

**PIEDMONT TRIAD REGIONAL  
DEVELOPMENT CORPORATION**  
(A Component Unit of the Piedmont Triad Regional Council)

FINANCIAL REPORT

For the Year Ended June 30, 2014

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
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June 30, 2014

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**cannon&company**  
Certified Public Accountants LLP

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Kernersville, North Carolina

We have audited the accompanying financial statements of Piedmont Triad Regional Development Corporation (Corporation), a component unit of the Piedmont Triad Regional Council, which comprise the statements of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Piedmont Triad Regional Development Corporation as of June 30, 2014, 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.

*Cannon & Company, L.L.P.*

October 14, 2014

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2014

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**ASSETS**

CURRENT ASSETS

Cash	\$ 106,110
Accounts receivable	<u>-</u>

TOTAL CURRENT ASSETS	106,110
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PROPERTY AND EQUIPMENT

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TOTAL ASSETS	<u><u>\$ 106,110</u></u>
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**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES

Due to Piedmont Triad Regional Council	\$ 289,098
Loan fee deposits	<u>7,500</u>

TOTAL CURRENT LIABILITIES	296,598
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NET ASSETS (Deficit)

Unrestricted	<u>(190,488)</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 106,110</u></u>
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**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2014

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CHANGES IN UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT

Loan processing fees	\$ 12,885
Loan servicing fees ( net of SBA service fees of \$12,228 for 2014)	35,494
Escrow interest income	2,803
Other interest income	<u>42</u>

TOTAL REVENUE AND SUPPORT	<u>51,224</u>
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EXPENSES

Salaries	42,822
Allocated fringe benefits	12,525
Building rent	1,221
Dues and subscriptions	500
Other expenses	1,185
Professional fees	4,900
Travel expense	328
Allocated indirect expenses from the Council	<u>22,417</u>

TOTAL EXPENSES	<u>85,898</u>
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INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS (DEFICIT)	(34,674)
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NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(155,814)</u>
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NET ASSETS (DEFICIT) AT END OF YEAR	<u><u>\$ (190,488)</u></u>
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**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2014

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CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (34,674)
Adjustments to reconcile increase in net assets (deficit) to net cash provided by operating activities:	
Changes in:	
Accounts receivable	-
Due to Piedmont Triad Regional Council	85,898
Loan fee deposits	-
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NET INCREASE (DECREASE) IN CASH	51,224
CASH AT BEGINNING OF YEAR	<hr/> 54,886
CASH AT END OF YEAR	<u><u>\$ 106,110</u></u>

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

The Northwest Piedmont Development Corporation, Inc., a nonprofit organization established in October 26, 1983, was organized to further the economic development and social welfare of surrounding counties by promoting and assisting the growth and development of small business operations. The Northwest Piedmont Development Corporation, Inc. changed its name to the Piedmont Triad Regional Development Corporation (Corporation) on February 8, 2012, and filed the change with the North Carolina Secretary of State on February 23, 2012. The objectives of the corporation are to benefit the community by increasing employment opportunities and expanding business and industry in the area.

On August 1, 1984, the Corporation received designation as a Small Business Administration (SBA) 503/504 Certified Development Company qualified to process loan packages under the SBA 503/504 Program.

The Piedmont Triad Regional Council (Council) appoints a majority of the members of the board of directors for the Corporation and is able to impose its will on the Corporation. Accordingly, the Corporation is a component unit of the Council and its financial statements are an integral part of the financial statements of the Council.

A summary of the Corporation's significant accounting policies follow:

Income Tax Status

The Corporation was organized exclusively for charitable purposes and has qualified as a nonprofit corporation under Chapter 55A of the laws of the State of North Carolina and Section 501(c) (3) of the Internal Revenue Code.

Management evaluated the Corporation's tax position and concluded that the Corporation has taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Corporation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities before 2010.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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. Accordingly, actual results could differ from those estimates.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

Property and equipment are stated at cost and depreciated under the straight-line method over estimated useful lives. The Corporation capitalizes all expenditures for property and equipment in excess \$500.

Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivables are stated at amounts management expects to collect from loan processing fees that closed near year-end. Based on management's assessment of clients with outstanding balances and the current relationship with them, it has concluded that realization of losses on balances outstanding at year end will be immaterial.

Basis of Presentation

The Corporation follows the guidance provided by Financial Accounting Standards Board Accounting Standards Codification (ASC) 958. *Financial Statements of Not-for-Profit Organizations*, for preparation of its financial statements. ASC 958 requires that amounts for each of three classes of net position- permanently restricted, temporarily restricted and unrestricted - be displayed in the statement of financial position. Under this statement, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time.

Permanently restricted net assets - There are no permanently restricted net assets.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Due to Piedmont Triad Regional Council (Council)

The Corporation has entered into a contractual agreement with Council under which the Corporation is billed for staff time and expenses. This contractual arrangement makes the Corporation financially dependent upon Council, which is legally entitled to access the Corporation's financial resources. Under this agreement Council will cover any shortfalls or timing issues with funding that the Corporation may have resulting in an amount due to Council at year end.

Loan Fee Deposits

The Corporation introduced a loan fee deposit requirement during the year ended June 30, 1999. This deposit (lesser of \$2,500 or 1% of loan amount) represents the amount the SBA considers earned by the

Corporation at the time of the receipt of the deposit. At loan closing, this deposit is credited toward closing costs. In the event the loan fails to close due to the borrower, the Corporation retains the loan fee deposit and recognizes it as revenue. If the failure to close is not due to the borrower, the deposit is then refunded. The loan closing process can take time depending on the circumstances of the borrower.

Revenue recognition

The Corporation's policy is to recognize loan and processing fee revenues when earned and receivable, which is at the time of the SBA 503/504 loan closing. The Corporation recognizes SBA 503/504 servicing fees when earned and remitted.

Subsequent Events

All the effects of subsequent events that provide additional evidence about conditions that existed at the financial statement date, including the estimates inherent in the process of preparing the financial statement, are recognized in the financial statements. The corporation does not recognize subsequent events that provide evidence about conditions that did not exist at the financial statement date but arose after, but before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading.

The Corporation has evaluated subsequent events (occurring after June 30, 2014 through October 14, 2014, which represents the date the financial statements were available to be issued.

**NORTHWEST PIEDMONT DEVELOPMENT CORPORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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**NOTE B - RELATED PARTIES**

The Corporation entered into an agreement with the Council in which the Council agreed to provide full funding for Corporation activities through staff time and other funding until such time as the Corporation becomes self-sufficient through SBA 503/504 fees revenue. All fees will be used to reimburse the Council for expenses incurred, such as salaries, indirect expenses, and allocated fringe benefits. Total expenses for these costs were \$85,898 in 2014. In return, the Corporation agreed to (1) transfer all current assets and revenues to the Council within ten days; (2) submit requests for budgeted expenditures to the Council for payment; (3) submit a budget for each for the coming years to the Council for approval and (4) refrain from seeking funds directly from local governments.

Amounts due to the Piedmont Triad Regional Council are as follows:

Due to Council, beginning of year	\$ 203,200
Advances from Council	85,902
Less repayments to Council	<u>(4)</u>
Due to Council, end of year	<u>\$ 289,098</u>

**NOTE C - LOAN FEE DEPOSIT**

The Corporation introduced a loan fee deposit requirement during the year ended June 30, 1999. This deposit (lesser of \$2,500 or 1% of loan amount) represents the amount the SBA considers earned by the Corporation at the time of the receipt of the deposit. At loan closing, this deposit is credited toward closing costs. In the event the loan fails to close due to the borrower, the Corporation retains the loan fee deposit and recognizes it as revenue. If the failure to close is not due to the borrower, the deposit is then refunded. Loan fee deposits were \$0 as of June 30, 2014.