

**HOME BUILDERS INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**HOME BUILDERS INSTITUTE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Home Builders Institute
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Home Builders Institute (HBI), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities 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 Home Builders Institute as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 Home Builders Institute adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Home Builders Institute 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.

Report on 2021 Financial Statements

The 2021 financial statements of HBI were audited by other auditors whose report dated June 27, 2022, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HBI's ability to continue as a going concern for one year after the date 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 auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Board of Trustees
Home Builders Institute

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 27, 2023

**HOME BUILDERS INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 3,251,779	\$ 5,760,211
Investments	4,033,549	1,232,443
Receivables, Net	6,923,073	5,412,377
Prepaid Expenses and Other Assets	349,500	672,564
Property and Equipment, Net	215,445	64,650
Right-of-Use Asset, Net - Operating	2,855,666	-
Right-of-Use Asset, Net - Finance	66,674	-
Total Assets	\$ 17,695,686	\$ 13,142,245
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 3,871,441	\$ 4,064,519
Refundable Advances	3,001,017	2,802,708
Deferred Rent	-	442,985
Lease Liabilities - Operating	3,295,289	-
Lease Liabilities - Financing	67,830	-
Total Liabilities	10,235,577	7,310,212
NET ASSETS		
Without Donor Restrictions	6,540,877	5,600,650
With Donor Restrictions	919,232	231,383
Total Net Assets	7,460,109	5,832,033
Total Liabilities and Net Assets	\$ 17,695,686	\$ 13,142,245

See accompanying Notes to Financial Statements.

**HOME BUILDERS INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Federal Awards and State Projects	\$ 26,944,340	\$ -	\$ 26,944,340
Contributions	8,888,641	979,232	9,867,873
Other Grants and Contracts	3,205,434	-	3,205,434
Net Assets Released from Restrictions	291,383	(291,383)	-
Total Revenue and Support	<u>39,329,798</u>	<u>687,849</u>	<u>40,017,647</u>
EXPENSES			
Program Services:			
Department of Labor	18,975,920	-	18,975,920
Workforce Training and Employment	8,963,708	-	8,963,708
Academies	2,982,068	-	2,982,068
Industry and Academic Partnerships	1,076,330	-	1,076,330
Other Programs	446,180	-	446,180
Total Program Services	<u>32,444,206</u>	<u>-</u>	<u>32,444,206</u>
Supporting Services:			
Management and General	5,208,117	-	5,208,117
Resource Development	538,154	-	538,154
Total Supporting Services	<u>5,746,271</u>	<u>-</u>	<u>5,746,271</u>
Total Expenses	<u>38,190,477</u>	<u>-</u>	<u>38,190,477</u>
CHANGE IN NET ASSETS FROM OPERATIONS	1,139,321	687,849	1,827,170
Net Investment Return	<u>(199,094)</u>	<u>-</u>	<u>(199,094)</u>
CHANGE IN NET ASSETS	940,227	687,849	1,628,076
Net Assets - Beginning of Year	<u>5,600,650</u>	<u>231,383</u>	<u>5,832,033</u>
NET ASSETS - END OF YEAR	<u>\$ 6,540,877</u>	<u>\$ 919,232</u>	<u>\$ 7,460,109</u>

See accompanying Notes to Financial Statements.

**HOME BUILDERS INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Federal Awards and State Projects	\$ 31,545,482	\$ -	\$ 31,545,482
Contributions	6,435,741	60,000	6,495,741
Other Grants and Contracts	1,838,190	-	1,838,190
Net Assets Released from Restrictions	37,684	(37,684)	-
Total Revenue and Support	39,857,097	22,316	39,879,413
EXPENSES			
Program Services:			
Workforce Training and Employment	32,034,362	-	32,034,362
Academies	966,041	-	966,041
Industry and Academic Partnerships	760,576	-	760,576
Other Programs	492,977	-	492,977
Total Program Services	34,253,956	-	34,253,956
Supporting Services:			
Management and General	4,339,892	-	4,339,892
Resource Development	211,975	-	211,975
Total Supporting Services	4,551,867	-	4,551,867
Total Expenses	38,805,823	-	38,805,823
CHANGE IN NET ASSETS FROM OPERATIONS	1,051,274	22,316	1,073,590
Gain on Forgiveness of Note Payable	3,352,100	-	3,352,100
Net Investment Return	122,064	-	122,064
CHANGE IN NET ASSETS	4,525,438	22,316	4,547,754
Net Assets - Beginning of Year	1,075,212	209,067	1,284,279
NET ASSETS - END OF YEAR	\$ 5,600,650	\$ 231,383	\$ 5,832,033

See accompanying Notes to Financial Statements.

**HOME BUILDERS INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,628,076	\$ 4,547,754
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Loss (Gain) on Investments	181,318	(109,906)
Change in Allowance for Doubtful Accounts	6,000	6,698
Depreciation and Amortization of Property and Equipment	59,720	194,994
Impact of Lease Standard Implementation	440,779	-
Loss on Disposition of Property and Equipment	41,065	-
Gain on Forgiveness of Note Payable, Net of Accrued Interest	-	(3,352,100)
(Increase) Decrease in Assets:		
Receivables	(1,516,696)	(439,667)
Prepaid Expenses and Other Assets	323,064	(483,333)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(193,078)	553,446
Refundable Advances	198,309	2,146,736
Deferred Rent	(442,985)	72,576
Net Cash Provided by Operating Activities	725,572	3,137,198
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	6,580	231,568
Purchases of Investments	(2,989,004)	(240,734)
Purchases of Property and Equipment	(251,580)	-
Net Cash Used by Investing Activities	(3,234,004)	(9,166)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,508,432)	3,128,032
Cash and Cash Equivalents - Beginning of Year	5,760,211	2,632,179
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,251,779	\$ 5,760,211
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest Due on Line of Credit	\$ -	\$ 3,973
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES		
Extinguishment of Debt Via Forgiveness	\$ -	\$ 3,352,100
NONCASH TRANSACTIONS ARISING FROM ASC 842 ADOPTION		
Recognition of Right-of-Use Asset	\$ 3,694,220	\$ -
Recognition of Lease Liability	\$ (4,123,091)	\$ -

See accompanying Notes to Financial Statements.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Home Builders Institute (HBI) was formed as a nonprofit in the District of Columbia. HBI is the nation's leading educational resource for career technical education in the building industry and provides its students with the skills and experience they need for careers in residential construction. HBI offers pre-apprenticeship training, job placement services, mentoring, certification programs, and online learning across the country to youth, veterans, displaced workers and others who want to be a part of America's trained workforce.

Program Services

Program services descriptions follow:

Workforce Training and Employment – Under a Federal award with the U.S. Department of Labor (DOL), HBI provides at-risk youth with real-life, hands-on vocational training through the Job Corps program. HBI also administers its Pre-Apprenticeship Certificate Training (PACT) as well as specialized skill instruction through a variety of other partnerships including numerous military installations, Florida's Department of Juvenile Justice and the Department of Corrections in several states. HBI opened its first BuildStrong Academy in Orlando during the year ended December 31, 2021, and opened three additional Academies during the year ended December 31, 2022. HBI has plans to continue opening 2-3 Academies per year in key strategic markets.

Industry and Academic Partnerships – HBI licenses its proprietary PACT curriculum to schools and other institutions around the country. The PACT curriculum provides a comprehensive framework and toolkit for teaching residential construction skills using a blend of hands-on and virtual learning opportunities. During the year ended December 31, 2022, HBI had 23,766 active students across all programming and issued 10,792 Pre-Apprenticeship certificates.

Other Programs – Other programs include activities to advance HBI's mission that are not directly included in the other programmatic categories.

Supporting Services

Supporting services descriptions follow:

Management and General – Management and general includes activities necessary for the administrative processes of HBI and for managing the financial responsibilities of HBI.

Resource Development – Resource development includes activities that encourage and secure financial support for HBI.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

HBI follows the accounting requirements of the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC). Under the FASB ASC, HBI is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Net Assets With Donor Restrictions – Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation, or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

HBI reports donor-restricted contributions, such as government grants, whose restrictions are met in the same year as net assets without donor restrictions. Furthermore, HBI has elected this simultaneous restriction release policy for donor-restricted contributions that were initially conditional contributions (i.e., the condition has been met) without also having to elect it for other donor-restricted contributions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

HBI is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC section 501(c)(3) and, therefore, qualifies for the charitable contribution deduction. HBI has been determined not to be a private foundation under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). HBI is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). In addition, HBI is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. However, management has determined that HBI is not subject to unrelated business income tax. Therefore, HBI has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, demand deposit accounts are considered to be cash and cash equivalents. Money market funds held within the investment portfolio are classified as investments.

Investments

Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of investments, the change in value is charged or credited to net investment return.

Financial Risk

HBI maintains its cash in demand deposit accounts with a large commercial bank which, at times, may exceed federally insured limits. HBI has not experienced any losses in such accounts. HBI believes it is not exposed to any significant financial risk on cash.

HBI invests in a professionally managed portfolio that contains corporate bonds, mutual funds and exchange traded funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the financial statements.

Receivables

Receivables primarily consist of allowed and recoverable costs incurred in accordance with the terms of HBI's various federal awards and state projects, which are billed when the allowed and recoverable costs are incurred. Costs billed to the DOL include indirect costs, which may be subject to adjustment by the DOL in future periods when the provisional indirect cost rate is finalized. As a result, an allowance for doubtful accounts has been established based on management's analysis of the collectability of the indirect costs which have been included in receivables.

Property and Equipment

Acquisitions of property and equipment greater than \$5,000 are recorded at cost and depreciated using the straight-line method over the following useful lives: furniture and computer equipment – five years; leasehold improvements – lesser of the useful life of the asset or the remaining term of the lease.

Valuation of Long-Lived Assets

Long-lived property, such as real estate, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets before other items.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

HBI leases office space and equipment. HBI determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. Finance leases are included in financing lease ROU assets and financing lease liabilities on the statements of financial position.

ROU assets represent HBI's right to use an underlying asset for the lease term and lease liabilities represent HBI's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, HBI uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that HBI will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. HBI has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

HBI has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Revenue and Support

Revenue includes line items that have performance obligations and, as such, are considered to be exchange transactions. Support includes contributions.

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time and most contracts with customers have initial terms of one year or less. HBI performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if HBI is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the certain criteria are not met, then revenue is recognized at a point in time.

Prices are specific to a distinct performance obligation and contracts do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of HBI, or can have a positive impact on cash flows in favorable economic conditions.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Awards and State Projects

HBI has determined that its federal awards and state projects are conditional contributions. Conditional contributions received in advance of incurring allowable costs are recorded as refundable advances in the statements of financial position until the barriers to entitlement have been overcome, at which point the contribution is recognized as unconditional and classified as net assets without restrictions. Costs incurred in excess of cash received are recorded as receivables.

HBI's largest federal award is the Job Corps program, which is funded by a contract with the DOL. The current DOL contract provides Job Corps program funding through July 31, 2023. Revenue related to the Job Corps program totaled \$22,165,812 and \$25,269,393 during the years ended December 31, 2022 and 2021, respectively. The Job Corps program represented 55% and 63% of HBI's total revenue and support for the years ended December 31, 2022 and 2021, respectively.

Contributions

Unconditional contributions are recognized when received. Contributions are classified within activities without donor restrictions or within activities with donor restrictions depending upon the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when either the purpose restriction is satisfied, or the time restriction expires. Contributions with donor restrictions that are both received and released in the same period are classified as without donor restrictions in the statements of activities.

Other Grants and Contracts

Other grants and contracts includes the PACT program, revenue from which is generated by contracts with customers. In particular, the PACT contracts have performance obligations that are either satisfied over time (related to access to the PACT curriculum) or at a point in time (related to when certificates are issued to students). PACT revenue received in advance of the satisfaction of performance obligations is recorded as deferred revenue.

Cost Allocations

The costs of providing programs and supporting services have been summarized on a functional basis in Note 12. Accordingly, certain costs have been allocated among the programs and supporting services benefited. HBI charges expenses directly incurred for a specific function to the appropriate programs and supporting services. In particular, labor and fringe benefit costs are charged directly to the appropriate program or supporting service category based on actual time spent, which is supported by employee timesheets. Indirect costs are allocated based on the direct costs charged to each program or supporting service category. Allocable indirect costs include labor and fringe benefit costs not already charged directly, travel, occupancy, supportive services, other expense, professional services and communications. Occupancy costs that are not included in the indirect cost pool are allocated based on square footage occupied.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

HBI does not include gain on forgiveness of note payable or net investment return in the change in net assets from operations.

Reclassifications

Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Recently Adopted New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

HBI adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

HBI has elected to adopt the package of practical expedients available in the year of adoption.

HBI elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, recognized on January 1, 2022, operating ROU asset of \$3,612,277 and operating lease liability of \$4,055,262. In addition, HBI recognized on January 1, 2022, financing ROU asset of \$81,943 and financing lease liability of \$67,829. Additional detail regarding leases is provided in Note 13 – Leases.

The standard had a material impact on the statements of financial position and statements of cash flows, but did not have an impact on the statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while HBI's accounting for finance leases remained substantially unchanged.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through September 27, 2023, which is the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with U.S. GAAP, HBI uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds, exchange traded funds and a money market fund, the fair values of which were based on quoted prices for identical assets in active markets.

Investments valued using Level 2 inputs include corporate bonds, the fair values of which were determined by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each security.

Management believes the fair values of investments to be a reasonable approximation of their exit price.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of investments at December 31, 2022:

	<u>Level</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at Fair Value:				
Corporate Bonds	\$ -	\$ 432,830	\$ -	\$ 432,830
Mutual Funds:				
Fixed Income	21,602	-	-	21,602
Domestic Equities	201,314	-	-	201,314
Exchange Traded Funds:				
Small and Mid Cap Equities	328,359	-	-	328,359
Total	<u>\$ 551,275</u>	<u>\$ 432,830</u>	<u>\$ -</u>	984,105
Investments at Cost:				
Cash Equivalents				2,923,539
Money Market Funds				125,905
Total Investments				<u>\$ 4,033,549</u>

The following is a summary of investments at December 31, 2021:

	<u>Level</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at Fair Value:				
Corporate Bonds	\$ -	\$ 462,555	\$ -	\$ 462,555
Mutual Funds:				
Fixed Income	42,715	-	-	42,715
Domestic Equities	248,465	-	-	248,465
International Equities	91,068	-	-	91,068
Exchange Traded Funds:				
Large Cap Equities	268,383	-	-	268,383
Small and Mid Cap Equities	114,740	-	-	114,740
Total	<u>\$ 765,371</u>	<u>\$ 462,555</u>	<u>\$ -</u>	1,227,926
Investments at Cost:				
Money Market Funds				4,517
Total Investments				<u>\$ 1,232,443</u>

Net investment return consisted of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Realized and Unrealized (Loss) Gain on Investments	\$ (181,318)	\$ 109,906
Interest and Dividends	-	20,905
Investment Management Fees	(17,776)	(8,747)
Total	<u>\$ (199,094)</u>	<u>\$ 122,064</u>

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 RECEIVABLES

Receivables consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Federal Awards and State Projects	\$ 5,165,210	\$ 4,579,101
Contributions	1,270,057	426,766
Other Grants and Contracts	357,277	427,801
Other Receivables	161,529	3,709
Total	<u>6,954,073</u>	<u>5,437,377</u>
Less: Allowance for Doubtful Accounts	(31,000)	(25,000)
Receivables, Net	<u>\$ 6,923,073</u>	<u>\$ 5,412,377</u>

NOTE 4 LIQUIDITY AND AVAILABILITY OF RESOURCES

HBI regularly monitors the liquidity required to meet its programmatic goals, operating needs, and other contractual commitments. As part of its liquidity management, HBI structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. HBI manages its liquidity and reserves by operating within a functional range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs. HBI strives to maintain current assets, net of current liabilities, equal to a minimum of one month of operating expense.

HBI receives contributions with donor restrictions that are to be used in accordance with associated purpose restrictions. HBI also receives contributions without donor restrictions and HBI receives significant funding from various grants and contracts with governmental and nongovernment sources.

The following provides a summary of financial assets available for general expenditures within one year at December 31:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,251,779	\$ 5,760,211
Investments	4,033,549	1,232,443
Receivables, Net	6,923,073	5,412,377
Total	<u>14,208,401</u>	<u>12,405,031</u>
Amounts Not Available for General Expenditures:		
Refundable Advances	(3,001,017)	(2,802,708)
Net Assets with Donor Restrictions	<u>(919,232)</u>	<u>(231,383)</u>
Financial Assets Available for General Expenditures Within One Year	<u>\$ 10,288,152</u>	<u>\$ 9,370,940</u>

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 4 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Line of Credit

HBI has a \$1,250,000 revolving line of credit with a bank that is secured by cash accounts held by the same bank, investments, and receivables. The line of credit expires on November 4, 2024, and variable rate interest is calculated monthly on the outstanding balance. HBI made no drawdowns during 2022 and 2021, and therefore had no balance due at December 31, 2022 and 2021.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and Computer Equipment	\$ 975,072	\$ 1,261,421
Leasehold Improvements	33,443	33,443
Construction-in-Progress	137,423	-
Total	<u>1,145,938</u>	<u>1,294,864</u>
Less: Accumulated Depreciation and Amortization	<u>(930,493)</u>	<u>(1,230,214)</u>
Property and Equipment, Net	<u>\$ 215,445</u>	<u>\$ 64,650</u>

For December 31, 2022, presentation above excludes construction in progress balance of \$238,108 for the remodeling of the office space that was completed in January 2023.

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
General Accounts Payable	\$ 1,369,263	\$ 1,625,205
Accrued Salaries and Benefits	1,603,336	1,578,280
Accrued Vacation	898,842	845,310
Amount Due to NAHB	-	15,724
Total	<u>\$ 3,871,441</u>	<u>\$ 4,064,519</u>

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 7 RELATED PARTY TRANSACTIONS

National Association of Home Builders and National Housing Center Corporation

National Association of Home Builders of the United States (NAHB) is an organization representing the nation's home building industry. NAHB provides a wide variety of services to its home builder members, including educational seminars, publications and research, as well as serving as a voice of the industry in governmental affairs. NAHB is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the IRC. National Housing Center Corporation (NHC) is a corporation which holds title to the land and building used by NAHB in Washington, D.C. NHC is exempt from the payment of income taxes on its exempt activities under Section 501(c)(2) of the IRC.

HBI has recorded an amount due to NAHB of \$-0- and \$15,724 at December 31, 2022 and 2021, respectively, representing the net effect of inter-entity transactions. The amount due to NAHB excludes the office lease transactions described below.

HBI has an operating lease agreement with NHC for office space and the related lease liability totaled \$1,519,511 and \$-0- at December 31, 2022 and 2021, respectively. For the same lease, HBI also has the related liability for deferred rent which totaled \$-0- and \$442,985 at December 31, 2022 and 2021, respectively. Under the office lease with NHC, rent expense, excluding pass-through costs, totaled \$272,292 and \$503,968 during the years ended December 31, 2022 and 2021, respectively.

During January 2014, NAHB's Board of Directors approved a resolution to extend a \$750,000 line of credit to HBI, but there have been no draw-downs on this line of credit. During June 2021, both parties mutually agreed that the line of credit was no longer necessary and the decision was made to not renew.

National Housing Endowment

National Housing Endowment (NHE) was formed in 1987 as a nonprofit in the state of Delaware by National Association of Home Builders of the United States (NAHB) and a visionary group of leaders and icons in the housing industry. NHE works to build a foundation to help make the American dream of homeownership a reality for present and future generations. NHE's mission is dedicated to helping the housing industry develop more effective approaches to home building, enhancing education and training for future generations of leaders in residential construction and increasing the body of knowledge on housing issues. Through its grant making and scholarship programs, NHE supports innovative and effective programs that further education, training and research in the residential construction industry. NHE is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the IRC.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

National Housing Endowment (Continued)

HBI received Skilled Labor Fund grants from NHE totaling \$-0- and \$90,000 during the years ended December 31, 2022 and 2021, respectively. HBI also received scholarship contributions from NHE totaling \$-0- and \$52,500 during the years ended December 31, 2022 and 2021, respectively. In addition, NHE received pass-through grants totaling \$-0- and \$175,000, during the years ended December 31, 2022 and 2021, respectively, which were paid to HBI as the recipient identified by the donor.

NOTE 8 NOTE PAYABLE

In March 2020, HBI obtained proceeds totaling \$3,352,100, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES Act). The loan was scheduled to mature in April 2022, but the loan was forgiven in full, including interest of \$38,922 for a total of \$3,391,022, by the U.S. Small Business Administration (SBA) during June 2021. HBI elected to account for the PPP loan in accordance with ASC Topic 470, *Debt*. Therefore, HBI recognized a gain on forgiveness of note payable on the statements of activities totaling \$3,352,100 during the year ended December 31, 2021.

NOTE 9 CONDITIONAL CONTRIBUTIONS

HBI receives conditional contributions from various funding sources. Conditional contributions are not recorded on the financial statements until HBI satisfies the barriers stipulated by the donors in the underlying contracts and agreements. When the barriers have been satisfied, the contributions are unconditional, and they are recorded on the financial statements. See Note 3 for receivables which are unconditional and have been recorded on the financial statements.

A summary of conditional contributions to be recorded in future years consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Federal Awards	\$ 9,360,295	\$ 32,543,033
State Projects	5,131,580	7,502,897
Private Donor	2,221,154	1,831,600
Total	<u>\$ 16,713,029</u>	<u>\$ 41,877,530</u>

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 9 CONDITIONAL CONTRIBUTIONS (CONTINUED)

HBI has reported a liability for refundable advances in situations where HBI has received conditional contributions in advance of the satisfaction of the related conditions. Refundable advances from all funding sources totaled \$3,001,017 and \$2,802,708 at December 31, 2022 and 2021, respectively.

Private Donor

HBI has received several grants from one of its private donors to support various programs. The grants are considered to be conditional contributions until the barriers in the grant documents have been overcome, at which point the grants become unconditional contributions. Cumulative grants from the private donor, net of the related cumulative funding received, consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cumulative Grant Amounts Awarded	\$ 18,589,366	\$ 10,671,946
Less: Cumulative Funding Received	<u>(15,042,060)</u>	<u>(8,767,005)</u>
Total	<u>\$ 3,547,306</u>	<u>\$ 1,904,941</u>

The grant amounts receivable from the private donor which have been summarized above include both conditional and unconditional contributions which consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Conditional Contributions	\$ 2,221,154	\$ 1,831,600
Unconditional Contribution	<u>1,326,152</u>	<u>73,341</u>
Total	<u>\$ 3,547,306</u>	<u>\$ 1,904,941</u>

HBI recorded contributions receivable from the private donor totaling \$346,741 and \$73,341 at December 31, 2022 and 2021, respectively. HBI also recorded refundable advances from the private donor totaling \$2,019,017 and \$1,952,769 at December 31, 2022 and 2021, respectively.

Refundable advances consisted of the following at December 31:

	<u>1899</u>	<u>0</u>
Private Donors	\$ 2,091,017	\$ 1,952,769
Other Non-Government Donors	<u>910,000</u>	<u>849,939</u>
Total	<u>\$ 3,001,017</u>	<u>\$ 2,802,708</u>

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 10 NET ASSETS

Net assets with donor restrictions consisted of the following at December 31:

	2022	2021
Military Programs	\$ -	\$ 136,475
Smith Fund for Excellence	-	94,908
Florida State Program	844,232	-
Conference Sponsorship	75,000	-
Total	\$ 919,232	\$ 231,383

Net assets released from restrictions consisted of the following for the years ended December 31:

	2022	2021
Military Programs	\$ 136,475	\$ 20,375
Smith Fund for Excellence	104,908	17,309
Schools to Skills	50,000	-
Total	\$ 291,383	\$ 37,684

NOTE 11 RETIREMENT PLANS

Money Purchase Pension and Profit Sharing Plan

HBI has a defined contribution money purchase pension and profit sharing plan covering all full-time employees of HBI who have completed six months of service and are not participants in a union plan. Employees who are not full-time are eligible to participate after completing one year of service as defined by the plan. HBI makes quarterly payments of employer contributions, which are equal to 8% of the participants' annual compensation, to the plan. HBI contributed \$1,386,125 and \$1,392,467 to the plan during the years ended December 31, 2022 and 2021, respectively.

403(b) Retirement Plan

HBI also has a defined contribution participant-directed 403(b) retirement plan. All employees of HBI are eligible to participate immediately upon their date of hire. The plan is a tax deferred retirement plan which provides employees with the ability to accumulate long-term savings for their retirement while benefiting from favorable tax treatment on their current salaries. Employees electing to participate in the plan make contributions to the plan through either specified-percentage or fixed-dollar payroll deductions in any amount up to statutory limitations as specified in the IRC. Because the plan is an employee elective deferral retirement plan, HBI makes no contributions to the plan.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 12 FUNCTIONAL EXPENSES

Functional expenses consisted of the following for the year ended December 31, 2022:

	Program Services					Supporting Services		Total
	Department of Labor	Workforce Training and Employment	Academies	Industry and Academic Partnerships	Other Programs	Management and General	Resource Development	
	Salaries	\$ 10,852,444	\$ 5,306,681	\$ 1,526,159	\$ 353,278	\$ -	\$ 2,728,908	
Fringe Benefits	3,976,085	1,651,085	459,445	104,413	-	707,559	76,978	6,975,565
Training	1,719,127	687,050	317,021	207,656	277,098	15,678	5,000	3,228,630
Travel	1,056,552	322,241	94,645	75,873	46,031	229,351	23,095	1,847,788
Professional Services	422,646	99,748	88,903	22,353	9,898	774,701	158,168	1,576,417
Supportive Services	586,371	133,377	148,708	77,178	55,503	406,433	10,965	1,418,535
Occupancy	69,348	555,091	222,005	9,396	4,181	186,439	20,292	1,066,752
Other Direct Expenses	214,347	48,282	9,550	192,406	37,675	112,289	635	615,184
Communications	70,738	126,382	23,375	4,270	512	46,759	1,252	273,288
Program Development	8,262	33,771	92,257	29,507	15,282	-	-	179,079
Total	<u>\$ 18,975,920</u>	<u>\$ 8,963,708</u>	<u>\$ 2,982,068</u>	<u>\$ 1,076,330</u>	<u>\$ 446,180</u>	<u>\$ 5,208,117</u>	<u>\$ 538,154</u>	<u>\$ 38,190,477</u>

Functional expenses consisted of the following for the year ended December 31, 2021:

	Program Services				Supporting Services		Total
	Workforce Training and Employment	Academies	Industry and Academic Partnerships	Other Programs	Management and General	Resource Development	
	Salaries	\$ 16,179,506	\$ 266,031	\$ 263,746	\$ 320,980	\$ 2,000,644	
Fringe Benefits	5,910,044	75,587	77,545	-	636,662	23,686	6,723,524
Training	3,165,062	273,349	484	3,006	15,046	-	3,456,947
Life Cycle Equipment	3,340,144	-	-	-	-	-	3,340,144
Professional Services	626,117	29,361	149,987	62,477	506,008	107,500	1,481,450
Occupancy	813,298	93,739	24,463	-	453,776	-	1,385,276
Supportive Services	573,142	84,046	41,208	32,027	339,215	-	1,069,638
Travel	817,211	38,402	65,884	519	92,032	-	1,014,048
Other Direct Expenses	377,791	64,652	121,797	54,835	188,094	-	807,169
Communications	205,132	4,036	4,133	150	92,050	-	305,501
Program Development	26,915	36,838	11,329	18,983	16,365	-	110,430
Total	<u>\$ 32,034,362</u>	<u>\$ 966,041</u>	<u>\$ 760,576</u>	<u>\$ 492,977</u>	<u>\$ 4,339,892</u>	<u>\$ 211,975</u>	<u>\$ 38,805,823</u>

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 13 LEASES

HBI has an operating lease agreement with NHC (see Note 7) for headquarters office space in Washington, D.C. The amended terms of the office lease extended the term so that the lease expires on February 28, 2027. The amended terms of the office lease also include an abatement of rent and escalating base rental payments. The rent abatement and rent escalations have been accounted for as a reduction of a right of use of asset as of December 31, 2022 under newly adopted ASC 842. The difference between the straight-line expense and the cash payments have been reported as deferred rent in the accompanying financial statements under superseded ASC 840. Deferred rent totaled \$442,985 at December 31, 2021.

HBI also has several office lease agreements for program sites located throughout the United States of America. The program site leases expire on various dates through April 1, 2025.

In addition, HBI has a finance lease on equipment that expires in 2026.

A maturity analysis of annual undiscounted cash flows for the operating lease liabilities as of December 31, 2022 were as follows:

<u>Year Ending December 31,</u>	<u>Headquarters</u>	<u>Program Sites</u>	<u>Total</u>
2023	\$ 354,979	\$ 551,059	\$ 906,038
2024	367,403	428,840	796,244
2025	380,262	400,547	780,809
2026	393,572	333,606	727,177
2027	67,302	163,072	230,374
Total Lease Payments	<u>1,563,519</u>	<u>1,877,124</u>	<u>3,440,642</u>
Less: Interest	44,007	101,346	145,353
Present Values of Lease Payments	<u>\$ 1,519,512</u>	<u>\$ 1,775,778</u>	<u>\$ 3,295,289</u>

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 13 LEASES (CONTINUED)

The following table provides quantitative information concerning HBI's leases:

	<u>2022</u>
<u>Lease Costs</u>	
Finance Lease Costs:	
Amortization of Right-of-Use Assets	\$ 15,269
Interest on Lease Liabilities	2,061
Operating Lease Costs	800,097
Variable Lease Costs	4,635
Total Lease Costs	<u>\$ 822,062</u>
<u>Other Information</u>	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Financing Leases	\$ 2,061
Operating Cash Flows from Operating Leases (Fixed Payment)	\$ 803,458
Operating Cash Flows from Operating Leases (Liability Reduction)	\$ 763,857
Financing Cash Flows from Financing Leases	\$ 14,114
Weighted-Average Remaining Lease Term:	
Financing Leases	4.01 Years
Operating Leases	4.06 Years
Weighted-Average Discount Rate:	
Financing Leases	3.05%
Operating Leases	2.14%

NOTE 14 COMMITMENTS AND CONTINGENCIES

Federal Awards and State Projects

HBI receives funding from several federal awards and state projects which are subject to financial and compliance examinations by federal or state agencies or their representatives. Therefore, a contingent liability may exist for potential questioned costs that would result from such examinations. However, management does not anticipate significant adjustments as a result of such examinations.

Employment Agreement

HBI has an employment agreement with a key employee that requires payment of severance in the event of termination without cause.

**HOME BUILDERS INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

PPP Loans

The SBA has the right to audit recipients of PPP loans for up to six years from the date of forgiveness. However, management does not believe a material risk exists related to the SBA's right to audit.

Purchase Commitments

HBI placed orders during 2021 with several vendors for equipment in relation to the Life Cycle Equipment program in accordance with the terms of the Job Corps grant. Therefore, a contingent liability exists for equipment orders totaling \$534,450 that were placed during the year ended December 31, 2021. The equipment was received by HBI between January 1, 2022 and March 31, 2022, in accordance with the terms of the grant agreement. There were no orders placed in relation to the Life Cycle Equipment program as of December 31, 2022.

HOME BUILDERS INSTITUTE

UNIFORM GUIDANCE AND
CHAPTER 10.650, *RULES OF THE STATE OF FLORIDA AND*
AUDITOR GENERAL
SUPPLEMENTARY FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**HOME BUILDERS INSTITUTE
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE ASSISTANCE PROGRAM	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10



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

Board of Trustees
Home Builders Institute
Washington, DC

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 Home Builders Institute (HBI), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Home Builders Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Home Builders Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Home Builder Institute'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.

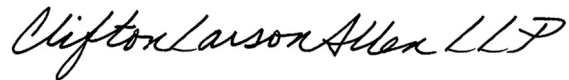
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP

Arlington, Virginia
September 27, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE ASSISTANCE PROGRAM

Board of Trustees
Home Builders Institute
Washington, DC

Report on Compliance for Each Major Federal Program and State Project

Opinions on Each Major Federal Program and State Project

We have audited Home Builders Institute's (HBI) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, and in the requirements described in the *State of Florida's Division of Accounting and Auditing State Project Compliance Supplement*, that could have a direct and material effect on each of Home Builders Institute's major federal programs and state project for the year ended December 31, 2022. Home Builders Institute's major federal program and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Home Builders Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program and state project for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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); and Chapter 10.650, *Rules of the State of Florida Auditor General*. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the State of Florida Auditor General*, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Home Builders Institute 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 and state project. Our audit does not provide a legal determination of Home Builders Institute'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 Home Builders Institute’s federal and state programs.

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 Home Builders Institute’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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, *Rules of the State of Florida Auditor General*, 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 Home Builders Institute’s compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, *Rules of the State of Florida Auditor General*, 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 Home Builders Institute’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 Home Builders Institute’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 and Chapter 10.650, *Rules of the State of Florida Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of Home Builders Institute’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.

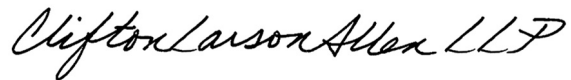
Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance 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 and Chapter 10.650, *Rules of the State of Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of Home Builders Institute as of and for the year ended December 31, 2022, and have issued our report thereon dated September 27, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state projects is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General* 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 schedule of expenditures of federal awards and state projects is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
September 27, 2023

HOME BUILDERS INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/ Program Title	Federal Assistance Listing Number	Grant Identification Number(s)	Federal Expenditures
<u>U.S. Department of Labor</u>			
H-1B Job Training Grants	17.268	1630DC-18-C-0017	\$ 22,317,375
Pathstone Puerto Rico: Youth Built	17.274	U. S. DOL Contract	133,862
<i>Career Source Central Florida</i>			
WIOA Youth Activities - WIOA Cluster	17.259	WIOA YN 1617-012	93,515
WIOA Youth Activities - WIOA Cluster	17.259	WIOA PY 20-21	<u>65,499</u>
Total U.S. Department of Labor			<u>22,610,251</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>City of Houston</i>			
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	4600016183	169,443
Total U.S. Department of Housing and Urban Development			<u>169,443</u>
Total Expenditures of Federal Awards			<u>\$ 22,779,694</u>

State of Florida Agency CSFA Program Title	State CSFA Number	Other Identifying Number	Total State Expenditures
<u>U.S. Department of Labor</u>			
<i>State of Florida Department of Economic Opportunity (DEO)</i>			
Pre-Apprenticeship Certificate Training (PACT) Program 2021-2022	40.037	WL054	\$ 333,702
Pre-Apprenticeship Certificate Training (PACT) Program 2022-2023	40.037	WL061	<u>313,554</u>
Total Department of Economic Opportunity			647,255
<i>State of Florida Department of Corrections (DOC)</i>			
Pre-Apprenticeship Certificate Training (PACT) Program 2021-2022	70.011	B9C02D	43,675
Pre-Apprenticeship Certificate Training (PACT) Program 2022-2023	70.011	C03E3D	173,962
<i>State of Florida Department of Corrections (Behind the Fence)</i>			
Pre-Apprenticeship Certificate Training (PACT) Program 2021-2022	70.011	B95043	102,096
Pre-Apprenticeship Certificate Training (PACT) Program 2022-2023	70.011	C01237C	<u>119,764</u>
Total Department of Corrections			<u>439,497</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,086,752</u>

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

**HOME BUILDERS INSTITUTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state project activity of Home Builders Institute for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of HBI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of HBI.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

HBI does not provide any awards to subrecipients. Therefore, the schedule of expenditures of federal awards and state financial assistance has no separate column for amounts awarded to subrecipients.

NOTE 3 DE MINIMUS INDIRECT COST RATE

HBI has elected not to use the 10% de minimus rate as allowed by the Uniform Guidance.

NOTE 4 INDIRECT COST RATE

As provided by the U.S. Department of Labor (DOL), HBI allocated indirect costs using a rate lower than its approved provisional rate of 14.80% during the year ended December 31, 2022. During December 2022, the DOL approved 14.33% as the final indirect cost rate related to the year ended December 31, 2021. HBI expects that the DOL will approve HBI's indirect cost rate and provide a final rate for 2022 during the year ending December 31, 2023. Any variance between the provisional indirect cost rate and the final rate approved by DOL on an annual basis may be adjusted by the DOL in subsequent periods.

**HOME BUILDERS INSTITUTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2022**

NOTE 5 JOB CORPS

The Job Corps program is funded by the U.S. Department of Labor through an H-1B Job Training Grant (Federal Assistance Listing Number 17.268) in accordance with contract number 1630DC-18-C-0017, which includes option periods that provide Job Corps program funding through July 31, 2023. Effective February 9, 2022, the fourth option period for the Job Corps program was funded by requisition number 1631-OJC-22-ODC-0081, which terminates on July 31, 2023.

Federal award revenue related to the H-1B Job Training Grants totaled \$22,165,812 during the year ended December 31, 2022. However, federal expenditures totaled \$22,317,375 during the year ended December 31, 2022. The difference between federal revenue and federal expenditures is a net of fixed fee amount in excess of cost, which is included in the terms of the Job Corps grant agreements and prior year cost adjustment.

NOTE 6 RECONCILIATION OF GRANTS AND CONTRACTS

Total federal awards and state projects revenue recorded in net assets without donor restrictions is made up of the following as of December 31, 2022:

	<u>2022</u>
U.S. Government Grants	\$22,779,694
State of Florida Grants	1,086,752
Other Awards and State Projects	<u>3,077,894</u>
Total Federal Awards and State Projects	<u><u>\$ 26,944,340</u></u>

**HOME BUILDERS INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

Section I – Summary of Auditors’ Reports

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weaknesses identified? _____ yes x no
 - Significant deficiencies identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weaknesses identified? _____ yes x no
 - Significant deficiencies identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. 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

Federal Assistance Listing Number	Name of Federal Program or Cluster
17.268	H-1B Job Training Grants

Identification of Major State Projects

SCFA Number	Name of Federal Program or Cluster
40.037	Department of Economic Opportunity: Workforce Development Projects
70.011	Department of Corrections: Transitional Service – Post Release

**HOME BUILDERS INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2022**

Section I – Summary of Auditors’ Reports (Continued)

Dollar threshold used to distinguish between
Type A and Type B federal programs: \$ 750,000

Dollar threshold used to distinguish between
Type A and Type B state projects: \$ 326,026

HBI was determined not to be a low-risk auditee as defined in the Uniform Guidance.

Section II – Financial Statement Findings

No findings were reported.

Section III – Findings and Questioned Costs – Major Federal Programs

No findings were reported.



**HOME BUILDERS INSTITUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022**

TO: United States Department of Labor

Home Builders Institute respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2022.

Audit period for prior audit findings: January 1 – December 31, 2021

FINDINGS—FINANCIAL STATEMENT AUDIT

Finding 2021-001 – Federal Financial Reporting Requirements – Significant Deficiency

Condition: The financial statements and schedule of expenditures of federal awards (SEFA) for the year ended December 31, 2021, included amounts for equipment purchases that had been ordered by HBI under the Life Cycle Equipment (LCE) program in accordance with the most recent terms of the grant. Under the LCE program, equipment totaling \$534,450 that had been ordered by HBI but had not yet been received was improperly included in accounts payable at December 31, 2021.

Status: This finding has been remediated.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Finding 2021-002 – Federal Financial Reporting Requirements – Material Weakness (Program Level)

Condition: The financial statements and schedule of expenditures of federal awards (SEFA) for the year ended December 31, 2021, included amounts for equipment purchases that had been ordered by HBI under the Life Cycle Equipment (LCE) program in accordance with the most recent terms of the grant. Under the LCE program, equipment totaling \$534,450 that had been ordered by HBI but had not yet been received was improperly included in accounts payable at December 31, 2021.

Status: This finding has been remediated.

Finding 2021 – 003 Procurement and Suspension and Debarment – Material Weakness (Program Level)

Condition: For all eight vendors in our procurement sample, HBI could not provide documentation of their verification that the vendors were not suspended, debarred or otherwise excluded

Status: This finding has been remediated.

If the United States Department of Labor has questions regarding this schedule, please call Jeremy Albritton at 202-557-8849.

A handwritten signature in black ink, appearing to read "Jeremy Albritton". The signature is fluid and cursive, with a large initial "J" and a stylized "A".

Jeremy Albritton
Chief Financial Officer & SVP Business Operations
Home Builders Institute