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LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2010 AND 2009

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C.C. McGregor, CPA
1906-1968

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lowcountry Regional Development Corporation
Yemassee, South Carolina

We have audited the accompanying statements of financial position of Lowcountry Regional Development Corporation (a nonprofit corporation) as of September 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Lowcountry Regional Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lowcountry Regional Development Corporation as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGregor & Company, LLP

Columbia, South Carolina
January 20, 2011

COLUMBIA
3830 Forest Drive
Post Office Box 135
Columbia, SC 29202
(803) 787-0003
fax (803) 787-2299

BARNWELL
(803) 259-1163
fax (803) 259-5469

ORANGEBURG
(803) 536-1015
fax (803) 536-1020

www.mcgregorcpa.com

LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

Assets	Years Ended September 30,	
	2010	2009
Current Assets		
Cash	\$ 16,557	\$ 16,746
Prepaid Rent	500	-
Current Portion of Leases Receivable	63,405	63,471
	80,462	80,217
Noncurrent Assets		
Restricted Cash	139,665	139,247
Notes Receivable	356,831	356,831
Net Investment in Leases Receivable	174,190	223,771
Land Building Available for Lease	131,802	131,802
	802,488	851,651
Total Current Assets	80,462	80,217
Total Noncurrent Assets	802,488	851,651
Total Assets	882,950	931,868
 Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	142,704	142,286
Deferred Revenue	237,595	287,242
	380,299	429,528
Total Current Liabilities	380,299	429,528
Total Liabilities	380,299	429,528
Net Assets		
Unrestricted Net Assets	145,820	145,509
Permanently Restricted Net Assets	356,831	356,831
	502,651	502,340
Total Net Assets	502,651	502,340
Total Liabilities and Net Assets	882,950	931,868

The notes to the financial statements are an integral part of this statement.

LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

	Years Ended September 30,	
	2010	2009
Unrestricted Revenues		
Earned Income - Financing Leases	\$ 52,400	\$ 67,511
Interest Income	26	65
Total Revenues	52,426	67,576
Functional Expenses		
General and Administrative		
Professional Fees	3,000	3,500
Miscellaneous Expense	1,115	67
Total General and Administrative	4,115	3,567
Program Expenses		
Grant Repayment	48,000	64,476
Total Program Expenses	48,000	64,476
Total Functional Expenses	52,115	68,043
Increase in Unrestricted Net Assets	311	(467)
Unrestricted Net Assets, Beginning of Year	145,509	145,976
Unrestricted Net Assets, End of Year	145,820	145,509
 Change in Permanently Restricted Net Assets		
Interest Income	-	19,893
Increase in Permanently Restricted Net Assets	-	19,893
Permanently Restricted Net Assets, Beginning of Year	356,831	336,938
Permanently Restricted Net Assets, End of Year	356,831	356,831
 Increase in Net Assets	311	19,426
Net Assets, Beginning of Year	502,340	482,914
Net Assets, End of Year	502,651	502,340

The notes to the financial statements are an integral part of this statement.

LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended	
	September 30,	
	2010	2009
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 311	\$ 19,426
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Restricted Assets	(418)	(725)
(Increase) Decrease in Prepaid Rent	(500)	-
(Increase) in Notes Receivable	-	(25,985)
(Increase) Decrease in Leases Receivable	49,647	66,566
Increase (Decrease) in Accounts Payable	418	725
Increase (Decrease) in Deferred Revenues	(49,647)	(60,474)
	<u>(500)</u>	<u>(19,893)</u>
Total Adjustments	<u>(500)</u>	<u>(19,893)</u>
Net Cash Provided (Used) by Operating Activities	<u>(189)</u>	<u>(467)</u>
Net Increase (Decrease) in Cash	(189)	(467)
Cash at Beginning of Year	<u>16,746</u>	<u>17,213</u>
Cash at End of Year	<u><u>16,557</u></u>	<u><u>16,746</u></u>

The notes to the financial statements are an integral part of this statement.

LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lowcountry Regional Development Corporation (LRDC) is a non-profit corporation certified by the U. S. Small Business Administration as an Associate Development Company. The Company strives to stimulate economic development in Beaufort, Colleton, Hampton, and Jasper Counties, South Carolina, by offering attractive financing or lease arrangements on business sites to induce businesses to locate in the Lowcountry area served by LRDC.

The Executive Committee of the Lowcountry Council of Governments (LCOG) also serves as the board of LRDC and LCOG provides personnel, office space, and technical assistance necessary to perform the Corporation's duties.

Financial Statement Presentation

Generally Accepted Accounting Principals (GAAP) require that LRDC report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

LRDC maintains the accrual method of accounting under which revenues are recognized in the period in which the services were provided and expenses are recognized in the period in which the related liability was incurred.

LRDC owns several buildings under commercial leases the terms of which ownership of the building will transfer to the lessee at the end of the lease term including renewal options. Accordingly, LRDC has recorded these leases as financing leases in accordance with GAAP. LRDC records the land and building as being exchanged for the net receivable under the lease term less unearned income.

LRDC receives grants from various sources to acquire or construct commercial buildings for lease or for sale. The grants require that all lease payments collected on these buildings, net of a ½ of 1% service fee retained by LRDC, are to be paid back to the grantor. The collections of these grants have been recorded as revenues in the Statement of Activities. The collection of lease payments on these buildings have been recorded as receipt of financing leases at which time grants repayable net of a ½ of 1% service fee are accrued as an operating expense. The grant proceeds have not been recorded as liabilities because LRDC has no obligation to repay the grants until it collects the related rental payments from the lessee.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

LRDC is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The organization is not currently undergoing examination of any previously filed tax returns; however, the returns filed for the most recent three years remain available for examination by taxing authorities. Management is not aware of any tax positions in the returns which have less than a 50% chance of being affirmed under examination.

Cash

For purposes of the statement of cash flows, cash is considered to include any unrestricted bank account with an original maturity of not more than three months.

Fair Value of Financial Instruments

Cash and Cash Equivalents and Accounts Payable The carrying amount reported in the balance sheet for these item approximates its fair value.

Land and Buildings Available for Lease

LRDC has a speculative building and land available for lease located in Hampton County, South Carolina. Land and building is stated at cost less prior depreciation. No depreciation is being taken on the building while it is not leased.

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH ON DEPOSIT

At September 30, 2010 and 2009, the carrying value and bank balances of LRDC's deposits were \$156,222 and \$155,993, respectively. The deposits did not exceeded FDIC coverage.

NOTE 3 RESTRICTED ASSETS

LRDC received \$225,000 on a grant for which the proceeds were used to fund the construction of a grocery store in Sheldon, South Carolina to be known as the Parish Market. Amounts collected from the repayment of this grant are to be permanently restricted for the establishment of a revolving loan fund. There were no collections to be added to the revolving loan fund for the fiscal years ended September 30, 2010 or 2009. The grant to Parish Market is repayable in monthly installments of \$2,470 for a term of 10 years including interest at 5.75% upon closing of the loan. The loan payments were suspended until September 30, 2008. No payments were made in 2009 or 2010. Interest was accrued through September 30, 2009. The balance of

NOTE 3 RESTRICTED ASSETS (Continued)

restricted notes receivable as of September 30, 2010, is \$356,831. LRDC negotiated with the owner of Parish Market to get a better position on this loan along with other collateral. These negotiations are expected to yield results in 2011.

LRDC received cash as program income from grant proceeds used to develop Palm Key. These funds are being maintained on behalf of Jasper County until a similar economic development project is identified. The balance of restricted cash at September 30, 2010, is \$139,665.

NOTE 4 LEASES

LRDC has several commercial buildings under lease terms whereby it is expected that ownership of the buildings will transfer to the lessee by the end of the lease including renewal periods. LRDC has recorded these leases as financing leases in accordance with GAAP..

The net investment in financing leases is:

	2010	2009
Total Minimum Lease Payments Receivable	\$ 266,002	\$316,402
Less: Unearned Income	<u>(28,407)</u>	<u>(29,160)</u>
Net Investment in Financing Leases	<u>237,595</u>	<u>287,242</u>

The minimum lease receipts under existing financing leases are as follows:

Year Ending September 30,	2010	2009
2010	-	\$63,471
2011	63,405	63,405
2012	61,415	64,415
2013	38,646	38,646
2014	15,919	15,919
2015	16,815	
Thereafter	<u>41,395</u>	<u>41,386</u>
Total	<u>237,595</u>	<u>287,242</u>

A summary of the terms of the leases and LRDC's net investment is as follows:

	September 30, 2010	2009
Colleton County Speculative Building		
Carolina Textile Recycling leased this building located in Walterboro, SC in September of 1996. LRDC had an accumulated cost of \$896,224 in constructing this building. The lease provides for monthly payments of \$4,200 per month over a 200 month lease term including renewal options which expires in August of 2016. The original net investment in the lease of \$800,000 was computed using a 0.5% interest rate. In March, 2007, all parties agreed to forgive nine months of lease payments due from the lessee to allow for the installation of a new roof on the structure. The roof repairs were satisfactorily completed and lease payments resumed for January 2008.	\$123,617	\$173,264

NOTE 4 LEASES (Continued)

September 30,
2010 2009

Hardeeville Industrial Park - Jasper County

LRDC's cost basis in this building completed in 1989 is \$237,121. In October, 1998, LRDC began leasing this building to Year Round Pool of \$1,555 per month under a 222 month lease including renewal options. LRDC computed its original \$217,122 net investment in this lease based on a 5.458% implicit interest rate. Payments were suspended for three months beginning September, 2009 and have not resumed.

\$ 113,978 \$113,978

Total Net Investment in Leases

237,595 287,242

Less: Current Maturities

(63,405) (63,471)

Long-Term Portion of Financing Leases

174,190 223,771

NOTE 5 LAND AND BUILDINGS AVAILABLE FOR LEASE

Land and buildings consist of commercial properties, the purchase or construction of which were specifically designated and funded by local county governments. In accordance with the sub-recipient agreements regarding the acquisition of these properties, any asset acquired or improved through these agreements must always be used for its designated purposes, subject to approval by the Governor's Office, Division of Economic Development.

September 30,
2010 2009

Hampton County Speculative Building

LRDC is seeking an occupant for this warehouse building located near Estill, South Carolina. The purchase and rehabilitation of this building was funded from a grant from Hampton County.

\$173,528 \$173,528

Total Land and Building

173,528 173,528

Accumulated Depreciation

(41,726) (41,726)

Net Land and Building

131,802 131,802

No depreciation was taken in 2010 or 2009 because it is estimated that the building is at net realizable value.

NOTE 6 DEFERRED REVENUES

Under the terms of certain grant agreements, LRDC is required to return to the grantor amounts received under the leasing arrangements minus a small loan servicing fee. In the event of a default of the lessee, LRDC is not obligated to repay the grant. Therefore, the income on the net leases receivable has been deferred

NOTE 6 DEFERRED REVENUES (Continued)

until the actual receipt of lease payments occur. The following is a schedule of the deferred revenues by lease.

Net Minimum Lease Receivable	2010	2009
Grossman Lease	\$123,617	\$173,264
Star Trax Lease	<u>113,978</u>	<u>113,978</u>
Total Deferred Revenues	<u>237,595</u>	<u>287,242</u>

NOTE 7 COMMITMENTS

LRDC has in the past received grants to finance the construction of commercial buildings for lease that have been recorded as increases in unrestricted net assets in the statement of activities. Under the terms of the grants, the proceeds are repayable net of a service fee retained by LRDC out of the lease payments collected by LRDC from the lease of the buildings. A summary of LRDC's repayment of these grants follows:

	September 30,	
	2010	2009
Colleton County Speculative Building		
\$4,000 of the \$4,200 lease payments collected by LRDC under this commercial lease are repayable to the Business Carolina, Inc.	\$48,000	\$48,000
Hardeeville Industrial Park - Jasper County		
LRDC must repay to the Business Carolina, Inc. the proceeds from the commercial building lease to Year Round Pool net of a service fee retained by LRDC.	<u>-</u>	<u>16,476</u>
Total	<u>48,000</u>	<u>64,476</u>

NOTE 8 RELATED PARTY TRANSACTIONS

LRDC has entered into an agreement with the Lowcountry Council of Governments (LCOG) in which LCOG agrees to furnish office space, technical assistance, and personnel necessary to perform the Corporation's duties. LCOG charges LRDC for time and expenses under the same accounting methods used to bill other programs under LCOG. For the years ended September 30, 2010 and September 30, 2009, LCOG elected not to charge LRDC.

NOTE 9 SUBSEQUENT EVENTS

LRDC evaluated the effects subsequent events would have on the financial statements through the date of the auditor's report, which is the date the financial statements were available for issuance.