

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

FINANCIAL REPORT

For the Year Ended June 30, 2017



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, 2017 and 2016, 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, 2016 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cannon & Company, L.L.P.

October 16, 2017

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	<u>\$ 151,392</u>	<u>\$ 57,113</u>
TOTAL ASSETS	<u><u>\$ 151,392</u></u>	<u><u>\$ 57,113</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Piedmont Triad Regional Council	\$ 110,530	\$ 22,355
Loan fee deposits	5,000	7,500
Deferred federal grant revenue	<u>23,447</u>	<u>27,835</u>
TOTAL CURRENT LIABILITIES	<u>138,977</u>	<u>57,690</u>
NET ASSETS (DEFICIT)		
Unrestricted	<u>12,415</u>	<u>(577)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 151,392</u></u>	<u><u>\$ 57,113</u></u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Loan processing fees	\$ 11,801	\$ -
Loan servicing fees (net of SBA service fees of \$11,023 and \$6,896 for 2017 & 2016, respectively.)	26,033	29,603
Federal grant revenue	83,138	19,415
Loan fee deposits earned	2,500	-
Escrow interest income	-	920
Other interest income	50	39
	<u>123,522</u>	<u>49,977</u>
EXPENSES		
Salaries	27,075	4,582
Allocated fringe benefits	10,424	1,420
Other expenses	791	99
Professional fees	53,939	30,641
Travel expense	4,614	3,447
Allocated indirect expenses from the Council	13,687	2,161
	<u>110,530</u>	<u>42,350</u>
	TOTAL EXPENSES	42,350
Gain on forgiveness of payables owed to the Council	-	166,967
	INCREASE IN UNRESTRICTED NET ASSETS (DEFICIT)	174,594
NET DEFICIT AT BEGINNING OF YEAR	<u>(577)</u>	<u>(175,171)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 12,415</u>	<u>\$ (577)</u>

See accompanying notes and independent auditor's report.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 12,992	\$ 174,594
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in:		
Due to Piedmont Triad Regional Council	88,175	(193,585)
Deferred federal grant revenue	(4,388)	27,835
Deferred loan revenue	<u>(2,500)</u>	<u>-</u>
NET INCREASE IN CASH	94,279	8,844
CASH AT BEGINNING OF YEAR	<u>57,113</u>	<u>48,269</u>
CASH AT END OF YEAR	<u><u>\$ 151,392</u></u>	<u><u>\$ 57,113</u></u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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.

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 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:

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Corporation to use or extend part or all of the income derived from the donated assets for either specified or unspecified purposes

Temporarily restricted net assets contain donor-imposed restrictions that permit the Corporation to use or extend the assets as specified. The restrictions are satisfied wither by the passage of time or by actions of the Corporation.

Unrestricted net assets are not restricted by the donors, or the donor-imposed restrictions have expired.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 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 \$500.

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.

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 the 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.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015, 2016, and 2017 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 October 16, 2017, 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, 2017, the Corporation did not have bank deposits which exceeded federally-insured limits.

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 SBA 503/504 fees and 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 \$110,530 and \$42,350 in 2017 and 2016, 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

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE C - RELATED PARTIES (CONTINUED)

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>2017</u>	<u>2016</u>
Due to the Council, beginning of year	\$ 22,355	\$ 215,940
Advances from Council	110,530	42,349
Less repayments to Council	(22,355)	(68,967)
Amount written off by the Council	<u>-</u>	<u>(166,967)</u>
Due to the Council, end of year	<u>\$ 110,530</u>	<u>\$ 22,355</u>

NOTE D – SUBSEQUENT EVENTS

In August of 2017, the board of the Corporation decided to voluntarily disband their SBA 503/504 program. The Corporation will no longer be involved in these loan programs as of August 2017. They will also not be receiving any proceeds in regard to any outstanding loans after August of 2017.