

**CATAWBA REGIONAL  
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**

**CATAWBA REGIONAL DEVELOPMENT CORPORATION**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Catawba Regional Development Corporation  
Rock Hill, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Catawba Regional Development Corporation (the "Corporation") as of and for the year ended June 30, 2020, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



The Board of Directors  
Catawba Regional Development Corporation  
December 10, 2020

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Catawba Regional Development Corporation as of June 30, 2020, and the respective changes in financial position and cash flows 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 information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Catawba Regional Development Corporation's basic financial statements. The supplementary information, as listed in the table of contents, are the responsibility of management and were derived from and relate 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. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
December 10, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CATAWBA REGIONAL DEVELOPMENT CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

As management of Catawba Regional Development Corporation (CRDC), we offer readers of these financial statements this narrative overview and analysis of the financial activities of CRDC for the year ended June 30, 2020. Our purpose is to inform readers of CRDC's operations and present our financial position.

CRDC's annual audit is based on federal report requirements of GASB Statement No. 34. As an aid to understanding these statements, CRDC's management is providing this initial section which is a narrative overview and analysis of the financial activities of CRDC for the fiscal year ended June 30, 2020.

### **Overview of the Financial Statements**

CRDC's basic financial statements consist of two components: (1) agency-wide financial statements and (2) notes to the financial statements. The audit report also contains supplementary information in addition to the basic financial statements themselves.

### ***Agency-wide Financial Statements***

The agency-wide financial statements are designed to provide readers with a broad overview of CRDC's finances, in a manner similar to most private-sector companies. CRDC operates the following lending and community development programs: the SBA 504 Program (SBA); the Rural Development Intermediary Relending Program (IRP); the Community Development Financial Institutions Program (CDFI); one program through the SC Housing and Finance Development Authority called the Neighborhood Initiative Program (NIP), the Neighborhood Initiative Program Maintenance (NIPMaint), and a loan fund assumed from the Lower Savannah Council of Governments (Lower Savannah Loan Fund). The financials for these programs are combined in the agency-wide financial statements. Schedules in the Supplementary Section provide separate information by program.

**Statement of Net Position:** This statement presents information on all of CRDC's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

**Statement of Revenues, Expenses and Changes in Net Position:** This statement presents information showing how CRDC's net position changed during the most recent fiscal year. Changes in net position are reported on a full accrual basis, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash being received or spent in future fiscal periods.

**Statement of Cash Flows:** This statement reflects cash inflows and outflows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities, which result in the change in cash and equivalents for the fiscal year. The Statement of Cash Flows also provides a reconciliation of operating income to net cash provided by operating activities. The purpose of this statement is to provide the reader with information on the sources of cash inflows and expenditures, and to report the resulting change in cash balances.

## *Notes to the Financial Statements*

The notes to the financial statements provide required disclosures and additional information that are essential to a full understanding of material data provided in the statements. These notes present information about the accounting policies, significant account balances and activities of CRDC.

### *Other Information*

In addition to the financial statements and accompanying notes, this report also presents certain supplemental schedules.

### **Financial Highlights**

- Agency-wide assets of CRDC exceeded its liabilities as of June 30, 2020 by \$2,651,765 (net position). Expenses exceeded revenues by \$102,319 in 2020. This may be compared to excess revenues over expenses of \$1,007,593 in 2019. Restricted Net Position decreased by \$194,144 in the fiscal year ended June 30, 2020. Unrestricted Net Position, however, increased by \$97,961.
- The U.S. Small Business Administration is requiring that all SBA 504 program loan assets and associated debentures be removed from the balance sheet as these assets are serviced by CRDC and guaranteed by the federal government. Note VIII provides detailed information about these loans.
- FY 2020 results were impacted by the COVID-19 pandemic, resulting in lower origination fee and servicing income as a result of delayed SBA 504 closings, higher maintenance and cleaning expenses, and limited rental income.

### **Agency-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of an agency's financial position. In the case of CRDC, assets exceeded liabilities by \$2,651,765 at the close of the most recent fiscal year. It should be understood that, with the exception of the \$1,160,846 in unrestricted funds, the remainder of CRDC's net position is committed to debt service and capital assets.

### **Condensed Financial Information**

The following condensed financial information presents certain information as of and for the year ended June 30, 2020 as compared to the previous year:

	June 30, 2020	June 30, 2019
<b>Assets</b>		
Current and other assets	\$ 1,871,910	\$ 2,173,984
Restricted loans receivable, net	551,719	9,768,866
Capital assets, net	515,365	535,868
Other noncurrent assets	694,100	898,059
Total assets	3,633,094	13,376,777
<b>Liabilities</b>		
Current liabilities	263,419	355,340
Noncurrent liabilities	717,910	10,267,353
Total liabilities	981,329	10,622,693
<b>Net Position</b>		
Net investment in capital assets	415,674	421,810
Restricted	1,075,245	1,269,389
Unrestricted	1,160,846	1,062,885
Total net position	\$ 2,651,765	\$ 2,754,084
Operating revenues	\$ 121,982	\$ 434,840
Operating expenses	241,730	502,948
Nonoperating revenues (expenses)	17,429	1,075,701
<b>Change in Net Position</b>	(102,319)	1,007,593
<b>Net Position</b> , beginning	2,754,084	1,746,491
<b>Net Position</b> , ending	\$ 2,651,765	\$ 2,754,084

### **Capital Assets**

At June 30, 2020, CRDC's net investment in capital assets was \$415,674. This amount represents a net decrease (including additions and deductions) of \$27,657 due to depreciation. In addition, outstanding mortgage debt decreased by \$14,841.

### **Requests for Financial Information**

This report is designed to provide a general overview of CRDC's finances and to demonstrate CRDC's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director, Catawba Regional Council of Governments at PO Box 450, Rock Hill, South Carolina 29731.



## FINANCIAL STATEMENTS

CATAWBA REGIONAL DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION  
JUNE 30, 2020

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	1,852,137
Miscellaneous receivable		1,810
Accrued interest income		1,109
Prepaid expenses		16,854

<b>Total current assets</b>		1,871,910
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**NONCURRENT ASSETS**

Inventory - Neighborhood Initiative Program		694,100
Loans receivable, net of allowance		551,719
Capital assets, net of accumulated depreciation		515,365

<b>Total noncurrent assets</b>		1,761,184
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<b>Total assets</b>		3,633,094
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable		747
Option deposit		10
Accrued interest payable		3,663
Deferred maintenance		131,586
Loans payable, current portion		91,042
Mortgages payable, current portion		14,842
Unearned commitment fees		11,800
Due to affiliate		9,729

<b>Total current liabilities</b>		263,419
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**NONCURRENT LIABILITIES**

Loans payable, less current portion		633,061
Mortgages payable, less current portion		84,849

<b>Total noncurrent liabilities</b>		717,910
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<b>Total liabilities</b>		981,329
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**NET POSITION**

Net investment in capital assets		415,674
Restricted for debt service		
Lower Savannah loan fund		1,075,245
Unrestricted		1,160,846

<b>Total net position</b>	<b>\$</b>	2,651,765
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**CATAWBA REGIONAL DEVELOPMENT CORPORATION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2020**

**OPERATING REVENUES**

Interest income on loans receivable	\$	24,078
Loan origination fees		27,819
Monthly processing fees		52,299
Recoup on bad debt		1,300
Miscellaneous		16,486

<b>Total operating revenues</b>		121,982
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**OPERATING EXPENSES**

Personnel		117,656
Office supplies/expendable equipment		817
Miscellaneous		34,458
Insurance - tort		7,580
Telephone		273
Professional services		11,719
License fees		75
Interest		7,809
Travel and meetings		3,945
Memberships, dues, publications		1,958
Administrative/filing fees		137
Indirect operating		55,303

<b>Total operating expenses</b>		241,730
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<b>Operating (loss)</b>		(119,748)
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**NONOPERATING REVENUES (EXPENSES)**

Interest income		39,059
Net rental loss		(13,759)
SCALF grant match		(7,871)

<b>Total nonoperating revenues</b>		17,429
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<b>CHANGE IN NET POSITION</b>		(102,319)
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<b>NET POSITION - beginning</b>		2,754,084
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<b>NET POSITION - ending</b>		\$ 2,651,765
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*The accompanying notes are an integral part of these financial statements.*

CATAWBA REGIONAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from interest on loans receivable	\$ 47,897
Receipts from loan origination fees	27,819
Receipts from monthly processing fees	52,299
Receipts received from other sources	17,809
Receipts received for inventory	12,000
Cash paid to vendors, employees and debt instruments	<u>(310,676)</u>
<b>Net cash (used for) operating activities</b>	<u>(152,852)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from building rental	49,000
Payments of rental property expenses	<u>(62,759)</u>
<b>Net cash (used for) noncapital financing activities</b>	<u>(13,759)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(7,154)
Reduction of mortgages payable	<u>(14,367)</u>
<b>Net cash (used for) capital and related financing activities</b>	<u>(21,521)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	39,059
Net proceeds from loan repayments	(99,015)
Reduction in loans to borrowers	9,409,106
Reduction of debenture bonds	(9,434,366)
Payments for SCALF grant match	<u>(7,871)</u>
<b>Net cash (used for) investing activities</b>	<u>(93,087)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(281,219)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>2,133,356</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 1,852,137</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Loss from operations	\$ (68,108)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	25,777
Changes in operating assets and liabilities	
Accounts receivable	(1,833)
Accrued interest income	8,134
Prepaid expenses	(2,077)
Accounts payable and accrued liabilities	<u>(133,494)</u>
<b>Net cash used for operating activities</b>	<u>\$ (171,601)</u>

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

# CATAWBA REGIONAL DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **A. Organization**

Catawba Regional Development Corporation (the Corporation) was organized on April 14, 1982 under the laws of the State of South Carolina as a not-for-profit corporation exempt from income taxes under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1954. The purpose of the Corporation is to further economic and community development in the Catawba Region, which includes Chester, Lancaster, Union and York counties, and the State of South Carolina. The Corporation is a "Certified Development Corporation" as defined by the U.S. Small Business Administration (SBA) and as such makes and administers loans under Title V of the SBA Business and Investment Act (503 and 504 loan programs).

#### **B. Policies in Conformity with Generally Accepted Accounting Principles (GAAP)**

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (where applicable) that do not conflict with or contradict GASB pronouncements. Although the Corporation has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, if any, the Corporation has chosen not to do so. The more significant accounting policies established in GAAP and used by the Corporation are discussed on the following pages.

#### **C. Reporting Entity**

The Corporation was formed by the Catawba Regional Council of Governments (the Council) whose Board members also are members of the Corporation. In addition to the members from the Council, the Corporation also must have outside membership representing specified business sectors of the community. The Council provides staffing, office space and support facilities for the Corporation through contractual agreement. The Corporation is related to the Catawba Regional Council of Governments because of the significance of its operational relationships with the Council. As defined by Governmental Accounting Standards such related units may be included in the government-wide financial statements of the primary government. However, the Corporation fails to meet all of the criteria established by Governmental Accounting Standards to be discreetly presented in the Council's financial statements. Catawba Regional Council of Governments' audited financial statements are disclosed in a separate report, which can be obtained at the office of the Council, 215 Hampton Street, Rock Hill, South Carolina 29730. The Corporation is primarily in the business of making and servicing loans under various governmental and private programs and also participates in housing related community revitalization programs.

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements have been prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles for a single enterprise fund. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses consist of interest and origination fees received on loans made under the Corporation's loan programs, interest on invested loan funds and loan servicing fees. Nonoperating revenues consist of rental income on the Corporation's buildings, grant income from the Neighborhood Initiative Program, property sales, and other miscellaneous income and expenses.

#### E. Cash and Cash Equivalents

The Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisitions.

#### F. Inventory

As part of the Neighborhood Initiative Program, the Catawba Regional Development Corporation purchases slum/blighted property. Houses on these properties are tested for environmental hazards and then the structures are demolished. Per grant guidelines, the property must be held for three years prior to re-sale. Property inventory value at June 30, 2020 was \$694,100.

#### G. Capital Assets

Capital assets owned by the Corporation are stated at the cost to acquire or construct the asset. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized, and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	5 - 39 years
Leasehold improvements	15 years
Landscaping	10 years

## **H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses for the operating period. Actual results could differ significantly from those estimates.

## **I. Statement of Cash Flows**

For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

## **J. Budgets**

Prior to the start of each fiscal year, the Corporation approves an operating budget prepared on the accrual basis. All revisions to the budget during the year are approved by the Corporation's Board. All annual appropriations lapse at fiscal year-end.

## **K. Income Taxes**

The Corporation qualifies as a tax-exempt organization under the provisions of the Internal Revenue Code and, accordingly, its income is not subject to federal or state income taxes. Management believes the Corporation continues to satisfy the requirements of its tax-exempt status, and has no uncertain tax positions at June 30, 2020.

## **L. Loans Receivable**

Loans receivable that management has the intent and ability to hold until maturity or pay-off are reported at their outstanding principal. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). For those loans which are not guaranteed as to their repayment, the loan loss reserve is increased/decreased annually as needed using a loan risk analysis of the IRP and CDFI loan portfolio. Loan origination fees and certain direct origination costs are expended when collected rather than recognized as an adjustment of the yield of the related loan.

## **M. Restricted Resources**

The Corporation has a formal policy that was adopted April 2005, which states that restricted resources will be used first when both restricted and unrestricted resources are available. Such a policy is used to determine whether restricted or unrestricted resources (and therefore restricted net position) remain at year-end.

## **N. Net Position**

Net position is classified as three components:

- 1) Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or are legally restricted through constitutional provisions or enabling legislation.
- 3) Unrestricted – All other net position that does not meet the definition of “restricted” or “net investments in capital assets”.

## **O. Comparative Data/Reclassifications**

Certain comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations of the Corporation. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

## **II. CASH AND INVESTMENTS**

The Corporation's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the Corporation to invest in the following:

- (a) Savings and loan associations to the extent that the same are insured by an agency of the federal government;
- (b) Certificates of deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) or (b) above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (c) Collateralized repurchase agreements when collateralized by securities as set forth in and above and held by the Corporation or a third party as escrow agent or custodian; and
- (d) South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

Investments are stated at fair value, which approximates cost.

At June 30, 2020, the Corporation's deposits have a carrying value of \$1,852,137 and a bank balance of \$1,857,911. Of the Corporation's bank balance, \$496,537 was covered by federal depository insurance



while the remainder of Corporation deposits were covered by collateral or insurance held by the Corporation's agents in the Corporation's name.

As of June 30, 2020, the Corporation had the following investments included in the deposits above:

Instrument Type	Fair Value	Less than 6 months	6-12 months	1-3 years
Money Market	\$ 344,323	\$ 344,323	\$ -	\$ -
Certificates of Deposit	964,953	462,474	502,479	-
Total	<u>\$ 1,309,276</u>	<u>\$ 806,797</u>	<u>\$ 502,479</u>	<u>\$ -</u>

*Interest Rate Risk:* Interest rate risk for investments is the risk that changes in interest rate will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Library maintains short-term investments with maturities of twelve months or less.

*Credit Risk:* Credit risk for investments is the risk that an issuer will not fulfill its obligations. All investment instruments used are those authorized by the current State statute, or any permissible investment as redefined by the State legislature. The credit quality of the money market funds are Unrated.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investment or collateral that is in the possession of an outside party. All of the Corporation's investments are uninsured and unregistered investments for which the securities were held by the counterparty's trust department or agent in the Corporation's name.

*Concentration of Credit Risk:* The investment policy of the Corporation places no limit on the amount that the Corporation may invest in any one issuer.

*Fair Value Measurement and Application:* The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Corporation has the following recurring fair value measurements as of June 30, 2020:

Cash and certificates of deposit are valued using quoted market prices (Level 1 inputs).

Money market funds are valued using quoted market prices (Level 1 inputs).

A reconciliation of cash and cash equivalents as shown on the statement of net position follows:

	Certified Development Corporation	Intermediary Relending Program	Community Development Financial Institutions Program	Neighborhood Initiative Program	Neighborhood Initiative Program Maintenance	Lower Savannah Loan Fund	Combined
Cash	\$ 47,373	\$ -	\$ 19,602	\$ 163,556	\$ 2,360	\$ 309,978	\$ 542,869
Money market	115,549	228,766	-	-	-	-	344,315
Certificates of deposit	-	462,474	-	-	-	502,479	964,953
Total	<u>\$ 162,922</u>	<u>\$ 691,240</u>	<u>\$ 19,602</u>	<u>\$ 163,556</u>	<u>\$ 2,360</u>	<u>\$ 812,457</u>	<u>\$ 1,852,137</u>

### **III. SBA 504 LOANS AND DEBENTURES**

SBA 504 – Loans under this program are a partnership between a private lender, the borrower and the certified development corporation to provide capital for qualifying new and expanding businesses in the state and region. The loan program provides up to 40% of the capital required for a project. The Corporation acquires the funds to loan through the issue of debenture bonds, and the terms of the loans to the new business are essentially the same as the terms of the debentures issued. Repayment of the loans made to borrowers is 100% guaranteed by the SBA.

SBA 504 Loans – This loan program provides business financing through the Small Business Administration. Outstanding loan balances generate servicing income equivalent to 62.5 basis points (.625%) per year. In FY 2020, this servicing income was \$52,299. Also during the year, three SBA 504 loans totaling \$1,832,000 were closed generating origination fee income of \$26,639.

SBA 504 loans and debentures are not presented in the financial statements.

### **IV. LOANS RECEIVABLE**

The Corporation makes and/or services loans under three programs, namely:

- A. Intermediary Relending Program (IRP) – This program provides business financing for fixed assets or working capital. The sources of funds are four recourse loans from the U.S. Department of Agriculture, Rural Development Division in the amount of \$725,000, \$186,550, \$251,641 and \$750,000. Repaid principal is re-loaned to new borrowers.
- B. Community Development Financial Institutions (CDFI) – This loan program makes loans to new or expanding businesses. It also can be used to refinance existing COG RLF and IRP loans so that new borrowers will have adequate access to RLF and IRP funds. A business must be financially stable to be eligible for the CDFI loan program. Management and the Board have intentionally moved to wind this program down due to the current interest rate environment.
- C. Lower Savannah Loan Fund (LSCOG) – This loan program makes loans in the Lower Savannah Council of Governments’ counties. Upon disbursement of the capital available and subsequent repayment of principal of a loan, the capital may be deployed anywhere throughout the state.

The components of loans receivable at June 30, 2020 are as follows:

Two other loan assets with maturities to January 2037, and interest rates ranging from 4.09% to 6.64% per annum.	\$ 71,173
Six IRP loans with maturities to March 2022, and interest rates ranging from 3.5% to 6.5% per annum.	286,629
One CDFI loan with maturity in 2017 and an interest rate of 4.75% per annum.	16,678
Two LSCOG loan with maturities to 2021 and interest rates of 2.5% per annum.	<u>264,994</u>
Total loans receivable	<u>\$ 639,474</u>

Substantially all loans receivable, with the exception of CDFI loans and Lower Savannah loan fund, are pledged as collateral for loans payable. No loans are deemed impaired as defined by FASB Statement 114 as amended by FASB Statement 118.

At June 30, 2020, the allowance for loan losses was \$87,755.

#### **V. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 42,500	\$ -	\$ -	\$ 42,500
Total capital assets, not being depreciated	<u>42,500</u>	<u>-</u>	<u>-</u>	<u>42,500</u>
Capital assets, being depreciated:				
Building	1,058,622	7,154	-	1,065,776
Leasehold improvements	18,201	-	-	18,201
Landscaping	6,725	-	-	6,725
Total capital assets, being depreciated	<u>1,083,548</u>	<u>7,154</u>	<u>-</u>	<u>1,090,702</u>
Less accumulated depreciation for:				
Building	(577,388)	(26,443)	-	(603,831)
Leasehold improvements	(6,067)	(1,214)	-	(7,281)
Landscaping	(6,725)	-	-	(6,725)
Total accumulated depreciation	<u>(590,180)</u>	<u>(27,657)</u>	<u>-</u>	<u>(617,837)</u>
Total capital assets being depreciated, net	<u>493,368</u>	<u>(20,503)</u>	<u>-</u>	<u>472,865</u>
Capital assets, net	<u>\$ 535,868</u>	<u>\$ (20,503)</u>	<u>\$ -</u>	<u>\$ 515,365</u>

During the year ended June 30, 2020, the Corporation recognized \$27,657 in depreciation expense.

## VI. LOANS PAYABLE

The following is a summary of the Corporation's loans payable at June 30, 2020:

1% note to the U.S. Department of Agriculture, Rural Development Division, repayable in equal annual installments of \$30,780 including principal and interest through 2023. The note is collateralized by the portfolio of loans made to borrowers under the IRP program.	\$	84,889
1% note to the U.S. Department of Agriculture, Rural Development Division, repayable in equal annual installments of \$7,229 including principal and interest through 2023. The note is collateralized by the portfolio of loans made to borrowers under the IRP program.		66,332
1% note to the U.S. Department of Agriculture, Rural Development Division, repayable in equal annual installments of \$31,838 including principal and interest through 2040. The note is collateralized by the portfolio of loans made to borrowers under the IRP program.		462,886
1% note to the U.S. Department of Agriculture, Rural Development Division, repayable in equal annual installments of \$47,401 including principal and interest through 2026. The note was assumed by the Corporation on May 8, 2013 when it acquired the IRP of Santee-Lynches' Development Corporation. The note is collateralized by the portfolio of loans acquired by the Corporation from Santee-Lynches' Development Corporation.		<u>109,996</u>
Total loans payable		724,103
Less: current portion		<u>91,042</u>
Loans payable, less current portion	\$	<u><u>633,061</u></u>

Future maturities of loans payable as of June 30, 2020 are as follows:

2021	\$	91,042
2022		92,284
2023		83,550
2024		30,793
2025		27,225
Thereafter		<u>399,209</u>
	\$	<u><u>724,103</u></u>

**VII. MORTGAGES PAYABLE**

Mortgages payable on real estate at June 30, 2020 are detailed as follows:

Note payable to W. Delaine Robbins, payable in monthly installments of \$1,488, including interest of 3.25%, maturing on August 1, 2021. The loan is collateralized by real estate.	\$ 99,691
Less: current portion	<u>14,842</u>
Mortgages payable, less current portion	<u>\$ 84,849</u>

Future maturities of mortgages payable as of June 30, 2020 are as follows:

2021	\$ 14,842
2022	<u>84,849</u>
	<u>\$ 99,691</u>

**VIII. RELATED PARTY TRANSACTIONS**

The Corporation was formed by the Catawba Regional Council of Governments to further the economic and community development of the Catawba Region and to promote and assist in the growth and development of small business concerns in the region and the state. Members of the Council’s Board also serve as Corporation members. The Corporation contracts with the Council to use the Council’s staff and office facilities for its daily operation. These expenses are charged under the same procedures that are used to charge expenses to all other unrelated parties during the year ended June 30, 2020. Amounts due to the Council from the Corporation at June 30, 2020 totaled \$9,729.

During 1994, the Council and the Development Corporation entered into a series of complex legal transactions, the basic goal of which was to accommodate the purchase, renovation and subdivision of a building to the Council.

The terms of the lease from the Development Corporation to the Council include but are not limited to the following:

1. The original lease term was for a period ending on the date the project’s debt was fully paid and satisfied, which was October 19, 2012. The lease has been extended until August 1, 2020.
2. Upon the lease termination, the Council retains the option to acquire the leased property and related loan obligation, if any, for \$1.
3. The lease may terminate upon an “Event of Non-Appropriation.”

4. The mutual lease arrangement is intended to be an operating, not a capital lease for both parties involved.

#### **IX. SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the novel Coronavirus (COVID-19) a public health emergency of International concern. Later, on March 11, 2020, the World Health Organization made the assessment that COVID-19 was a global health pandemic. Measures taken by Federal, State, and Local officials to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses, resulting in an economic slowdown. The full effect on the Corporation's financial condition cannot be determined at this time.

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**



CATAWBA REGIONAL DEVELOPMENT CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
NET POSITION - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Operating revenues</b>				
Loan origination fees	\$ 73,250	\$ 27,549	\$ 27,819	\$ 270
Monthly processing fees	70,000	52,000	52,299	299
Interest income on loans receivable	32,000	23,500	22,978	(522)
Loan late fees	750	1,975	1,100	(875)
Recoup on bad debt	5,000	2,250	1,300	(950)
Miscellaneous	20,100	15,000	16,486	1,486
Total operating revenues	201,100	122,274	121,982	(292)
<b>Operating expenses</b>				
Personnel	170,000	117,500	117,656	(156)
Office supplies/expendable equipment	500	750	817	(67)
Postage	200	455	493	(38)
Miscellaneous	1,250	275	33,965	(33,690)
Printing reproduction	500	-	-	-
Insurance - tort	6,750	7,500	7,580	(80)
Telephone	1,000	250	273	(23)
Professional services	10,000	11,525	11,719	(194)
License fees	100	75	75	-
Interest	-	-	7,809	(7,809)
Travel and meetings	6,200	3,750	3,945	(195)
Employee training	500	-	-	-
Memberships, dues, publications	3,300	1,800	1,958	(158)
Administrative/filing fees	135	155	137	18
Indirect operating	73,300	55,750	55,303	447
Total operating expenses	273,735	199,785	241,730	(41,945)
Operating profit (loss)	(72,635)	(77,511)	(119,748)	(42,237)
<b>Nonoperating revenues (expenses)</b>				
Interest income	33,050	39,530	39,059	(471)
Net rental loss				
Rental income	88,000	49,000	49,000	-
Insurance	(2,000)	(1,550)	(1,537)	13
Utilities	(6,000)	(11,000)	(11,482)	(482)
Grounds maintenance	(4,500)	(4,100)	(4,289)	(189)
Building	(15,000)	(12,500)	(14,301)	(1,801)
Interest	(9,095)	(11,095)	(3,494)	7,601
Depreciation	(25,800)	(27,500)	(27,656)	(156)
SCALF grant match	(8,160)	(7,871)	(7,871)	-
Nonoperating revenues (expenses) - net	50,495	12,914	17,429	4,515
<b>Change in net position</b>	(22,140)	(64,597)	(102,319)	(37,722)
<b>Net position - beginning</b>	2,754,084	2,754,084	2,754,084	-
<b>Net position - ending</b>	\$ 2,731,944	\$ 2,689,487	\$ 2,651,765	\$ (37,722)

CATAWBA REGIONAL DEVELOPMENT CORPORATION

SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM  
YEAR ENDED JUNE 30, 2020

	Certified Development Corporation	Intermediary Relending Program	Community Development Financial Institutions	Neighborhood Initiative Program	Neighborhood Initiative Program Maintenance	Lower Savannah Loan Fund	Total Programs
<b>Operating revenues</b>							
Loan origination fees	\$ 26,639	\$ -	\$ -	\$ -	\$ -	\$ 1,180	\$ 27,819
Monthly processing fees	52,299	-	-	-	-	-	52,299
Interest income on loans receivable	5,909	17,261	908	-	-	-	24,078
Recoup on bad debt	1,300	-	-	-	-	-	1,300
Miscellaneous	-	11,251	3,750	1	-	1,484	16,486
<b>Total operating revenues</b>	<b>86,147</b>	<b>28,512</b>	<b>4,658</b>	<b>1</b>	<b>-</b>	<b>2,664</b>	<b>121,982</b>
<b>Operating expenses</b>							
Personnel	79,992	19,778	4,519	-	-	13,367	117,656
Office supplies/expendable equipment	637	180	-	-	-	-	817
Miscellaneous	19,818	-	-	12,000	2,640	-	34,458
Insurance - tort	7,580	-	-	-	-	-	7,580
Telephone	273	-	-	-	-	-	273
Professional services	11,694	25	-	-	-	-	11,719
License fees	75	-	-	-	-	-	75
Interest	-	7,809	-	-	-	-	7,809
Travel and meetings	3,945	-	-	-	-	-	3,945
Memberships, dues, publications	1,958	-	-	-	-	-	1,958
Administrative/filing fees	121	16	-	-	-	-	137
Indirect operating	37,581	8,998	2,097	-	-	6,627	55,303
<b>Total operating expenses</b>	<b>163,674</b>	<b>36,806</b>	<b>6,616</b>	<b>12,000</b>	<b>2,640</b>	<b>19,994</b>	<b>241,730</b>
<b>Operating income (loss)</b>	<b>(77,527)</b>	<b>(8,294)</b>	<b>(1,958)</b>	<b>(11,999)</b>	<b>(2,640)</b>	<b>(17,330)</b>	<b>(119,748)</b>
<b>Nonoperating revenues (expenses)</b>							
Interest income	14,797	9,093	24	-	-	15,145	39,059
Net rental loss	(13,759)	-	-	-	-	-	(13,759)
SCALF grant match	(7,871)	-	-	-	-	-	(7,871)
<b>Total nonoperating revenues (expenses)</b>	<b>(6,833)</b>	<b>9,093</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>15,145</b>	<b>17,429</b>
<b>Program income (loss)</b>	<b>\$ (84,360)</b>	<b>\$ 799</b>	<b>\$ (1,934)</b>	<b>\$ (11,999)</b>	<b>\$ (2,640)</b>	<b>\$ (2,185)</b>	<b>\$ (102,319)</b>

CATAWBA REGIONAL DEVELOPMENT CORPORATION

SCHEDULE OF RENTAL REVENUE AND EXPENDITURES

YEAR ENDED JUNE 30, 2020

Rents received	\$	49,000
Insurance		1,537
Utilities		11,482
Grounds maintenance		4,289
Building		14,301
Interest		3,494
Depreciation		27,656
		<u>62,759</u>
<b>Net rental loss</b>	<b>\$</b>	<b><u><u>(13,759)</u></u></b>