

**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, 2022 and 2021

And Reports 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 6-9

COMPLIANCE SECTION

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* 10-11

Report of Independent Auditor on Compliance with Requirements Applicable to Each
Major Federal Program and Internal Control over Compliance in Accordance with
the Uniform Guidance and the State Single Audit Implementation Act 12-14

Report of Independent Auditor on Compliance with Requirements Applicable to Each
Major State Program and Internal Control over Compliance in Accordance with the
Uniform Guidance and the State Single Audit Implementation Act 15-17

Schedule of Findings and Questioned Costs 18-19

Summary Schedule of Prior Audit Findings 20

Schedule of Expenditures of Federal and State Awards 21

Notes to the Schedule of Expenditures of Federal and State Awards 22

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Piedmont Triad Regional Development Corporation (the "Corporation") (a nonprofit organization), a component unit of Piedmont Triad Regional Council, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of June 30, 2022 and 2021, 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.

Basis for Opinion

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The 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, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of the 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 the 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.

Cherry Bekaert LLP

Charlotte, North Carolina
December 1, 2022

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash	\$ 1,539,362	\$ 1,097,689
Accounts receivable	402,041	396,622
Current portion loans receivable	364,406	236,351
Total Current Assets	<u>2,305,809</u>	<u>1,730,662</u>
Loans receivable, net	<u>2,868,692</u>	<u>2,008,045</u>
Total Assets	<u><u>\$ 5,174,501</u></u>	<u><u>\$ 3,738,707</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Due to Piedmont Triad Regional Council	\$ 864,589	\$ 503,008
Deferred federal and private grant revenue	566,142	763,928
Total Current Liabilities	<u>1,430,731</u>	<u>1,266,936</u>
Net Assets:		
With donor restrictions	163,715	173,252
Without donor restrictions	3,580,055	2,298,519
Total Net Assets	<u>3,743,770</u>	<u>2,471,771</u>
Total Liabilities and Net Assets	<u><u>\$ 5,174,501</u></u>	<u><u>\$ 3,738,707</u></u>

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

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Federal grant revenue	\$ 1,645,506	\$ -	\$ 1,645,506	\$ 1,653,505	\$ -	\$ 1,653,505
Local grant revenue	84,374	128,000	212,374	402,770	129,001	531,771
Program service income	-	-	-	21,500	-	21,500
Other interest income	82,016	-	82,016	25,522	-	25,522
Net assets released from restrictions	137,537	(137,537)	-	168,419	(168,419)	-
Total Support and Revenue	<u>1,949,433</u>	<u>(9,537)</u>	<u>1,939,896</u>	<u>2,271,716</u>	<u>(39,418)</u>	<u>2,232,298</u>
Expenses:						
Program Expenses:						
Salaries	213,289	-	213,289	145,204	-	145,204
Allocated fringe benefits	118,243	-	118,243	67,402	-	67,402
Other expenses	104,783	-	104,783	53,849	-	53,849
Professional fees	151,030	-	151,030	162,882	-	162,882
Travel expense	7,799	-	7,799	2,349	-	2,349
	<u>595,144</u>	<u>-</u>	<u>595,144</u>	<u>431,686</u>	<u>-</u>	<u>431,686</u>
General and Administrative Expenses:						
Allocated indirect expenses from the Council	72,753	-	72,753	71,222	-	71,222
Total Expenses	<u>667,897</u>	<u>-</u>	<u>667,897</u>	<u>502,908</u>	<u>-</u>	<u>502,908</u>
Increase (decrease) in net assets	1,281,536	(9,537)	1,271,999	1,768,808	(39,418)	1,729,390
Net assets, beginning 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>
Net assets, end of year	<u>\$ 3,580,055</u>	<u>\$ 163,715</u>	<u>\$ 3,743,770</u>	<u>\$ 2,298,519</u>	<u>\$ 173,252</u>	<u>\$ 2,471,771</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,271,999	\$ 1,729,390
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in:		
Accounts receivable	(5,419)	(237,296)
Loans receivable	(988,702)	(1,727,323)
Due to Piedmont Triad Regional Council	361,581	189,991
Deferred federal and private grant revenue	(197,786)	528,370
Net cash flow from operating activities	<u>441,673</u>	<u>483,132</u>
Net change in cash	441,673	483,132
Cash, beginning of year	<u>1,097,689</u>	<u>614,557</u>
Cash, end of year	<u>\$ 1,539,362</u>	<u>\$ 1,097,689</u>

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

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 Corporation 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.

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 consists of amounts due from other governments related to federal grant programs, while loans receivable consist of loans made to eligible businesses under the Economic Development Agency federal grant program.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021, the Corporation had \$566,142 and \$763,928, 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, 2022, the Corporation has \$2,305,809 in current liquid assets of which \$176,715 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 \$2,129,094, is considered available to meet cash needs for expenditures within one year of the statement of financial position date of June 30, 2022.

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.

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 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 December 1, 2022, the date the financial statements were available to be issued.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021, the Corporation had \$1,289,362 and \$868,983, 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 \$864,589 and \$503,008 in 2022 and 2021, 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 of 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>2022</u>	<u>2021</u>
Due to the Council, beginning of year	\$ 503,008	\$ 313,017
Advances from Council	655,947	503,008
Repayments to Council	<u>(294,366)</u>	<u>(313,017)</u>
Due to the Council, end of year	<u>\$ 864,589</u>	<u>\$ 503,008</u>

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 fiscal years 2022 and 2021 for all loans receivable.

The Corporation earned \$82,016 and \$25,522 of interest and fee income on their outstanding loans receivable during the years ended June 30, 2022 and 2021, 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, 2022 and 2021, management has determined that an allowance for doubtful accounts is not considered necessary.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5—Net assets with donor restrictions

	<u>2022</u>	<u>2021</u>
Subject to expenditures for specific purpose:		
Duke PTR Blueways and Outdoor Recreation Guide	\$ -	\$ 20,000
BCS PTR Food Initiative	163,715	153,252
	<u>\$ 163,715</u>	<u>\$ 173,252</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>2022</u>	<u>2021</u>
Subject to purpose restrictions:		
EDA Revolving Loan Fund	\$ 20,000	\$ -
BCS PTR Food Initiative	117,537	168,419
	<u>\$ 137,537</u>	<u>\$ 168,419</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 any required refunds will be immaterial. No provision has been made in the accompanying financial statement for the refund of grant monies.

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, 2022 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 December 1, 2022.

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, 2022, 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.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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.

Cherry Bekaert LLP

Charlotte, North Carolina
December 1, 2022

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

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act. Our responsibilities under those standards, Uniform Guidance and the State Single Audit Implementation Act are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cherry Bekaert LLP

Charlotte, North Carolina
December 1, 2022

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

Opinion on 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 North Carolina Local Government Commission, that could have a direct and material effect on each of the Corporation's major state programs for the year ended June 30, 2022. 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.

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 state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance and the State Single Audit Implementation Act are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cherry Bekaert LLP

Charlotte, North Carolina
December 1, 2022

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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, 2022

State Awards

Internal control over major State program:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> 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

None reported.

Part IV – State Award Findings and Questioned Costs

None reported.

PIEDMONT TRIAD REGIONAL DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

Finding 2021-001: This finding has been corrected.

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

YEAR ENDED JUNE 30, 2022

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 Commerce</u>						
Passed through Economic Development Agency:						
EDA District Planning Grant	11.302	ED21ATL3020018	\$ 43,700	\$ -	\$ 43,700	\$ -
COVID-19:EDA CARES District Planning Grant	11.302	ED20ATL3070032	216,855	-	216,855	-
Economic Development Cluster:						
EDA Revolving Loan Fund	11.307	04-79-07219	1,030,789	1,030,789	-	-
EDA CARES Revolving Loan Fund	11.307	04-79-07495	2,014,470	-	-	-
EDA CARES Revolving Loan Fund Admin	11.307	04-79-07495	105,654	-	105,654	-
EDA Yadtel	11.307	04-79-07585	420	-	420	-
Passed through Davie County:						
EDA Public Works Program Fund	11.300	04-01-07243	5,645	-	-	-
Total Economic Development Cluster			3,151,333	1,030,789	106,074	-
Total U.S. Department of Commerce			3,417,533	1,030,789	366,629	-
Total Federal and State Awards			\$ 3,417,533	\$ 1,030,789	\$ 366,629	\$ -

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

YEAR ENDED JUNE 30, 2022

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 the SEFSA 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.