

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



**Financial Statements  
For the Year Ended June 30, 2014**

# Western North Carolina Regional Economic Development Nonprofit Corporation

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# **BURLESON & EARLEY, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Western North Carolina Regional Economic Development Nonprofit Corporation  
Fletcher, North Carolina

### **Report on the Financial Statements**

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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund, of the Western North Carolina Regional Economic Development Nonprofit Corporation as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 4 - 13, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Western North Carolina Regional Economic Development Nonprofit Corporation. The Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 on our consideration of the Western North Carolina Regional Economic Development Nonprofit Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Western North Carolina Regional Economic Development Nonprofit Corporation's internal control over financial reporting and compliance.

*Burleson & Earley, P.A.*

Certified Public Accountants

December 31, 2014



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, 2014. 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 and deferred inflows of resources at the close of the fiscal year by \$2,143,256.
- The Corporation's total net position *decreased* by \$861,364, due to *decreases* in the *governmental* activities net position.
- As of the close of the current fiscal year, the Corporation's reported ending general fund balance of \$1,379,236 represents a *decrease* of \$871,307 in comparison with the prior year. Of this total amount, \$270,766 (19.6%), is available for spending at the government's discretion (**unassigned fund balance**).

The WNC Regional Economic Development Non-Profit Corporation completed another successful yet challenging year in FY 2013/2014 under the guidance and leadership of the twenty directors serving on our board. The Corporation also received important direction from our Board Champions for Agribusiness, the Blue Ridge Advanced Manufacturing Initiative, the Certified Entrepreneurial Community 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, 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 North Carolina, for use of State funds that include: Personnel Standards; Integrity and Ethics; Accounting Standards and Contracts, and Purchasing & Procurement.

Continued collaboration with Appalachian State University's Walker College of Business resulted in the continued 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 periodic basis. Independent measures of our regional economy also include the NC Department of Commerce's "NC Today". For updated details on these regional metrics visit [www.advantagewest.com/our-region/resources/research-data](http://www.advantagewest.com/our-region/resources/research-data).

During the 2013/2014 fiscal year, the Corporation's Board of Directors committed to focus on five core job creation initiatives: Advanced Manufacturing, Entrepreneurial Development, Agribusiness, the Green Economy and 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 2013/2014 fiscal year, AdvantageWest responded to 55 project inquiries and there were 24 visits either to the region or to a company's home. Projects were from a variety of sources with three primary industry clusters: Manufacturing, IT/Back Office, and Distribution. There were 40 manufacturing projects. Marketing outreach efforts included contact with 57 firms and 90 individuals. This contact took place in a variety of settings with travel to Illinois, Georgia, South Carolina, and Florida in addition to numerous trips within North Carolina. Also, AdvantageWest participated in the Southern Economic Development Council Annual "Meet the Consultants" Event. AdvantageWest also continued distributing a monthly electronic newsletter of a "featured" industrial building and site from within the region. The distribution scope of the newsletter is approximately 4,000 site location professionals, with featured properties from throughout the region. AdvantageWest also led a group of smaller population counties on a site selector's mission to the Atlanta area focusing on data and mission critical operations. In addition, three EDAC meetings at AdvantageWest offices were held.
- **WNC Film Commission** – Worked on 212 film-related projects and inquiries with a total of 39 completed film projects in region; added 27 new locations to the Reel-Scout database and 24 crew/support service listings to Reel-Crew database; facilitated and/or assisted with 22 scouts in WNC region; helped sponsor and travelled to Los Angeles, CA to participate in the 2014 Association of Film Commissioners International (AFCI) Locations Tradeshow, the industry's premier platform for bringing together the full scope of industry professionals; through a detailed rubric and selection process, Asheville, NC was named the No. 1 Top Town in the US in *MovieMaker Magazine's* "Best Places to Live and Work as a Moviemaker in 2014" feature; was a sponsor of the 48 Hour Film Project for the tenth year in a row; was an in-kind sponsor of the 3<sup>rd</sup> annual Asheville Cinema Festival; was asked to participate as a judge at Music Video Asheville, an annual event showcasing the collaborations between filmmakers and local musicians; along with the other regional film commissions in NC, helped sponsor "A Supply Chain Study of the Economic Impact of the North Carolina Motion Picture and Television Industry" film incentive study to show the value and importance of the film industry to our state's economy while creating numerous job opportunities; along with the other regional film commissions and film industry individuals across the state, championed for continued support of the state's 25% film tax incentive, set to expire at the end of 2015, through online efforts as well as at an NC Film Day at the NC Legislature; provided increased media/marketing assistance for numerous projects/events via crew calls, casting calls and press releases via the new WNC Film Commission website and increased communications on WNC Film Facebook page with over 1,300 followers; continued to add individuals within our 23 counties to the Locations Assistance Request List (LARL) to broaden reach for assistance on film projects and requests as needed;



prepared customized location packages and provided assistance for other projects looking to film/shoot in WNC in latter part of 2014 or 2015.

- **Agribusiness** – The WNC Regional Economic Development Non-Profit Corporation continued to grow the agribusiness sector of the regional economy through support to Blue Ridge Food Ventures (BRFV), LLC. For the fifth year in a row, BRFV was once again in the featured pavilion at the Annual WNC Wine & Food Festival in Asheville. BRFV also participated in Mother Earth News Fair, Bacon Fest, Wild Herb Weekend and numerous other events to promote the services of the organization. BRFV hosted tours, presentations and classes for numerous visitors, organizations and students from across the region, state, USA, and other countries who view BRFV as a best practice and model facility for food entrepreneurs and farmers. Farmers and food entrepreneurs from as far away as Moldova, China and India visited the facility to observe value-added production and food entrepreneurs in action. In over 9 years of operation, the facility at BRFV has been the launching point for hundreds of small food and natural products businesses, with over \$9.4 million of goods and services produced. Hundreds of other entrepreneurs and farmers from all over the southeast region have acquired assistance in regulatory compliance, brand development and concept validation without ever becoming clients of the facility. BRFV's Winter Sun Farms winter community supported agriculture (CSA) program continues to thrive and collaborate with numerous family farms throughout the WNC region. The program will purchase between 6 and 7 tons of fruits and vegetables this season alone. Nearly 350 clients at 5 distribution locations in North and South Carolina participate in one of the only winter CSAs of its kind in the entire region. BRFV has expanded its current set of services to include producing products for farmers and food entrepreneurs. This allows clients to bring products to market that may have limited access to these production services due to logistics or production expertise. Seven clients (3 food and 4 natural products) are in the pipeline to utilize these production services. BRFV has positioned itself as the go-to resource in the southeast region for farmers, food and natural products entrepreneurs.
- **Entrepreneurship** – The AdvantageWest Entrepreneurship program provided direct services to 345 entrepreneurs during FY2013/14, an increase for the third consecutive year. The Advantage Opportunity Fund made 5 new loans totaling \$215,000 to growth-oriented startups across WNC. For the first time, a majority of the loans made were to companies located outside of Buncombe County with loans made to entrepreneurs in Ashe, Mitchell and Transylvania counties, in addition to two in Buncombe County. Partnerships with the A-B Tech Technology Commercialization Center and Mountain BizWorks continued. Towards the end of the year, efforts began to raise additional capital for the fund including submitting a grant proposal and pre-proposal to potential funders.

This year also included the third annual BREC Breakthrough Challenge in partnership with Tech20/20 and funded by Citi Foundation. However, this year it was marketed under the name "Seed Challenge," as a new partner was added, Accelerating Appalachia. The program was promoted to the more than 75 accelerator applicants that were not selected for this year's accelerator, providing another avenue for business development assistance for these entrepreneurs. Another development this year was the launch of the new AdvantageWest.com website which included two significant new online resources for WNC entrepreneurs: *BREC eLaunch*, an interactive tool to help entrepreneurs and small business owners find and connect with the resources they need to grow their business; and *BRAIN-Online*, a new web-based platform connecting high-potential startups in WNC with area individual angel investors.



In FY2013/14, AdvantageWest offered the third ever Certified Entrepreneurial Community™ Program Leadership Academy. This intensive 2-day training was held in Cherokee, NC in partnership with the Eastern Band of Cherokee Indians (a certified CEC) and was well attended by certified communities as well as those in process. To better inform potential CEC commercialization strategies, a CEC Economic Impact Analysis was performed with funding from the NC Rural Center. This study also established a “benchmarking” framework for communities to be able to share common metrics and best practices. At the end of 2013, the Board voted to suspend the program due to reduction in funding from the state.

- **AdvantageGreen Initiative** – In FY 2013/14, AdvantageGreen continued to expand its impact on the region’s clean tech, sustainable agriculture, natural products, outdoor industry and related sectors. First, this year saw the conclusion of the three-year *Realizing the WNC Natural Products Industry Project*. This project, with support from Golden LEAF Foundation, resulted 48.5 new FTE jobs created, 15 new small natural products manufacturers in production at the Blue Ridge Food Ventures Natural Products Manufacturing Facility, and more than \$500,000 invested in high-growth natural products startups among other impacts. The multi-year *GroWNC Project* was also finalized this year with AdvantageGreen organizing and publishing an Industrial Lands Analysis. Two biofuels projects, the *Field-to-Fryer-to-Fuel (F3) Project* and *Planting the Seeds Biofuels Project*, continued successfully, yielding harvest of 50 acres of test fields of different canola varieties; expanded oil seed crushing and refining capability at a pilot plant in Catawba County; the launch of a new local vegetable oil distribution company; a biofuels market analysis and survey of fleet managers; purchased oil crops research equipment for NC Cooperative Extension and conducted related feed trials; and purchase and setup of a new biofuels testing laboratory at A-B Tech. Ongoing is the *WNC AgriVentures Project* which aims to expand innovation and entrepreneurship within the region’s agriculture and natural resource-based industry cluster. Under this project, AdvantageWest is supporting 10 pilot projects/feasibility studies to advance major economic development opportunities within these sectors; Accelerating Appalachia, a new business accelerator; and other efforts.

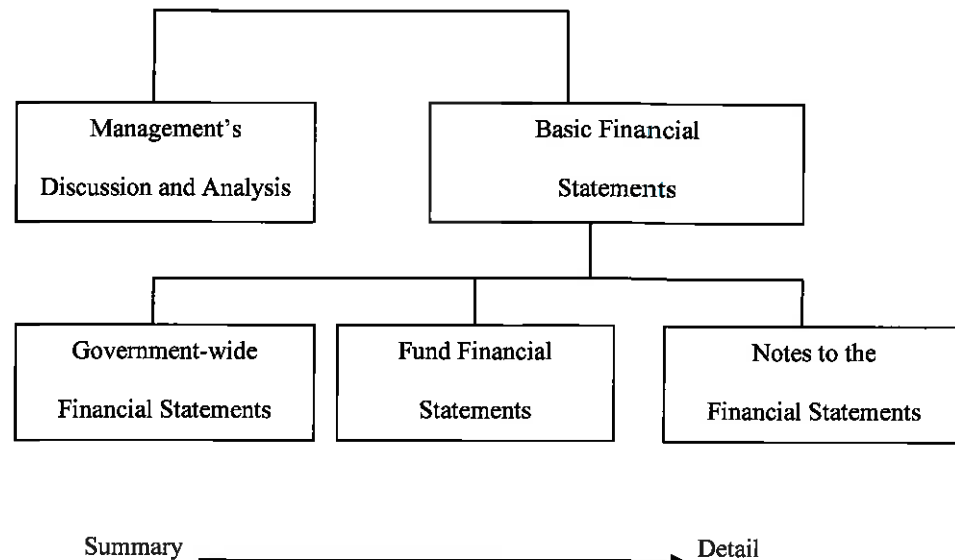
The Corporation closed FY 2013/2014 by continuing to focus on sustaining the future, recognizing the reduction in funding from public and private sources due to the challenges the national economy has had on our public and private funding partners. The Board and staff continue to focus programmatic and financial resources to assure the organization’s time, talent and resources provide the greatest impact across the region with our job creation initiatives.

## **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 5) 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 fund 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 position and how it has changed. Net position is the difference between the Corporation's total assets and total liabilities and deferred inflows of resources. Measuring net position 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation adopts an annual appropriated budget for its General Fund. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**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 19 - 29 of this report.

**Interdependence with Other Entities** – The Corporation depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Corporation is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U. S. Treasury Securities.

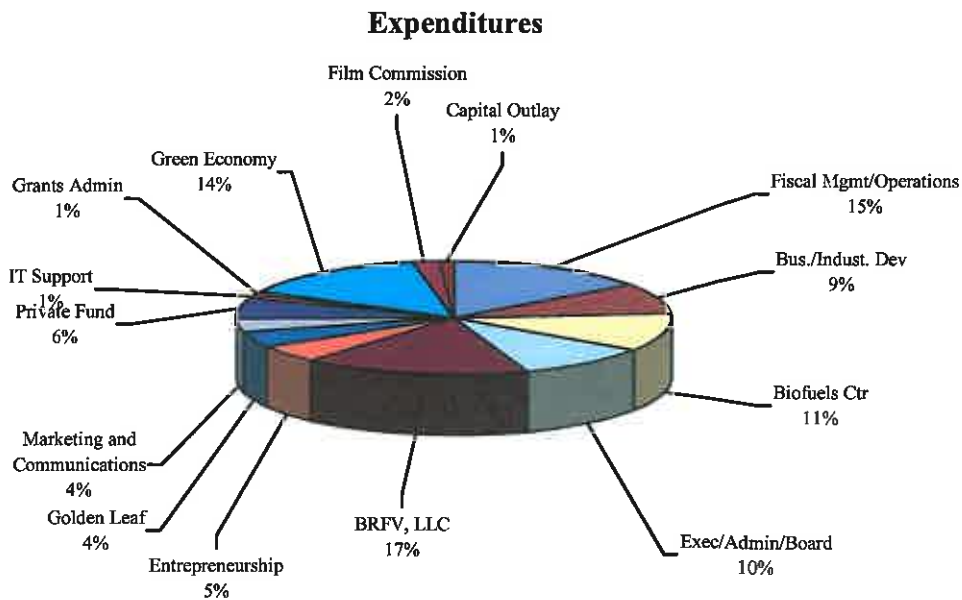
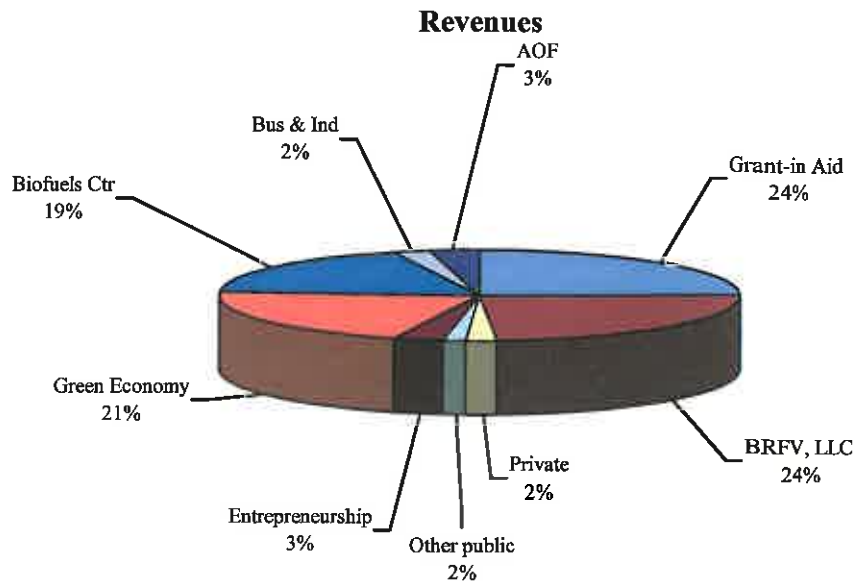
## Government-Wide Financial Analysis

### Western North Carolina Regional Economic Development Nonprofit Corporation's Net Position Figure 2

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 1,523,100	\$ 2,591,084
Capital assets	764,020	754,077
Total assets	<u>2,287,120</u>	<u>3,345,161</u>
Current liabilities	<u>99,346</u>	<u>200,376</u>
Deferred inflows of resources	<u>44,518</u>	<u>140,165</u>
Net position:		
Net investment in capital assets	764,020	754,077
Restricted	665,210	791,371
Unrestricted	714,026	1,459,172
Total net position	<u>\$ 2,143,256</u>	<u>\$ 3,004,620</u>

### Western North Carolina Regional Economic Development Nonprofit Corporation's Changes in Net Position Figure 3

	<b>Government Activities</b>	
	<b>2014</b>	<b>2013</b>
Program Revenues:		
Operating Grants and Contributions	\$ 712,547	\$ 863,744
Capital Grants and Contributions	66,314	29,691
Charges for Services	165,404	143,190
General Revenues:		
Grants and Contributions not Restricted to Specific Programs	368,481	1,151,917
Investment Earnings	45,625	36,763
Gain (Loss) on Sale of Assets	-	(333)
Total Revenues	<u>1,358,371</u>	<u>2,224,972</u>
Expenses:		
Economic Development	<u>2,219,735</u>	<u>2,419,013</u>
Change in net position	(861,364)	(194,041)
Net position, July 1	3,004,620	3,198,661
Net position, June 30	<u>\$ 2,143,256</u>	<u>\$ 3,004,620</u>



As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Corporation exceeded liabilities and deferred inflows of resources by \$2,143,256 as of June 30, 2014. The Corporation's net position *decreased* by \$861,364 for the fiscal year ended June 30, 2014.

A portion of the Corporation's net position reflects its net 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 position invested in capital assets and restricted assets, all net position is considered to be unrestricted, which may be used to meet the Corporation's ongoing obligations.

## 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 \$270,766, while total fund balance reached \$1,379,236. 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 12% of total General Fund expenditures, while total fund balance represents 62% of the same.

**General Fund Budgetary Highlights.** During the fiscal year, the Corporation revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

## Capital Asset and Debt Administration

**Capital Assets** – The Corporation’s investment in capital assets for its governmental activities as of June 30, 2014, totals \$764,020 (net of accumulated depreciation). These assets include leasehold improvements, equipment and capitalized intangibles.

The major capital outlay expenditures for the year were for upgrades to the Advantage West website suite, purchases of equipment at Blue Ridge Food Ventures, LLC and purchases of computer hardware.

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

	<u>2014</u>	<u>2013</u>
Equipment and Vehicles	\$ 843,442	\$ 774,589
Leasehold Improvements	715,132	715,132
Capitalized Intangibles	<u>203,807</u>	<u>180,984</u>
	1,762,381	1,622,932
Less: Accumulated Depreciation	<u>(998,361)</u>	<u>(916,628)</u>
Net Capital Assets	<u>\$ 764,020</u>	<u>\$ 754,077</u>

## Long-term Debt

As of June 30, 2014, the Corporation had no outstanding debt.



## **Matters of Continuing Concern**

The Corporation has historically received financial support from the State of North Carolina as a regional economic development commission partner. With the repeal of General Statute 158-8.1 that formed the commission, this funding ceased at June 30, 2014. The loss of this funding results in the Corporation becoming reliant on private funding to operate. Management has significantly reduced operating costs and is developing plans to generate unrestricted revenues.

## **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 Kathi M. Petersen, Interim Director of Operations & Senior Vice President, Corporate and Public Relations, Western North Carolina Regional Economic Development Nonprofit Corporation, 134 Wright Brothers Way, Fletcher, North Carolina 28732 or at (828) 687-7234. 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](http://www.advantagewest.com).

## **BASIC FINANCIAL STATEMENTS**

**Western North Carolina Regional Economic Development Non-Profit Corporation**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 724,993
Grants receivable - federal and state	165,523
Accounts receivable	38,560
Notes receivable	247,596
Prepaid expenses	4,442
Inventory	7,697
Total current assets	<u>1,188,811</u>
Capital assets:	
Capital assets, net of depreciation	<u>764,020</u>
Other assets:	
Notes receivable-net of allowances	<u>334,289</u>
Total assets	<u>2,287,120</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and other accrued expenses	71,790
Grants payable	27,556
Total current liabilities	<u>99,346</u>
Deferred Inflows of Resources	<u>44,518</u>
<b>Net Position</b>	
Net investment in capital assets	764,020
Restricted for:	
Advantage Opportunity Fund	665,210
Unrestricted	<u>714,026</u>
Total net position	<u>\$ 2,143,256</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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating Grants and	Capital Grants and	Revenue and
		Services	Contributions	Contributions	Changes in Net
					Position
					Governmental
					Activities
<b>Primary government:</b>					
Governmental Activities:					
Economic development	\$2,219,735	\$ 165,404	\$ 712,547	\$ 66,314	\$ (1,275,470)
Total governmental activities	\$2,219,735	\$ 165,404	\$ 712,547	\$ 66,314	(1,275,470)
General revenues:					
Grants and contributions not restricted to specific programs					368,481
Unrestricted investment earnings					3,122
Investment earnings on program revenue					42,503
Total general revenues and transfers					414,106
Change in net position					(861,364)
Net position, beginning					3,004,620
Net position, ending					\$ 2,143,256

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, 2014**

	<u>General Fund</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 724,993
Grants receivable - federal and state	165,523
Accounts receivable	38,560
Notes receivable	247,596
Prepaid expenses	4,442
Inventory	7,697
Total current assets	<u>1,188,811</u>
Other assets:	
Notes receivable-net of allowances	<u>334,289</u>
 Total assets	 <u><u>1,523,100</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and other accrued expenses	71,790
Grants payable	27,556
Total current liabilities	<u>99,346</u>
 <b>Deferred Inflows of Resources</b>	 <u>44,518</u>
<b>Fund Balances</b>	
Nonspendable:	
Inventory	7,697
Prepaid expenses	4,442
Restricted for:	
Advantage Opportunity Fund	665,210
Assigned:	
Winter CSA-Blue Ridge Food Ventures, LLC	28,427
Subsequent year's budgeted expenditures over revenues	402,694
Unassigned	270,766
Total fund balances	<u>1,379,236</u>
 Total liabilities, deferred inflows of resources and fund balance: \$	 <u><u>1,523,100</u></u>
 Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds	<u>764,020</u>
Net position of governmental activities	<u><u>\$ 2,143,256</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, 2014**

	<u>General Fund</u>
<b>Revenues:</b>	
State Regional Economic Development	\$ 337,141
Biofuels Center of North Carolina	252,857
Blue Ridge Food Ventures, LLC	328,101
Green Economy	284,753
Private funds	24,747
Advantage Opportunity Fund	42,422
Entrepreneurship	38,369
Other public funds	20,981
Business & industry	29,000
Total revenues	<u>1,358,371</u>
<b>Expenditures:</b>	
Economic development	<u>2,229,678</u>
Net change in fund balance	(871,307)
<b>Fund balances</b>	
Beginning of year, July 1	<u>2,250,543</u>
End of year, June 30	<u><u>\$ 1,379,236</u></u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balance - total governmental funds	\$ (871,307)
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.	
Capital outlay expenditures which were capitalized	91,676
Depreciation expense for governmental assets	(81,733)
Total changes in net position of governmental activities	<u><u>\$ (861,364)</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, 2014**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
State Regional Economic Development	\$ 337,141	\$ 337,141	\$ 337,141	\$ -
Blue Ridge Food Ventures, LLC	360,057	380,057	312,563	(67,494)
Biofuels Center of North Carolina	508,977	515,376	342,639	(172,737)
Private funds	63,875	63,875	18,041	(45,834)
Green Economy	335,665	335,665	236,167	(99,498)
Advantage Opportunity Fund	-	-	38,069	38,069
Golden LEAF-Natural Products	197,000	196,500	196,501	1
Other public funds	18,550	18,550	22,809	4,259
Entrepreneurship	28,500	29,869	29,869	-
Business & industry	21,500	21,500	29,000	7,500
<b>Total revenues</b>	<b>1,871,265</b>	<b>1,898,533</b>	<b>1,562,799</b>	<b>(335,734)</b>
<b>Expenditures:</b>				
Biofuels Center of North Carolina	442,901	442,249	350,080	92,169
Blue Ridge Food Ventures, LLC	435,162	435,362	362,386	72,976
Business and Industrial Development	213,541	213,541	193,076	20,465
Capital Outlay	-	-	22,824	(22,824)
Entrepreneurship	147,937	113,828	114,068	(240)
Executive/Administration/Board Support	231,307	236,372	226,547	9,825
Film Commission	55,532	55,532	47,382	8,150
Fiscal Management/Operations	285,908	288,666	266,010	22,656
Golden LEAF-Natural Products	104,023	101,951	101,951	-
Grants Administration	41,472	19,239	18,699	540
Green Economy	364,367	319,475	315,684	3,791
Information Technology Support	74,733	84,733	29,720	55,013
Marketing and Communications	89,106	89,106	86,834	2,272
Private Fund Expenditures	88,071	213,071	119,219	93,852
<b>Total expenditures</b>	<b>2,574,060</b>	<b>2,613,125</b>	<b>2,254,480</b>	<b>358,645</b>
<b>Revenues over (under) expenditures</b>	<b>(702,795)</b>	<b>(714,592)</b>	<b>(691,681)</b>	<b>22,911</b>
<b>Fund Balance Appropriated</b>	<b>702,795</b>	<b>714,592</b>	<b>-</b>	<b>(714,592)</b>
<b>Net change in fund balance - modified cash basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(691,681)</b>	<b>\$ (691,681)</b>

**Reconciling items to convert from budgetary basis (modified cash basis) to modified accrual basis:**

Change in Accounts and Grants Receivables	(227,972)
Change in Fair Market Value of Investments	1,837
Change in Prepaid Expenses	2,391
Change in Inventory	(11,748)
Change in Notes Receivable	(140,811)
Change in Accounts and Grants Payable	101,030
Change in Deferred Inflows of Resources	95,647
<b>Net change in fund balance</b>	<b>\$ (871,307)</b>

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

**Western North Carolina Regional Economic Development Nonprofit Corporation**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Western North Carolina Regional Economic Development Nonprofit Corporation conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

**Reporting Entity**

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.

Effective June 30, 2014, General Statute 158-8.1 that created the Western North Carolina Regional Economic Development Commission was repealed. The Corporation will continue to operate as a nonprofit corporation.

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.

**Basis of Presentation**

*Government-wide Statements:* The statement of net position 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 governmental fund, the general fund.

The Corporation reports the following major governmental fund:

*General Fund:* The general fund is the general operating fund of the Corporation. The general fund accounts for all financial resources of the Corporation. The primary revenue sources are from federal and State grants. The primary expenditures are for economic development.

### **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.

### **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 the Corporation and Blue Ridge Food Ventures, LLC and sales tax receivables. Accounts are charged off as they are deemed uncollectible based upon periodic review of the accounts. At June 30, 2014, the allowance for uncollectible accounts was \$13,455.

### **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 subsequent years 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 has recorded an allowance for doubtful account for the balance of this note and will recognize revenue if any payments are received from the sale of the manufacturers equipment.

Outstanding notes receivable at June 30, 2014 were evaluated by management for collectability. At June 30, 2011, two of the companies were delinquent and their balances were recorded in an allowance for uncollectible notes. During the year ended June 30, 2012, one of the company notes was written off and removed from both notes receivable and the related allowance. While the other note remains in the allowance, during the fiscal year ended June 30, 2013 judgment proceedings were initiated against the owner of this note for collection. At June 30, 2014, three notes from one company are seriously delinquent and management has determined that the balances should be recorded into the allowance for doubtful accounts.

### **Prepaid Expenses and Inventory**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expense as the items are used.

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

### **Capital Assets**

Capital assets are defined by the Corporation 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.

### **Accounts Payable**

Accounts payable consists of a payable due to a grantor for 50% of payments collected on a note receivable from a furniture manufacturer, as well as payables to vendors under typical, short-term credit arrangements.

### **Grants Payable**

Grants payable consists of earned and unpaid balances to sub-grantees from federal and State grants awarded to the Corporation and sub-granted to partners.

### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Corporation has two items that meet the criterion for this category – prepaid subscriptions and grants received in advance of being earned.

### **Net Position/Fund Balances**

#### **Net Position**

Net position in government-wide financial statements is classified as net investment in capital assets, debt, restricted and unrestricted. Restricted net position represents 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 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, LLC – 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, LLC 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.

### **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.



## **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. The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2011, 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

## **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.

## **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, 2014, the Corporation's deposits had a carrying amount of \$717,875 and a bank balance of \$770,555. Of the bank balance, \$642,542 was covered by federal depository insurance, and \$128,013 was covered under the Pooling Method.

## **Investments**

As a result of the demutualization of the Principal Financial Group in October 2001, one of the Corporation's benefit providers, the Corporation received 141 shares of the Principal Financial Group, Inc. At June 30, 2014, the cost of these shares was \$2,961; the market value was \$7,118.

## **Notes Receivable**

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

	<b>Balance</b>
Loans and accrued interest - Advantage Opportunity Fund	\$ 685,845
Loan and accrued interest - Genesis Furniture Industries, Inc.	80,660
	<hr/> 766,505
Less: allowance for doubtful accounts	184,620
	<hr/> 581,885
Less: current portion	247,596
Long term portion	<hr/> <hr/> \$ 334,289

### **Advantage Opportunity Fund Loans:**

During FY 13/14, the Advantage Opportunity Fund had:

- 7 new loans approved totaling \$245,000
- 21 loans outstanding at June 30, 2014
- 9 loans totaling \$139,761 paid off
- 3 loans totaling \$67,273 became delinquent—the balances of which were added to the allowance account

Since inception in June 2007, the Advantage Opportunity Fund has cumulatively had:

- \$780,000 provided or pledged to the Fund
- \$766,293 principal repaid and revolved back to the loan pool
- \$127,587 interest earned (paid and accrued) and ever greened back to the Fund
- 39 loans approved, totaling \$1,503,500
- 21 loans opened; 15 loans paid off; 4 loans delinquent and 1 loan written off

### **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. 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. Payments totaling \$2,000 were made during FY 12/13.

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, 2014, the Corporation owed Golden LEAF \$48,803 for their share of the note payments which has been recorded as an account payable. The Corporation's equal share was used for Blue Ridge Food Ventures, LLC in FY 12/13, a purpose approved by Golden

LEAF. The note matured on December 31, 2010, with a plan to completely payoff the note not determined. A UCC Continuation was filed with the Secretary of State in June 2011 for an additional 5 years for the remaining collateral on the loan. In prior years, the Corporation recorded a deferred inflow of resources for the balance of this note to offset the note receivable and recognized revenue as each note payment was made by the manufacturer. In the current year, the Corporation has recorded an allowance for doubtful account for the balance of this note and offset it against the deferred inflow of resources. Any future payments would come from the sale of the manufacturer's equipment.

### **Capital Assets**

Capital asset activity for the Corporation for the year ended June 30, 2014 was as follows:

	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
Capital assets:				
Equipment and Vehicles	\$ 443,291	\$ -	\$ -	\$ 443,291
Computer Equipment	4,785	-	-	4,785
Intangible Assets	180,984	17,723	-	198,707
Leasehold Improvements	125,768	-	-	125,768
Blue Ridge Food Ventures LLC:				
Equipment	326,513	73,953	-	400,466
Leasehold Improvements	<u>589,364</u>	<u>-</u>	<u>-</u>	<u>589,364</u>
	1,670,705	91,676	-	1,762,381
Less accumulated depreciation	<u>916,628</u>	<u>81,733</u>	<u>-</u>	<u>998,361</u>
Governmental activity capital assets, net	<u>\$ 754,077</u>	<u>\$ 9,943</u>	<u>\$ -</u>	<u>\$ 764,020</u>

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

Economic Development	<u>\$81,733</u>
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### **General Assembly Funding**

The North Carolina General Assembly appropriated \$337,141 for the fiscal year ended June 30, 2014, as a grant-in-aid to the Corporation for its use.

### **Deferred Inflows of Resources**

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

Winter CSA Subscriptions	\$19,518
Community Foundation of WNC Grant Advance – BRFV LLC	<u>25,000</u>
	<u>\$44,518</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 \$37,063 was contributed to the plan by the Corporation during the fiscal year ended June 30, 2014.

### **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 \$5,000,000 per occurrence, directors and officers coverage of \$2,000,000 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.

Further, wholly owned, single member LLC, Blue Ridge Food Ventures, LLC, in order to protect itself from exposure to various risks, carries general liability and all other risks of loss through another commercial provider. Blue Ridge Food Ventures, LLC has business liability coverage of \$2,000,000 per occurrence and umbrella liability coverage up to \$1,000,000 per occurrence. The LLC also has property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits.

### **Fund Balance**

The following schedule provides management and readers of the financial statements with information on the portion of the General fund balance that is available for appropriation:

Total Fund Balance - General Fund	<u>\$ 1,379,236</u>
Less:	
Appropriated Fund Balance in 14/15 Budget	402,694
Winter CSA-Blue Ridge Food Ventures, LLC	28,427
Advantage Opportunity Fund	665,210
Inventory	7,697
Prepaid expenses	<u>4,442</u>
Remaining Fund Balance	<u><u>\$ 270,766</u></u>

## **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 entered into a five year lease for office space. At July 1, 2013, the monthly required payment was \$6,828. On October 1, 2014, the Corporation renegotiated this lease, reducing the occupied space. The required monthly rental is \$2,656. The term ends on September 30, 2015 and may be renewed annually. The Corporation may terminate the lease with a 30 day written notice. The Lessor may terminate the lease with a 90 day written notice.

There was a one year lease renewal for kitchen space for Blue Ridge Food Ventures, LLC beginning November 1, 2013 with monthly installments of \$3,669. The lease was renewed on a month to month basis at the same lease amount, beginning November 1, 2014.

The Corporation is a party to leases for office equipment at a combined total of \$521 per month. The copier lease had an initial term of thirty-six months. At the end of the lease term, in August 2014, the Corporation purchased the equipment. The postage machine had an initial term of thirty-nine months. The lease was not renewed and the equipment will be returned in February 2015. The future minimum rentals for these leases in fiscal year 2015 is \$771.

The Corporation sub-leased a portion of its office space to the N.C. Department of Commerce. The annual sub-lease income was \$10,380. This sub-lease terminated on June 30, 2014. The tenant continued month-to-month until vacating on October 6, 2014.

The Corporation sub-leased a portion of its office space to a non-profit corporation. Annual sub-lease income totaled \$7,320. This sub-lease terminated on September 30, 2014. It was renewed on a month to month basis on October 1, 2014. The tenant vacated on November 11, 2014.

## **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 – Summary Disclosure of Significant Contingencies**

### **Federal and State Assisted Programs**

The Corporation has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required

refunds would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**Note 6 – Subsequent Event**

On September 30, 2014, the Corporation was announced as one of eight organizations across the United States to be awarded a contract with the U.S. Small Business Administration to administer the “ScaleUp America” program. ScaleUp Western North Carolina will provide intensive business scale up assistance and leadership development. The contract is renewable for up to five years. The total value of the contract is \$1,189,740, with \$257,740 for fiscal year 2015 and \$233,000 for each of the remaining four years.

**Note 7 – Going Concern Matters**

The Corporation has historically received financial support from the State of North Carolina as a regional economic development commission partner. With the repeal of General Statute 158-8.1 that formed the commission, this funding ceased at June 30, 2014. The loss of this funding results in the Corporation becoming reliant on private funding to operate. The Corporation’s ability to obtain adequate private funding for operations is unknown and thus creates uncertainty about the Corporation’s ability to continue as a going concern. Management has significantly reduced operating costs and is developing plans to generate unrestricted revenues. The ability of the Corporation to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if the Corporation is unable to continue as a going concern.

**Note 8 – Requirement of North Carolina Session Law 2012-142**

The following information details the hours and cost of the audit of the financial statements for the year ended June 30, 2014:

	<u>Hours</u>	<u>Cost</u>
Conducting the audit	93.50	\$7,150
Preparing the report	<u>24.00</u>	<u>1,850</u>
Total	<u>117.50</u>	<u>\$9,000</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***

### **Independent Auditor's Report**

To the Board of Directors  
Western North Carolina Regional Economic Development Nonprofit Corporation  
Fletcher, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprises the Corporation's basic financial statements, and have issued our report thereon dated December 31, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Western North Carolina Regional Economic Development Nonprofit Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Western North Carolina Regional Economic Development Nonprofit Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Western North Carolina Regional Economic Development Nonprofit Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Burleson & Earley, P.A.*

Certified Public Accountants

December 31, 2014

# **BURLESON & EARLEY, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

## **Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance in Accordance with OMB Circular A-133; and the State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Directors  
Western North Carolina Regional Economic Development Nonprofit Corporation  
Fletcher, North Carolina

#### **Report on Compliance for Each Major State Program**

We have audited the Western North Carolina Regional Economic Development Nonprofit Corporation's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Corporation's major State programs for the year ended June 30, 2014. The Corporation's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Corporation's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 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 on compliance for each major State program. However, our audit does not provide a legal determination of the Corporation's compliance.

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### Opinion on Each Major State Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

### Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Burleson & Earley, P.A.*

Certified Public Accountants

December 31, 2014

## Section I. Summary of Auditor's Results

Type of auditor's report issued: Unmodified

**Internal control over financial reporting:**

Material weakness(es) identified?      yes   X   no

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

Noncompliance material to financial statements noted           yes   X  no

### State Awards

**Internal control over major State programs:**

Material weakness(es) identified?           yes   X  no

Significant deficiency(ies) identified that are not considered to be material weaknesses \_\_\_\_\_yes  X  none reported

Type of auditor's report issued on compliance for major State programs: **Unmodified.**

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   X   no

**Identification of major State programs:**

### State Program Names

## North Carolina General Assembly-Regional Economic Development

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
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Auditee qualified as low-risk auditee?   X   yes        no

## Section II. Financial Statement Findings

None

### Section III. State Awards Findings and Questioned Costs

None

**Western North Carolina Regional Economic Development Non-Profit Corporation**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2014**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>Federal Awards</b>				
<b>US Department of Commerce</b>				
Economic Development Administration				
Accelerating WNC Biofuels Industry	11.302	04-86-06696	\$ 18,434	\$ 26,915
WNC Agriventures - Cultivating Jobs and Innovation	11.307	04-79-06685	107,596	176,876
<b>US Department of Housing &amp; Urban Development</b>				
Passed Through the Land-of-Sky Regional Council				
GroWNC Project	14.703	12-028	58,957	42,373
<b>Appalachian Regional Commission</b>				
WNC Agriventures - Cultivating Jobs and Innovation	23.011	CO-17286	39,453	37,879
Blue Ridge Food Ventures Equipment	23.011	NC-17442	46,303	50,486
<b>Total Federal Awards</b>			<b>\$ 270,743</b>	<b>\$ 334,529</b>
<b>State Awards</b>				
<b>North Carolina General Assembly</b>				
Direct Grant:				
Regional Economic Development		G40431002112EDC	\$ -	\$ 383,170
Regional Economic Development		40303	337,141	337,141
<b>Passed Through the Golden LEAF Foundation</b>				
Realizing the Potential of the WNC Natural Products Industry-Phase I		2010-439	46,777	12,392
Realizing the Potential of the WNC Natural Products Industry-Phase II		2012-161	149,723	98,632
<b>Rural Economic Development Center, Inc.</b>				
Project Advantage Opportunity Fund		2008-174-30301-107	5,000	-
Enhancing WNC's Capacity to Grow & Attract Natural Products Manufacturers		2012-175-30301-107	63,051	55,478
Third-Party Evaluation of the Certified Entrepreneurial Communities Program		2013-129-30101-102	24,500	37,000
<b>North Carolina Tobacco Trust Fund Commission</b>				
Building Food Businesses (Blue Ridge Food Ventures)		2011-002-01	5,822	2,969
<b>North Carolina Department of Agriculture &amp; Consumer Services</b>				
Planting the Seeds for a Robust WNC BioFuels Sector		G20100277714RSD	79,923	139,025
<b>Total State Awards</b>			<b>711,937</b>	<b>1,065,807</b>
<b>Total Federal and State Awards</b>			<b>\$ 982,680</b>	<b>\$ 1,400,336</b>

**Notes to the Schedule of Expenditures 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.