

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

FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018



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 (a nonprofit organization), a component unit of the Piedmont Triad Regional Council, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2019 and 2018, 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 January 14, 2020, on our consideration of Piedmont Triad Regional Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Piedmont Triad Regional Development Corporation's 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 Piedmont Triad Regional Development Corporation's internal control over financial reporting and compliance.

Cannon & Company, S.L.P.

Winston-Salem, North Carolina
January 14, 2020

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 187,629	\$ 205,250
Accounts receivable	9,631	41,550
Current portion loans receivable	<u>30,923</u>	<u>-</u>
TOTAL CURRENT ASSETS	228,183	246,800
Loans receivable- net	<u>322,305</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 550,488</u></u>	<u><u>\$ 246,800</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Piedmont Triad Regional Council	\$ 17,730	\$ 44,395
Deferred federal grant revenue	-	41,550
Deferred private grant revenue	<u>16,800</u>	<u>200,000</u>
TOTAL CURRENT LIABILITIES	<u>34,530</u>	<u>285,945</u>
NET ASSETS (DEFICIT)		
With donor restrictions	192,670	-
Without donor restrictions	<u>323,288</u>	<u>(39,145)</u>
TOTAL NET ASSETS (DEFICIT)	<u>515,958</u>	<u>(39,145)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 550,488</u></u>	<u><u>\$ 246,800</u></u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	2019		2018	
	Unrestricted	Donor	Unrestricted	Donor
		Restricted		Restricted
SUPPORT AND REVENUE				
Federal grant revenue	\$ 297,831	\$ -	\$ 93,447	\$ 93,447
Local grant revenue	183,200	194,000	-	-
Loan processing fees	-	-	5,000	5,000
Loan servicing fees	-	-	4,555	4,555
Program service income	38,602	-	3,609	3,609
Other interest income	11,652	-	237	237
Net assets released from restrictions	1,330	(1,330)	-	-
TOTAL SUPPORT AND REVENUE	532,615	192,670	106,848	106,848
EXPENSES				
Program expenses:				
Salaries	26,369	-	36,421	36,421
Allocated fringe benefits	11,333	-	15,115	15,115
Other expenses	7,490	-	3,214	3,214
Professional fees	100,122	-	67,356	67,356
Travel expense	10,512	-	12,307	12,307
	155,826	-	134,413	134,413
General and administrative expenses:				
Allocated indirect expenses from the Council	14,356	-	23,995	23,995
TOTAL EXPENSES	170,182	-	158,408	158,408
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	362,433	192,670	(51,560)	(51,560)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	(39,145)	-	12,415	12,415
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 323,288	\$ 192,670	\$ (39,145)	\$ (39,145)

See accompanying notes and independent auditor's report.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 555,103	\$ (51,560)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Changes in:		
Accounts receivable	31,919	(41,550)
Loan receivable	(353,228)	-
Due to Piedmont Triad Regional Council	(26,665)	(66,135)
Deferred federal grant revenue	(41,550)	18,103
Deferred private grant revenue	(183,200)	200,000
Deferred loan revenue	-	(5,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(17,621)</u>	<u>53,858</u>
NET INCREASE/(DECREASE) IN CASH	(17,621)	53,858
CASH AT BEGINNING OF YEAR	<u>205,250</u>	<u>151,392</u>
CASH AT END OF YEAR	<u>\$ 187,629</u>	<u>\$ 205,250</u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Piedmont Triad Regional Development Corp 6/30/19 Audit, Inc. (the Corporation), 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 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. In August of 2017, the Corporation voluntarily resigned from the SBA 503/504 Program. Currently, the Corporation processes loan packages under a program from the Economic Development Administration.

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:

Financial Statement Presentation

The Company reports financial information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired.

Net assets with donor restrictions contain donor-imposed restrictions as follows:

- Contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Corporation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- Contain donor-imposed restrictions that permit the Corporation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Corporation.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For purposes of reporting cash flows, the Corporation considers all cash investments with a purchased maturity of three months or less to be cash equivalents.

Accounts and Loans Receivable

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

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 of \$5,000.

Due to Piedmont Triad Regional Council (Council)

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

Expense Allocation

The costs of providing program and support services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited on a reasonable basis that is consistently applied by management. Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of estimates made by management.

Liquidity

The Corporation has \$228,183 of financial assets available to meet cash needs for expenditures within one year of the Statement of Financial Position date, as noted in the current assets section of the statement. \$192,670 of the current financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation maintains financial assets, consisting of cash, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

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. The Corporation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 14, 2020, the date the financial statements were available to be issued.

NOTE B – CASH

The corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash. At June 30, 2019, the Corporation did not have bank deposits which exceeded federally-insured limits.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE C - 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 Economic Development Administration planning grant revenues. All revenues 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 \$170,182 and \$158,408 in 2019 and 2018, respectively. 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:

	<u>2019</u>	<u>2018</u>
Due to the Council, beginning of year	\$ 44,395	\$ 110,530
Advances from Council	170,182	158,408
Less repayments to Council	<u>(196,847)</u>	<u>(224,543)</u>
Due to the Council, end of year	<u>\$ 17,730</u>	<u>\$ 44,395</u>

NOTE D- LOANS RECEIVABLE

Piedmont Triad Regional Development Corporation entered into a ten-year loan receivable with Burlington Beer Company during 2019. The loan is to be used for purchasing several items of equipment for the brewery. The principle balance of the note was \$240,000, receivable in payments of \$2,429.88 monthly starting February 15, 2019 and continuing until March 15, 2029, at which time the remaining balance is due. The note bears interest at 4%. The note receivable balance at June 30, 2019 was \$231,370.

Piedmont Triad Regional Development Corporation entered into a ten-year loan receivable with Haw River Farmhouse Ales during 2019. The loan is to be used for purchasing several items of equipment for the alehouse. The principle balance of the note was \$126,400, receivable in payments of \$1,279.74 monthly starting February 1, 2019 and continuing until March 1, 2029, at which time the remaining balance is due. The note bears interest at 4%. The note receivable balance at June 30, 2019 was \$121,858, respectively.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE D- LOANS RECEIVABLE (CONTINUED)

Current maturity of the loans receivable are as follows:

2020	\$	30,923
2021		32,183
2022		33,494
2023		34,859
2024		36,279
Thereafter		185,490
	\$	<u>353,228</u>

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Subject to expenditure for specific purpose:

BCS PTR Food Initiative \$ 192,670

Net Assets with Donor Restrictions \$ 192,670

NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Subject to purpose restrictions:

BCS PTR Food Initiative expenditures \$ 1,330

Total Donor Restricted Net Assets released \$ 1,330

NOTE G – CHANGE IN ACCOUNTING PRINCIPLE

The organization implemented FASB Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in the year ending June 30, 2019.



cannon&company
Certified Public Accountants L.L.P.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Piedmont Triad Regional Development Corporation
Kernersville, 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 Piedmont Triad Regional Development Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and 2018, 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 January 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Piedmont Triad Regional Development Corporation’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Piedmont Triad Regional Development Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of Piedmont Triad Regional Development Corporation’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 Piedmont Triad Regional Development Corporation'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cannon & Company, L.L.P.

Winston-Salem, North Carolina
January 14, 2020