	11,670	-	25,405
Client Services	351,019	72	-	351,091
Supplies	14,158	14,012	-	28,170
Insurance	18,875	6,790	-	25,665
Client rent	21,600	-	-	21,600
Professional fees	-	8,500	-	8,500
Postage	645	430	-	1,075
Printing	164	246	-	410
Fundraising	-	-	49,258	49,258
Conferences	1,795	256	-	2,051
Travel	2,269	4,405	-	6,674
Bank charges	-	427	-	427
Bad debt	-	-	-	-
Misc	3,054	642	1,449	5,145
Office equipment	757	10,573	-	11,330
Donor management	249	-	3,104	3,353
Interest	-	7,014	-	7,014
Depreciation	111,376	27,844	-	139,220
Total expenses	\$ 1,380,403	\$ 282,810	\$ 92,571	\$ 1,755,784

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

HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from revenues and gains	\$ 1,527,084	\$ 1,622,404
Cash paid to employees and suppliers	<u>(1,529,226)</u>	<u>(1,678,072)</u>
Net cash provided (used) by operating activities	<u>(2,142)</u>	<u>(55,668)</u>
Cash flows from investing activities:		
Interest income	78	307
Sale of property	-	-
Purchase of property and equipment	<u>(34,962)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(34,884)</u>	<u>307</u>
Cash flows from financing activities:		
Proceeds from long-term debt	25,000	-
Payments on long-term debt	<u>(13,277)</u>	<u>(9,897)</u>
Net cash provided (used) by financing activities	<u>11,723</u>	<u>(9,897)</u>
Increase (decrease) in cash	<u>(25,303)</u>	<u>(65,258)</u>
Beginning cash	<u>91,500</u>	<u>156,758</u>
Ending cash	<u>\$ 66,197</u>	<u>\$ 91,500</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	<u>\$ (114,092)</u>	<u>\$ (152,590)</u>
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	139,581	139,220
Interest income	(78)	(307)
Gain on sale of property	-	-
(Increase) decrease in accounts receivable	(21,740)	3,571
(Increase) decrease in grants receivable	10,169	14,370
(Increase) decrease in pledges receivable	2,000	1,576
Increase (decrease) in accounts payable	7,081	(64,705)
Increase (decrease) in lines of credit	17,216	(36,742)
Increase (decrease) in payroll liabilities	(6,877)	4,534
Increase (decrease) in other current liabilities	949	(1,984)
Increase (decrease) in deferred revenue	<u>(36,351)</u>	<u>37,389</u>
Total adjustments	<u>111,950</u>	<u>96,922</u>
Cash flows provided (used) by operating activities	<u>\$ (2,142)</u>	<u>\$ (55,668)</u>

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

HOSPITALITY HOUSE OF THE BOONE AREA, INC.

Notes to Financial Statements

June 30, 2018

NOTE 1 – Summary of Significant Accounting Policies:

ORGANIZATION – Hospitality House of the Boone Area, Inc., Boone, North Carolina, is 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 primarily from donor contributions and grants.

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

BASIS OF PRESENTATION – The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. The unspent appreciation of the Organization's donor-restricted endowment funds is also reported as temporarily restricted net assets.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Organization's donor-restricted endowment funds that the Organization is committed to maintaining in perpetuity are classified in this net asset class, as is the Organization's beneficial interest in a perpetual charitable trust held by a bank as trustee.

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.

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.

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 \$8,098 and \$8,098 for 2018 and 2017, 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 the Boone Area, Inc. 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 2018, 2017, and 2016 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. An allowance for uncollectible pledges has been established based on historical collection experience of the Organization of \$0 each for years ended 2018 and 2017.

NOTE 2 – Accounts Receivable:

Accounts receivables at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 32,366	\$ 10,626
Less allowance for uncollectible accounts	(8,098)	(8,098)
Total accounts receivable, net	<u>\$ 24,268</u>	<u>\$ 2,528</u>

NOTE 3 – Pledges:

Pledges at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Unconditional pledges	\$ 2,050	\$ 4,050
Less allowance for uncollectible pledges	-	-
Total pledges, net	<u>\$ 2,050</u>	<u>\$ 4,050</u>

NOTE 4 – Fixed Assets:

A detail of the fixed assets at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 563,036	\$ 563,036
Construction in Progress	15,553	-
Buildings	3,389,291	3,389,291
Improvements	66,685	47,276
Furniture & Fixtures	95,090	189,586
Office Equipment	9,800	9,800
Other Equipment	189,586	95,090
	<u>4,329,041</u>	<u>4,294,079</u>
Less accumulated depreciation	<u>1,156,401</u>	<u>1,016,820</u>
Total fixed assets, net	<u>\$ 3,172,640</u>	<u>\$ 3,277,259</u>

Depreciation expense for the year ended June 30, 2018 and 2017 was \$139,581 and \$139,220, respectively.

NOTE 5 – Restrictions/Limitations on Net Assets :

The Organization had no restricted net assets at June 30, 2018 or June 30, 2017.

NOTE 6 – Vacation and Sick Pay:

Vacation is awarded annually and up to 5 days can be carried over each year. During the fiscal year ended June 30, 2015, the Organization elected to change the date accumulated vacation resets from June 30 to September 30. Accumulated vacation pay at June 30, 2018 and 2017 amounted to \$7,827 and \$6,878, 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>2018</u>	<u>2017</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	153,321	162,392
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
Note payable, unsecured interest at 5.85%, with monthly payments of \$667, due April 16, 2022.	27,368	-
Total	<u>1,283,809</u>	<u>1,265,512</u>
Less current installments of long-term debt	16,474	9,900
Long term debt, excluding current installments	<u>\$ 1,267,335</u>	<u>\$ 1,255,612</u>

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

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 16,474
2020	16,869
2021	17,286
2022	16,332
2023	9,900
Thereafter	1,206,948
	<u>\$ 1,283,809</u>

NOTE 8 – Lines of Credit:

The Organization has two revolving lines of credit; \$25,000 with Capital Bank and \$50,000 with First National Bank. At June 30, 2018 and 2017, the credit lines carried balances of \$73,900 and \$63,258, respectively. Advances on the credit lines are payable on demand and carry interest rates of 6.90% to Capital Bank and 6.00% to First National Bank. The credit lines are uncollateralized.

NOTE 9 – Employee Benefit Plan:

A Savings Incentive Match Plan for Employees (SIMPLE) was established in 2006 by Hospitality House of the Boone Area, Inc. 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, 2018 and 2017. The Organization contributed to the plan \$529 and \$1,340, respectively.

NOTE 10-Deferred Revenues:

At June 30, 2018 the organization had deferred revenues comprised of the following:

	<u>2018</u>	<u>2017</u>
Cannon Grant	\$ 1,038	\$ 36,000
Prepaid Rents	-	1,389
	<u>\$ 1,038</u>	<u>\$ 37,389</u>

NOTE 11 – 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 12 – 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, 2018, operating cash had a carrying balance of \$66,197 and bank balances of \$74,899. At June 30, 2017, operating cash had a carrying balance of totaling \$91,500 and bank balances of \$92,123. Bank balances were fully covered by the Federal Deposit Insurance Corporation for both periods.

NOTE 13 – Non-Cash Donations:

The Organization had the following non-cash donations during the years ended June 30, 2018 and 2017:

Non- cash donation split

	<u>2018</u>	<u>2017</u>
Food	\$ 274,460	\$ 320,974
Professional services	74,536	107,996
	<u>\$ 348,996</u>	<u>\$ 428,970</u>

NOTE 13 – Subsequent Events:

Management has evaluated subsequent events through October 26, 2018 – the date the financial statements were available to be issued.

Compliance Section

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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 the Boone Area, Inc.
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 the Boone Area, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and June 30, 2017, 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 October 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hospitality House of the Boone Area, Inc.'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 the Boone Area, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospitality House of the Boone Area, Inc.'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 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 Hospitality House of the Boone Area, Inc.'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

October 26, 2018