

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

FINANCIAL STATEMENTS

*As of and for the Years Ended June 30, 2020 and 2019*

*And Report of Independent Auditor*

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**

**TABLE OF CONTENTS**

---

**REPORT OF INDEPENDENT AUDITOR** ..... 1-2

**FINANCIAL STATEMENTS**

Statements of Financial Position ..... 3  
Statements of Activities and Functional Expenses ..... 4  
Statements of Cash Flows ..... 5  
Notes to the Financial Statements ..... 6-10

Report of Independent Auditor 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*..... 11-12

## Report of Independent Auditor

To the Board of Directors  
Piedmont Triad Regional Development Corporation  
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, 2020, and the related statements of activities and functional expenses 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 audits. 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 *Governmental 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, 2020, 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.

### Prior Period Financial Statements

The financial statements of Piedmont Triad Regional Development Corporation as of June 30, 2019, were audited by other auditors whose report dated October 31, 2019, expressed an unmodified opinion on those statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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.

*Cheryl Behrnt LLP*

Charlotte, North Carolina  
October 30, 2020

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2020 AND 2019*

|   | <u>2020</u>                | <u>2019</u>              |
|---|----------------------------|--------------------------|
| <b>ASSETS</b>                           |                            |                          |
| Current Assets:                         |                            |                          |
| Cash                                    | \$ 614,557                 | \$ 187,629               |
| Accounts receivable                     | 159,326                    | 9,631                    |
| Current portion loans receivable        | <u>30,458</u>              | <u>30,923</u>            |
| Total Current Assets                    | 804,341                    | 228,183                  |
| Loans receivable, net                   | <u>486,615</u>             | <u>322,305</u>           |
| <b>Total Assets</b>                     | <u><u>\$ 1,290,956</u></u> | <u><u>\$ 550,488</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>       |                            |                          |
| Current Liabilities:                    |                            |                          |
| Due to Piedmont Triad Regional Council  | \$ 313,017                 | \$ 17,730                |
| Deferred private grant revenue          | <u>235,558</u>             | <u>16,800</u>            |
| Total Current Liabilities               | <u>548,575</u>             | <u>34,530</u>            |
| Net Assets:                             |                            |                          |
| With donor restrictions                 | 212,670                    | 192,670                  |
| Without donor restrictions              | <u>529,711</u>             | <u>323,288</u>           |
| Total Net Assets                        | <u>742,381</u>             | <u>515,958</u>           |
| <b>Total Liabilities and Net Assets</b> | <u><u>\$ 1,290,956</u></u> | <u><u>\$ 550,488</u></u> |

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES**

YEARS ENDED JUNE 30, 2020 AND 2019

|  | 2020                          |                            |            | 2019                          |                            |            |
|--|-------------------------------|----------------------------|------------|-------------------------------|----------------------------|------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
| Support and Revenue:                         |                               |                            |            |                               |                            |            |
| Federal grant revenue                        | \$ 181,198                    | \$ -                       | \$ 181,198 | \$ 297,831                    | \$ -                       | \$ 297,831 |
| Local grant revenue                          | -                             | 284,688                    | 284,688    | 183,200                       | 194,000                    | 377,200    |
| Program service income                       | 11,000                        | 20,000                     | 31,000     | 38,602                        | -                          | 38,602     |
| Other interest income                        | 26,623                        | -                          | 26,623     | 11,652                        | -                          | 11,652     |
| Net assets released from restrictions        | 284,688                       | (284,688)                  | -          | 1,330                         | (1,330)                    | -          |
| Total Support and Revenue                    | 503,509                       | 20,000                     | 523,509    | 532,615                       | 192,670                    | 725,285    |
| Expenses:                                    |                               |                            |            |                               |                            |            |
| Program Expenses:                            |                               |                            |            |                               |                            |            |
| Salaries                                     | 61,935                        | -                          | 61,935     | 26,369                        | -                          | 26,369     |
| Allocated fringe benefits                    | 27,862                        | -                          | 27,862     | 11,333                        | -                          | 11,333     |
| Other expenses                               | 23,269                        | -                          | 23,269     | 7,490                         | -                          | 7,490      |
| Professional fees                            | 146,408                       | -                          | 146,408    | 100,122                       | -                          | 100,122    |
| Travel expense                               | 4,727                         | -                          | 4,727      | 10,512                        | -                          | 10,512     |
|  | 264,201                       | -                          | 264,201    | 155,826                       | -                          | 155,826    |
| General and Administrative Expenses:         |                               |                            |            |                               |                            |            |
| Allocated indirect expenses from the Council | 32,885                        | -                          | 32,885     | 14,356                        | -                          | 14,356     |
| Total Expenses                               | 297,086                       | -                          | 297,086    | 170,182                       | -                          | 170,182    |
| Increase in net assets                       | 206,423                       | 20,000                     | 226,423    | 362,433                       | 192,670                    | 555,103    |
| Net assets (deficit), beginning of year      | 323,288                       | 192,670                    | 515,958    | (39,145)                      | -                          | (39,145)   |
| Net assets, end of year                      | \$ 529,711                    | \$ 212,670                 | \$ 742,381 | \$ 323,288                    | \$ 192,670                 | \$ 515,958 |

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

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**

*YEARS ENDED JUNE 30, 2020 AND 2019*

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                   |                   |
| Change in net assets  | \$ 226,423        | \$ 555,103        |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities: |                   |                   |
| Changes in:   |                   |                   |
| Accounts receivable   | (149,695)         | 31,919            |
| Loans receivable  | (163,845)         | (353,228)         |
| Due to Piedmont Triad Regional Council  | 295,287           | (26,665)          |
| Deferred federal grant revenue  | -                 | (41,550)          |
| Deferred private grant revenue  | 218,758           | (183,200)         |
| Net cash flow from operating activities   | <u>426,928</u>    | <u>(17,621)</u>   |
| Net change in cash  | 426,928           | (17,621)          |
| Cash, beginning of year   | 187,629           | 205,250           |
| Cash, end of year   | <u>\$ 614,557</u> | <u>\$ 187,629</u> |

# PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

---

### **Note 1—Organization and summary of significant accounting policies**

*Organization and Purpose* – The Piedmont Triad Regional Development Corporation, 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 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 (the “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.

*Basis of Accounting and Presentation* – The financial statements have been prepared using the accrual basis of accounting.

*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* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation’s management and the Board of Directors.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled) are reported as reclassifications between the applicable classes of net assets.

*Significant Accounting Policies* – The following significant accounting policies have been used in the preparation of the financial statements:

*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.



# PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

---

### **Note 1—Organization and summary of significant accounting policies (continued)**

*Due to Piedmont Triad Regional 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.

*Contributions and Grants* – Contributions and grants are recognized when cash, other assets or an unconditional promise to give is received or made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants includes grant revenue received by the Corporation. The Corporation receives grant funding from private and public sources for the Corporation's general operations and for more specific purposes. Contributions and grants to the Corporation are recognized based on the existence or absence of donor-imposed restrictions. Grants and contributions that fund the Corporation's general mission and operations are recognized as without donor restrictions while contributions and grants with specific purposes are recognized as with donor restrictions. As of June 30, 2020 and 2019, the Corporation had \$235,558 and \$16,800 of deferred private grant revenue in which the performance or other barrier to recognition had not been met.

*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 and availability of resources* – The Corporation has \$785,831 in current liquid assets of which \$192,670 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within on year of the statement of financial position date. The net amount of \$593,196 is considered available to meet cash needs for expenditures within one year of the statement of financial position date.

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.

*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.

# PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 1—Organization and summary of significant accounting policies (continued)

*Accounting Pronouncements Adopted in 2020* – In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Accounting Guidance for Contributions Received and Contributions Made*, effective July 1, 2019. This standard was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard did not have a material impact on the Corporation.

In May 28, 2014, FASB completed its Revenue Recognition project by issuing ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The implementation of this standard did not have a material impact on the Corporation.

*Subsequent Events* – Management has evaluated subsequent events through October 30, 2020, the date the financial statements were available to be issued.

### Note 2—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, 2020, the Corporation had \$364,557 of bank deposits, which exceeded federally-insured limits.

### Note 3—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 \$377,891 and \$170,182 in 2020 and 2019, 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>2020</u>       | <u>2019</u>      |
|---------------------------------------|-------------------|------------------|
| Due to the Council, beginning of year | \$ 17,730         | \$ 44,395        |
| Advances from Council                 | 377,891           | 170,182          |
| Repayments to Council                 | <u>(82,604)</u>   | <u>(196,847)</u> |
| Due to the Council, end of year       | <u>\$ 313,017</u> | <u>\$ 17,730</u> |

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2020 AND 2019*

**Note 4—Loans receivable**

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| 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 principal 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%.   | \$ 216,681        | \$ 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 principal 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%.   | 115,015           | 121,858           |
| Piedmont Triad Regional Development Corporation entered into a ten-year loan receivable with Luck City Brewing Company during 2020. The loan is to be used for purchasing several items of equipment and building renovations for the brewery. The principal balance is to be paid in installments and cannot exceed \$284,000. The note bears interest at 7.5% and interest is due monthly. Upon completion of the renovations, the loan principal will be paid monthly over the following ten years. | 28,008            | -                 |
| Piedmont Triad Regional Development Corporation entered into a ten-year loan receivable with Blackstock Brewery during 2020. The loan is to be used for purchasing several items of equipment and building renovations for the brewery. The principal balance is to be paid in monthly installments and cannot exceed \$85,755. The note bears interest at 4% and interest is due monthly. Upon completion of the renovations, the loan principal will be paid monthly over the following ten years.   | 52,641            | -                 |
| Piedmont Triad Regional Development Corporation entered into a ten-year loan receivable with Reynolds Brewing during 2020. The loan is to be used for purchasing several items of equipment and building renovations for the brewery. The principal balance is to be paid in installments and cannot exceed \$271,000. The note bears interest at 4% and interest is due monthly. Upon completion of the renovations, the loan principal will be paid monthly over the following ten years.            | 104,728           | -                 |
|  | <u>517,073</u>    | <u>353,228</u>    |
| Less current portion   | 30,458            | 30,923            |
| Total long-term notes receivable   | <u>\$ 486,615</u> | <u>\$ 322,305</u> |

**PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2020 AND 2019*

**Note 4—Loans receivable (continued)**

The Corporation earned \$24,823 and \$11,652 of interest income on their outstanding notes receivable during the years ended June 30, 2020 and 2019, respectively.

Current maturity of the loans receivable are as follows:

|            |                          |
|------------|--------------------------|
| 2021       | \$ 30,458                |
| 2022       | 33,494                   |
| 2023       | 34,859                   |
| 2024       | 36,279                   |
| 2025       | 37,757                   |
| Thereafter | <u>344,226</u>           |
|            | <u><u>\$ 517,073</u></u> |

**Note 5—Net assets with donor restrictions**

Subject to expenditures for specific purpose:

|  |                          |
|--|--------------------------|
| Duke PTR Blueways and Outdoor Recreation Guide | \$ 20,000                |
| BCS PTR Food Initiative                        | <u>192,670</u>           |
|  | <u><u>\$ 212,670</u></u> |

**Note 6—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

|                         |                          |
|-------------------------|--------------------------|
| EDA Revolving Loan Fund | \$ 192,000               |
| BCS PTR Food Initiative | <u>92,688</u>            |
|                         | <u><u>\$ 284,688</u></u> |

**Note 7—Contingencies**

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

During 2020 an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Corporation’s revenue and operation for an indeterminable time period. Other financial impact could occur that are unknown at this time.

**Report of Independent Auditor 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 (the "Corporation") (a nonprofit organization), a discretely presented component unit of the Piedmont Triad Regional Council, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020. The financial statements of the Corporation are intended to present the financial position and changes in financial position that are only attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the Piedmont Triad Regional Council as of June 30, 2020, or the changes in its financial position, for the year then ended in accordance with accounting principle generally accepted in the United States of America. The financial statements of the Corporation as of June 30, 2019, were audited by other auditors whose report dated October 31, 2019, expressed an unmodified opinion on those statements.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 financial statement. 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cheryl Behant LLP*

Charlotte, North Carolina  
October 30, 2020