



**WESTERN NORTH CAROLINA REGIONAL ECONOMIC DEVELOPMENT COMMISSION
ANNUAL REPORT**

Citation of Law or Resolution: §158-8.5
Due Date: February 15, 2012
Submission Date: February 15, 2012

The enclosed report details the WNC Regional EDC response to the §158-8.5 *Annual Reporting Requirement*. Please contact me directly should you have any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Scott T. Hamilton".

Scott T. Hamilton
President & CEO

RECEIVING ENTITIES:

North Carolina House of Representatives

The Honorable Thom Tillis, Speaker of the House
16 West Jones Street, Room 2304
Raleigh, NC 27601-2808

North Carolina State Senate

The Honorable Phil Berger, President Pro tempore
16 West Jones Street, Room 2008
Raleigh, NC 27601-2808

North Carolina Department of Commerce

Electronic copy of report sent to Ms. Monique Johnson (monique.johnson@nccommerce.com) and Ms. Rita Harris (rharris@nccommerce.com)

North Carolina General Assembly, Fiscal Research Division

Electronic copy of report sent to Ms. Kristin Walker (kristinw@ncleg.net) and reports@ncleg.net

The Joint Legislative Commission on Governmental Operations

Electronic copy of report sent to govops@ncleg.net

Office of State Management and Budget

Electronic copy of report sent to Ms. Jennifer Wimmer (Jennifer.wimmer@osbm.nc.gov) and Ms. Jennifer Hoffmann (Jennifer.hoffmann@osbm.nc.gov)

Joint Legislative Economic Development Oversight Committee

Electronic copy of report sent to Speaker of the House and President Pro Tempore as well as Ms. Nancy Brantley (wilkinsla@ncleg.net)

REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS

§158-8.5. Annual Reporting Requirement. The Commissions and Partnerships must submit by February 15th of each year to the Department of Commerce, the Office of State Budget and Management, the Joint Legislative Commission on Government Operations, the Joint Legislative Economic Development Oversight Committee, and the Fiscal Research Division of the General Assembly a copy of their annual report to include the following:

(1) The summary of the preceding year's program activities, objectives, and accomplishments

- Tab 1
- i) Copy of 2010 Annual Report
 - ii) Quarterly reports from programmatic areas:
 - Blue Ridge Advanced Manufacturing Initiative
 - Blue Ridge Entrepreneurial Council & Certified Entrepreneurial Community Program
 - AdvantageGreen
 - Blue Ridge Food Ventures
 - Western North Carolina Film Commission
 - iii) Earned Media Summary Report

(2) The preceding fiscal year's itemized expenditures and fund sources

- Tab 2 Cash basis financial statements by fund source and expenditure

(3) Demonstration of how the commission's or partnership's regional economic development and marketing strategy aligns with the State's overall economic development and marketing strategies

- Tab 3 "NC Economic Development Strategy" Report and North Carolina's Regional Economic Development Partnerships' pamphlet

(4) A demonstration of how the commission's or partnership's involvement in promotion activities has generated leads

- Tab 4 Annual activity report for Advanced Manufacturing (EDAC), client activity for the Blue Ridge Entrepreneurial Council, client activity for AdvantageGreen, client activity of Blue Ridge Food Ventures and a Reel Scout package report for the WNC Film Commission

(5) The most recent audited annual financial statement regarding State funds

- Tab 5 Audited financial statements for the year ended June 30, 2011 by Burleson & Earley P.A.

(6) A demonstration of the commission's efforts to obtain funds from local, private, and federal sources

- Tab 6 Updated "Revenue Source" for 9 year period thru 6/30/2011 and schedule of Grants Received or Pursued in FY 10/11



⌘ The BIG picture ⌘

AdvantageWest 2010 Annual Report



ALLEGHANY ASHE AVERY BUNCOMBE BURKE CALDWELL CHEROKEE CLAY
MITCHELL POLK RUTHERFORD SWAIN

AdvantageWest shall promote and advocate the creation of improved economic opportunity in our region, while encouraging stewardship of the culture, heritage and resources of Western North Carolina.

The 2010 annual report provides snapshots of our accomplishments in the areas of Advanced Manufacturing, Entrepreneurial Development, Agribusiness (Blue Ridge Food Ventures), AdvantageGreen and WNC Film Commission, which all add up to a large, positive impact on our region's economic landscape. For more information about AdvantageWest visit www.advantagewest.com.

GRAHAM HAYWOOD HENDERSON JACKSON MACON MADISON MCDOWELL
TRANSYLVANIA WATAUGA WILKES YANCEY



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Micah Goldstein

“ AdvantageWest is a true visionary organization. Their leadership and guidance are crucial to our region creating and sustaining economic growth. ”

Micah Goldstein
Chief Operating Officer,
Stanley Furniture Company

Wide Open For Business

Heralded as one of the nation's top areas for living, working, recreation, arts, technology and retirement, our 23-county region covers nearly 10,000 square miles. What makes Western North Carolina so popular is not only its incredible beauty, but also its wealth of economic opportunities, many of which have been provided by AdvantageWest and its partners.

Started in 1994, AdvantageWest has become a model for regional economic development, creating partnerships and providing visionary leadership in almost every aspect of the economy in Western North Carolina. Throughout AdvantageWest's history, we have adapted and diversified our program to meet the changing needs of the region, earning us the reputation as one of the most progressive economic-development commissions in the nation.

We are proud to be recognized nationally by the U.S. Department of Commerce, the National Association of Manufacturers, the Georgia Tech Economic Development Institute, *Entrepreneur*, *Business Week* and *Forbes* for our efforts to strengthen the economy of Western North Carolina.

2010 was a challenging year for our region, but we are enthusiastic that our innovative programs and collaborative efforts are moving Western North Carolina's economy forward. As Chairman of the Board, I would like to recognize my fellow board members, partners and supporters for their continued commitment. I would like to especially thank Scott Hamilton, AdvantageWest's president and CEO, and his dedicated staff for their herculean efforts to improve the economic opportunities for businesses and individuals in this region and our state.

As we move into the second decade of the 21st century, the entire team of AdvantageWest is looking forward to a bright future of growth and prosperity for Western North Carolina.

Sincerely,

Tommy Jenkins
Chairman of the Board



Photo by Troy Tolle

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1,320 manufacturing firms
together employ 17% of Western
North Carolina's workforce.

Advanced Manufacturing Initiative

BURKE
CALDWELL
CHEROKEE
CLAY
GRAHAM
HAYWOOD
HENDERSON

Centrally located in the Eastern United States and one day's drive from 50% of the U.S. population, WNC boasts a productive, skilled and available workforce; advanced transportation network; robust digital infrastructure; business-friendly local governments and utilities; a strong collection of leading global manufacturers; and a superb selection of affordable buildings and sites...all of which make Western North Carolina an ideal home for companies seeking a competitive and proven business location.

JACKSON
MACON
MADISON
MCDOWELL
MITCHELL
POLK
RUTHERFORD
SWAIN
TRANSYLVANIA
WATAUGA
WILKES
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AdvantageWest promotes and markets the region's strategic advantages through extensive outreach efforts with the purpose of generating opportunities for our communities. We work closely with the local economic development professionals in the region, corporate allies and the North Carolina Department of Commerce to increase WNC's manufacturing base and create and retain jobs. With 45,000+ workers; an annual payroll of \$1.8 billion within the region; and top precision metalworking, plastics, composite materials, IT companies and regional support headquarters; advanced manufacturing remains vital to our economy.

The AdvantageWest team is always ready to assist companies with their growth plans! Contact Kyle Edney, Executive VP at kedney@awnc.org.

“ AdvantageWest has been our partner from the beginning. Their hard work and commitment has helped us expand our operations and fulfill our long-term commitment to serving our North American customers. ”

Christian Helfricht
General Manager of Reich LLC



Kyle Edney, Executive Vice President, AdvantageWest Economic Development Group and Christian Helfricht, General Manager of Reich LLC outside Reich's new plant in Vista Industrial Park.



The Reich Stuff

German company locates first U.S. manufacturing facility in AdvantageWest region

When Reich GmbH, a German manufacturer of precision vehicle parts and special ball bearings, began looking to expand by opening its first U.S. location, they knew they wanted to be in an area centered among many of the top U.S. automotive suppliers. They considered Charlotte, Greenville, Fairfax and Chattanooga – all great options – but in the end, Asheville prevailed.

“When I knew that Reich was interested in looking at Western North Carolina, the folks at AdvantageWest were the first people I called,” says Jason Burk, an advisor for Sperry Van Ness Commercial Real Estate and Reich’s real estate agent. “I knew they would put all the necessary resources together to build a great case for locating in this region. Reich wouldn’t be in Asheville without them.”

AdvantageWest worked for almost a year to help bring the new plant to the region, and with it an estimated 79 jobs and \$33 million investment. Other partners included the NC Department of Commerce, the NC Community College System and the Economic Development Coalition for Asheville-Buncombe County.

“North Carolina’s commitment to a strong business climate and job growth makes this state the best choice to locate our new facility,” says Christian Helfricht, General Manager of Reich LLC. “AdvantageWest spoke with us candidly about our challenges and showed us how the area would work for us. They connected us to wonderful people

in this region, including other German business owners, so that our company would feel at home.”

The company will hire machinists, quality assurance inspectors, project managers and entry-level support. With AdvantageWest’s help, Reich has already hired many area service workers – including HVAC, painters and carpenters – to get the plant ready for production.

“The selection of Western North Carolina by Reich is a tremendous success story and a great example of teamwork and collaboration from all of our economic development partners,” says Kyle Edney, Executive VP for AdvantageWest. “We have thoroughly enjoyed our strong relationship with Reich and are confident they will have great success in our region.”

“We look forward to a very long and mutually rewarding relationship with the Western North Carolina community, AdvantageWest and the State of North Carolina,” says Helfricht.

For more information, visit www.reich-gmbh.com.

“Reich joins a growing list of European automotive component manufacturers who have discovered the many benefits of doing business in Western North Carolina. We are excited to add another outstanding corporate citizen to our region.”

Kyle Edney
Executive Vice President, AdvantageWest



Reich's Headquarters in Mellrichstadt, Germany. From left: Marco Straub, Project Manager, Reich; Scott Hamilton, President & CEO, AdvantageWest; Kyle Edney, Executive VP, AdvantageWest; Karl-Hermann Reich, President & CEO, Reich; Christoph Renner, COO, Reich.

North Carolina Made

Stanley Furniture Company Keeps All Operations for Young America in Graham County



“We would have never been able to change our operations strategy and stay in North Carolina without AdvantageWest.”

Micah Goldstein
Chief Operating Officer,
Stanley Furniture Company

At home in WNC. From left: Micah Goldstein, Chief Operating Officer, Stanley Furniture Company; Scott Hamilton, President & CEO, AdvantageWest; Glenn Prillaman, President & Chief Executive Officer, Stanley Furniture Company.

Due to economic challenges, Stanley Furniture Company, a heralded manufacturer of upscale adult and children’s furniture located in Robbinsville, NC, needed to change their longstanding operations strategy in 2010. They considered outsourcing all of their manufacturing overseas, which would have meant the loss of more than 450 jobs in Graham County. But with the help of AdvantageWest and the support of Graham County, The Golden LEAF Foundation and The North Carolina Rural Center, Stanley Furniture Company was able to keep the manufacturing of their children’s line, Young America, in Robbinsville.

“We believe that the safety and health of one’s child is the most important criteria when selecting children’s furniture,” says Glenn Prillaman, President and Chief Executive Officer of Stanley Furniture Company. “By keeping all of the operations for Young America in Robbinsville, we are ensuring a level of safety, quality and reliability in our products that parents can be confident in, while retaining hundreds of jobs in a struggling mountain community.”

AdvantageWest has been a staunch supporter of Stanley Furniture Company for many years, including helping the 87-year-old company expand its Robbinsville facilities in 2005.

“Our goal as an organization is to make a positive impact on the region, whether that’s for businesses, communities or

the environment,” says Scott Hamilton, President and CEO of AdvantageWest. “In order for us to do this, it is crucial that we do everything we can to help manufacturing companies like Stanley Furniture Company find ways to be profitable and stay in North Carolina.”

“We are the largest private employer in Graham County,” says Micah Goldstein, Stanley Furniture Company’s COO. “AdvantageWest was our quarterback, championing our efforts to stay in Robbinsville. Scott Hamilton and his team got us in front of the right people, including the head of the State Commerce Department. They helped us secure a \$1 million Golden LEAF Foundation grant for Graham County, which we used to purchase equipment to upgrade our production line.”

AdvantageWest helped Stanley Furniture Company secure a grant from North Carolina Rural Center that will help the company store and burn its wood waste to bring down its annual diesel fuel costs to \$100,000 per year.

“We may not be able to compete with overseas labor costs,” says Goldstein. “However, I believe with the right combination of innovative equipment and efficient processes, we can make domestic manufacturing profitable again.”

For more information, visit www.stanleyfurniture.com.

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\$1,064,000

value of production at Blue
Ridge Food Ventures in 2010.

Blue Ridge Food Ventures

BURKE

CALDWELL

CHEROKEE

CLAY

GRAHAM

HAYWOOD

HENDERSON

JACKSON

MACON

MADISON

MCDOWELL

MITCHELL

POLK

RUTHERFORD

SWAIN

TRANSYLVANIA

WATAUGA

WILKES

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Celebrating five successful years, Blue Ridge Food Ventures (BRFV) is an 11,000 sq. ft., shared-use food business incubator and full-scale, commercial kitchen. Here farmers, chefs and food entrepreneurs can make their artisan foods. We help with product development, regulatory guidance, advice on packaging, label design and more. Our Gourmet To Go services give caterers a place to prepare their culinary delights. Our Winter Sun Farms CSA supports local farmers year-round. And now with the launch of our new, first-of-its-kind, shared-use Natural Products facility, we are helping businesses and individuals make and package natural products for store shelves.

Since 2005, BRFV has helped more than 170 small businesses go into operation at their facility, generating over \$3.5 million in sales and services. In the process, jobs have been created and dreams of small business ownership have come true.

For more information about BRFV, contact Mary Lou Surgi, Executive Director, Blue Ridge Food Ventures at mlsurgi@awnc.org.



Motherly Love

Local Artisan Product Soars

When Jeannine Buscher and Sarah Schomber met in September 2008, they shared two main things in common: the desire to have their children home-schooled and their love for making home-brewed kombucha, an ancient cultured health tonic revered as "the Elixir of Life." So they talked, joined a home school co-op and started crafting Buchi in Jeannine's kitchen using organic tea, organic sugar and fresh mountain water.

"We started out by brewing Buchi in gallon jars and selling it in 12 oz. amber bottles at local farmers' markets and to businesses like Rosetta's Kitchen and French Broad Food Co-op," says Buscher.

After one year, demand was so great that the burgeoning entrepreneurs, now known locally as The Buchi Mamas, had to find some place bigger for their operation.

"We had heard from quite a few people about the amazing resources available at Blue Ridge Food Ventures," says Schomber. "We met with Mary Lou Surgi. She was fantastic and took us under her wing. Starting in January 2009, BRFV provided us with the space we desperately needed, gave us excellent business advice and helped us get Buchi into establishments in Asheville."

After a year at BRFV, The Buchi Mamas were ready to expand – again. They spent six months outfitting a 6,800 sq. ft. space in beautiful Reems Creek to create the first, female-owned, eco-conscious tea brewery and bottling facility in the Southeast. Schomber and Buscher also received funding from the AdvantageWest Opportunity Loan Fund to buy equipment to use in their new facility to meet the always increasing demand.

“The Buchi Mamas are a great example to all who start out at BRFV of what passion and commitment can do to make a business grow and prosper.”

Mary Lou Surgi
BRFV Executive Director

"Thanks to BRFV we were able to keep producing and bottling Buchi while we built our new home," says Buscher. "Without an incubator like BRFV we would have lost all of our incredible momentum."

In June 2010, The Buchi Mamas and their part-time staff moved into their new digs. Buchi increased its sales from \$20,000 in 2009 to \$161,841 in 2010, making it one of Asheville's fastest growing companies. Buchi can be found at local retailers all over the Southeast, including Whole Foods/Greenlife and Earth Fare and in dozens of local Asheville restaurants and cafes in bottles or on tap.

"Buchi's success is a team effort," says Schomber. "Jeannine and I couldn't do this without the dedication of our staff and the constant support of our family members and the entire Asheville community, including organizations like AdvantageWest."

"People love Buchi and we love making it here in Western North Carolina. In 2011, our main goal is to get systems in place to meet the growing demand."

For more information, visit drinkbuchi.com.



The Buchi Mamas.

“ We are fortunate that AdvantageWest and BRFV are so committed to supporting businesses like ours that create sustainable communities. ”

Jeannine Buscher
Co-Owner of Buchi



From left: Sarah Schomber, Co-Owner of Buchi; Mary Lou Surgi, Executive Director of Blue Ridge Food Ventures; Jeannine Buscher, Co-Owner of Buchi.



Nature's Bounty

In October 2010, BRFV launched the nation's first shared-use Natural Products Manufacturing Facility, giving individuals and small businesses a place to create products for the fast-growing natural products and dietary supplement markets. This Good Manufacturing Practices (GMP)-compliant facility was developed in collaboration with the BioNetwork BioBusiness Center at A-B Tech and the Small Business and Technology Development Center at Western Carolina University, with funding from the North Carolina Biotechnology Center and the Golden LEAF Foundation.

Whether grinding a variety of herb and plant materials native to Western North Carolina; preparing herbal extracts; or bottling, labeling and sealing their products; businesses will use the new facility to produce products that are important to the alternative healthcare movement, an industry with a multi-billion dollar future.

For more information, visit www.advantagewest.com.

“The Natural Products facility lets growers, herbalists and natural medicine practitioners in our region put WNC on the map as a place that supports creative business ideas.”

Mary Lou Surgi
BRFV Executive Director

Winter Harvest

“My absolute favorite item was the strawberry freezer jam. Opening the jar was like opening summer. Thank you for making it possible to eat local, even in winter, and to support our farmers.”

Lita Sum
Winter Sun Farms Subscriber

Blue Ridge Food Ventures proudly operates Winter Sun Farms—a CSA (Community Supported Agriculture) program that provides its members with frozen fruits and vegetables from Western North Carolina farmers from December through March. The sustainably grown produce is harvested at its peak, then quickly prepared and frozen for wintertime enjoyment. Once a month, members receive a delicious assortment of healthy vegetables, scrumptious berries and savory vegetable purees—all grown and prepared by local farmers.

In 2010, the Winter Sun Farms program supported 13 regional farmers and processed close to 15,000 pounds of fresh produce for its 225 subscribers. At \$120 per share, the Winter Sun Farms 2010-2011 program sold out in a flash.

For more information, visit www.wintersunfarms.com.



Carolyn Hidalgo

ALLEGHANY
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BUNCOMBE

\$605,000 and 15 high-growth businesses supported through Advantage Opportunity Loan Fund.

Blue Ridge Entrepreneurial Council

BURKE
CALDWELL
CHEROKEE
CLAY
GRAHAM
HAYWOOD
HENDERSON

Entrepreneurship is higher in Western North Carolina (17.5% of the work force) than that of our state and nation (15.2%). Our region boasts a high-capacity fiber-optic network that provides advanced technical infrastructure and interconnection opportunities that make it possible for high-growth entrepreneurs to grow their ventures in a beautiful place with an amazing quality of life. The Blue Ridge Entrepreneurial Council (BREC) has been helping to connect and grow the entrepreneurial class of the region since 2002 through networking, education, coaching and improved access to capital.

JACKSON
MACON
MADISON
MCDOWELL
MITCHELL
POLK
RUTHERFORD

In 2010 alone, BREC helped more than 55 new businesses prepare to launch and grow. BREC also provides important capital and ongoing business-plan guidance to start-ups through our Advantage Opportunity Loan Fund. Launched in 2008 and supported by the Technology Commercialization Center at A-B Tech, Buncombe County, the NC Rural Economic Development Center, US Small Business Administration, the Sequoia Fund and AdvantageWest, the Advantage Opportunity Loan Fund has raised \$800,000 in capital so far, of which, \$605,000 has been loaned to 15 high-growth companies. The loan is available to businesses in all 23 counties.

SWAIN
TRANSYLVANIA
WATAUGA
WILKES
YANCEY

AdvantageWest and its partners know that growing entrepreneurial businesses is a powerful part of a sustainable economy. That's why, we will continue to do everything we can to help entrepreneurs thrive in Western North Carolina.

To get involved as an entrepreneur or sponsor, please contact Pam Lewis, Senior VP of Entrepreneurial Development, at plewis@awnc.org.

“We are grateful for the partnership we have with AdvantageWest. We will continue working together to create opportunities that help inspire people to learn and businesses to grow in WNC.”

Troy Tolle
Vice President & Chief Technology Officer,
DigitalChalk



From left: Eric Montgomery, Software Engineer, DigitalChalk; Pam Lewis, Senior VP of Entrepreneurial Development, AdvantageWest; Troy Tolle, VP and Chief Technology Officer, DigitalChalk; Jill Kilduff, Office Manager, DigitalChalk; Tony McCune, VP of Sales and Marketing, DigitalChalk; and Russ Stinehour, President and CEO, DigitalChalk.



Home Is Where the Startup Is

DigitalChalk Thrives in WNC

Learning is the heart and soul of Infinity Learning Solutions and its flagship product DigitalChalk, which provides a cloud computing based platform for delivering high-quality education around the world. Founded in 2007, DigitalChalk saw 300% growth in 2010 and ink in *The Wall Street Journal*.

"Education is our passion," says Russ Stinehour, DigitalChalk's President and CEO. "With our global software we can bring learning to anyone in the world, including those who could not be reached before. We now have online training programs on all continents except Antarctica."

Four years ago, DigitalChalk could have easily chosen to launch their startup in Silicon Valley or North Carolina's Research Triangle Park area, but they chose Western North Carolina instead.

"We love the mountains and we wanted to start our company here," says Troy Tolle, DigitalChalk Vice President and Chief Technology Officer. "Our invaluable relationship with AdvantageWest has been a huge part of our success. They have provided us with incredible exposure and connections, including the introduction to Google that led to the creation of the *Juicy Ideas* competition, which encourages technology innovation among college students across the nation. They also helped us get valuable press coverage in *The Wall Street Journal*."

Whether speaking about exciting new technologies at business conferences across the state or supporting Certified



I love what I do. Troy Tolle working at DigitalChalk's office in Biltmore Park.

Entrepreneurial Community development, DigitalChalk works hand-in-hand with AdvantageWest to build economic growth in the region.

"DigitalChalk is an excellent example of how important an entrepreneurial tech company can be to a community," says Pam Lewis, Senior VP of Entrepreneurial Development for AdvantageWest. "They have provided leadership, innovative technology and high-paying jobs that offer a better quality of life for their employees. And they are committed to fostering the growth of technology in our region. We are proud to work with DigitalChalk and watch them continue to thrive in WNC."

"It is truly amazing to look back to when we started, and to now have Google, Apple and Facebook planting data centers right here in this part of the state," says Tolle. "AdvantageWest has helped make this happen. They are true advocates for new companies that will carry us into the next technology age."

For more information, visit www.digitalchalk.com.

“Our goal is to make Western North Carolina a hub for technology businesses. It is critical that innovative companies like DigitalChalk find a supportive environment. Success breeds success.”

Pam Lewis
Senior VP of Entrepreneurial Development,
AdvantageWest





Happy to be here. Key note speaker Victor Hwang at Carolina Connect.

Plugged in at Carolina Connect

Started by AdvantageWest in 2002 as part of its entrepreneurial development program, Carolina Connect has become Western North Carolina's hallmark networking event for connecting entrepreneurs with their peers and potential investors. Sponsored by the Renaissance Asheville Hotel, the seventh-annual event, presented by AdvantageWest, was attended by more than 300 entrepreneurs and business leaders, including the highest number of private investors present in Carolina Connect history.

Focused on innovation, entrepreneurship and intrapreneurship, the 2010 event featured a full day of connecting, professional development and idea sharing, including discussions with industry experts on critical topics facing today's entrepreneurs and business owners.

"It's all about making connections," says Doss Church, founder and CEO of Galaxy Digital. "This is a powerful forum for people to share their stories and learn from each other's experience."

The event also featured keynote presentations by Victor Hwang, co-founder and Managing Director of T2 Venture Capital and Lisa Halpert Mesicek, Social Media Strategy Manager for Monster.com, as well as an awards luncheon celebrating top WNC entrepreneurs.

Galaxy Digital Takes Off

"We started out as a social media company in 2005, but thanks to the tremendous support from organizations like AdvantageWest we have grown into a digital software company that helps nonprofits and businesses grow."

Doss Church
Founder and CEO, Galaxy Digital

2010 was a banner year for Galaxy Digital, a web-based software company that creates platforms that help businesses and nonprofit organizations raise money, spread the word and increase support for their products and causes. The company partnered with the United Way of the Piedmont in Spartanburg to create a database application that has helped the organization develop a huge network of supporters and volunteers. Big Brothers Big Sisters of Western North Carolina is using a similar model.

"We realized we were so busy helping other companies build their businesses and organizations that we had neglected our own business development," says Doss Church, founder and CEO of Galaxy Digital. "This meant that we weren't helping as many clients as we could. So I reached out to Steve Poland at A-B Tech's Small Business Incubator and he connected us with Pam Lewis at AdvantageWest. They helped us secure a loan from the AdvantageWest Opportunity Fund, which we used to hire two local sales people."

The investment has paid off. Galaxy Digital was able to double their sales from 2009. They hope to reach \$1 million in sales by mid 2011 and roll out their digital communication solutions to other United Way and Big Brothers Big Sisters organizations throughout the country.

For more information, visit www.galaxydigital.com.

"Carolina Connect energizes the entire North Carolina business community!"

Victor Hwang
*Co-Founder and Managing Director,
 T2 Venture Capital*



Doss Church

ALLEGHANY
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BUNCOMBE

17 communities engaged
in CEC program with seven
achieving certification.

Certified Entrepreneurial Community (CEC®)

BURKE
CALDWELL
CHEROKEE
CLAY
GRAHAM
HAYWOOD
HENDERSON
JACKSON
MACON
MADISON
MCDOWELL
MITCHELL
POLK
RUTHERFORD
SWAIN
TRANSYLVANIA
WATAUGA
WILKES
YANCEY

Realizing that entrepreneurship is best nurtured on a local grassroots level, AdvantageWest created the Certified Entrepreneurial Community (CEC®) program in 2007. The first of its kind in the U.S., the CEC® program helps communities become entrepreneur-ready. CEC®s bring together a team of community leaders, including representatives from local government, educators, business people and established entrepreneurs to develop resources, policies, regulations and opportunities that help entrepreneurs start and sustain new businesses. And with seven CEC®s (Polk, Haywood, Burke, Mitchell, Watauga and Transylvania counties and the Eastern Band of Cherokee Indians) and 10 more in the pipeline, including two receiving certification in early 2011 – Western North Carolina is clearly open for businesses!

To learn more about the CEC® program and how to make entrepreneurship a focus of your economic development strategy, contact Pam Lewis, Senior VP of Entrepreneurial Development, at plewis@awnc.org or go to awcec.com.



Open for Business

Polk County becomes a Certified Entrepreneurial Community

Tucked in the foothills of the Blue Ridge Mountains in the isothermal belt, Polk County is blessed with a temperate climate and terrain that attracts many retirees, families and businesses. Primarily an agri-based culture, Polk County is home to more than 500 equestrian businesses including trainers, boarders, breeders, sales, veterinarians, tack stores and many special horse shows.

The three main towns of Tryon, Saluda and Columbus all offer lively downtown areas with local shopping, dining and friendly people. The county also boasts an excellent education system with well-funded and highly rated schools as well as a passion for community and economic development, which is why Polk County became a Certified Entrepreneurial Community in 2010.

“Polk County has always been a beautiful and welcoming community,” says Ambrose Mills, CEC Team Leader and EDC Chair. “But by going through the CEC process with AdvantageWest, we now have the resources, leadership and strategic plan in place to truly say we are entrepreneurial-ready.”

Obtaining the CEC certification took three years and required considerable commitment by the entire 12-member EDC board, including team leaders Mills and County Manager Ryan Whitson, as well as Lynn Sprague,

Director of Polk County Agriculture Economic Development; Craig Hilton; Libbie Johnson; and Bob Morgan, Vice Chair, EDC. But the team says it was well worth it.

Some of the benefits Polk County will receive through the CEC program include participation in a co-op marketing campaign through AdvantageWest to attract new businesses to the area, permanent highway signage showing the CEC designation and inclusion in a new CEC website. Polk County also has improved access to capital through AdvantageWest’s Advantage Opportunity Loan Fund, leadership development opportunities and peer-to-peer networking with other CEC communities in the region.

“Polk County exemplifies the reasons why it is beneficial for communities to become CECs,” says Pam Lewis, Senior VP of Entrepreneurial Development, AdvantageWest. “They have established a clear strategic plan and enthusiastic leadership team, including Ambrose and Lynn, who will be the driving forces behind the amazing entrepreneurial spirit and business growth in the area for years to come.”

With one horse to every three people in the county, Lynn Sprague believes that Polk’s livelihood depends on growing its agricultural base.

“The equestrian industry contributes close to \$75 million to Polk County,” he says. “If you create resources and programs centered on growing the agricultural industry, then you will sustain long-term rural growth here.”

Part of that rural growth is the opening of The Mill Spring Agricultural Development Center in the old Mill Spring Elementary School. The Center is a resource for agricultural development, farmland preservation, education, community service and business development and is dedicated to sustaining economic growth and the rural character of Polk County. Built in 1928, the building is going through its first phase of renovations but already has several tenants, including five artists, an herbalist, a soil and water conservation company, and woodworker Chris Carroll.

“By achieving CEC certification, we are recognized for our commitment to encourage and support entrepreneurship while improving the business climate for existing companies in Polk County.”

Ambrose Mills
CEC Team Leader and EDC Chair

“ When people ask me who is in charge of The Mill Spring Agricultural Development Center project, I say the community is in charge. ”

Lynn Sprague
*Director of Polk County Agriculture,
Economic Development*





On top of the world. Chris Carroll starts new woodworking business.

“The community support in Polk County is amazing. Everyone helps each other so that we can all succeed.”

Chris Carroll
Owner,
Carroll Woodcraft Unlimited

“The Center has helped me out in so many ways,” says Carroll, who also went through the GATE (Growing America Through Entrepreneurship) Program. “When work at my old job dried up, they provided me with an affordable space to build my new business and access to donated lumber that I can use to make anything a customer imagines. They gave me a way to make a living and now I am going to be able to hire a few more people for the spring.”

The Center works on a limited budget, so the support of the community and organizations like AdvantageWest is crucial.

“We receive donations every day, whether it’s folks dropping off lumber, office supplies or even refrigeration equipment,” says Sprague. “We have had more than 400 volunteers donate 1600 hours of time so far and AdvantageWest continues to help us grow. Recently they found two architects who are going to volunteer their services to help us better preserve this beautiful building.”

Like Polk County, The Mill Spring Agricultural Development Center is an entrepreneurial community in progress. Future projects may include a commercial culinary center, a retail farm store and weekly radio programs broadcast from the school’s auditorium – the possibilities are endless!

Polk County may be agriculturally driven, but it also has a high-speed data network in place, which has made the area attractive to high-tech companies like Kiveo, which builds websites and web-based applications.

Kiveo’s three owners – Jeremy Edgell, Miles Phillips and Briley Hooper – had moved to Polk County to work for another digital company. When the company decided to move out of the area, they decided to start Kiveo.

“We have been lucky to surround ourselves with some very good people,” says Phillips. “Thanks to the support of the community – including Tryon’s mayor, who personally campaigned for us – we were able to stay in Polk County, move into a building that is three to four times the size of our old building and triple our staff.”

“One of the reasons why I wanted to start a business in Polk County is that it felt like home,” says Edgell. “It meant a lot to us to be able to stay here.”

For more information about the CEC program, visit www.awcec.com.



A shop of his own, Chris Carroll.

ALLEGHANY
ASHE
AVERY
BUNCOMBE

\$3.1 million in green economy grants awarded to the region through collaboration by AdvantageWest and its partners.



BURKE
CALDWELL
CHEROKEE
CLAY
GRAHAM
HAYWOOD
HENDERSON
JACKSON
MACON
MADISON
MCDOWELL
MITCHELL
POLK
RUTHERFORD
SWAIN
TRANSYLVANIA
WATAUGA
WILKES
YANCEY

Home to a wealth of natural resources, one of the highest levels of biodiversity in the world, a healthy quality of life and a vibrant eco-conscious community, Western North Carolina continues to emerge as a green leader.

Helping lead the way is AdvantageGreen, which leverages the region's resources to promote green economic opportunities and support long-term green job creation and retention throughout WNC. In 2010, AdvantageGreen launched a regional clean energy industry initiative, the WNC Clean Energy Economy Project (cleanenergywnc.org). The first Clean Energy Now conference was also held, connecting WNC companies and organizations with best-in-class, green energy solution providers. With 22% growth in green jobs statewide, WNC is one of the three hotspots for industry growth. AdvantageGreen's goal is to help make our 23-county region #1.

To access the resources of the AdvantageGreen program, contact Matthew Raker, Senior Director AdvantageGreen, at mraker@awnc.org.

“The AdvantageGreen Energy Internship Program is a tremendous opportunity for recent graduates to learn valuable clean energy job skills and a great way for us to help green businesses in our area succeed.”

Leigha Dickens
Green Building Intern/Coordinator,
Deltec Homes

AdvantageGreen Team at the FLS Solar Farm in Haywood County. Front: Matt Raker, Senior Director, AdvantageGreen. Interns from left: Will Carow, Leigha Dickens, John Duncan, Nick Millar, Teresa Matthews, Brian Taylor, Mayank Nautiyal, Jake Sadler, Sean Gallagher, Farid Quraishi, Stephen Whiteside. Not pictured: Anna Leonard



Planting Roots

New Internship Program Helps Grow WNC's Clean Energy Economy

“Over the course of the AdvantageGreen program, the interns will have had a role in the installation of more than 10 renewable energy systems, development of eight local energy plans, and hundreds of thousands of dollars in savings from energy efficiency projects.”

Matt Raker
Senior Director of AdvantageGreen

Thanks to funding from the State Energy Office of North Carolina and support from several private and public stakeholders, AdvantageWest created The AdvantageGreen Energy Internships Program in 2010.

The innovative program has placed 12 recent graduates of North Carolina colleges and universities in clean energy positions at several businesses and organizations throughout the region with the goal of growing the clean energy economy in Western North Carolina. One track offers three 12-month fellowship positions focused on building critically needed energy planning and program implementation capacity in our local governments. The second track has nine 12-month internships with qualified regional businesses aiming to demonstrate sustainable energy business models.

“The regional approach of the program is aimed at translating successful energy-saving programs from leading areas to lagging areas while providing the interns with valuable intergenerational mentoring and a rich, peer-to-peer advancement platform in the clean energy industry,” says Matt Raker, Senior Director of AdvantageGreen.

The 2010 host businesses and organizations included Altech-Eco, Blue Ridge Biofuels, Caldwell Green Commission, Deltec Homes, Green Opportunities,

FLS Energy, Land-of-Sky Regional Council, Northwest Piedmont Council of Governments, sgblue, SolTherm Energy, Western North Carolina Green Building Council and AdvantageWest.

“I am learning so much just being on the job,” says Leigha Dickens, a recent UNC Asheville graduate and Green Building Intern/Coordinator at Deltec Homes. “I am helping research energy codes to make sure that we are not only satisfying them but also staying ahead of them by creating even more energy efficient green building options. And I am learning about the benefits of DelKote insulation products by working on energy audits for them. It’s amazing!”

“The Internship Program has made a great impact in our region already,” says Raker. “And it demonstrates the importance of ensuring that our students have sufficient pathways into employment in WNC’s clean energy sector. If we can secure sustainable funding, we will definitely support similar programs in the future.”



ALLEGHANY
ASHE
AVERY
BUNCOMBE

140 film location
inquiries conducted in
2010.

WNC Film Commission

BURKE
CALDWELL
CHEROKEE

Breathtaking landscapes, spectacular landmarks, vibrant towns, professional talent and the friendliest film commission – Western North Carolina gives the film industry a lot to love.

CLAY
GRAHAM
HAYWOOD
HENDERSON

A program of AdvantageWest, the Western North Carolina Film Commission assists filmmakers from pre-production through final cut. Our goal is to make all film projects enjoyable experiences. We help scout and secure locations, and find the best crews, talent, equipment, stage and support services in the region. We work closely with local, state and federal organizations as well as private landowners and businesses to facilitate hundreds of projects every year including feature films, documentaries, commercials, television films and series, music videos, and reality television.

JACKSON
MACON
MADISON
MCDOWELL
MITCHELL
POLK
RUTHERFORD
SWAIN
TRANSYLVANIA

In 2010, The State of North Carolina launched a Film Incentive Program where production companies who spend at least \$250,000 in North Carolina receive a refundable tax credit of 25% of in-state spending for labor, goods and services.

WATAUGA
WILKES
YANCEY

To learn more about the Western North Carolina Film Commission, contact Pam Lewis, Film Commissioner, at plewis@awnc.org.



“ The wonderful cooperation and support we received from the folks at DuPont State Forest and Western NC Film Commission made it all go like clockwork. We're most grateful indeed. ”

Tom Trigo
Location Manager,
“Alone Yet Not Alone”

All for one and one for falls. Bridal Veil Falls, DuPont State Forest. From left to right: David Brown, Forest Supervisor, North Carolina Division of Forest Resources DuPont State Forest; Phil Francis, Superintendent, Blue Ridge Parkway; Pam Lewis, WNC Film Commission; Randy Burgess, Cradle of Forestry and Recreation for the Pisgah Ranger District; Amanda Baranski, WNC Film Commission; Bruce MacDonald, Assistant Forest Supervisor, North Carolina Division of Forest Resources DuPont State Forest.



It's A Wrap

DuPont State Forest Hosts Successful Film Shoot

For years, filmmakers have used the beautiful landscape and vibrant towns of Western North Carolina to shoot their TV shows, music videos, and short and feature films. Last fall, a yet-to-be-released film, "Alone Yet Not Alone," discovered the wonder of Western North Carolina. To tell their story, the filmmakers needed to capture an earlier era in American History when the first settlers and Native Americans shared a primeval wilderness free of roads, buildings and other features of the man-made environment.

For filmmakers, this can be a steep logistical challenge. Getting trucks and heavy film equipment into such pristine areas is hard to do! Fortunately, they found the WNC Film Commission, which helped them find the perfect location at DuPont State Forest and the best team to make it happen.

The film crew shot segments in the breathtaking areas of Bridal Veil and Triple Veil Falls in late October. Several organizations came together to make the shoot a smooth success, including North Carolina Division of Forest Resources, DuPont State Forest and Holmes Educational State Forest, Blue Ridge Parkway, the Cradle of Forestry and Recreation for the Pisgah Ranger District, and AdvantageWest.

"It was truly a thrilling experience for many of our cast and crew who had never visited this historically rich region of the country," say Barbara Divisek Bengston and Ray Bengston, Executive Producers, Mission City Productions, Inc./AYNA, LLC. "Our time there was very special and we will never forget it."

"I never cease to be amazed at the level of collaboration among our

region's public and private sectors to provide top-notch experiences for filmmakers," says Pam Lewis, Film Commissioner, WNC Film Commission. "This time the Blue Ridge Parkway and our area's forest service agencies helped us make it happen!"

"Everyone went above and beyond to accommodate our needs and work with us at every turn in the road."

Barbara Divisek Bengston and Ray Bengston,
Executive Producers, Mission City Productions



Local Connections. Director of Photography James Suttles from Brevard with Director Ray Bengston and Location Manager Tom Trigo.

2 0 1 0

BRFV client Bamboo Pickles won a National Best Product Award from *Cooking Light Magazine*.

Delivered 2nd round of CEC Leadership training across the AW region and launched CEC website (awcec.com) to help market future entrepreneurial growth.

Launched regional collaboration with the Lahn-Dill region of Germany and Western Carolina University.

WNC Film Commission sponsored 48 Hour Film Project for Asheville and participated in screenings and award ceremony.

BREC client sgblue launched their new, revolutionary residential air purification unit.

Facebook announced plans to invest \$450 million in a data center near Forest City in Rutherford County.

Fall Economic Summit attended by more than 300 attendees. Lt. Governor Walter Dalton, Anita Brown-Graham of the Institute for Emerging Issues, State Treasurer Janet Cowell, Austin Adams of JPMorgan Chase, and DG Martin of UNC-TV participated.

Every year, independent auditors have given AdvantageWest a "clean" opinion on our financial statements.

The Big Picture, One Positive Step at a Time.

We all know we're in challenging economic times, but Western North Carolina has a lot to be proud of and a lot to celebrate. 2010 was a year of many amazing accomplishments for AdvantageWest and our region.

German automotive parts manufacturer Reich LLC decided to open its first U.S. plant in our region, while long-time partner Stanley Furniture decided to keep all operations for its Young America line in Robbinsville, retaining hundreds of jobs. Polk County became our area's 7th Certified Entrepreneurial Community®. The first eco-conscious, woman-owned kombucha brewery in the Southeast is booming. High-tech companies like DigitalChalk are soaring. Western North Carolina is one of the three hotspots for green industry growth and a much-desired location for film. And we congratulate Rutherford County on becoming the new home of a \$450 million Facebook data center.

All of these accomplishments mean that our region is growing economically. And it means that our efforts, no matter how big or small, are making a difference. That's why as one of the most innovative and diversified economic development organizations in the country, we are committed to using all our resources, ingenuity and time to build business and create and retain jobs throughout our entire 23-county region.

We couldn't make a positive impact on Western North Carolina without the enthusiastic commitment of our board, staff, Economic Developers Advisory Council (EDAC) and our countless partners and supporters. Your dedication and energy to improve our economic outlook is unmatched and most appreciated.

I look forward to working with each and every one of you, as well as new businesses and partners, to make Western North Carolina a cultural and economical powerhouse.

Sincerely,



Scott T. Hamilton
President & CEO



Photo by Troy Tolle

160 national site consultations through one-on-one meetings, conferences and events.

61 project leads and **20** first-time Advanced Manufacturing client visits.

7 new communities entered the CEC certification process.

7th Carolina Connect Entrepreneur and Investor Conference drew 300+ entrepreneurs and investors from across the Southeast.

\$25,000 grant awarded to BRFV from the Community Foundation of Western North Carolina to expand the Farm Outreach Program in the region.

\$235,000 grant received by AdvantageGreen from the Golden LEAF Foundation for the project Realizing the WNC Natural Products Industry.

BIG Numbers for AdvantageWest in 2010

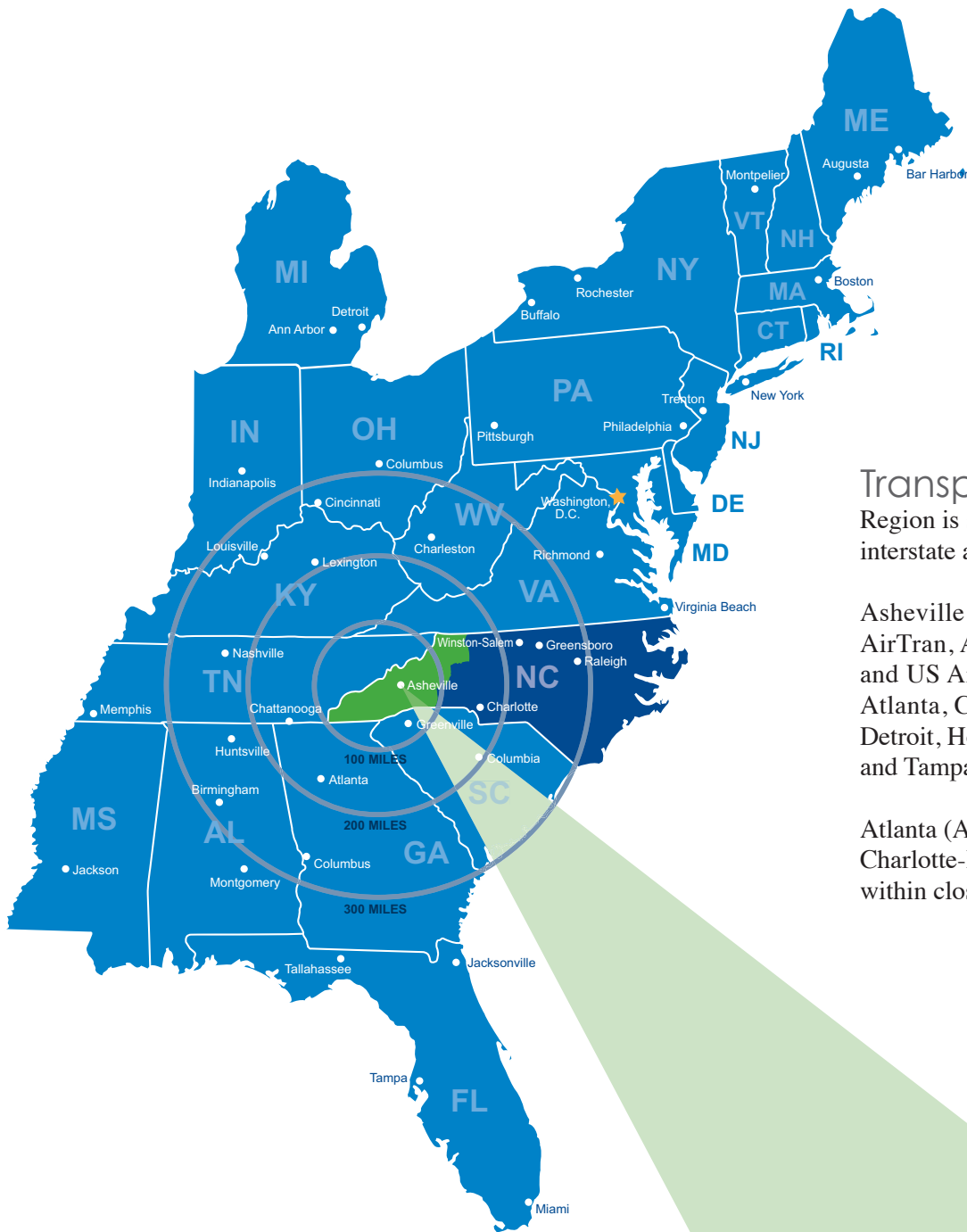
175 WNC companies and local governments attended the first Clean Energy Now Conference.

140 film inquiries/projects.

1,921 new jobs announced in the AdvantageWest region.

\$549,177,000 in taxable investment announced in the AdvantageWest region.

300 schools across the country participated in the 2nd Juicy Ideas Competition. AB-Tech Community College placed 2nd in the technology innovation competition between 1st place Stanford and 3rd place MIT.



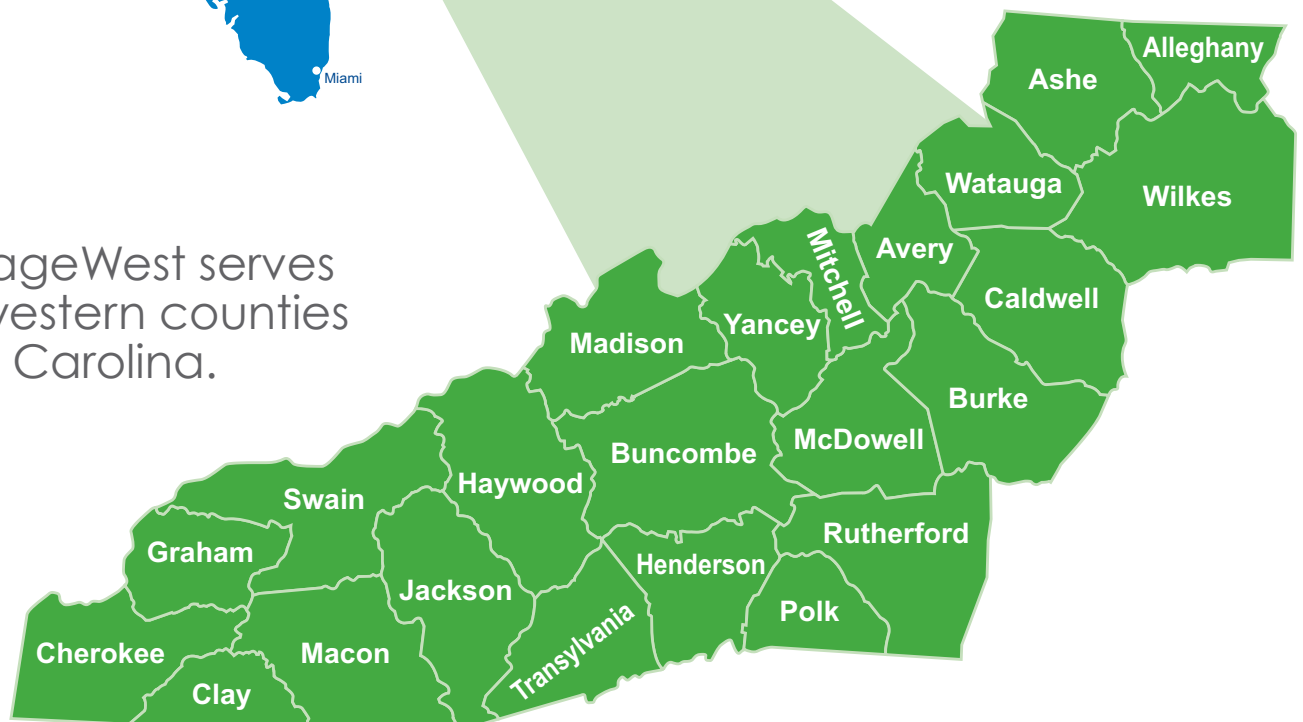
Transportation

Region is served by I-26 and I-40 with direct interstate access to I-85, I-77 and I-81.

Asheville Regional Airport (AVL) served by AirTran, American, Continental, Delta, United and US Airways with daily non-stop service to Atlanta, Charlotte, Chicago, Dallas-Fort Worth, Detroit, Houston, LaGuardia, Newark, Orlando and Tampa.

Atlanta (ATL), Greenville Spartanburg (GSP) and Charlotte-Douglas (CLT) International Airports within close proximity.

AdvantageWest serves the 23 western counties of North Carolina.





AdvantageWest Board of Directors

Board Members from Left to Right (Front Row): Mark Burrows, Mike Fulenwider (*Second Vice Chair*), George Couch, Tommy Jenkins (*Chairman*), Connie Haire (*Corporate Secretary*), Wanda Proffitt (*Vice Chair*), Tom Alexander (*Treasurer*), J.W. Davis, Peggy Melville

(Back Row): Wayne McDevitt, Henry Doss, Randy Banks, Larry Kernea, Reese Lasher, Van Phillips, Gordon Myers

(Not Pictured): Eugene Ellison, Elizabeth Miller, Sam Neill, Harris Prevost, Tom Speed



AdvantageWest Staff Members

Staff Members from Left to Right: Amanda Baranski (*Executive Assistant and Assistant Corporate Secretary*), Matt Raker (*Sr. Director – AdvantageGreen & Grants Administration*), Pam Lewis (*Sr. Vice President – Entrepreneurial Development*), John Duncan (*Clean Energy Economic Development Assistant*), Mary Lou Surgi (*Executive Director – Blue Ridge Food Ventures*), Scott Hamilton (*President & CEO*), Karen Davis (*Accounting Associate*), Alice Wilder-Lauff (*Administrative Assistant*), Kathy Neall (*Sr. Vice President – Finance*), Kyle Edney (*Executive Vice President*)

Our Corporate Sponsors and Supporters

AdvantageWest is grateful for these public and private partners for their support in 2010.

Alliance Consulting Engineers
 Appalachian Regional Commission
 Appalachian State University
 Appalachian Sustainable Agriculture Project
 Asheville-Buncombe County EDC
 Asheville-Buncombe Technical Community College
 Asheville Renaissance Hotels
 Ashe County
 Ashley Furniture
 AT&T
 Biltmore Estate
 Biltmore Farms
 Biltmore Wines
 Blue Ridge Community College
 Burke Committee of 100
 Burke Development Inc.
 Business North Carolina
 Carolina Financial Securities
 Carolina First Bank
 Community Foundation of WNC
 Craggy Brewing Company
 Duke Energy
 ECS Carolinas
 FLS Energy
 Forest Commercial Bank
 French Broad Brewing
 Froehling & Robertson
 Frontier Communications

List continued inside back cover...

Our Corporate Sponsors and Supporters cont...

Fulenwider Enterprises

Golden LEAF Foundation

Google

Graham County

Greenlife Grocery

Haywood County EDC

Henderson County Partnership for
Economic Development

High Country Council of
Governments

Isothermal Planning and
Development

KP Communications

Land-of-Sky Regional Council

Macon County Economic
Development Commission

Marketing Association for
Rehabilitation Centers (MARC)

Mattern & Craig

McGill & Associates

McMillan Pazdan Smith

Mountain Area Workforce
Development Board

Mountain Bizworks

Murphy Electric Power Board

Nexsen Pruet

NC Biotechnology Center

NC Department of Commerce,
Division of Business & Industry

NC Department of Commerce,
Division of Energy

NC Department of Commerce,
Division of Tourism, Film and Sports
Development

NC Department of Commerce,
Division of Workforce Development

NC General Assembly

NC Rural Center

NC Small Business and Technology
Development Center

NC State University

NC Tobacco Trust Fund

Parker Poe Adams & Bernstein

Piedmont Natural Gas

Polk County EDC

Progress Energy

Posana Cafe

PSAV

PSNC Energy

Rutherford County EDC

Southwestern Commission

Sundance Power Systems

Swain County

Town & Country Furniture

Town of Murphy

US Economic Development
Administration

US Small Business Administration

Western Carolina University

Western Piedmont Council of
Governments

YMI Cultural Center



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Blue Ridge Advanced Manufacturing Initiative

Quarterly Programmatic Reports – 2011

1st Quarter

- ❖ Conducted site location call missions to Chicago, IL, and Atlanta, GA. In total, meetings were conducted with 41 national site location consultants to introduce the AW region and promote regional assets. These calls have resulted in three active project leads.
- ❖ Conducted a business development mission to the Midwest and met with 14 advanced manufacturing companies considering expansion/relocation into the Southeastern US and provided an overview of western North Carolina and discuss opportunities for project locations.
- ❖ Participated in the Friends of North Carolina IT Luncheon held in San Jose, CA. Partnered with state and local officials to meet leadership teams and tour two data center facilities with a presence in our region, made one call on a prospective renewable energy advanced manufacturing company, and joined a local developer on a call to a design/build firm that sites data center projects.

2nd Quarter

- ❖ Hosted the annual AdvantageWest EDAC trip to Raleigh. 22 members of EDAC (Economic Developers Advisory Council) participated. Meetings/presentations were held with: Nexsen Pruet, the NC Dept. of Commerce, Parker Poe, GoldenLEAF Foundation, NC Rural Center, Appalachian Regional Commission, and the Office of Governor Beverly Perdue. AdvantageWest also hosted nine members of the WNC legislative delegation for a briefing and update on the region.
- ❖ Worked with the director of the Friends of North Carolina regarding the state hosting their annual consultant event in the AdvantageWest region in 2012. AdvantageWest has agreed to assist in planning the event should the state decide to host it in WNC.
- ❖ Discussed future meeting dates and other ideas for our Economic Developers Advisory Council (EDAC) group.



3rd Quarter

- ❖ Worked extensively on Project Big Forest, a client project that resulted from an AdvantageGreen trip to a site consultant forum focused on renewable energy.
- ❖ Hosted the Project Big Forest national site consultant while scouting locations for a large agribusiness client they are working with. Eleven sites in five counties (Burke, McDowell, Buncombe, Henderson & Transylvania Counties) were reviewed initially.
- ❖ A second round of location scouting was conducted with the national site consultant for Project Big Forest with McDowell and Henderson Counties remaining under consideration.
- ❖ Co-led a client visit to the corporate headquarters of Project Big Forest in California along with the NC Department of Commerce, the Henderson County PED, and a member of the NC House of Representatives. Meetings with the senior leadership of the company were very productive with work on refining the total incentive package under discussion.

4th Quarter

- ❖ Participated in the Friends of NYC Consultant Mission in New York attended by 35 national site consultants, 2 from the AdvantageWest region.
- ❖ A national site consultant trip was taken to Chicago to meet with 18 consultants who were with 10 national site consulting firms. During the visit, a distribution project (Project RB) was uncovered and AdvantageWest coordinated the submission of building information from various communities to the consultant.
- ❖ Continued to work with Henderson County on Project Big Forest and the Asheville Buncombe EDC on Project Jo.
- ❖ Hosted the quarterly EDAC meeting with 25 attendees.
- ❖ Several of the counties in the region have been visited to get a firsthand look at their site and building inventory and understand their community growth plans. During the quarter, visits were made to the key economic development person in 19 of the 23 counties in our region.

Blue Ridge Entrepreneurial Council & Certified Entrepreneurial Community Program
Quarterly Programmatic Reports – FY2010/11

3rd Quarter - 2010

CEC:

- ❖ A sign manufacturer was selected to produce CEC signage that will be posted in designated communities.
- ❖ Plans are underway for a second rollout of the CEC program to give other communities in the region an opportunity to join in this initiative.
- ❖ Scheduling and coordination of CEC community visits to engage new communities in the CEC program.
- ❖ Continued creation of CEC website —photography, videography, and interviews underway with CEC groups to obtain website content—full launch of website targeted for October.
- ❖ Macon County has submitted materials for review to become a Certified Entrepreneurial Community.

BREC:

- ❖ Led the Juicy Ideas national winning team from Stanford University on their grand prize trip to the headquarters of Google in California.
- ❖ Worked with client sgBlue on plans for their residential home air purifier unit product launch.
- ❖ Participated in the Energy Boot Camp hosted by Kentucky Highlands Investment Corporation to learn best practices.
- ❖ Plans are underway for Carolina Connect 2011 in which Peter Shankman has been announced as a keynote speaker.
- ❖ The Advantage Opportunity Fund has made 3 new loans this quarter with 11 loans currently under repayment.

4th Quarter - 2010

CEC:

- ❖ The Yancey County CEC team was unanimously approved for CEC designation at the December 8th AdvantageWest Board of Directors meeting. Yancey County held a ceremony and celebration in Burnsville December 19th.
- ❖ Coordinated a CEC Leadership Team Lunch-n-Learn hosted by Polk County at the end of November. This event was attended by 25 members of the CEC leadership teams from across the AdvantageWest region.
- ❖ Hosted a delegation of officials from Cleveland County to discuss the CEC Program. Cleveland County is interested in learning more should the CEC Program become available outside the AdvantageWest region.
- ❖ Continued work on a national marketing campaign for our CEC communities.
- ❖ Worked on an MOU for a contractor to add the 3 newest CEC communities to the CEC website.
- ❖ Attended a CEC Leadership Team meeting in Mitchell County.

BREC:

- ❖ Continued work on Carolina Connect 2011 by securing a venue and an additional featured speaker, Windsor Hangar, who was recently named by *Inc. Magazine* as one of the top 30 entrepreneurs under 30.
- ❖ BREC client, DigitalChalk, was featured in a *Wall Street Journal* article which resulted in the company being contacted by 6 different angel/venture capital firms interested in learning more about them.
- ❖ Continued to work on the Advantage Opportunity Fund client activity with A-B Tech.
- ❖ BREC client, sgblue, held a product launch for their residential air purification unit.

1st Quarter - 2011

CEC:

- ❖ CEC Certification of Macon County and the Town of Black Mountain occurred during the February 17th Board of Directors Meeting.
- ❖ Presented a proposal for CEC Commercialization to the AW Board— proposal included two separate models and ideas for moving forward. Met with ARC and SBA to discuss initiative and possible funding.
- ❖ A story on the CEC program appeared in the January/February issue of *WNC Magazine*.
- ❖ The CEC website was been entered into a national web design competition.
- ❖ Met with members of Yancey County's CEC Leadership Team as they officially kicked off their renewed commitment to the CEC Program.

BREC:

- ❖ Began planning and coordination of the 8th annual Carolina Connect entrepreneur conference for May 5th.
- ❖ Worked with VERVE magazine to co-sponsor a women's business plan competition— winner to be announced at Carolina Connect.
- ❖ Approved new AOF loans for Lakeland Gear and CoCoChi and an additional loan for sgblue.
- ❖ Represented entrepreneurship in WNC at the White House Startup America event in Durham, NC along with local company, DigitalChalk.
- ❖ Attended the SXSW conference in Austin, TX and participated in multiple sessions on technology, marketing, media, and gaming.

2nd Quarter - 2011

CEC:

- ❖ The Town of Black Mountain held a ceremony to recognize their accomplishment of being the first town in WNC and in America to be CEC certified.
- ❖ Presented an overview of the successes and results from the CEC Program to SBA officials.
- ❖ Clay County is interested in visiting other CEC communities to learn best practices.
- ❖ Worked with Franklin Town Manager, to develop entrepreneurial training for downtown businesses through CEC for Macon County.
- ❖ Submitted a request for a one year extension to SBA for our Certified Entrepreneurial Community Program grant.

BREC:

- ❖ Hosted 8th annual Carolina Connect Conference in Asheville for entrepreneurs, investors, and industry leaders. The event was attended by over 200 people and received much press.
- ❖ Kara Errickson was named the winner of the VERVE-aciouly Big Business Plan Competition at Carolina Connect. Her company CoCoChi was a recent AOF loan recipient.
- ❖ Met with Digital Chalk and A-B Tech to discuss the new foundation that is underway to support entrepreneurs and to brainstorm on talent to direct a potential tech accelerator program.
- ❖ Matthew Raker was promoted to the new director of the entrepreneurship program upon the departure of Pam Lewis.

AdvantageGreen
Quarterly Programmatic Reports – FY2010/11

3rd Quarter - 2010

- ❖ Awarded \$479,259 from the State Energy Office for the Advantage-Green Energy Internship Program to place interns and fellows within green regional organizations for a year.
- ❖ Held the first WNC Clean Energy Leadership Group meeting.
- ❖ Soft launch of cleanenergywnc.org resource website for WNC clean energy businesses through the Clean Energy Economy Project.
- ❖ Preparations for the Clean Energy Now Conference being held at Blue Ridge Community College in October.
- ❖ Continued work on the WNC Natural Products industry grant.
- ❖ Worked with Land-of-Sky Regional Council on a major sustainability planning grant.

4th Quarter - 2010

- ❖ Placed 12 fellows and interns in clean energy businesses across WNC as part of the AdvantageGreen Energy Internships and Fellowships Program.
- ❖ Contracted with Angelou Economics to complete the Clean Energy Cluster Analysis.
- ❖ Conducted the second meeting of the WNC Clean Energy Leadership Group which made significant progress towards a WNC clean energy brand.
- ❖ Hosted the first Clean Energy Now Conference, a 1-day intensive overview of best practices in energy efficiency, renewable energy and clean vehicles attended by 175 WNC companies and local governments.
- ❖ Awarded a \$235,000 grant by the GoldenLEAF Foundation for the project, realizing the WNC Natural Products Industry.

1st Quarter - 2011

- ❖ Convened over 100 clean energy business executives and stakeholders in focus groups and interviews for a regional clean energy cluster analysis under development.
- ❖ Launched an expanded AdvantageGreen.org website including a green resource guide for regional green-tech businesses.
- ❖ Participated in ExpoWest event in California, the largest international conference of the natural products industry leading to several economic development opportunities.
- ❖ Performed numerous energy efficiency audits and prepared energy action plans for businesses across the region.
- ❖ Received notification of over \$500,000 in grant awards for projects directly involved in which will lead to expanded electric vehicle infrastructure and related jobs in WNC.

2nd Quarter - 2011

- ❖ Completed a Supply Chain Gap and SWOT Analysis for a WNC Clean Energy Cluster Analysis to be published in late summer 2011.
- ❖ Continued to grow the AdvantageGreen Network, an online green economy network and resource guide now with more than 500 members.
- ❖ Participated in the Area Development Renewable Energy Consultants Forum in Tulsa, OK as well at the German American Chamber of South annual meeting in Asheville, NC.
- ❖ Presented on the AdvantageGreen Energy Internships Program at the 2011 North Carolina Sustainable Energy Conference.
- ❖ Received notification of over \$400,000 in grant awards for projects supported by the AdvantageGreen program that will expand clean energy capacity and jobs in WNC.

Blue Ridge Food Ventures
Quarterly Programmatic Reports – FY2010/11

3rd Quarter - 2010

- ❖ Preparations for the Natural Products Manufacturing Facility Grand Opening in October and developing guidelines for usage of the facility.
- ❖ Began stocking freezers of local food from 10 regional farmers for the Winter Sun Farms Program and began list of subscribers to participate in this year's program.
- ❖ Organized participation of 20 BRFV clients and graduates in the Asheville Wine & Food Festival which was attended by over 2,000 people.
- ❖ Working with A-B Tech and the State Energy Office on a proposal to make energy saving improvements on the A-B Tech campus and make BRFV a model of an energy efficient food incubator.
- ❖ Value of Production 3rd Quarter—\$ 246,000

4th Quarter - 2010

- ❖ Held the Natural Products Manufacturing Facility Grand Opening and developed guidelines for usage of this first in the nation shared-use facility.
- ❖ Awarded \$25,000 grant from the Community Foundation of Western North Carolina to expand the Farm Outreach Program in the region.
- ❖ Completed stocking freezers of local food from 13 regional farmers for the Winter Sun Farms Program and had 240 subscriptions to participate in this year's program.
- ❖ Continued working with A-B Tech and the State Energy Office to make energy saving improvements on the A-B Tech campus and make BRFV a model of an energy efficient food incubator.
- ❖ Value of Production at BRFV for 4th quarter estimated at \$225,000.
- ❖ BRFV client, Bamboo Pickles, won a National Best Product Award from *Cooking Light Magazine*.

1st Quarter - 2011

- ❖ Featured on UNC-TV's production, NC Rising, with BRFV Director and 4 business clients.
- ❖ Highlighted in a *New York Times* article on how to choose a niche incubator like BRFV. BRFV and AOF clients, Asheville Kombucha Mamas, were quoted in the article as saying how they could not have grown as fast as they did without BRFV.
- ❖ Featured in the February issue of North Carolina's *Our State Magazine*.
- ❖ Distributed 3rd and 4th rounds of Winter Sun Farms shares to over 200 subscribers supporting 13 local farmers.
- ❖ Attended the Natural Products Expo in order to bring more attention to the new manufacturing facility and to increase our knowledge of new Federal Guidelines.
- ❖ Helped develop a new model for distribution of BRFV food products across NC and some adjoining states.
- ❖ Completed first full production of new product in Natural Products Manufacturing Facility.

2nd Quarter - 2011

- ❖ Appeared in a 15-minute segment on BRFV and its clients on UNC-TV's *NC Rising*.
- ❖ Met with the head of the culinary Program at A-B Tech to discuss partnership ideas and entrepreneurs from A-B Tech.
- ❖ Facilitated a workshop on growing hops, a potentially lucrative crop for local farmers that could supply the growing brewing industry in WNC.
- ❖ Represented agribusiness and agri-tourism at Atlanta media event to promote food tourism in western North Carolina.
- ❖ Presented a webinar on specialty incubators to a world-wide audience for the International Economic Development Conference.
- ❖ Hosted a visit by Senator Richard Burr to showcase our efforts at promoting small businesses in the region.
- ❖ Continued work on overall BRFV Strategic Plan for BRFV, the NPMF and WSF.



WNC Film Commission
Quarterly Programmatic Reports – FY2010/11

3rd Quarter – 2010

- ❖ Continued updates to the WNC Film Resource Directory, added 15 new directory listings, and added 35 locations to Reel-Scout database.
- ❖ Creation of WNC Film Commission Facebook page.
- ❖ Continued with revitalization/awareness efforts for film and Director Gene Ellison of the AW Board was appointed to the NC Film Council.
- ❖ Provided logistical assistance for numerous regional projects including 3 commercials, a TV miniseries, a TV series, and a TV pilot.
- ❖ The *Road to Nowhere* independent film shot in WNC last year appeared at the Venice Film Festival and won the Special Award Lion.
- ❖ Participated in Reel-Scout training to better understand the many functions of this database and add-on Reel-Crew feature.

4th Quarter - 2010

- ❖ Added 6 new listings to the Film Resource Directory and added 42 locations to Reel-Scout database.
- ❖ The independent film *Alone Yet Not Alone* completed shooting in Du-Pont State Forest at Triple Falls and Bridal Veil Falls located in TransylvaniaCounty.
- ❖ Worked extensively on a confidential film project through securing location scouts, submitting location photos relevant to the project, and planning a visit to WNC for key executives in early December.
- ❖ Continued contact with the production manager planning to scout the Hot Springs area for an independent feature and helping to identify and secure location scouts for the project.



1st Quarter - 2011

- ❖ Worked with the independent film “Discovering Matt Ryan” on shooting a trailer in Waynesville.
- ❖ Worked with Jewelry TV on shooting in Asheville for a DVD series.
- ❖ Ongoing assistance with an independent feature working in coalition with Charles D. Owen High School in Black Mountain.
- ❖ Worked with the producer and writer of *Road to Nowhere*, which was shot in Swain and Graham counties in 2009, to discuss and plan for a WNC premiere of the film.
- ❖ Continued work on a major motion picture for the region.
- ❖ Added 289 new locations to the Reel Scout database from recent scouting trips and from the NC Film Office library.
- ❖ Added 14 new crew and talent listings to the WNC Resource Directory.

2nd Quarter - 2011

- ❖ Work began on a Sony feature film which included scouting locations throughout the AW region—shooting is planned for fall 2011.
- ❖ Coordinated and conducted 2 film scouts for an independent feature that will begin shooting in WNC in September.
- ❖ Continued worked on independent feature based on a David Sedaris book looking to scout WNC in early July and shoot in the area this fall.
- ❖ Worked with Discovery Channel on securing locations for an episode of *Nightmare Next Door*.
- ❖ Coordinated locations for the production company handling the marketing collateral for Ford’s line of 2012 vehicles.
- ❖ Continued work on a major motion picture for the region.
- ❖ Added 29 new locations to the Reel Scout database and added 29 new crew and talent listings to the WNC Resource Directory.



Summary of Earned Media for AdvantageWest in FY 2010-11

Ad Value Equivalency (AVE) is the normal cost of the newspaper or print media space, or broadcast media time, using standard advertising rates. It does not take into account preferred placement or the addition of color, both of which usually cost more; nor does it consider special rates that could be negotiated, which could bring the cost down. Instead, it is a very rudimentary measurement that is an estimate of what coverage might have cost, and is used for the purpose of quantifying media relations activities.

It is very difficult to calculate values for online media, so those estimations are not included here; nor are values for print/broadcast media if we do not have the complete information to make the calculation, nor are values assigned to social media.

PR Value (PRV) is a standard calculation in the PR industry to determine the intrinsic value of the media coverage. It is believed that a “news story” versus an “advertisement” has five-times the credibility; thus, PRV is calculated by multiplying the AVE by five. In the case of an actual ad (we had several in FY2010-11 that we achieved for no charge), we do not use the five-times multiplier.

July 2010 estimates of coverage:

AVE: \$22,549 PRV: \$68,625

August 2010 estimates of coverage:

AVE: \$61,496 PRV: \$307,480

September 2010 estimates of coverage:

AVE: \$36,798 PRV: \$183,990

October 2010 estimates of coverage:

AVE: \$28,699 PRV: \$143,495

November 2010 estimates of coverage:

AVE: \$58,603 PRV: \$293,015

December 2010 estimates of coverage:

AVE: \$35,722 PRV: \$176,410

January 2011 estimates of coverage:

AVE: \$35,979 PRV: \$177,595

February 2011 estimates of coverage:

AVE: \$118,974 PRV: \$588,050

March 2011 estimates of coverage:

AVE: \$87,927 PRV: \$434,644

April 2011 estimates of coverage:

AVE: \$46,914 PRV: \$233,250

May 2011 estimates of coverage:

AVE: \$1,064,431 PRV: \$5,322,155

June 2011 estimates of coverage:

AVE: \$79,838 PRV: \$399,190

FY 2010-11 TOTAL estimates of coverage:

AVE: \$1,677,930

PRV: \$8,327,899

Western North Carolina Regional Economic Development Commission			
d/b/a Advantage West			
NORTH CAROLINA STATE GENERAL ASSEMBLY			
CASH BASIS Financials			
For the Fiscal Year July 1, 2010 thru June 30, 2011			
REVENUES:			
Regional Economic Development - Grant-In-Aid		\$ 1,127,559	
TOTAL REVENUES			\$ 1,127,559
EXPENDITURES:			
PERSONAL SERVICES			
Salaries & Wages	\$ 353,796		
Social Security & Other Benefits	98,191		
Sub-Total Personal Services		451,987	
PURCHASED SERVICES			
Travel	26,146		
Communications/Data Processing	20,812		
Postage/Freight/Deliveries	3,525		
Printing/Advertising	7,738		
Repairs/Maintenance/Utilities	12,041		
Contracted Services	349,426		
Other Services	6,811		
Sub-Total Purchased Services		426,499	
SUPPLIES & MATERIALS			
General Administrative Supplies	10,528		
Other Administrative Expenses	13,730		
Sub-Total Supplies & Materials		24,258	
FIXED CHARGES & EXPENSES			
Rent/Leases	71,089		
Insurance/Bonding	10,480		
Sub-Total Fixed Charges & Expenses		81,569	
CAPITAL OUTLAY			
Other Capital Outlay (< \$5,000)	7,599		
Other Capital Outlay (Intangibles)	3,330		
Sub-Total Capital Outlay		10,929	
OTHER EXPENDITURES			
Prospect Dev & Sponsorships	36,025		
Event Costs	17,937		
Sub-Total Other Expenditures		53,962	
TOTAL EXPENDITURES			1,049,204
EXCESS REVENUES OVER EXPENDITURES			\$ 78,355

Western North Carolina Regional Economic Development Commission		
d/b/a Advantage West		
FUNDS - ADVANTAGEWEST - OTHER		
CASH BASIS Financials		
For the Fiscal Year July 1, 2010 thru June 30, 2011		
REVENUES:		
State Energy Office - AdvantageGreen Internships Project	\$ 171,603	
U.S. SBA Grant #1 - Certified Entrepreneurial Community Program	43,000	
U.S. SBA Grant #2 - Certified Entrepreneurial Community Program	89,276	
Golden LEAF - Natural Products Project	70,000	
Labor Market Survey Grant and Sponsorship	36,000	
Biz Boost Funding	60,000	
Land-of-Sky Clean Energy Economy Project	16,200	
Entrepreneurial Program Event Registrations & Support Income	21,646	
WNC Film Commission Project Cost Share	5,333	
Sub-Lease Income	17,105	
Investment Income	2,432	
TOTAL REVENUES		\$ 532,595
EXPENDITURES:		
Salaries	92,898	
Social Security & Other Benefits	19,190	
State Energy Office AdvantgeGreen Internships Project Expenses	157,826	
U.S. SBA Certified Entrepreneurial Community (CEC) Grant #1 Exp	43,000	
U.S. SBA Certified Entrepreneurial Community (CEC) Grant #2 Exp	42,645	
CEC Website	10,000	
Golden LEAF - Natural Products Project	35,809	
Labor Market Telephone Survey	36,000	
Entrepreneurial Conferences and Forum Events	16,999	
Building Rents	17,105	
Contracted Services	12,862	
Lead Generation Costs	5,000	
Office Supplies	2,431	
Travel	1,992	
Sponsorships	1,000	
TOTAL EXPENDITURES		494,757
EXCESS REVENUES OVER EXPENDITURES		\$ 37,838

Western North Carolina Regional Economic Development Commission		
d/b/a Advantage West		
FUNDS - PRIVATE		
CASH BASIS Financials		
For the Fiscal Year July 1, 2010 thru June 30, 2011		
<u>REVENUES:</u>		
Corporate Contributions	\$ 80,248	
Economic Summit Registrations & Sponsorships	20,750	
Income - Genesis Furniture Project	19,000	
BREC Corporate Contributions	3,578	
Interest Income - Private Funds	1,039	
TOTAL REVENUES		\$ 124,615
<u>EXPENDITURES</u>		
Economic Summit Expenses	18,278	
Support BR Food Ventures fr Genesis Revenues	9,500	
BR Entrepreneurial Council Expenses	13,853	
Film Commission Expenses	2,601	
Professional Services	20,725	
Private Fund Other Expenses	10,799	
Prospect Development	2,275	
Travel Expenses	4,670	
Sponsorships	1,500	
TOTAL EXPENDITURES		84,201
EXCESS REVENUES OVER EXPENDITURES		\$ 40,414

Western North Carolina Regional Economic Development Commission		
d/b/a Advantage West		
FUNDS - BLUE RIDGE FOOD VENTURES		
CASH BASIS Financials		
For the Fiscal Year July 1, 2010 thru June 30, 2011		
<u>REVENUES:</u>		
NC Biotechnology Center Grant - Natural Products	48,386	
Tobacco Trust Fund Grant - Farm Outreach	67,926	
Community Foundation Grant	25,000	
Golden LEAF Grant-Construction/Natural Products	19,911	
Golden LEAF - Natural Products	12,291	
NC Market Ready Equipment Grant	11,614	
ASAP "Farm to School" Project	6,875	
Kitchen Rentals	84,445	
AdvantageWest Support	79,500	
Winter CSA Subscription Income	34,020	
Red Box Sales	10,882	
Miscellaneous Other Revenues	4,306	
TOTAL REVENUES		\$ 405,156
<u>EXPENDITURES:</u>		
Salaries	60,000	
Social Security & Other Benefits	20,117	
NC Biotechnology Ctr Grant Exp - Natural Products	12,799	
Tobacco Trust Fund Grant Expenses-Farm Outreach	58,725	
Golden LEAF Grant Exp-Construction/Natural Prod	6,640	
Golden LEAF Grant Exp - Natural Products	13,140	
NC Market Ready Equipment Grant	11,614	
ASAP "Farm to School" Project	4,796	
Winter CSA Subscription Expenses	21,517	
Red Box Expenses	7,229	
Building Rents	40,379	
Contracted Services	18,821	
Repairs and Maintenance	12,509	
Equipment Purchases	11,897	
Supply Costs	5,629	
Other Administrative Expenses	4,119	
Communication Expenses	2,766	
Insurance	2,363	
Travel	1,077	
TOTAL EXPENDITURES		316,137
EXCESS REVENUES OVER EXPENDITURES		\$ 89,019

Western North Carolina Regional Economic Development Commission			
d/b/a Advantage West			
FUNDS - BLUE RIDGE SUSTAINABILITY INSTITUTE			
CASH BASIS Financials			
For the Fiscal Year July 1, 2010 thru June 30, 2011			
	TOTAL REVENUES		\$ -
	EXPENDITURES:		
	Transfer of Assets to BRSI	21,434	
	Less: Transfer of Non-Cash Capital Assets	(1,783)	
	TOTAL EXPENDITURES (Cash)		19,651
	EXCESS EXPENDITURES OVER REVENUES		\$ (19,651)
	<i>To contribute on 7/1/10, assets to BRSI, once they obtained their 501(c)(3) status</i>		

Western North Carolina Regional Economic Development Commission		
d/b/a Advantage West		
FUNDS - ADVANTAGE OPPORTUNITY FUND		
CASH BASIS Financials		
For the Fiscal Year July 1, 2010 thru June 30, 2011		
<u>REVENUES:</u>		
NC Rural Center Grant	\$	45,000
U.S. Small Business Administration Grant		123,000
Interest Income		8,407
TOTAL REVENUES		\$ 176,407
TOTAL EXPENDITURES		-
EXCESS REVENUES OVER EXPENDITURES		\$ 176,407



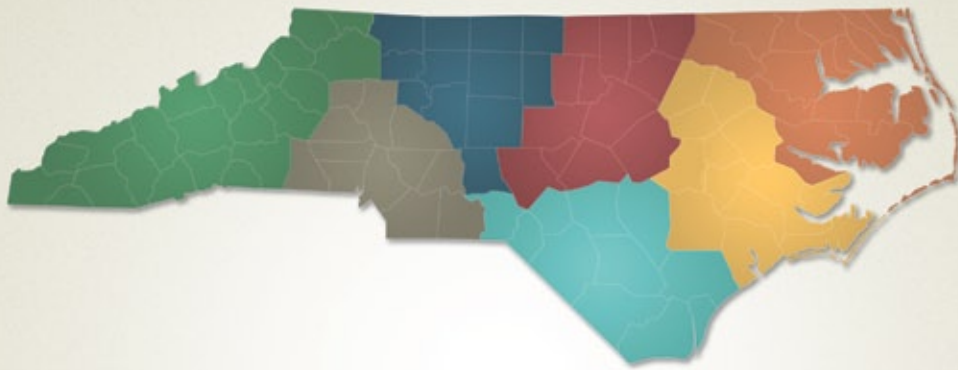
Strategy Alignment

The Western North Carolina Regional economic Development Commission (AdvantageWest Economic Development Group) works to align our regional marketing efforts with the state of North Carolina and the six other commissions or partnerships across the state in several ways.

- North Carolina Partnership for Economic Development (NCPED) – Leadership from the North Carolina Partnership for Economic Development brings cohesion and efficiency to the state’s regional economic development framework. All seven regional partnerships participate equally in NCPED with the North Carolina Department of Commerce serving as a collaborative partner. NCPED formed in 1997 as a private non-profit, facilitates information sharing, marketing strategy development and sharing of best practices from the regional partnerships and the North Carolina Department of Commerce. NCPED meets quarterly to formulate strategic objectives.
- The presidents of the seven regional partnerships joined by officials from the NC Department of Commerce meet on a monthly basis to share information and identify opportunities for tactical collaboration.
- The marketing managers from the seven regional partnerships and from the NC Department of Commerce meet at least quarterly under the auspices of the North Carolina Marketing Council to bring operational synthesis to North Carolina’s marketing activities and to develop collaborative marketing initiatives to leverage each of the entities’ marketing dollars.

NORTH CAROLINA'S

REGIONAL ECONOMIC DEVELOPMENT PARTNERSHIPS



FORGING STATEWIDE COMPETITIVENESS THROUGH REGIONAL COLLABORATION

In a modern business world without boundaries, there are few barriers to the flow of products and people, ideas and innovation. With economic competition now taking place in a global arena, civic lines drawn centuries ago are no longer the ideal basis for economic development strategies—or for the organizations that implement them. Counties and cities risk getting lost in the fine print of the rules of today's commerce.

North Carolina's success in recent years as a New Economy leader—with annual accolades from top publications such as *Site Selection*, *Forbes* and others—has come as a result of a unique economic development delivery system that complements state and local organizations with seven regional development partnerships.

Since 1994, all seven of the state's regional partnerships and commissions have received annual appropriations from the General Assembly—financial resources that are augmented by local and federal government funds, foundation grants, corporate contributions, in-kind technical expertise and leadership support.

As the 21st Century unfolds, the quest for sustainable jobs requires a diverse arsenal of tools and talent, and a team approach to meeting opportunities head-on. Positioning communities for prosperity in today's economy calls for aggressive strategies designed and implemented by regional entities that are in a strong position to leverage a constantly evolving array of public, private, philanthropic and academic resources.

Today, with 15 years of leadership in regional economic development innovation, North Carolina remains a model that other states follow.



I've found my interactions with North Carolina's regional partnerships to be of the highest caliber. They cut through red tape, zero in on the ideal sites and communities, and handle all interactions professionally and confidentially. I consider them a vital link between our company and its continued success.

*JIM CHESNUTT, President and CEO
National Spinning Company, Washington, N.C.*

From a national perspective, North Carolina's legislatively mandated regional approach to economic development is very unique. As a result of the success of having a regional focus, other states have begun to take a closer look.

*JEFF FINKLE, President and CEO
International Economic Development Council, Washington, D.C.*

THE REGIONAL APPROACH: A VALUE PROPOSITION

North Carolina's Regional Partnerships Believe:

- That North Carolina's ongoing accolades from publications such as *Forbes*, *Site Selection* and *Industry Week* are the result of a statewide economic development framework that is the nation's best;
- that effective regional economic development organizations working in tandem with a strong central lead agency, the N.C. Department of Commerce, form the basis for the state's enviable track record for business development and job creation success;
- that well-crafted regional solutions in economic development are increasingly vital to communities and states as they compete in the 21st Century global economy;
- that regional economic development organizations, working in coordination with state and local authorities and private allies (i.e., utilities, banks, etc.), offer the flexibility needed to effectively address regional branding, marketing and promotional needs;
- that consistent, meaningful funding from the North Carolina General Assembly, along with appropriate monitoring and oversight, has proven itself as the basis for a sound, uniform regional economic development policy benefiting the entire state;
- that public-private regional development partnerships are the ideal way to augment government support and guidance with private and philanthropic funding, leadership and technical expertise;
- that privately organized regional partnerships offer fleet, flexible and results-oriented management of economic development solutions at the regional level;
- that North Carolina's public and private universities and community colleges are key resources for regional job growth and business development strategies in the Knowledge Age;
- that economic progress should be measured not just by job creation headcounts, but through increased wage levels and community wealth formation (i.e. tax-base);
- that regionally-based marketing to, and recruitment of, out-of-state businesses remain the most effective means for introducing new investment and quality jobs into the state;
- that tourism promotion, film marketing, entrepreneurial development, retiree recruitment and other tools are promising avenues toward job growth and economic stability for many communities and regions.

The regional development partnerships were created during my third term as Governor, and I enthusiastically supported ongoing state funding of their activities. Together with our Department of Commerce and local developers, the partnerships play an essential role in continually reinventing the state's economy and ensuring that North Carolina is positioned to win the competition for 21st Century jobs.

HON. JAMES B. HUNT, JR., *Former Governor of North Carolina
Partner, Womble Carlyle Sandridge & Rice, PLLC, Raleigh, N.C.*

By creating awareness of industrial opportunities, vigorously recruiting businesses that bring quality jobs, and attracting new investment dollars to the state, North Carolina's regional economic development strategies have contributed to economic growth, development and diversification statewide.

BRENDA DANIELS, *Manager of Economic Development
ElectriCities of NC, Inc., Raleigh, N.C*



ADVANTAGEWEST ECONOMIC DEVELOPMENT GROUP

**ADVANTAGEWEST
ECONOMIC DEVELOPMENT
GROUP** coordinates job creation in 23 western
counties stretching from Virginia to Georgia. In addition
to an aggressive advanced manufacturing program,
AdvantageWest is actively engaged in the promotion
of film and tourism in the region. It vigorously supports
small business growth in the region through its Blue
Ridge Entrepreneurial Council, Blue Ridge Food
Ventures and first-in-the-nation Certified Entrepreneurial
Community™ program.

ADVANTAGEWEST ECONOMIC DEVELOPMENT GROUP
134 Wright Brothers Way
Fletcher, NC 28732
Tel: 828-687-7234
www.advantagewest.com

**CHARLOTTE REGIONAL
PARTNERSHIP (CRP)**, founded
in 1991, markets twelve North Carolina counties
comprising and surrounding the state's largest
metropolitan area. In 2007, the organization received
an Honorable Mention in *Site Selection* magazine's
annual listing of Top U.S. Economic Development
Agencies. Its accolades that year also included
recognition from CoreNet, the worldwide association
of corporate real estate professionals, which named
the CRP's Regional Film Commission a finalist for its
Strategies and Innovations Award.

CHARLOTTE REGIONAL PARTNERSHIP
1001 Morehead Square Drive, Suite 200
Charlotte, NC 28203
Tel: 800-554-4373
www.charlotteusa.com

OUR REGIONAL PARTNERSHIPS: STATEWIDE CONSISTENCY WITH REGIONAL

**PIEDMONT TRIAD
PARTNERSHIP** unites a dynamic
12-county region surrounding Greensboro, Winston-
Salem and High Point. In 2006, the organization
became one of 13 U.S. Department of Labor Workforce
Innovation in Regional Economic Development (WIRED)
grantees — a four-year, \$15 million initiative that
is developing an integrated regional economic and
workforce development strategy for the Piedmont
Triad. In 2007, *Site Selection* named the Piedmont
Triad Partnership one of the Top 10 North American
Economic Development Organizations for the second
consecutive year.

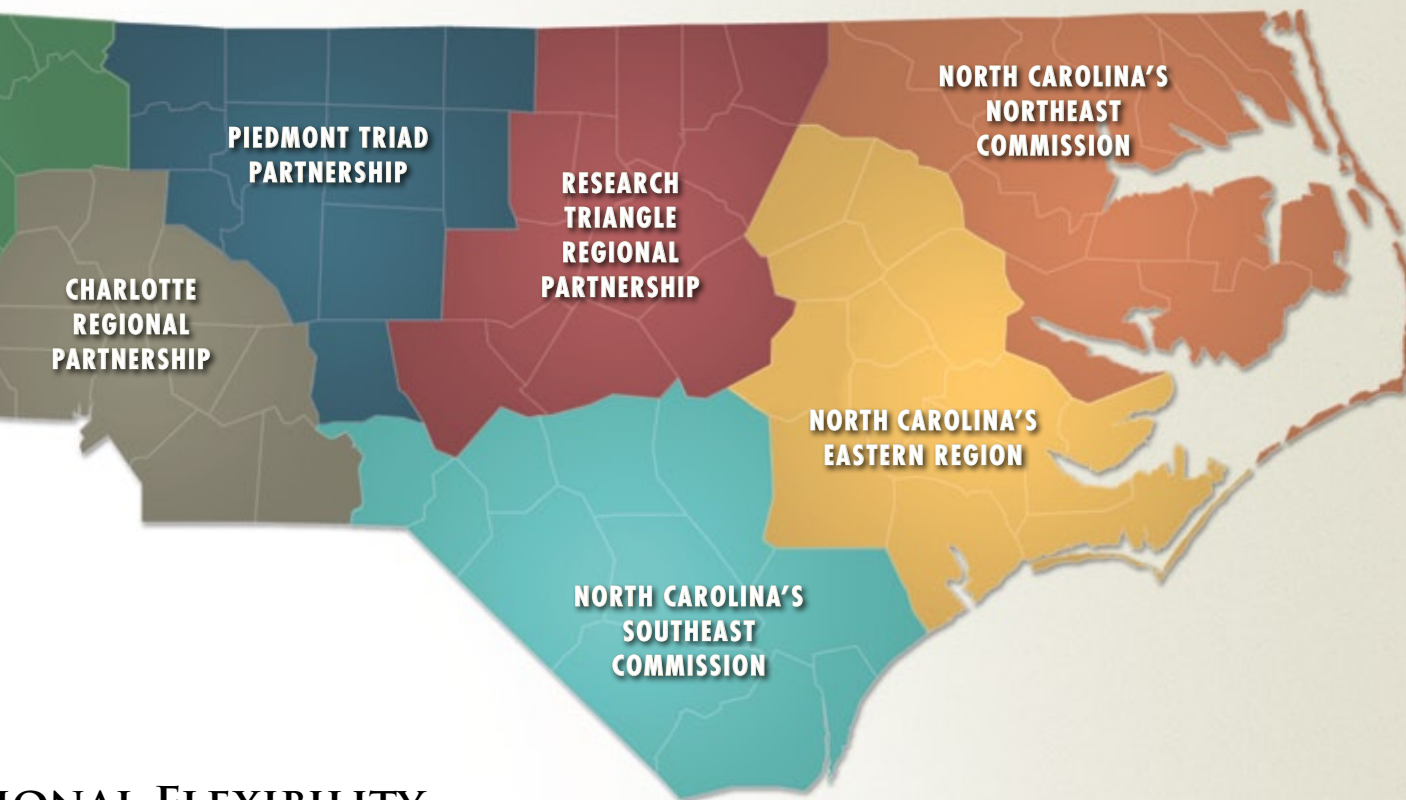
PIEDMONT TRIAD PARTNERSHIP
7025 Albert Pick Rd., Suite 303
Greensboro, NC 27409
Tel: 336-668-4556
www.piedmonttriadnc.com

**NORTH CAROLINA'S
SOUTHEAST COMMISSION**
is the lead regional marketing organization for 11
counties stretching from the Cape Fear Coast to the
Sandhills. Its aggressive promotional efforts include
active participation at industry trade shows, direct
outreach to industrial real estate professionals and site
selection consultants, and an information-rich Internet
presence. The Southeast Commission facilitates the
success of local economic development programs
through the application of private and philanthropic
funds raised by its two private non-profit adjunct
organizations.

NORTH CAROLINA'S SOUTHEAST COMMISSION
P.O. Box 2556
Elizabethtown, NC 28337
Tel: 910-862-8511
www.ncse.org

If the Brothers Grimm had been micro-economists, they would have written the story of
Goldilocks and the three site selectors, and explained how, for economic development
strategies, states are too big, cities are too small, and regions are just right.

RANDALL KEMPNER, Vice President for Regional Innovation
Council on Competitiveness, Washington, D.C.



IONAL FLEXIBILITY

RESEARCH TRIANGLE REGIONAL PARTNERSHIP (RTRP), which manages economic development for the 13-county Research Triangle Region, is completing a five-year, \$5 million regional competitiveness strategy, "Staying on Top: Winning the Job Wars of the Future" implemented in collaboration with more than 90 partner institutions. Among its distinctions, RTRP received the U.S. Department of Commerce's National Award for Excellence in Economic Development Regional Competitiveness Strategic Planning.

RESEARCH TRIANGLE REGIONAL PARTNERSHIP
P.O. Box 80756
RDU International Airport, NC 27623
Tel: 919-840-7372
www.researchtriangle.org

NORTH CAROLINA'S EASTERN REGION, unique among the seven regions, was established as a municipal corporation. Its diverse 13 counties span the central coastal plains from the Atlantic Ocean to the outer suburbs of Raleigh. The Eastern Region facilitates job and wealth creation via support for new infrastructure and industry-ready real estate, workforce improvement, industrial recruitment, regional tourism promotion and more. Its engaging marketing materials have won numerous honors from the Southern Economic Development Council.

NORTH CAROLINA'S EASTERN REGION
3802 Highway 58 North
Kinston, NC 28504
Tel: 252-522-2400
www.nceast.org

NORTH CAROLINA'S NORTHEAST COMMISSION directs regional development for 16 counties stretching from the Outer Banks to Lake Gaston. The organization promotes heritage, environmental and family tourism, as well as the global recruitment of advanced manufacturers and modern agro-industries. It maintains a sharp focus on improving basic infrastructure and workforce resources across its quiet, remote region. *Site Selection* magazine named the Northeast Commission to its 1999 list of the nation's Top 10 Economic Development Organizations.

NORTH CAROLINA'S NORTHEAST COMMISSION
119 West Water Street
Edenton, NC 27932
Tel: 888-872-8562
www.ncnortheast.com

I have long been a major supporter of regional economic development, especially for business recruitment. In my view, there is no other option for ensuring success in generating jobs.

DENNIS J. DONOVAN, Principal
WDG Consulting, LLC, Bridgewater, N.J.

As with many aspects of economic development, North Carolina was a leader in recognizing that a regional approach increases the competitiveness of the entire state. Regional economic development aligns with the client's perspective: site selectors focus primarily on regions and typically do not consider political boundaries when evaluating locations.

JEANNETTE GOLDSMITH, Principal
McCallum Sweeney Consulting, Greenville, S.C.



www.ncped.com

Working Together: Leadership from the North Carolina Partnership for Economic Development (NCPED) brings cohesion and efficiency to the state's regional economic development framework. All seven regional partnerships participate equally in NCPED, with the N.C. Department of Commerce (DOC) serving as a collaborative partner. NCPED, a private, non-profit organization founded in 1997, facilitates information sharing among partnerships and DOC, the sharing of regional development "best practices," and the encouragement of private sector leadership in North Carolina's economic development programs.

NCPED's board of directors, comprised of the chairmen of each regional partnership, meets quarterly to formulate strategic objectives. Regional partnership presidents join DOC officials in monthly meetings to share information and identify opportunities for tactical collaboration. In addition, marketing managers from the seven partnerships and DOC meet quarterly under the auspices of the North Carolina Marketing Council to bring operational synthesis to North Carolina's economic development marketing activities. For more information, visit www.ncped.com.



No state funds were expended in the production of this document.

Regional partnerships provide clients and consultants with what they need in the early stage of the site selection process, primarily transparency, as well as the factors they desire in the later stages of the process: multiple resources, options, consistency—and results.

CLARK SUTTON GILLESPIE, Director of Economic Development
Duke Energy Carolinas, Charlotte, N.C.

Complementing the work of the N.C. Department of Commerce, the partnerships provide globally oriented research, industry outreach and other programs tailored to fit the specific needs of each region. Our economic development team highly values the collaboration, leadership, expertise and professionalism that the partnerships contribute.

KATHERINE THOMAS, Director of Economic Development
Progress Energy, Raleigh, N.C.

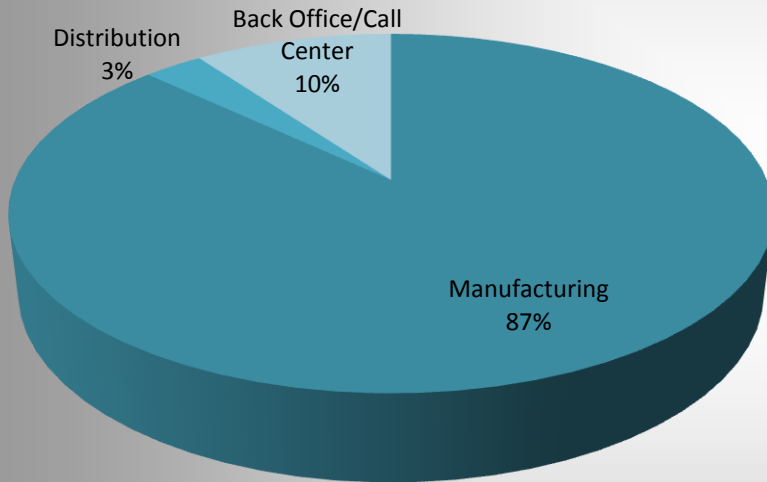


Advanced Manufacturing Activity Report

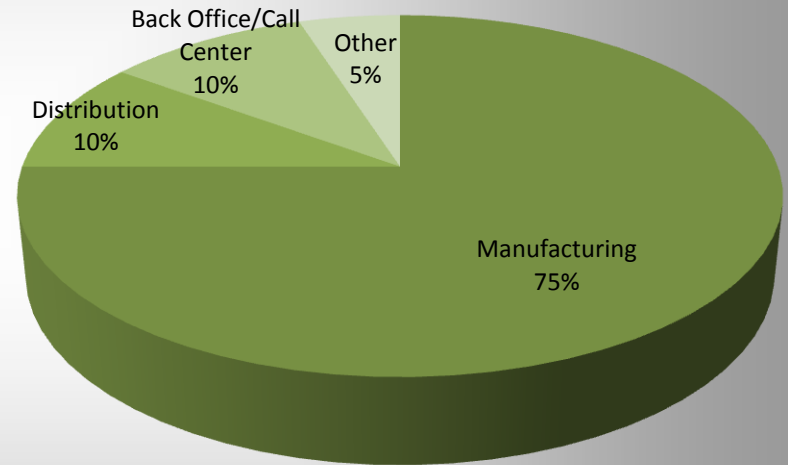
Comparison of 2010 and 2011

Project Type

2010



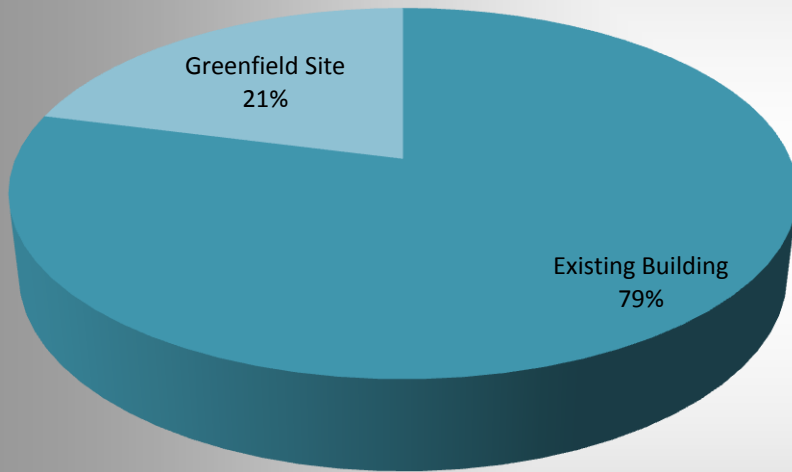
2011



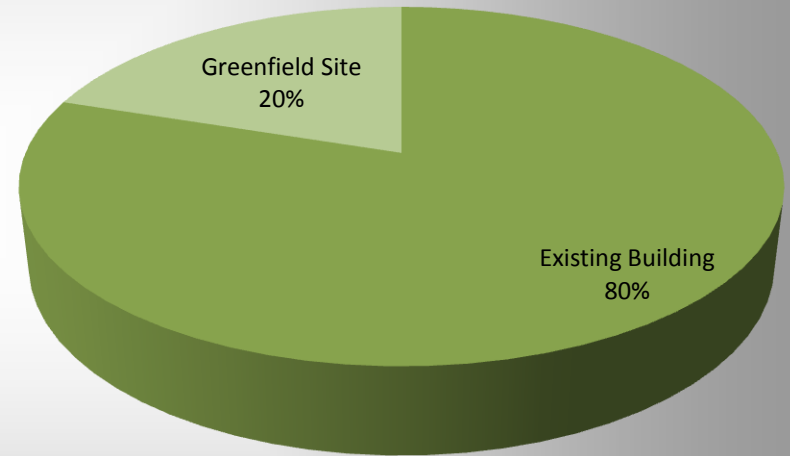
The project types of 2010 and 2011 remained about the same with highest concentration in the manufacturing sector.

Project Need

2010

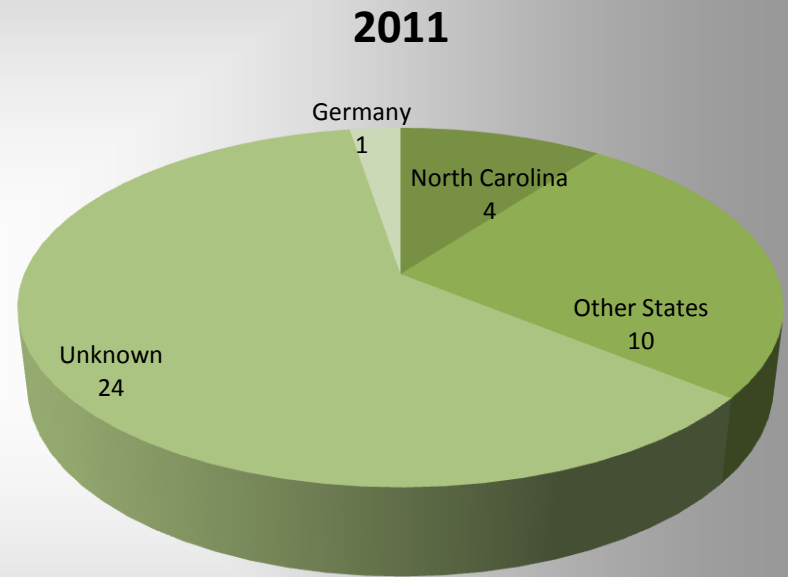
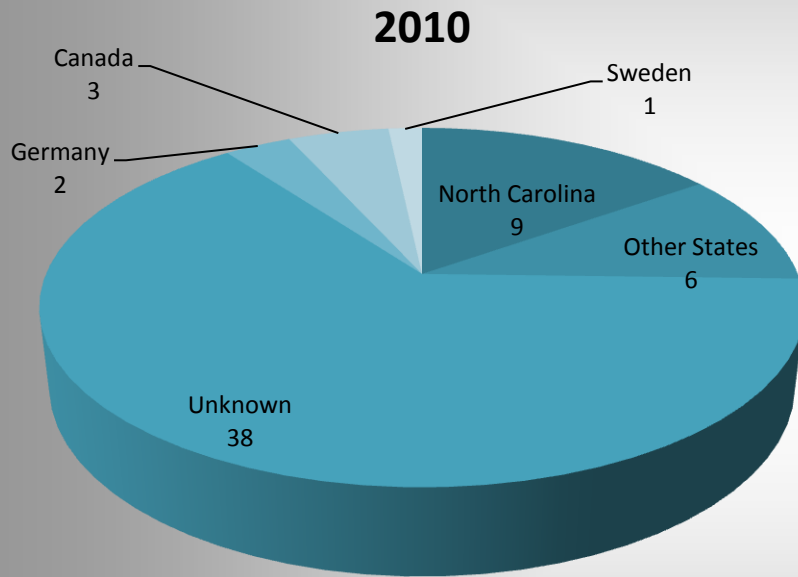


2011



The percentage of companies preferring a building as compared to a site remained in the 75 to 80% range. This 75% has been consistent throughout the last several years.

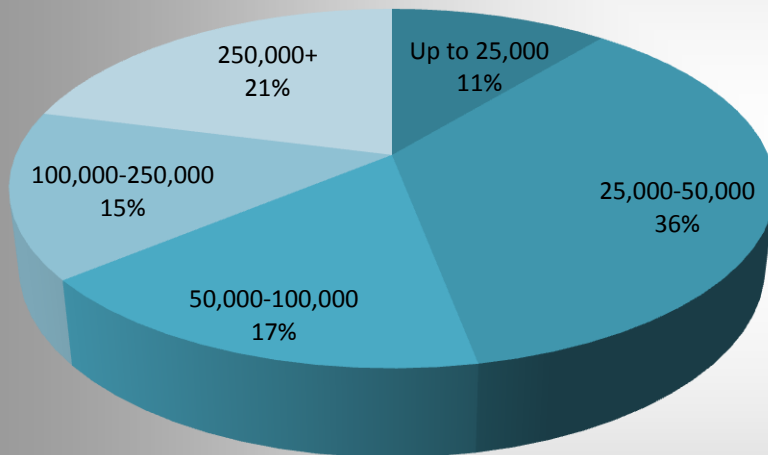
Project Origin



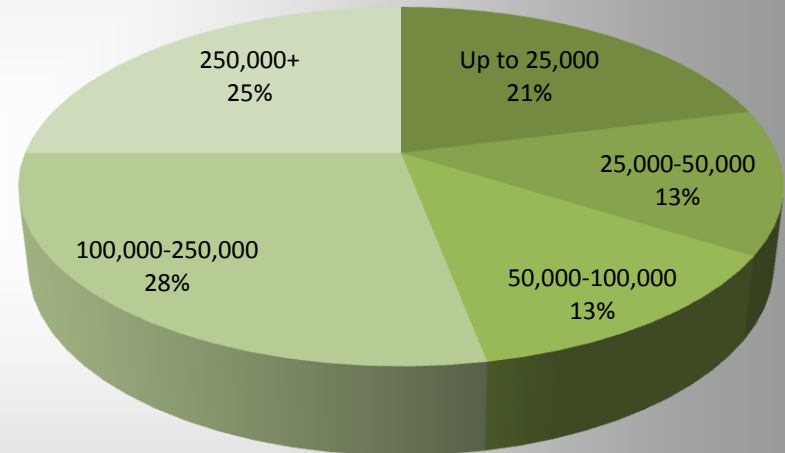
In 2011, activity from other states increased. Some of the other states involved in projects over the past two years include California (4), Ohio (3) and Georgia (2).

Existing Building Requirements

2010



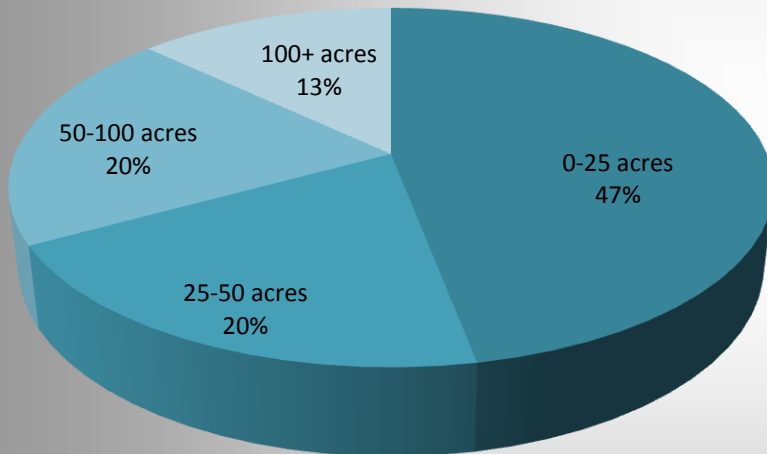
2011



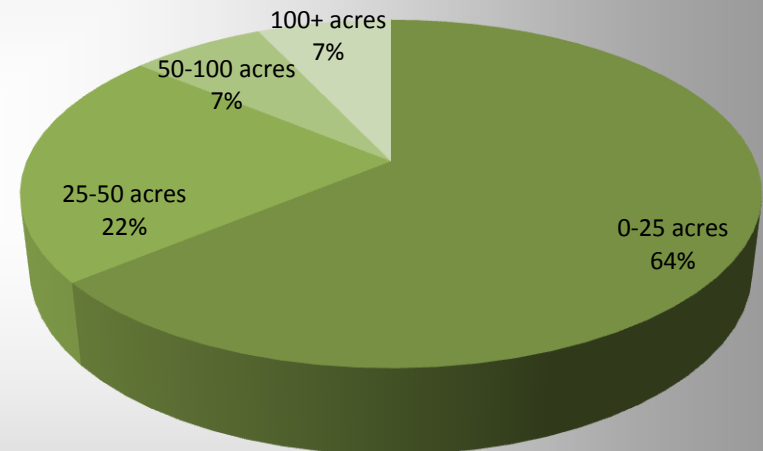
For those inquiries requesting building information, the size building requested was larger in 2011 than 2010. In 2010 almost two-thirds (64%) requested a building of 100,000 square feet or smaller and in 2011 slightly less than one half (47%) wanted a building of 100,000 square feet or less.

Greenfield Site Requirements

2010



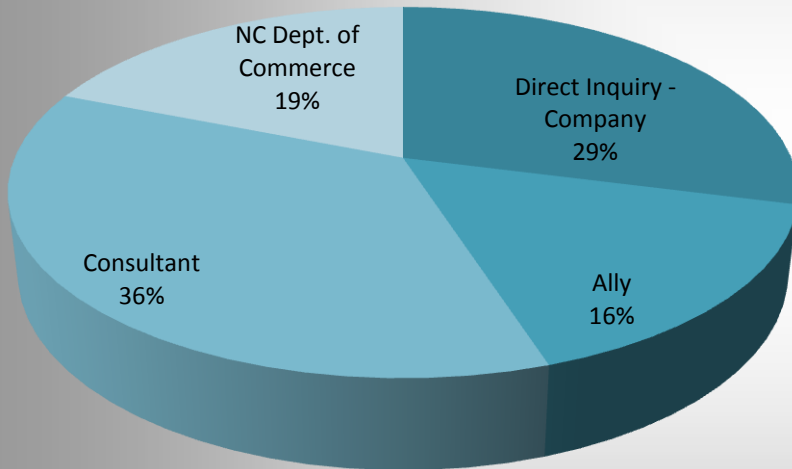
2011



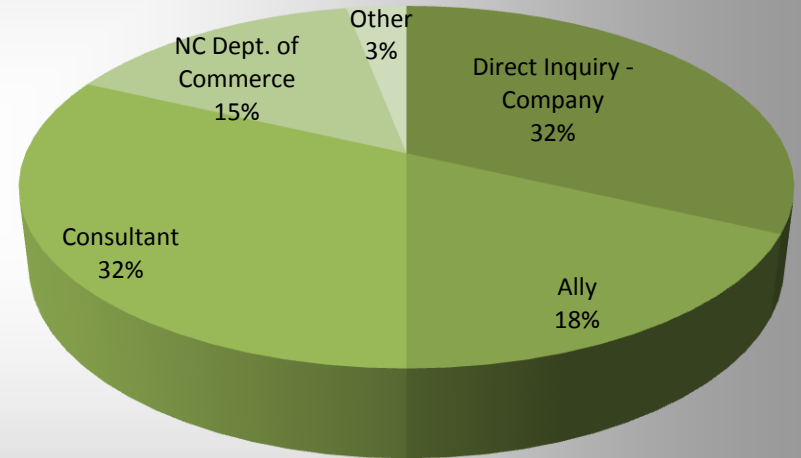
In 2010 of those wanting a Greenfield, 67% wanted acreage of 50 acres or less and in 2011, 86% wanted acreage of 50 acres or less.

Inquiry Source

2010



2011



Site locations consultants continue to be the greatest source leads. In 2010 36% of the leads and in 2011 32% of the leads came from site consultants. Direct company inquiries were next with 29% of the leads in 2010 and 32% of the leads in 2011 coming from direct company inquiries.

Advanced Manufacturing

Leads/Opportunities

Leads/Opportunities Generated 2010

Q1 – 19

Q2 – 9

Q3 – 23

Q4 – 10

2010 Total: 61

Project Visits: 21

Leads/Opportunities Generated 2011

Q1 – 18

Q2 – 7

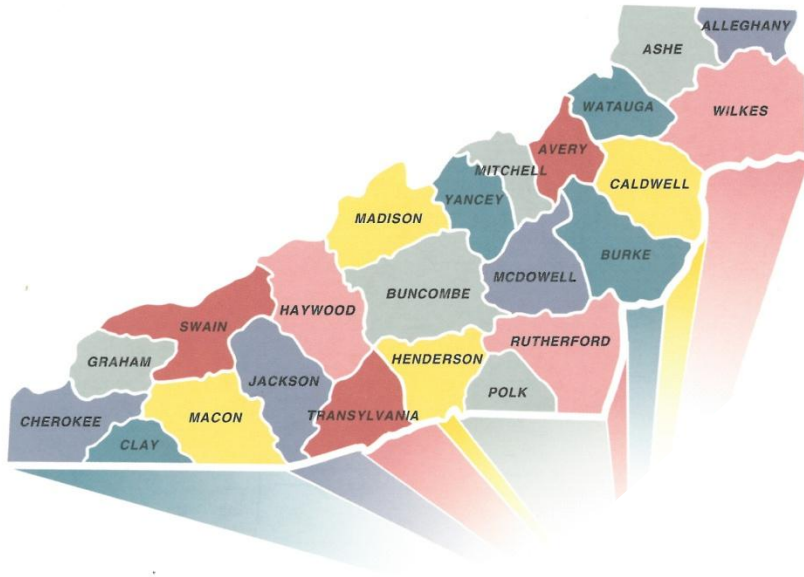
Q3 – 4

Q4 – 10

2011 Total: 39

Project Visits: 11

AW Counties ***Opportunities to Respond to Project Inquiries***



2010

Alleghany	19
Ashe	18
Avery	17
Buncombe	34
Burke	28
Caldwell	20
Cherokee	20
Clay	20
Graham	20
Haywood	21
Henderson	31
Jackson	19
Macon	20
Madison	20
McDowell	28
Mitchell	20
Polk	19
Rutherford	27
Swain	20
Transylvania	21
Watauga	17
Wilkes	20
Yancey	19

2011

Alleghany	11
Ashe	11
Avery	11
Buncombe	25
Burke	14
Caldwell	12
Cherokee	12
Clay	11
Graham	12
Haywood	13
Henderson	20
Jackson	12
Macon	11
Madison	12
McDowell	16
Mitchell	11
Polk	13
Rutherford	17
Swain	10
Transylvania	17
Watauga	12
Wilkes	13
Yancey	12

**Blue Ridge Entrepreneurial Council &
Certified Entrepreneurial Community Program**
Client Activity Report – FY2010/11

	<u>BREC Clients Served</u>	<u>CEC Communities Certified</u>
2010 Q3	12	0
2010 Q4	12	0
2011 Q1	7	2
2011 Q2	6	0
Total FY2011	37	2

AdvantageGreen
Client Activity Report – FY2010/11

	<u>New Clients</u>
2010 Q3	5
2010 Q4	6
2011 Q1	12
2011 Q2	8
Total FY2010/11	31



Blue Ridge Food Ventures
Client Activity Report – FY2010/11

	<u>New Facility Clients</u>
2010 Q3	9
2010 Q4	5
2011 Q1	7
2011 Q2	7
Total FY2010/11	28



Reel-Scout Project Activity/Leads for FY 2010-2011

<u>PROJECT NAME</u>	<u>SOURCE</u>	<u>TYPE</u>	<u>DATE</u>	<u>LOCATIONS</u>
The Colony	NCFO	Feature (Independent)	7/1/2010	16
Dance the Green	NCFO	Feature (Studio)	7/9/2010	22
Mountain & Water Locations	email	Still Photo Shoot	7/14/2010	9
Belk Commercial	phone call	Commercial	7/23/2010	6
The Trouble with my Sister	NCFO	Feature (Independent)	7/29/2010	24
Swedish Children's Clothing Catalog Shoot	NCFO	Still Photo Shoot	7/30/2010	16
Project Artemis	NCFO	Feature (Independent)	8/3/2010	206
Wells Fargo Commercial	NCFO	Commercial	8/6/2010	17
Pinkerton Project	NCFO	TV Miniseries	8/17/2010	17
ALP Communications Car Shoot	email	Commercial	8/25/2010	4
Close Quarters	NCFO	TV Movie / MOW	9/8/2010	14
The Shunning	NCFO	TV Movie / MOW	9/15/2010	35
Walmart Commercial	phone call	Commercial	9/16/2010	15
Alone Yet Not Alone	phone call	Feature (Independent)	9/30/2010	7
Asheville Scenic Overlooks	phone call	Still Photo Shoot	10/1/2010	5
Locke & Key	NCFO	TV Pilot	10/5/2010	20
2010 Untitled Dreamworks Drama	NCFO	Feature (Studio)	10/8/2010	19
I Love Local Commericals	phone call	TV Pilot	10/11/2010	1
Asheville Skyline	phone call	Still Photo Shoot	10/19/2010	2
Holy Oak	NCFO	Feature (Independent)	10/19/2010	4
Maille	email	Commercial	10/22/2010	3
Cool Hand Feature with Vineyard	NCFO	Feature (Independent)	11/9/2010	2
Fall/Winter Danish Catalog Shoot	phone call	Still Photo Shoot	12/1/2010	1
Home	phone call	TV Pilot	12/13/2010	3
Discover Matt Ryan	phone call	Feature (Independent)	1/7/2011	1
Strangers 2	NCFO	Feature (Independent)	2/1/2011	3
Jewelry Television	phone call	Other	2/3/2011	1
The Crossing	NCFO	TV Pilot	2/7/2011	17
Untitled Dreamworks Family	NCFO	Feature (Studio)	2/10/2011	48
Tribuzio Hilliard HGTV Shoot	email	Still Photo Shoot	2/14/2011	1
C.O.G	NCFO	Feature (Independent)	2/15/2011	49

NYU Tisch School of the Arts Project	email	Short	2/18/2011	8
Bitter Coffee	phone call	Feature (Independent)	2/23/2011	37
The Brass Teapot	NCFO	Feature (Independent)	3/3/2011	12
Still I Rise	NCFO	Feature (Independent)	3/3/2011	18
Harley Davidson Catalog Shoot	phone call	Still Photo Shoot	3/16/2011	20
Branch Rickey Project	NCFO	Feature (Independent)	3/18/2011	1
Home and Away	NCFO	TV Movie / MOW	3/21/2011	22
Untitled Mall Feature	NCFO	Feature (Studio)	3/21/2011	8
El Valley Forge	NCFO	Feature (Independent)	3/29/2011	24
1000 A.E.	NCFO	Feature (Studio)	4/1/2011	30
Cabela's Fall Catalog	phone call	Still Photo Shoot	4/4/2011	26
Bag of Bones	NCFO	TV Movie	4/8/2011	22
The Trials of Cate McCullough	NCFO	Feature (Independent)	4/8/2011	5
Borderline	NCFO	Feature (Independent)	4/15/2011	31
Shadow of a Doubt	NCFO	Feature (Studio)	4/18/2011	28
The Seven	NCFO	Feature (Studio)	4/26/2011	20
Nationwide Commercial	NCFO	Commercial	4/28/2011	36
Sweet Tea	NCFO	Feature (Independent)	5/4/2011	24
Untitled Halloween Theme Park	NCFO	Feature (Studio)	5/9/2011	4
The Healer	NCFO	Feature (Independent)	5/10/2011	20
Us & Them	NCFO	Feature (Studio)	6/13/2011	12
Caged Heat	NCFO	Feature (Studio)	6/13/2011	20
Untitled Colin Firth Project	NCFO	Feature (Independent)	6/15/2011	48
Sasquatch	NCFO	Feature (Independent)	6/17/2011	3
The Arrangement	NCFO	Feature (Studio)	6/27/2011	26
Honda ATV Commercial	phone call	Commercial	6/27/2011	11

Total Customized Reel-Scout Packages Created for FY 2010-2011: 57

**Western North Carolina Regional Economic Development Nonprofit
Corporation**



**Financial Statements
For the Year Ended June 30, 2011**

Western North Carolina Regional Economic Development Nonprofit Corporation

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BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Commission Members
Western North Carolina Regional Economic Development Nonprofit Corporation
Fletcher, North Carolina

We have audited the accompanying financial statements of the governmental activities and the major fund of the Western North Carolina Regional Economic Development Nonprofit Corporation (the Corporation), as of and for the year then ended June 30, 2011, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Corporation, the aggregate remaining fund information of the Corporation as of June 30, 2011, and the changes in financial position, and the budgetary comparison of the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2011 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Corporation. The budgetary schedule and schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying budgetary schedule and schedule of expenditures of Federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burleson & Earley, P.A.

Certified Public Accountants

September 2, 2011



134 Wright Brothers Way, Fletcher, NC 28732, Phone (828) 687-7234, Fax (828) 687-7552

Management's Discussion and Analysis

As management of the Western North Carolina Regional Economic Development Nonprofit Corporation (the Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Corporation's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Western North Carolina Regional Economic Development Nonprofit Corporation *exceeded* its liabilities at the close of the fiscal year by \$2,914,731.
- The Corporation's total net assets *increased* by \$378,000, due to *increases* in the *governmental* activities net assets.
- As of the close of the current fiscal year, the Corporation's reported ending general fund balance of \$2,112,899 represents an *increase* of \$444,563 in comparison with the prior year. Fifty-seven percent of this total amount, or \$1,205,051, is available for spending at the government's discretion (**unassigned fund balance**).
- The Corporation was awarded five new grants from federal, state and private foundations during the fiscal year totaling \$785,871.
- There was \$924,849 in grant revenues recognized for eleven grants from ten different grantors during the fiscal year.

The WNC Regional Economic Development Non-Profit Corporation completed another successful yet challenging year in FY 2010/2011 under the guidance and leadership of the twenty one directors serving on our board. The Corporation also received important direction from our Board Champions for AdvantageGreen, Blue Ridge Food Ventures, Blue Ridge Advanced Manufacturing Initiative, and the Blue Ridge Entrepreneurial Council. A number of advisory committees in the region, including the Economic Developers Advisory Council, the Local Economic Developers Advisory Council, Blue Ridge Entrepreneurial Council, the Certified Entrepreneurial Community Certification Review Committee and the Advantage Opportunity Fund Investment Committee provided input and advice regarding the development of our job creation initiatives. Together, we focused on the Corporation's mission statement which says we "shall promote and advocate the creation of improved economic

opportunity in our region, while encouraging stewardship of the culture, heritage and natural resources of Western North Carolina.”

During the fiscal year, the WNC Regional Economic Development Non-Profit Corporation continued to comply with the 27 Uniform Accountability Standards as adopted by the North Carolina Department of Commerce in February 2008. The Standards set a common accountability matrix among the seven regional partnerships within NC that include: Personnel Standards; Integrity and Ethics; Contracts, Purchasing and Procurement for use of State Funds and Accounting Standards.

Continued collaboration with Appalachian State University’s Walker College of Business resulted in the publishing and distribution of the first-ever economic index for the region. This index is co-sponsored by our corporation and is distributed by Appalachian State University to media outlets across the state on a monthly basis. Independent measures of our regional economy included the “Working Capital Index” using ESC data which is presented monthly by the *Business North Carolina* magazine and the “E-Focus” study of regional economies by the East Carolina University Bureau of Business Research in the College of Business. For updated details on these regional metrics visit www.advantagewest.com and access “Research & Reports” on the main page.

During the 2010/2011 fiscal year, the Corporation’s Board of Directors committed to focus on four core job creation initiatives: Advanced Manufacturing, Entrepreneurial Development, Agribusiness and the Green Economy and to maintain the WNC Film Commission.

Under the AdvantageWest Economic Development Group marketing name we expanded what is regarded as the most diversified regional EDC program in the country. Accomplishments included:

- **Blue Ridge Advanced Manufacturing Initiative** – During the 2010/2011 fiscal year, AdvantageWest responded to 57 project inquiries. These projects were from three primary industry clusters: Manufacturing, IT/Back Office, and Distribution. Marketing outreach efforts included individual meetings with 41 national site consultants and corporate real estate executives. The call missions were conducted in Atlanta, Chicago, and Los Angeles. AdvantageWest also continued distributing an electronic newsletter of a “featured” industrial building and site from within the region. The distribution scope of the newsletter is approximately 3,500 site location professionals, with featured properties throughout the region. AdvantageWest also led the annual EDAC (Economic Developers Advisory Council) trip to Raleigh. Meetings and presentations were coordinated by AdvantageWest on relevant economic development topics for Western North Carolina (WNC), as well as hosting a legislative breakfast attended by members of the WNC legislative delegation. Also during FY 2010/2011, the five remaining labor market studies were completed. The study of the 13 labor sheds began in the 2008/2009 fiscal year. National and international business development missions were conducted in Toronto, Canada, Germany, Ohio, Kentucky, Illinois and Michigan. These missions consisted of direct calls on manufacturing companies that expressed an interest in relocating or expanding into the southeastern United States. While in Germany, discussions between Western Carolina University and the University of Applied Sciences Giessen were started to create a collaborative relationship between the two universities to develop economic development opportunities.
- **WNC Film Commission** – Worked on 90 film-related projects and added 371 new locations to the Reel-Scout database; sponsored the 48 Hour Film Project; maintained crew database and began transition to new Reel-Crew platform; worked on Project Artemis, a major motion picture for the region; assisted with commercials in the region for Honda ATV, BMW, Belk and

Nationwide Insurance; episodes of BBC's *Top Gear*, CW's *One Tree Hill*, My Lifetime's *Marry Me*, and Discovery Channel's *Nightmare Next Door* were shot in the region; the independent film *Alone Yet Not Alone* shot in DuPont State Forest in Transylvania County; assisted with logistics for *Discovering Matt Ryan* trailer shot in Haywood County; assisted Jewelry Television on their 4-part DVD series featuring downtown Asheville in Buncombe County; the TV pilot *I Love Local Commercials* shot in the Asheville area; coordinated and conducted numerous scouts as well as prepared customized location packages for features, independents, and catalogs looking to film/shoot in WNC in fall 2011.

- **Blue Ridge Food Ventures, LLC** - Blue Ridge Food Ventures (BRFV) is the focal point for small-scale food processing and related business development in the region. It provides extensive training and technical resources to start-ups and existing businesses alike. In its six years, it has had over 200 businesses working out of its own facility, with many more in facilities, restaurants and small plants across the state. The value of goods and services produced at BRFV has now topped \$5 million. In the past year, the Natural Products Manufacturing Facility has come on line, the first shared-use facility of its type in the United States. Two businesses are already in production there, with another one becoming a client in October. This facility is an important asset, contributing to the growth of the WNC region as a hub for the burgeoning natural products industry. BRFV continues to grow the Winter Sun Farms program to increase sales for local farmers. It also actively promotes locally-produced products with coverage in national media (*New York Times* and the *Wall Street Journal*), local radio, statewide television and numerous magazine and newspaper stories across the state.
- **Blue Ridge Entrepreneurial Council** –The Blue Ridge Entrepreneurial Council (BREC) continued to experience success this year and had an increased demand for counseling services, networking opportunities and requests for capital from entrepreneurs ranging from green businesses, technology, creative industries and light manufacturing. BREC provided services to 37 entrepreneurs over the course of FY 2010/11. Six additional Advantage Opportunity Fund (AOF) loans were closed and existing loan fund portfolio clients continue to receive coaching and mentoring services from AdvantageWest and the Technology Commercialization Center at the Asheville-Buncombe Technical Community College. Work continued with the local angel investor group, Inception Micro-Angel Fund (IMAF), to provide deal-flow for potential investor opportunities. The Carolina Connect Conference had another very successful and well attended event in 2011 and featured marketing guru Peter Shankman as the lead keynote speaker. In June 2011, Matthew Raker was promoted to the director of the entrepreneurship program upon the departure of Pam Lewis.
- **Certified Entrepreneurial Community Program (CEC)** –Work continued with participating leadership teams from across the region in CEC communities. Macon County and the Town of Black Mountain obtained certification as a CEC bringing our total to nine CEC communities throughout the region. A second CEC Leadership Training session was held and included participation from Wilkes, Caldwell, Madison, Yancey and McDowell Counties as well as several existing CEC communities. This training also included the first round of customized Power Coaching. During FY 2010/11, we also greatly expanded CEC marketing and recognition including the development and launch of a new CEC website (www.awcec.com) and design and installation of CEC signs in all our CEC communities. In response to growing national interest in the CEC program, work is underway to develop a commercialization strategy and business plan for delivering the CEC program beyond the AdvantageWest region.

- **AdvantageGreen Initiative** –FY 2010/11 started off with an award of \$479,259 from the NC State Energy Office to support the AdvantageGreen Energy Internship Program which placed nine interns and three fellows in clean energy businesses throughout the region. These interns have had significant impacts on Western North Carolina's (WNC) clean energy economy including supporting the development of several renewable energy projects, many green building efforts, and the creation of new local government energy plans. The Building the WNC Clean Energy Economy Project also continues to progress. During the past year, a new regional clean energy leadership group was established to help coordinate and guide regional industry development. A project website (www.cleanenergywnc.org) was also completed and launched which includes a robust clean energy business resource guide. A new conference, Clean Energy Now, was held with over 200 attendees with the intent of connecting regional industry and large energy users with regional sustainable energy solution providers. During this year, we also engaged with the consulting firm Angelou Economics to conduct a regional clean energy cluster analysis. The green program at AdvantageWest was further expanded with a \$235,000 grant from the GoldenLEAF Foundation to support the expansion of WNC's natural products industry. The AdvantageGreen program also participated in several regional marketing opportunities including sending a delegation to ExpoWest (natural products conference), sponsoring the Outdoor Industry Association Executive Rendezvous Event (outdoor products), attending the Renewable Energy Consultants Forum and the NC Sustainable Energy Conference. Throughout the year, the AdvantageGreen program worked closely with the Entrepreneurship program supporting green-tech companies throughout WNC.

The corporation closed FY 2010/2011 by continuing to focus on sustaining the future, recognizing the reduction in funding from public and private sources due to the worsening economic climate. The Board and staff thus focused programmatic and financial resources to assure the organization's time, talent and resources would provide the greatest impact across the region with our job creation initiatives.

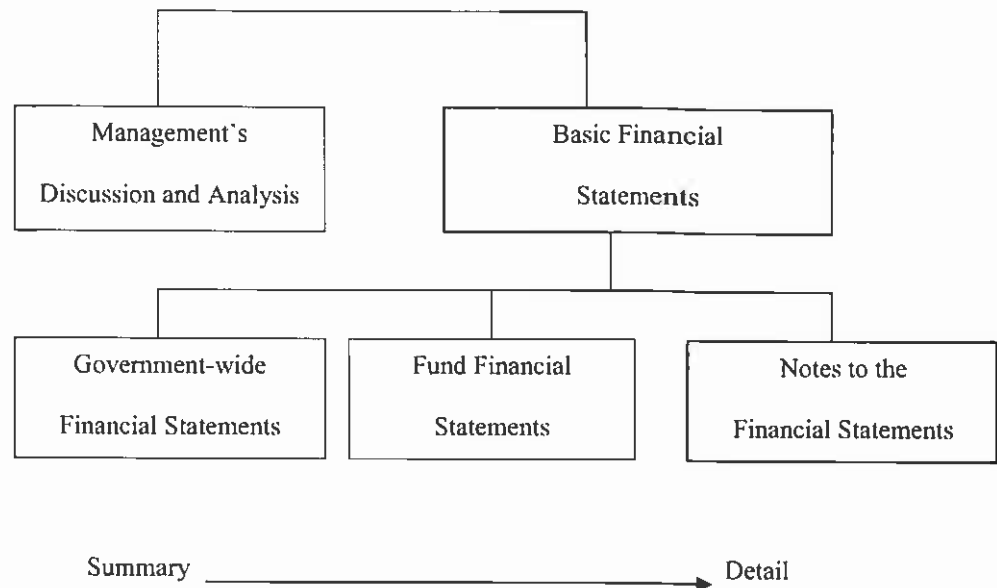
The CEO and Board of Directors continued reorganization plans for expanding capacity consistent with the organization's job creation programs. In the face of uncertain funding, the organization lost two key members of the management team, the Executive VP and the Senior VP for Entrepreneurial Development. Working with the organization's Executive Committee, the CEO recommended the consolidation of the AdvantageGreen Program and the Entrepreneurial Program into a combined division within the organization. As mentioned earlier, the Director of the AdvantageGreen Program was promoted to lead the combined initiative. Subsequent to year end, a veteran economic developer from within the region was recruited to fill the Executive VP position beginning in the fall of 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Corporation through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Corporation.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Corporation's financial status.

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Corporation government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Corporation's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Corporation's financial status as a whole.

The two government-wide statements report the Corporation's net assets and how they have changed. Net assets are the difference between the Corporation's total assets and total liabilities. Measuring net assets is one way to gauge the Corporation's financial condition. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Corporation's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. The Corporation has one governmental fund.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 18 - 26 of this report.

Government-Wide Financial Analysis

Western North Carolina Regional Economic Development Nonprofit Corporation Condensed Statement of Net Assets

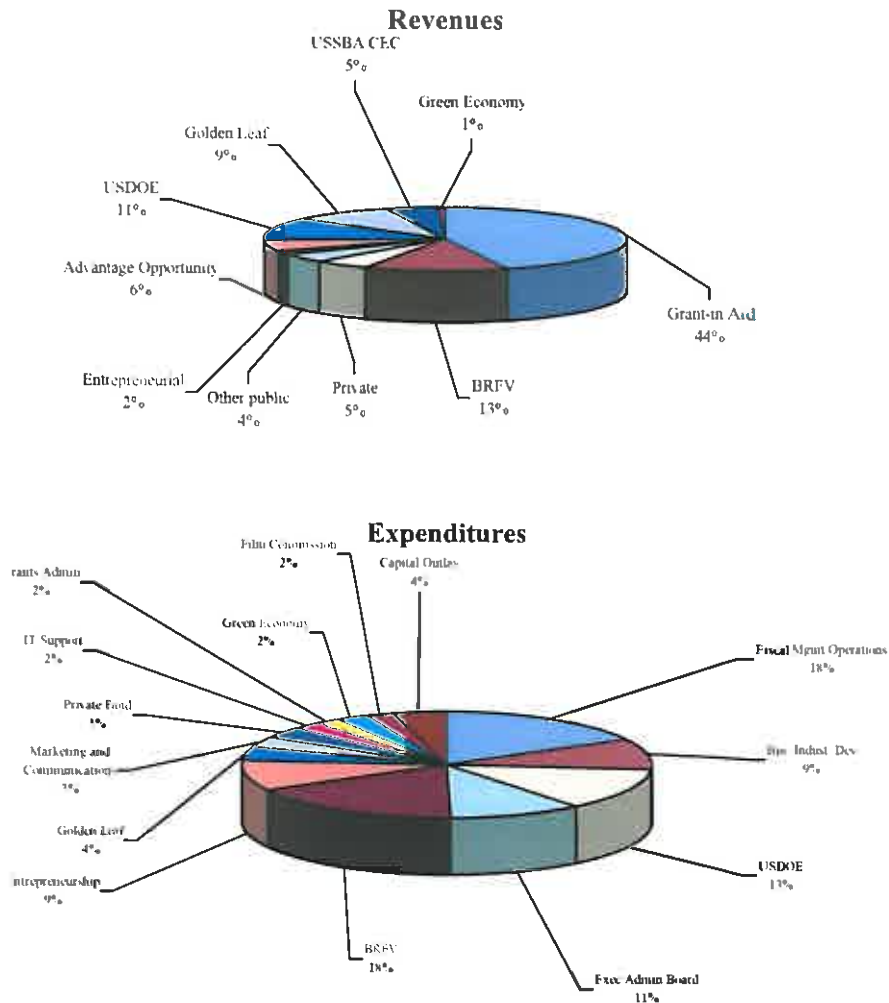
Figure 2

	Governmental Activities	
	2011	2010
Current and other assets	\$ 2,304,035	\$ 1,842,056
Capital assets	801,832	868,397
Total assets	3,105,867	2,710,453
Current liabilities	191,136	173,720
Net assets:		
Invested in capital assets	801,832	868,397
Unrestricted	2,112,899	1,668,336
Total net assets	\$ 2,914,731	\$ 2,536,733

Western North Carolina Regional Economic Development Nonprofit Corporation Changes in Net Assets

Figure 3

	Government Activities	
	2011	2010
Revenues and Transfers:		
Operating Grants and Contributions	\$ 1,089,990	\$ 512,646
Capital Grants and Contributions	54,614	108,056
Grants and Contributions not Restricted to Specific Programs	1,228,939	1,189,389
Charges for Services	130,447	124,208
Investment Earnings	24,873	19,738
Gain (Loss) on Sale of Assets	(33,567)	20,045
Transfer of net assets to Blue Ridge Sustainability Institute	(21,434)	
Total Revenues and Transfers	2,473,862	1,974,082
Expenses:		
Economic Development	2,095,862	1,657,664
Change in net assets	378,000	316,418
Net assets, July 1	2,536,731	2,220,313
Net assets, June 30	\$ 2,914,731	\$ 2,536,731



As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Corporation exceeded liabilities by \$2,914,731 as of June 30, 2011. The Corporation's net assets *increased* by \$378,000 for the fiscal year ended June 30, 2011.

A portion of the Corporation's net assets reflects its investment in capital assets (e.g. equipment, furniture, leasehold improvements, vehicles, computer hardware, software and websites). The Corporation uses these capital assets to provide economic development services; consequently, these assets are *not* available for future spending. With the exception of the portion of net assets invested in capital assets and restricted assets, all net assets are considered to be unrestricted, which may be used to meet the Corporation's ongoing obligations.

AdvantageWest diversified general revenues during fiscal year 2010/2011 to supplement the grant-in-aid funding from the State of North Carolina. Major funding included the State Grant-In-Aid at \$1.128 million, AdvantageGreen/Energy/Natural Products at \$530,884; Blue Ridge Food Ventures at \$321,193, the Advantage Opportunity Fund at \$148,425, and the Entrepreneurship/Certified Entrepreneurial Community Program at \$165,722.

Financial Analysis of the Governmental Funds

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the Corporation’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation’s financing requirements. Specifically, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

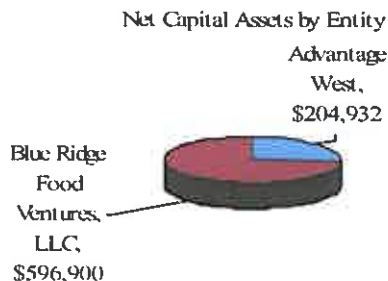
The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,205,051, while total fund balance reached \$2,112,899. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents fifty-eight percent of total General Fund expenditures.

Capital Asset and Debt Administration

Capital Assets – The Corporation’s investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$801,832 (net of accumulated depreciation). These assets include leasehold improvements and equipment. The major capital outlay expenditures for the year were for Blue Ridge Food Ventures’ equipment purchases. Additionally, there was website development for the Certified Entrepreneurial Community Program.

Western North Carolina Regional Economic Development Nonprofit Corporation
Capital Assets
Figure 4

	Governmental Activities	
	2011	2010
Equipment	\$ 714,791	\$ 792,547
Leasehold Improvements	711,896	698,970
Capitalized Intangibles	107,690	54,000
	1,534,377	1,545,517
Less: Accumulated Depreciation	(732,545)	(677,120)
Net Capital Assets	\$ 801,832	\$ 868,397



Long-term Debt

As of June 30, 2011, the Corporation had no outstanding debt.

General Fund Budgetary Highlights

The budget was amended when necessary during the year. The following are some of the more significant budget highlights:

- The State increased its initial grant-in-aid to the Corporation by 7% (\$78,612) over prior year funding levels, after total reversions. (FY 09/10 grant-in-aid after reversions totaled \$1,089,843, and initial FY 10/11 grant-in-aid totaled \$1,168,455). During FY 10/11 two reversions to annual funding totaling 3.5% (\$40,896) occurred, bringing total State appropriations for FY 10/11 to \$1,127,559, or 3% (\$37,716) more than FY 09/10.
- The Corporation again this fiscal year, focused on four core program areas, funded the WNC Film Commission, only as needed and continued to reduce expenditures to build reserves to end the fiscal year in a strong financial position with approximately fifteen months of operational reserves in the bank.
- Federal, State and foundation grants supplemented State funding for our Entrepreneurship, Green Economy and Blue Ridge Food Ventures Programs.

Matters of Continuing Concern

The Corporation receives the majority of its funding from the State of North Carolina. With the ongoing State budgetary concerns, the Corporation's funding has been adversely affected. The Corporation regularly adjusts its budget downward to reflect not only actual decreases in funding but also for the uncertainty of current and future State appropriations. During the current fiscal year, because of these State funding uncertainties, the Corporation failed to retain two primary members of our management team. One of these positions was combined with an existing position and the other was recently announced.

Requests for Information

This report is designed to provide an overview of the Corporation's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the President & CEO, Western North Carolina Regional Economic Development Nonprofit Corporation, 134 Wright Brothers Way, Fletcher, North Carolina 28732. Other sources of information about the Corporation can be found in the Corporation's annual report to the North Carolina General Assembly and on our website, www.advantagewest.com.

Sincerely,

Scott T. Hamilton
President & CEO

BASIC FINANCIAL STATEMENTS

Western North Carolina Regional Economic Development Non-Profit Corporation
Statement of Net Assets
June 30, 2011

	<u>Primary Government Governmental Activities</u>
Assets	
Current assets:	
Cash and investments	\$ 1,376,656
Grants receivable - federal and state	286,514
Accounts receivable	55,186
Notes receivable	261,064
Prepaid expenses	14,576
Inventory	21,072
Total current assets	<u>2,015,068</u>
Capital assets:	
Capital assets, net of depreciation	801,832
Other assets:	
Notes receivable-net of allowances	<u>288,967</u>
Total assets	<u><u>\$ 3,105,867</u></u>
Liabilities	
Current liabilities:	
Accounts payable and other accrued expenses	\$ 44,298
Deferred revenue	146,838
Total current liabilities	<u>191,136</u>
Net Assets	
Investment in capital assets, net of related debt	801,832
Restricted for:	
Golden Leaf expenditures	203,286
Advantage Opportunity Fund	501,773
Unrestricted	<u>1,407,840</u>
Total net assets	<u><u>\$ 2,914,731</u></u>

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

Western North Carolina Regional Economic Development Non-Profit Corporation
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities:					
Economic development	\$ 2,095,862	\$ 130,447	\$ 1,089,990	\$ 54,614	\$ (820,811)
Total governmental activities	\$ 2,095,862	\$ 130,447	\$ 1,089,990	\$ 54,614	(820,811)
General revenues:					
Grants and contributions not restricted to specific programs					1,228,939
Unrestricted investment earnings					9,236
Investment earnings on program revenue					15,637
Loss on disposal of assets					(33,567)
Special items:					
Transfer of net assets to Blue Ridge Sustainability Institute					(21,434)
Total general revenues and transfers					1,198,811
Change in net assets					
					378,000
Net assets, beginning					2,536,731
Net assets, ending					\$ 2,914,731

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

Western North Carolina Regional Economic Development Non-Profit Corporation
Balance Sheet
Governmental Fund
June 30, 2011

	<u>General Fund</u>
Assets	
Current assets:	
Cash and investments	\$ 1,376,656
Grants receivable - federal and state	286,514
Accounts receivable	55,186
Notes receivable	261,064
Prepaid expenses	14,576
Inventory	21,072
Total current assets	<u>2,015,068</u>
Other assets:	
Notes receivable-net of allowances	<u>288,967</u>
 Total assets	 <u><u>\$ 2,304,035</u></u>
Liabilities	
Current liabilities:	
Accounts payable and other accrued expenses	\$ 44,298
Deferred revenue	146,838
Total current liabilities	<u>191,136</u>
Fund Balances	
Nonspendable:	
Inventory	21,072
Prepaid expenses	14,576
Restricted for:	
Golden LEAF expenditures	203,286
Advantage Opportunity Fund	501,773
Assigned:	
Winter CSA-Blue Ridge Food Ventures	17,096
Subsequent year's budgeted expenditures over revenues	150,045
Unassigned	1,205,051
Total fund balances	<u>2,112,899</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	801,832
 Net Assets of Governmental Activities	 <u><u>\$ 2,914,731</u></u>

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

Western North Carolina Regional Economic Development Non-Profit Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2011

	<u>General Fund</u>
Revenues:	
State Regional Economic Development	\$ 1,127,559
Blue Ridge Food Ventures	321,193
U.S. Department of Energy- N.C. Department of Commerce	280,059
Golden LEAF-Natural Products	235,000
Advantage Opportunity Fund	148,425
Private funds	128,761
U.S. Small Business Administration - Certified Entrepreneurial Community	117,193
Other public funds	108,669
Entrepreneurship	48,529
Green Economy	15,825
Total revenues	<u>2,531,213</u>
Expenditures:	
Economic development	<u>2,066,998</u>
Excess of revenues over expenditures	464,215
Other financing sources (uses)	
Transfer of fund net assets to Blue Ridge Sustainability Institute	<u>(19,652)</u>
Change in net assets	444,563
Fund balances	
Beginning of year, July 1	<u>1,668,336</u>
End of year, June 30	<u><u>\$ 2,112,899</u></u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change in Fund Balance - Total Governmental Funds	\$ 444,563
Governmental funds report capital outlays as expenditures. However in the Statements of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Net Book Value of Disposed Capital Assets	(33,567)
Net Book Value of Capital Assets transferred to Blue Ridge Sustainability Institute	(1,781)
Capital Outlay Expenditures	87,891
Depreciation Expense for Governmental Activities	<u>(119,106)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 378,000</u></u>

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

Western North Carolina Regional Economic Development Non-Profit Corporation
General Fund

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Modified Cash Basis)
For the Year Ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
State Regional Economic Development	\$ -	\$ 1,127,559	\$ 1,127,559	\$ -
Blue Ridge Food Ventures	349,710	411,169	407,022	(4,147)
U.S. Department of Energy- N.C. Department of Commerce	-	202,404	171,603	(30,801)
Golden LEAF-Natural Products	-	70,000	70,000	-
Advantage Opportunity Fund	-	-	176,407	176,407
Private funds	82,900	110,650	111,037	387
U.S. Small Business Administration - Certified Entrepreneurial Commun	172,638	132,276	132,276	-
Other public funds	94,425	134,658	135,719	1,061
Entrepreneurship	8,000	35,625	33,979	(1,646)
Green Economy	9,250	8,875	9,325	450
Total revenues	<u>716,923</u>	<u>2,233,216</u>	<u>2,374,927</u>	<u>141,711</u>
Expenditures:				
Blue Ridge Food Ventures	373,744	382,054	359,903	22,151
Business and Industrial Development	146,679	217,420	185,218	32,202
Capital Outlay	71,000	101,500	87,891	13,609
Entrepreneurship	186,277	214,936	178,899	36,037
Executive/Administration/Board Support	217,717	228,638	218,189	10,449
Film Commission	14,625	48,625	46,051	2,574
Fiscal Management/Operations	290,258	320,443	292,544	27,899
Golden LEAF-Natural Products	-	41,014	39,214	1,800
Grants Administration	41,871	44,472	41,003	3,469
Green Economy	43,427	58,877	47,010	11,867
Information Technology Support	88,646	58,944	46,329	12,615
Marketing and Communications	62,000	72,700	69,270	3,430
Private Fund Expenditures	61,543	80,666	69,755	10,911
U.S. Department of Energy- N.C. Department of Commerce	-	291,846	261,630	30,216
Total expenditures	<u>1,597,787</u>	<u>2,162,135</u>	<u>1,942,906</u>	<u>219,229</u>
Revenues over (under) expenditures	(880,864)	71,081	432,021	360,940
Other financing sources (uses):				
Transfer of fund net assets to Blue Ridge Sustainability Institute			(19,652)	(19,652)
Fund Balance Appropriated	<u>880,864</u>	<u>(71,081)</u>		<u>71,081</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	412,369	<u>\$ 412,369</u>
Reconciling items to convert from budgetary basis (modified cash basis) to modified accrual basis:				
Change in Receivables			84,425	
Change in Fair Market Value of Investments			984	
Change in Prepaid Expenses			1,126	
Change in Inventory			12,716	
Change in Notes Receivable			8,183	
Change in Deferred Revenue			(25,740)	
Change in Accounts Payable			(9,500)	
Golden Leaf Grant Write-off			(40,000)	
Net change in fund balance			<u>\$ 444,563</u>	

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

Western North Carolina Regional Economic Development Nonprofit Corporation
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 – Organization and Summary of Significant Accounting Policies

The Western North Carolina Regional Economic Development Nonprofit Corporation (the Corporation), doing business as AdvantageWest Economic Development Group, was organized to assist in the economic development of the twenty-three counties in Western North Carolina.

The North Carolina General Assembly under General Statute 158-8.1 created the Corporation. While considered by the State of North Carolina as a component unit of the State, the statutory authority for the Corporation allows it to exercise its powers and duties independent of the State.

In 2004, the Corporation established a wholly owned, single member LLC, Blue Ridge Food Ventures, LLC. The purpose of the LLC is to provide technical assistance and business development services to local farmers, food and natural products entrepreneurs, including sales and marketing support, professional product development and assistance in complying with food and drug regulations. By providing these services, the Corporation along with the LLC, is assisting local farmers and food entrepreneurs with addressing the three greatest barriers to entry in the value-added foods business. As a single member LLC, all financial activity of the LLC is included in the Corporation's financial records.

Government-wide and Fund Financial Statements

Government-wide Statements: The statement of net assets and the statement of activities display information about the Corporation. These statements include the financial activities of the Corporation. These statements present governmental activities that are financed through State and Federal agencies and contributions from foundations and corporations. The Corporation receives annual funding from the State of North Carolina.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Corporation's only fund, the general fund.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current period. All other revenue items are considered to be measurable and available only when the Corporation receives cash.

The General Fund is the Corporation's only operating fund.

Cash and Cash Equivalents

The Corporation's cash and investments consist of demand deposits and time deposits, such as money market accounts, at local financial institutions. These accounts have maturities of less than one year when purchased and are considered to be cash and cash equivalents.

Grants Receivable

Grants Receivable consists of earned and unpaid balances of Federal and State grants.

Accounts Receivable

Accounts receivable consists primarily of receivables due to both the Corporation and Blue Ridge Food Ventures and sales tax receivables. Accounts are charged off as they are deemed uncollectible based upon periodic review of the accounts. At June 30, 2011, no allowance for uncollectible accounts was considered necessary.

Inventories

The inventories are valued at cost (first-in, first-out), which approximates market.

Notes Receivable

Notes receivable consists of the outstanding balances at year end of all loans awarded through the Advantage Opportunity Fund. This revolving loan fund to assist start-up entrepreneurs was established in June 2007. Funding has been received in each subsequent year from granting and other organizations.

Additionally, the Corporation holds a promissory note from a furniture manufacturer for equipment purchased for the manufacturer with grant funds. The Corporation recorded deferred revenue for the balance of this note and recognizes revenue as each note payment is made by the manufacturer.

Outstanding notes receivable at June 30, 2011 were evaluated by management for collectibility. Two of the companies were delinquent with their payments during the fiscal year and also had not made any payments up to the date of these financial statements. Management considers these note balances as doubtful and has recorded an allowance for uncollectible notes.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives, which range from four to forty years.

Intangible assets are classified as capital assets when their individual cost exceeds a chosen threshold and they have a useful life of two or more years. The Corporation has determined a \$5,000 capitalization threshold is appropriate. Under GASB 51, retroactive reporting is required for intangible assets, unless the intangible assets are internally generated. Websites are a common type of intangible asset and are considered internally generated if they are developed by a third-party contractor on behalf of the Corporation. The Corporation's websites were developed by third-party contractors and therefore were considered internally generated and thus no retroactive reporting was required.

Compensated Absences

The Corporation allows for the accumulation of vacation throughout the year, but any unused vacation cannot be carried over into subsequent years. The Corporation does not have an obligation until vacation is actually taken. Thus at year-end, no accrual has been made. The Corporation's sick leave policy provides for an unlimited accumulation of earned sick leave. Since sick leave does not vest, the Corporation has no obligation for the accumulated sick leave until it is actually taken.

Net Assets/Fund Balances

Net Assets

Net assets in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end fund balance of ending inventories, which are not spendable resources.

Prepays - portion of fund balance that is not an available resource because it represents the year-end fund balance of prepaid expenses, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors or imposed by law.

Restricted for Golden LEAF Expenditures – portion of fund balance that is available for appropriation but legally segregated for Golden LEAF grant expenditures.

Restricted for Advantage Opportunity Fund (AOF) - portion of fund balance that is available for appropriation but legally segregated for AOF loans and expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Corporation's board of directors (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing board.

Assigned Fund Balance – portion of fund balance that the Corporation intends to use for specific purposes. Assigned funds are established by majority vote by quorum of the Corporation's board of directors (highest level of decision-making authority).

Winter CSA-Blue Ridge Food Ventures – portion of fund balance that is budgeted for that program.

Subsequent year's budgeted expenditures over revenues – portion of fund balance that is appropriated in the next year's budget for the Corporation and Blue Ridge Food Ventures that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Continuance of exemption is subject to compliance with regulations and review of activities by taxing authorities. The Corporation is not aware of any transactions that would affect its tax-exempt status.

Note 2 - Budgetary Data

The annual budget is adopted on a modified cash basis of accounting for the Corporation's governmental fund. All annual appropriations lapse at the fiscal-year end. The appropriated budget is prepared by fund and department.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The board must approve any revisions that alter total expenditures of any fund. During the year, amendments to the original operating budget were necessary to fully fund programs once the state grant-in aid appropriation was known.

Note 3 – Detail Notes on All Funds

Deposits

All the deposits of the Corporation are collateralized by the pooling method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Corporation, these deposits are considered to be held by the Corporation in their name. The amount of

the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Corporation or their escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Corporation under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

On June 30, 2011, the Corporation's deposits had a carrying amount of \$1,372,367 and a bank balance of \$1,433,263. Of the bank balance \$751,494 was covered by federal depository insurance, \$681,769 was covered under the Pooling method.

Investments

As a result of the demutualization of the Principal Financial Group in October 2001, the Corporation's 401 (k) provider, the Corporation received 141 shares of the Principal Financial Group, Inc. At June 30, 2011, the cost of these shares was \$2,961; the market value was \$4,289.

Notes Receivable

The balance in notes receivable at year-end is comprised of the following elements:

	<u>Balance</u>
Loans and accrued interest - Advantage Opportunity Fund	\$ 500,489
Loan and accrued interest - Genesis Furniture Industries, Inc.	109,276
	<u>609,765</u>
less: allowance for doubtful accounts	(59,734)
	<u>550,031</u>
Less: current portion	261,064
Long term portion	<u><u>\$ 288,967</u></u>

Advantage Opportunity Fund Loans:

As of June 30, 2011, there were fourteen outstanding Advantage Opportunity Fund (AOF) loans to entrepreneurs. To assist several AOF loan recipients through the unprecedented economic environment, the AOF Investment Committee approved forbearance of payments and payment re-structuring's for two loan recipients during FY 10/11 and one additional recipient subsequent to year end. Due to these payment easing's, all of these loan recipients were able to timely make their monthly loan payments.

Additionally, there were two other AOF loans which were seriously delinquent. The principal and accrued interest on both of these notes totaling \$59,734 has been recorded in the allowance for doubtful accounts at June 30, 2011. One of these loan recipients is currently putting together a plan of re-payment to submit to the AOF

Committee for their review. The other loan recipient had a small chance to re-invigorate the project, but there has been no communication over the past few months.

Genesis Furniture Industries:

The promissory note the Corporation holds from a furniture manufacturer, Genesis Furniture Industries, Inc. for equipment purchased for them with Golden LEAF grant funds is in default on the loan. During December 2009 the Corporation re-negotiated the terms of the note, to include regular monthly payments of \$4,000, with Golden LEAF's approval. Several regular note payments and a payment of the proceeds from the sale of collateralized equipment totaling \$19,000 were made during FY 10/11. Payments subsequent to year-end through September 9, 2011 totaling \$23,000 were also received.

Golden LEAF and the Corporation have agreed to split equally, note collections after the Corporation has recouped all attorney fees and collection costs. At June 30, 2011, the Corporation owed Golden LEAF \$31,421 for their share of the note payments which has been recorded as an accounts payable. The Corporation's equal share was used for Blue Ridge Food Ventures in FY 10/11, a purpose approved by Golden LEAF. The note matured on December 31, 2010, with a plan to completely payoff the note yet to be determined. A UCC Continuation was filed with the Secretary of State in June for an additional 5 years for the remaining collateral on the loan. The Corporation recorded deferred revenue for the balance of this note to offset the note receivable and recognizes revenue as each note payment is made by the manufacturer.

Capital Assets

Capital asset activity for the Corporation for the year ended June 30, 2011 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets:				
Equipment and Vehicles	\$ 504,356	\$ -	\$ 79,182	\$ 425,174
Computer Equipment	31,655		19,849	11,806
Intangible Assets	54,000	53,690		107,690
Leasehold Improvements	125,768			125,768
Blue Ridge Food Ventures LLC:				
Equipment	243,610	30,965		274,575
Leasehold Improvements	<u>586,128</u>	<u>3,236</u>	<u>-</u>	<u>589,364</u>
	1,545,517	87,891	99,031	1,534,377
Less accumulated depreciation	<u>677,120</u>	<u>119,106</u>	<u>63,681</u>	<u>732,545</u>
Governmental activity capital assets, net	\$ <u>868,397</u>	\$ <u>(31,215)</u>	\$ <u>35,350</u>	\$ <u>801,832</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Economic Development	<u>\$119,106</u>
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General Assembly Funding

The North Carolina General Assembly appropriated \$1,127,559 for the fiscal year ended June 30, 2011, as a grant-in-aid to the Corporation for its use.

Deferred Revenues

The balance in deferred revenues at year-end is comprised of the following elements:

Rutherford County Economic Development Commission Sponsorship	\$ 7,500
Labor Market Survey Sponsors	1,524
Winter CSA Subscriptions	11,428
Community Foundation – Blue Ridge Food Ventures	18,601
Genesis Furniture Industries, Inc.	<u>107,785</u>
	<u>\$146,838</u>

Retirement Plan

The Corporation has created a Simplified Employee Pension Plan for its employees. All employees at least twenty-one years of age who are employed as of January 1 of each year are eligible to participate in this discretionary single employer plan. A total of \$31,570 was contributed to the plan by the Corporation during the fiscal year ended June 30, 2011.

Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation carries general liability and auto liability coverage and all other risks of loss through a commercial provider. The Corporation has general liability and auto liability coverage of \$1,000,000 per occurrence, umbrella liability coverage up to \$2,000,000 per occurrence, directors and officers and employment practices liability coverage of \$1,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage with an unlimited lifetime limit. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

Operating Leases

The Corporation is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the Corporation's accounting records.

Beginning July 1, 2009, the Corporation signed a five year lease for office space at \$6,604 per month with an option to terminate the lease by either party with a six month notice.

The Corporation signed a one year lease renewal for kitchen space for Blue Ridge Food Ventures beginning November 1, 2010 with monthly installments of \$3,397.

The Corporation signed two new leases for office equipment at a combined total of \$521 per month. Both leases have terms of thirty-six months and include early termination clauses if the annual state appropriation revenue is not received by the Corporation.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011:

<u>Year Ending</u>	<u>Total</u>
2012	\$ 79,354

The Corporation sub-leases a portion of its office space to the N.C. Department of Commerce. The annual sub-lease income was \$9,785.

The corporation sub-leases a portion of its office space to a non-profit corporation. Annual sub-lease income totaled \$7,320.

Related Party Transactions

North Carolina Partnership for Economic Development, Inc.

The Chairman of the Board and the CEO of the Corporation are members of the board of the North Carolina Partnership for Economic Development, Inc., a 501(c)(3) organization. During the year ended June 30, 2011, the Corporation contributed \$6,000 to the Partnership.

North Carolina Economic Development Group, Inc.

The Chairman of the Board and the CEO of the Corporation are members of the board of the North Carolina Economic Development Group, Inc., a 501(c)(6) organization. During the year ended June 30, 2011, the Corporation contributed \$10,000 to the Organization.

Note 4 - Concentration of Credit Risk

The majority of the Corporation's financial activities are with the Federal and State governments. This constitutes a concentration of credit risk with respect to receivables from grantors.

Note 5 - Transfer of Net Assets to the Blue Ridge Sustainability Institute, Inc.

On July 1, 2010, the assets and liabilities of the Blue Ridge Sustainability Institute program were contributed to the Blue Ridge Sustainability Institute, Inc. The following represents the effect of this transfer on the Corporation:

Cash	<u>\$ 19,652</u>
Transfer of fund net assets	19,652
Capital Assets	<u>1,782</u>
Transfer of government-wide net assets	<u>\$ 21,434</u>

COMPLIANCE SECTION

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Commission Members

Western North Carolina Regional Economic Development Nonprofit Corporation
Fletcher, North Carolina

We have audited the accompanying financial statements of the governmental activities of the Western North Carolina Regional Economic Development Nonprofit Corporation (the Corporation), as of and for the year ended June 30, 2011, which collectively comprises the Corporation's basic financial statements, and have issued our report thereon dated September 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of providing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 Corporation's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of Directors, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burleson & Earley, P.A.

Certified Public Accountants

September 2, 2011

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Commission Members

Western North Carolina Regional Economic Development Nonprofit Corporation
Fletcher, North Carolina

Compliance

We have audited the compliance of the Western North Carolina Regional Economic Development Nonprofit Corporation (the Corporation), 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 the Corporation's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

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TELEPHONE: (828) 251-2846 ♦ FAX: (828) 251-1144

Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of Directors, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burleson & Earley, P.A.

Certified Public Accountants

September 2, 2011

BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the Commission Members
Western North Carolina Regional Economic Development Nonprofit Corporation
Fletcher, North Carolina

Compliance

We have audited the compliance of the Western North Carolina Regional Economic Development Nonprofit Corporation (the Corporation), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

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 sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of Directors, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burleson & Earley, P.A.

Certified Public Accountants

September 2, 2011

Western North Carolina Regional Economic Development Non-Profit Corporation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses ☐ yes ☒ none reported

Noncompliance material to financial
statements noted

☐ yes ☒ no

Federal Awards

Internal control over major Federal and State programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major Federal and State programs: Unqualified.

Any audit findings disclosed that are required
to be reported in accordance with the section

510 (a) of Circular A-133 and the State Single Audit Act. ☐ yes ☒ no

Identification of major Federal and State programs:

Federal Program Names

U.S. Department of Energy

ARRA-State Energy Program

ARRA-Student Energy Internships and Fellowships Program

State Program Names

North Carolina General Assembly-Regional Economic Development

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

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Section II. Financial Statement Findings

None

Section III. Federal and State Awards Findings and Questioned Costs

None

Western North Carolina Regional Economic Development Non-Profit Corporation
Schedule of Federal and State Awards
For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Contract Number	Receipts	Expenditures
Federal Awards				
US Department of Energy				
Passed Through the NC Department of Commerce, Division of Energy				
ARRA-State Energy Program/Student Energy Internships and Fellowships Program	81.041	DE-EE0000157	\$ 171,603	\$ 280,059
US Small Business Administration				
Direct Grant:				
Certified Entrepreneurial Community Program	59.059	SBAHQ-08-1-0168	166,000	131,000
Certified Entrepreneurial Community Program	59.059	SBAHQ-09-1-0086	89,276	74,193
US Department of Labor				
Passed Through the NC Department of Commerce, Division of Workforce Development				
Passed Through Buncombe County				
Mountain Area Economic Development Group/Skill Level Study		WIA-2010-2050-0412-46-01	35,000	35,000
Total Federal Awards			<u>\$ 461,879</u>	<u>\$ 520,252</u>
State Awards				
North Carolina General Assembly				
Direct Grant:				
Regional Economic Development		G40431002111EDC	\$ 1,127,559	\$ 1,049,204
Passed Through the Golden LEAF Foundation				
Expanding the Farm Outreach Program at Blue Ridge Food Ventures				
Realizing the Potential of the WNC Natural Products Industry		2010-439	-	6,640
			235,000	39,214
Rural Economic Development Center, Inc.				
Project Advantage Opportunity Fund		2008-174-30301-107	45,000	60,000
North Carolina Biotechnology Center				
Establishing a Good Manufacturing Practice (GMP) Facility for Medicinal Herb				
Businesses in Western North Carolina		2009-RDG-4006	48,386	18,183
North Carolina Tobacco Trust Fund Commission				
Farm Outreach Program				
Passed Through North Carolina State University		2008-044-01	67,926	58,724
N.C Value-Added Cost Share - Equipment for Processors			11,614	11,614
North Carolina Department of Commerce				
Passed Through North Carolina State University				
Biz Boost Program		2009-2769-01	60,000	30,000
Total State Awards			<u>1,595,485</u>	<u>1,273,579</u>
Total Federal and State Awards			<u>\$ 2,057,364</u>	<u>\$ 1,793,831</u>

Notes to the Schedule of Federal and State Awards

(1) The information on this schedule has been prepared using the cash basis of accounting. Receipts are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligations are incurred. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 basic financial statements.

(2) Amounts shown from the Golden Leaf Foundation represents its FY 11 allocation to the Western North Carolina Regional Economic Development Non-Profit Corporation.

(3) The portion of ARRA receipts received from the NC Department of Commerce, Division of Energy passed through by the WNC Regional Economic Development Non-Profit Corporation to sub-recipients for the State Energy Internships and Fellowships Program totaled \$130,568.

**Western North Carolina Regional Economic Development Commission
(AdvantageWest Economic Development Group)**

GRANTS RECEIVED OR PURSUED IN FY 10/11

- Received a **\$479,259** grant from the **NC Department of Commerce – Energy Division** (Recovery Act funds via US Department of Energy) for the implementation of an **Energy Internships and Fellowships Program** that placed 12 full-time fellows and interns at clean energy businesses throughout the region
- Received a **\$235,000** grant from the **Golden Leaf Foundation** for a regional collaborative effort to significantly expand the **WNC natural products industry**
- Received a **\$25,000** grant from the **Community Foundation of Western North Carolina** to support the **Farm Outreach Program** at Blue Ridge Food Ventures
- Received a **\$11,614** grant from the **NC Tobacco Trust Fund** (passed thru to NC State for the NC Value-Added Equipment Cost Share Program) to support new **food and natural products production equipment** at Blue Ridge Food Ventures
- Received a **\$35,000** grant from the **US Department of Labor** that was sub-granted to the Mountain Area Workforce Development Board for a **Labor Market Survey**
- Received a **\$23,700** grant from the **Biofuels Center of North Carolina** to support a regional Woody **Biomass Energy** Assessment
- Participated in a regional consortium of partners that has received a **\$1,600,000** grant from the **US Department of Housing and Urban Development (HUD)** for a **regional sustainable economic development project** entitled GroWNC (*AdvantageWest subsequently received a sub-award of \$72,000 under this project in January 2012*)
- Submitted a proposal to the **NC Department of Agriculture** in the amount of **\$66,520** to expand the **Winter Sun Farms** CSA program at Blue Ridge Food Ventures. No award was received.
- Submitted a proposal to the **US Economic Development Administration** in the amount of **\$1.3 million** under their i6 Challenge to support a **green-technology proof-of-concept center**. This proposal was declined.
- Submitted a proposal to the **NC Tobacco Trust Fund** in the amount of **\$180,000** to support **Blue Ridge Food Ventures** (*a \$40,000 award has been received in FY11/12*)

