

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

FINANCIAL STATEMENTS AND
COMPLIANCE REPORT

As of and for the Years Ended June 30, 2021 and 2020

And Reports of Independent Auditor

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION

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Report of Independent Auditor

To the Board of Directors
Piedmont Triad Regional Development Corporation
Kernersville, North Carolina

Report on the Financial Statements

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, 2021 and 2020, 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 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 opinions.

Opinions

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, 2021 and 2020, 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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the Piedmont Triad Regional Development Corporation. The Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*, and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Expenditures of Federal and State Awards 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. Such 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, based on our audit and the procedures performed as described above, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2021, 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 Behant LLP

Charlotte, North Carolina
October 31, 2021

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash	\$ 1,097,689	\$ 614,557
Accounts receivable	396,622	159,326
Current portion loans receivable	<u>236,351</u>	<u>30,458</u>
Total Current Assets	1,730,662	804,341
Loans receivable, net	<u>2,008,045</u>	<u>486,615</u>
Total Assets	<u><u>\$ 3,738,707</u></u>	<u><u>\$ 1,290,956</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Due to Piedmont Triad Regional Council	\$ 503,008	\$ 313,017
Deferred federal and private grant revenue	<u>763,928</u>	<u>235,558</u>
Total Current Liabilities	<u>1,266,936</u>	<u>548,575</u>
Net Assets:		
With donor restrictions	173,252	212,670
Without donor restrictions	<u>2,298,519</u>	<u>529,711</u>
Total Net Assets	<u>2,471,771</u>	<u>742,381</u>
Total Liabilities and Net Assets	<u><u>\$ 3,738,707</u></u>	<u><u>\$ 1,290,956</u></u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Federal grant revenue	\$ 1,653,505	\$ -	\$ 1,653,505	\$ 181,198	\$ -	\$ 181,198
Local grant revenue	402,770	129,001	531,771	-	284,688	284,688
Program service income	21,500	-	21,500	11,000	20,000	31,000
Other interest income	25,522	-	25,522	26,623	-	26,623
Net assets released from restrictions	168,419	(168,419)	-	284,688	(284,688)	-
Total Support and Revenue	<u>2,271,716</u>	<u>(39,418)</u>	<u>2,232,298</u>	<u>503,509</u>	<u>20,000</u>	<u>523,509</u>
Expenses:						
Program Expenses:						
Salaries	145,204	-	145,204	61,935	-	61,935
Allocated fringe benefits	67,402	-	67,402	27,862	-	27,862
Other expenses	53,849	-	53,849	23,269	-	23,269
Professional fees	162,882	-	162,882	146,408	-	146,408
Travel expense	2,349	-	2,349	4,727	-	4,727
	<u>431,686</u>	<u>-</u>	<u>431,686</u>	<u>264,201</u>	<u>-</u>	<u>264,201</u>
General and Administrative Expenses:						
Allocated indirect expenses from the Council	71,222	-	71,222	32,885	-	32,885
Total Expenses	<u>502,908</u>	<u>-</u>	<u>502,908</u>	<u>297,086</u>	<u>-</u>	<u>297,086</u>
Increase in net assets	1,768,808	(39,418)	1,729,390	206,423	20,000	226,423
Net assets (deficit), beginning of year	529,711	212,670	742,381	323,288	192,670	515,958
Net assets, end of year	<u>\$ 2,298,519</u>	<u>\$ 173,252</u>	<u>\$ 2,471,771</u>	<u>\$ 529,711</u>	<u>\$ 212,670</u>	<u>\$ 742,381</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,729,390	\$ 226,423
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in:		
Accounts receivable	(237,296)	(149,695)
Loans receivable	(1,727,323)	(163,845)
Due to Piedmont Triad Regional Council	189,991	295,287
Deferred federal and private grant revenue	<u>528,370</u>	<u>218,758</u>
Net cash flow from operating activities	<u>483,132</u>	<u>426,928</u>
Net change in cash	483,132	426,928
Cash, beginning of year	<u>614,557</u>	<u>187,629</u>
Cash, end of year	<u>\$ 1,097,689</u>	<u>\$ 614,557</u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

Grants – 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 they are earned. As of June 30, 2021 and 2020, the Corporation had \$763,928 and \$235,558, respectively, of deferred federal and 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 – As of June 30, 2021, the Corporation has \$1,730,662 in current liquid assets of which \$173,252 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. The net amount of \$1,557,410, is considered available to meet cash needs for expenditures within one year of the statement of financial position date of June 30, 2021.

As of June 30, 2020, the Corporation has \$804,341 in current liquid assets of which \$212,670 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. The net amount of \$591,671 is considered available to meet cash needs for expenditures within one year of the statement of financial position date of June 30, 2020.

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.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Organization and 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 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.

Subsequent Events – Management has evaluated subsequent events through October 31, 2021, 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, 2021 and 2020, the Corporation had \$868,983 and \$364,557, respectively, 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 \$503,008 and \$377,891 in 2021 and 2020, respectively. In return, the Corporation agreed to (1) transfer all current assets and revenues to the Council within 10 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>2021</u>	<u>2020</u>
Due to the Council, beginning of year	\$ 313,017	\$ 17,730
Advances from Council	503,008	377,891
Repayments to Council	(313,017)	(82,604)
Due to the Council, end of year	<u>\$ 503,008</u>	<u>\$ 313,017</u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Loans receivable

Loans receivable represent loans made by the Corporation for local businesses within the Piedmont Region of North Carolina for capital improvements and operating costs. These loans receivable have varying interest rates and payment terms, with stated interest rates ranging from 0% to 7.5% with payment terms of 5 to 20 years resulting in scheduled repayment dates through 2041. All notes are payable in equal installments. The loans made for operating costs in the current fiscal year were made from funding received under the Coronavirus Aid, Relief, and Economic Security Act. The Corporation issued a forbearance on principal and interest payments due during FY 2021 for all loans receivable.

The Corporation earned \$25,178 and \$24,348 of interest and fee income on their outstanding loans receivable during the years ended June 30, 2021 and 2020, respectively.

Management's determination of the need for an allowance for doubtful accounts is based on an evaluation of the loans receivable, past experience, current economic conditions, and other risks inherent in the loans receivable portfolio. If accounts become uncollectible, the related amounts are charged to bad debt expense. As of June 30, 2021 and 2020, management has determined that an allowance for doubtful accounts is not considered necessary.

Note 5—Net assets with donor restrictions

	<u>2021</u>	<u>2020</u>
Subject to expenditures for specific purpose:		
Duke PTR Blueways and Outdoor Recreation Guide	\$ 20,000	\$ 20,000
BCS PTR Food Initiative	<u>153,252</u>	<u>192,670</u>
	<u>\$ 173,252</u>	<u>\$ 212,670</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:

	<u>2021</u>	<u>2020</u>
Subject to purpose restrictions		
EDA Revolving Loan Fund	\$ -	\$ 192,000
BCS PTR Food Initiative	<u>168,419</u>	<u>92,688</u>
	<u>\$ 168,419</u>	<u>\$ 284,688</u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 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, 2021 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 October 31, 2021. 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, 2021, 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.

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 31, 2021

**Report of Independent Auditor on Compliance with Requirements Applicable to
Each Major Federal Program and Internal Control over Compliance Required by the
OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Directors
Piedmont Triad Regional Development Corporation
Kernersville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Piedmont Triad Regional Development Corporation's (the "Corporation"), a discretely presented component unit of the Piedmont Triad Regional Council, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the North Carolina Local Government Commission, that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2021. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

The Corporation's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. Accordingly, this report is not suitable for any other purpose.

Cheryl Behrman LLP

Charlotte, North Carolina
October 31, 2021

**Report of Independent Auditor on Compliance with Requirements Applicable to
Each Major State Program and on Internal Control over Compliance Required by the
OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Directors
Piedmont Triad Regional Development Corporation
Kernersville, North Carolina

Report on Compliance for Each Major State Program

We have audited the Piedmont Triad Regional Development Corporation's (the "Corporation"), a discretely presented component unit of the Piedmont Triad Regional Council, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021. The Corporation's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*; and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major State Program

In our opinion, the Corporation 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 state programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's 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 state 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 state 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 state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. Accordingly, this report is not suitable for any other purpose.

Cheryl Behant LLP

Charlotte, North Carolina
October 31, 2021

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

Part I – Summary of Audit Results

Financial Statement

Type of auditor's report issued on whether the financial statements are presented in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statement noted?

_____ yes X no

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditor's report on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes _____ no

Identification of the major federal programs:

Federal Assistance Listing Number

Program Name

11.300

Economic Development Cluster:
 Investments for Public Works and Economic
 Development Facilities

11.307

Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

State Awards

Internal control over major State program:

Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report on compliance for
major state programs:

_____ Unmodified _____

Any audit findings disclosed that are
required to be reported in accordance with
the State Single Audit Implementation Act?

_____ yes X no

Identification of major State programs:

The major state program for Piedmont Triad Regional Development Corporation is the Economic Development Cluster, which is a state match on the federal program. Therefore, this program has been included in the list of major federal programs above.

Part II – Financial Statement Findings

None reported.

Part III – Federal Award Findings and Questioned Costs

U.S. Department of Commerce

Program Name: Economic Development Cluster

Federal Assistance Listing #11.307

Non-Material Non-Compliance – Reporting

Finding 2021-001

Criteria: The Corporation is responsible for accurate, correctly developed and timely submittal and reliability of subject reports required by the award's terms and conditions and 2 CFR Sections 200.328 and 200.329.

Condition: While the Corporation filed their reports timely, certain information reported on the SF-425 and ED-209 did not reconcile to the underlying accounting system within a non-material difference.

Effect: Without a clear reconciliation showing how the amounts on the reports reconcile to the underlying accounting records, errors in the amounts reported may exist.

Cause: The Corporation does not have a reconciliation process for amounts reported in their underlying accounting records to the reports submitted.

Recommendation: We recommend the Corporation develop a reconciliation to be performed before each report is filed and retain on file as support.

Views of responsible officials: See Corrective Action Plan.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Part IV – State Award Findings and Questioned Costs

None reported.



PIEDMONT TRIAD

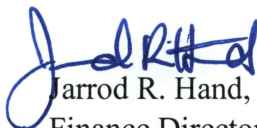
REGIONAL DEVELOPMENT CORPORATION

1398 CARROLLTON CROSSING DRIVE | KERNERSVILLE, NC 27284 | (336) 904-0300
DARRELL FRYE • PRESIDENT

U.S. Department of Commerce
Program: Economic Development Cluster
CFDA #11.307
Finding 2021

Corrective Action Plan:

The Corporation will maintain copies of all supporting documentation used for SF-425 and ED-209 reports. In addition, the Corporation will reconcile the SF-425 and ED-209 reports to cash balance on the general ledger at time of reporting. This will prevent any variances caused by timing of journal entries posted after the reporting due dates. The corrective action plan will be implemented with the next reports due.


Jarrod R. Hand, CPA
Finance Director

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

None noted.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Expenditures		Passed-Through to Subrecipients	
			Federal	State	Federal	State
FEDERAL AND STATE AWARDS						
<u>U.S. Department of Agriculture</u>						
Passed-through National Institute of Food and Agriculture:						
Food Council Policy	10.225	18-829-33800	\$ 3,528	\$ -	\$ -	\$ -
Total U.S. Department of Agriculture			<u>3,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Commerce</u>						
Passed-through Economic Development Agency:						
EDA District Planning Grant	11.302	ED18ATL3020016	13,330	-	12,330	-
COVID-19:EDA CARES District Planning Grant	11.302	ED20ATL3070032	183,146	-	183,146	-
Passed-through Davie County:						
EDA Public Works Program Fund	11.303	04-01-07243	<u>4,503</u>	<u>-</u>	<u>4,503</u>	<u>-</u>
Economic Development Cluster:						
EDA Revolving Loan Fund	11.307	04-79-07219	804,603	804,603	-	-
COVID-19: EDA CARES Revolving Loan Fund	11.307	04-79-07495	<u>1,467,788</u>	<u>-</u>	<u>96,346</u>	<u>-</u>
Total Economic Development Cluster			<u>2,272,391</u>	<u>804,603</u>	<u>96,346</u>	<u>-</u>
Total U.S. Department of Commerce			<u>2,473,370</u>	<u>804,603</u>	<u>296,325</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 2,476,898</u>	<u>\$ 804,603</u>	<u>\$ 296,325</u>	<u>\$ -</u>

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal and state awards (“SEFSA”) includes the federal and state grant activity of the Piedmont Triad Regional Development Corporation (the “Corporation”). The information in this schedule is presented in accordance with the 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 the *State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statement.

The Corporation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2—Summary of significant accounting policies

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and State Single Audit Implementation Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement.