

**CATAWBA REGIONAL
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

CATAWBA REGIONAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Catawba Regional Development Corporation, (the "Corporation"), which comprise the statement of Net Position as of June 30, 2023, and the related statement of revenues, expenditures, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Catawba Regional Development Corporation as of June 30, 2023, and the changes in net position and cashflows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Catawba Regional Development Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Catawba Regional Development Corporation's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Catawba Regional Development Corporation's ability to continue as a going concern for a reasonable period of time.

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

Rock Hill, South Carolina
December 14, 2023

CATAWBA REGIONAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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, 2023. 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, 2023.

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, 2023 by \$2,725,128 (net position). Revenues exceeded expenses by \$22,278, in 2023. This may be compared to excess expenses over revenues of \$9,738 in 2022. Restricted Net Position decreased by \$35,000 in the fiscal year ended June 30, 2023. Unrestricted Net Position, however, increased by \$87,934, primarily due to the decrease in the net investment in capital assets.
- In 2020, the U.S. Small Business Administration required 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 III provides detailed information about these loans.
- In fiscal year 2022, the Corporation adopted GASB 87 related to leases, which is reflected in the financial statements as leases receivable and deferred inflows of resources.

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 \$2,725,128 at the close of the most recent fiscal year. It should be understood that, with the exception of the \$1,363,133 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, 2023 as compared to the previous year:

	June 30, 2023	June 30, 2022
Assets		
Current and other assets	\$ 1,587,911	\$ 1,715,612
Restricted loans receivable, net	1,186,791	1,108,406
Capital assets, net	457,906	488,039
Lease receivable, non current	327,968	354,001
Other noncurrent assets	85,000	188,600
Total assets	<u>3,645,576</u>	<u>3,854,658</u>
Liabilities		
Current liabilities	72,954	253,587
Noncurrent liabilities	429,400	474,752
Total liabilities	<u>502,354</u>	<u>728,339</u>
Deferred inflows of resources	<u>418,094</u>	<u>423,469</u>
Net position		
Net investment in capital assets	441,546	472,202
Restricted	1,058,347	1,093,347
Unrestricted	1,225,235	1,137,301
Total net position	<u>\$ 2,725,128</u>	<u>\$ 2,702,850</u>
Operating revenues	264,465	445,119
Operating expenses	(327,967)	(462,209)
Nonoperating revenues (expenses)	85,780	26,828
Change in net position	22,278	9,738
Net position, beginning	2,702,850	2,693,112
Net position, ending	<u>\$ 2,725,128</u>	<u>\$ 2,702,850</u>

Capital Assets

At June 30, 2023, CRDC's net investment in capital assets was \$457,906. This amount represents a net decrease (including additions and deductions) of \$30,133. The decrease was due to the current year depreciation expense. In addition, outstanding mortgage debt decreased by \$15,837.

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.

CATAWBA REGIONAL DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,468,604
Accrued interest income	1,186
Miscellaneous receivable	350
Lease receivable	107,793
Interest receivable	1,089
Prepaid expenses	8,889

Total current assets	1,587,911
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NONCURRENT ASSETS

Inventory - Neighborhood Initiative Program	85,000
Lease receivable, noncurrent	327,968
Loans receivable, net of allowance	1,186,791
Capital assets, net of accumulated depreciation	457,906

Total noncurrent assets	2,057,665
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Total assets	3,645,576
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	1,080
Due to affiliate	5,962
Option deposit	10
Security deposit	10,000
Accrued interest payable	2,245
Loans payable, current portion	34,797
Mortgages payable, current portion	16,360
Unearned commitment fees	2,500

Total current liabilities	72,954
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NONCURRENT LIABILITIES

Mortgages payable, less current portion	37,320
Loans payable, less current portion	392,080

Total noncurrent liabilities	429,400
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Total liabilities	502,354
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DEFERRED INFLOWS OF RESOURCES

Leases	418,094
Total deferred inflows of resources	418,094

NET POSITION

Net investment in capital assets	441,546
Restricted	1,058,347
Unrestricted	1,225,235

Total net position	\$ 2,725,128
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CATAWBA REGIONAL DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES

Interest income on loans receivable	\$	38,612
Loan origination fees		13,000
Monthly processing fees		48,713
Recoup on bad debt		1,283
Proceeds from sale of NIP properties		146,750
Miscellaneous		16,107

Total operating revenues		264,465
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OPERATING EXPENSES

Personnel		88,573
Office supplies/expendable equipment		509
Miscellaneous		529
Insurance - tort		8,029
Professional services		32,911
License fees		25
Travel and meetings		12,132
Memberships, dues, publications		4,474
Administrative/filing fees		151
Lot maintenance		42,632
Indirect operating		34,402
Lot inventory reduction (cost)		103,600

Total operating expenses		327,967
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Operating income		(63,502)
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NONOPERATING REVENUES (EXPENSES)

Interest income		42,521
Net lease income(loss)		43,259

Total nonoperating revenues (expenses)		85,780
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CHANGE IN NET POSITION		22,278
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NET POSITION - beginning		<u>2,702,850</u>
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NET POSITION - ending		<u>\$ 2,725,128</u>
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CATAWBA REGIONAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interest on loans receivable	\$ 38,612
Receipts from loan origination fees	13,000
Receipts from monthly processing fees	48,713
Receipts received from other sources	17,390
Receipts received for inventory	103,600
Receipts for sale of property	146,750
Cash paid to vendors, employees and debt instruments	<u>(476,656)</u>
Net cash (used for) operating activities	<u>(108,591)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from building lease	122,234
Payments of rental property expenses	<u>(28,185)</u>
Net cash provided by noncapital financing activities	<u>94,049</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Reduction of mortgages payable	<u>(15,837)</u>
Net cash (used for) capital and related financing activities	<u>(15,837)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	42,521
Net proceeds from loan repayments	(96,197)
(Increase)/Decrease in loans receivable	<u>(78,385)</u>
Net cash (used for) investing activities	<u>(132,061)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(162,440)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,631,044</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 1,468,604</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES	
Income from operations	\$ (63,502)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Changes in operating assets and liabilities	
Accounts receivable	(33,566)
Accrued interest income	(486)
Prepaid expenses	(686)
Inventory	103,600
Accounts payable and accrued liabilities	<u>(113,951)</u>
Net cash (used for) operating activities	<u><u>\$ (108,591)</u></u>

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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.

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 lease income on the Corporation's buildings 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 (NIP), the Catawba Regional Development Corporation purchases slum/blighted property. Houses on these properties were 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. Proceeds from the sale of NIP properties equaled \$146,750 in fiscal year 2023. Property inventory value at June 30, 2023 was \$85,000.

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

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023.

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 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.

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred in-flows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Lease related amounts are recognized at the inception of leases in which the Corporation is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentive paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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 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;

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

- (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, 2023, the Corporation's deposits have a carrying value of \$1,468,604 and a bank balance of \$1,501,534. The bank balances were covered in their entirety by federal depository insurance or by collateral or insurance held by the Corporation's agents in the Corporation's name.

As of June 30, 2023, 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	\$ 95,867	\$ 95,867	\$ -	\$ -
Certificates of Deposit	838,799	248,816	589,983	-
Total	<u>\$ 934,666</u>	<u>\$ 344,683</u>	<u>\$ 589,983</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 Corporation 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.

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

The Corporation has the following recurring fair value measurements as of June 30, 2023:

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	Neighborhood Initiative Program	Neighborhood Initiative Program Maintenance	Lower Savannah Loan Fund	Combined
Cash	\$ 206,009	\$ -	\$ -	\$ 61,738	\$ 25,818	\$ 293,565
Money market	95,867	240,373	-	-	-	336,240
Certificates of deposit	-	-	450,000	-	388,799	838,799
Total	<u>\$ 301,876</u>	<u>\$ 240,373</u>	<u>\$ 450,000</u>	<u>\$ 61,738</u>	<u>\$ 414,617</u>	<u>\$ 1,468,604</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.

The SBA 504 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 2023, this servicing income was \$48,713. During the year, one SBA loan was committed for \$501,000. Origination fee income for the year was \$10,532.

SBA 504 loans and debentures are not presented in the financial statements, as the SBA prohibits the Corporation from doing so.

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

IV. LOANS RECEIVABLE

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

- A. Intermediary Relending Program (IRP) – This program provides business financing for fixed assets or working capital. The sources of funds are two 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.
- 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, full repayment is not required before the Corporation can lend elsewhere and the capital may be deployed anywhere throughout the state.

The components of loans receivable at June 30, 2023 are as follows:

Three other loan assets with maturities to August 2026, and interest rates ranging from 2.5% to 4.5% per annum.	\$ 148,554
Four IRP loans with maturities to June 2028, and interest rates ranging from 3.25% to 5.5% per annum.	432,196
Two LSCOG loans with maturity to August 2026, and an interest rate of 2.5% to 4 % per annum.	<u>671,546</u>
Total loans receivable	\$ 1,252,296

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, 2023, the allowance for loan losses was \$65,505.

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	July 1, 2021	Increases	Decreases	June 30, 2022
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	1,078,382	-	-	1,078,382
Leasehold improvements	35,427	-	-	35,427
Landscaping	<u>6,725</u>	<u>-</u>	<u>-</u>	<u>6,725</u>
Total capital assets, being depreciated	<u>1,120,534</u>	<u>-</u>	<u>-</u>	<u>1,120,534</u>
Less accumulated depreciation for:				
Building	(657,892)	(27,770)	-	(685,662)
Leasehold improvements	(10,379)	(2,362)	-	(12,741)
Landscaping	<u>(6,725)</u>	<u>-</u>	<u>-</u>	<u>(6,725)</u>
Total accumulated depreciation	<u>(674,996)</u>	<u>(30,132)</u>	<u>-</u>	<u>(705,128)</u>
Total capital assets being depreciated, net	<u>445,538</u>	<u>(30,132)</u>	<u>-</u>	<u>415,406</u>
Capital assets, net	<u>\$ 488,038</u>	<u>\$ (30,132)</u>	<u>\$ -</u>	<u>\$ 457,906</u>

During the year ended June 30, 2023, the Corporation recognized \$30,132 in depreciation expense.

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

VI. LOANS PAYABLE

The following is a summary of the Corporation's loans payable at June 30, 2023:

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 2030. The note is collateralized by the portfolio of loans made to borrowers under the IRP program.	\$ 46,436
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.	<u>380,441</u>
Total loans payable	426,877
Less: current portion	<u>34,797</u>
Loans payable, less current portion	<u><u>\$ 392,080</u></u>

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Future maturities of loans payable as of June 30, 2023 are as follows:

2024		34,797
2025		35,146
2026		35,497
2027		35,852
2028		36,210
Thereafter		249,375
		\$ 426,877
		\$ 426,877

VII. MORTGAGES PAYABLE

Mortgages payable on real estate at June 30, 2023 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, 2026. The loan is collateralized by real estate.	\$	53,680
Less: current portion		16,360
Mortgages payable, less current portion	\$	37,320

Future maturities of mortgages payable as of June 30, 2023 are as follows:

2024	\$	16,360
2025		16,899
2026		20,421
		\$ 53,680
		\$ 53,680

VIII. LEASES

The Corporation, as a lessor, has entered into two lease agreements, involving building space. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$101,576.

CATAWBA REGIONAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023. Amounts due by the Council to the Corporation at June 30, 2023 totaled \$5,962.

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 for another seven years until August 1, 2027.
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."

IX. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 14, 2023, the date of the auditor's report, which is the date the financial statements were available to be issued.

Catawba Regional Development Corporation sold an adjacent property, 219 Hampton Street, Rock Hill, SC on August 28, 2023. The Corporation holds the first right of refusal to repurchase the property. The related mortgage was satisfied. CRDC provided financing to the purchase of 219 Hampton Street.

Catawba Regional Development Corporation was approved to be an SBA Community Advantage Program lending entity. SBA delegated authority to the Corporation to make Community Advantage loans up to \$350,000. Community Advantage loans will have a 75%-85% guarantee from the SBA.

CATAWBA REGIONAL DEVELOPMENT CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating revenues				
Loan origination fees/Commitment fees	\$ 43,500	\$ 13,000	\$ 13,000	\$ -
Monthly processing fees	55,000	49,500	48,713	(787)
Interest income on loans receivable	38,734	38,500	38,612	112
Loan late fees	700	400	1,300	900
Administrative fees/Miscellaneous	13,500	10,700	14,807	4,107
Recoup on bad debt	3,500	700	1,283	583
Proceeds from sale of property	205,000	154,000	146,750	(7,250)
Total operating revenues	359,934	266,800	264,465	(2,335)
Operating expenses				
Personnel	107,500	104,000	88,573	15,427
Office supplies/expendable equipment	800	500	509	(9)
Miscellaneous	1,000	550	529	21
Insurance - tort	7,000	7,000	8,029	(1,029)
Telephone	750	2,098	-	2,098
Professional services	40,750	20,000	28,869	(8,869)
License fees	25	25	25	-
Travel and meetings	5,100	10,000	12,132	(2,132)
Employee training	1,000	1,549	4,042	(2,493)
Memberships, dues, publications	3,050	3,030	4,474	(1,444)
Administrative/filing fees	150	184	151	33
Lot maintenance	48,000	42,000	42,632	(632)
Indirect operating	41,750	39,800	34,402	5,398
Lot inventory reduction (cost)	145,400	104,100	103,600	500
Total operating expenses	402,275	334,836	327,967	6,869
Operating profit (loss)	(42,341)	(68,036)	(63,502)	4,534
Nonoperating revenues (expenses)				
Interest income	7,000	10,300	42,521	32,221
Net lease income				
Lease & interest income	98,433	107,000	101,576	(5,424)
Insurance	(1,850)	(1,250)	(1,812)	(562)
Utilities	(10,000)	(5,700)	(5,153)	547
Grounds maintenance	(8,000)	(4,000)	(4,510)	(510)
Building	(15,000)	(1,500)	(9,184)	(7,684)
Interest	(2,025)	(2,300)	(7,526)	(5,226)
Depreciation	(31,000)	(30,500)	(30,132)	368
Nonoperating revenues (expenses) - net	37,558	72,050	85,780	13,730
Change in net position	(4,783)	4,014	22,278	18,264
Net position - beginning	2,702,850	2,702,850	2,702,850	-
Net position - ending	\$ 2,698,067	\$ 2,706,864	\$ 2,725,128	\$ 18,264

CATAWBA REGIONAL DEVELOPMENT CORPORATION

SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2023

	Certified Development Corporation	Intermediary Relending Program	Community Development Financial Institutions	Neighborhood Initiative Program Maintenance	Lower Savannah Loan Fund	Total Programs
Operating revenues						
Loan origination fees	\$ 10,532	\$ 2,468	\$ -	\$ -	\$ -	\$ 13,000
Monthly processing fees	48,713	-	-	-	-	48,713
Interest income on loans receivable	6,574	13,973	113	-	17,952	38,612
Recoup on bad debt	1,283	-	-	-	-	1,283
Proceeds from sale of property	-	-	-	146,750	-	146,750
Miscellaneous	14,607	-	-	1,500	-	16,107
Total operating revenues	81,709	16,441	113	148,250	17,952	264,465
Operating expenses						
Personnel	68,221	9,033	2,339	-	8,980	88,573
Office supplies/expendable equipment	509	-	-	-	-	509
Miscellaneous	155	320	10	44	-	529
Insurance - tort	7,181	-	-	848	-	8,029
Telephone	-	-	-	-	-	-
Professional services	6,671	900	-	25,284	56	32,911
License fees	25	-	-	-	-	25
Travel and meetings	12,132	-	-	-	-	12,132
Memberships, dues, publications	2,538	968	-	-	968	4,474
Administrative/filing fees	88	63	-	-	-	151
Lot maintenance	-	-	-	42,632	-	42,632
Indirect operating	25,630	4,557	866	-	3,349	34,402
Lot inventory reduction (cost)	-	-	-	103,600	-	103,600
Total operating expenses	123,150	15,841	3,215	172,408	13,353	327,967
Operating income (loss)	(41,441)	600	(3,102)	(24,158)	4,599	(63,502)
Nonoperating revenues (expenses)						
Interest income	32,946	5,418	11	-	4,146	42,521
Net lease income	43,259	-	-	-	-	43,259
Total nonoperating revenues (expenses)	76,205	5,418	11	-	4,146	85,780
Program income (loss)	\$ 34,764	\$ 6,018	\$ (3,091)	\$ (24,158)	\$ 8,745	\$ 22,278

CATAWBA REGIONAL DEVELOPMENT CORPORATION

SCHEDULE OF LEASE REVENUE AND EXPENDITURES

YEAR ENDED JUNE 30, 2023

Lease revenue	\$	82,248
Interest revenue		19,328
		<hr/>
		101,576
Insurance		1,812
Utilities		5,153
Grounds maintenance		4,510
Building		9,184
Interest		7,526
Depreciation		30,132
		<hr/>
		58,317
		<hr/>
Net lease income	\$	43,259
		<hr/> <hr/>