

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION  
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# CROWLEY WECHSLER & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS

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BEAUFORT • MOUNT PLEASANT

Richard D. Crowley, CPA, CVA  
Lisa T. Wechsler, CPA

Member:  
American Institute of CPAs  
South Carolina Association of CPAs

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Lowcountry Regional Development Corporation  
Yemassee, South Carolina

We have audited the accompanying financial statements of the Lowcountry Regional Development Corporation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lowcountry Regional Development Corporation as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Crowley Wechsler & Associates LLC*

Crowley Wechsler & Associates LLC  
Beaufort, South Carolina  
January 17, 2014

P.O. BOX 481  
2015 BOUNDARY ST.  
BEAUFORT, SC 29901  
TEL 843.379.1065 FAX 843.379.1066

P.O. BOX 2569  
941 HOUSTON NORTHCUTT BLVD.  
MOUNT PEASANT, SC 29465  
TEL 843.971.0882 FAX 843.971.0884

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2013 AND 2012**

<b>ASSETS</b>	<b>SEPTEMBER 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Current Assets</b>		
Cash	\$ 17,466	\$ 45,916
Accounts Receivable	6,000	-
Current Portion of Leases Receivable	12,907	12,907
Total Current Assets	36,373	58,823
<b>Noncurrent Assets</b>		
Restricted Cash	283,649	265,568
Accrued Interest Receivable	12,234	12,234
Notes Receivable	249,805	251,357
Net Investment in Leases Receivable	97,953	97,953
Land Building Available for Lease	131,802	131,802
Total Noncurrent Assets	775,443	758,914
Total Assets	\$ 811,816	\$ 817,737
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 5,970	\$ 26,733
Deferred Revenue	248,645	247,645
Total Current Liabilities	254,615	274,378
Total Liabilities	254,615	274,378
<b>Net Assets</b>		
Unrestricted Net Assets	171,397	174,003
Temporarily Restricted Net Assets	385,804	369,356
Total Net Assets	557,201	543,359
Total Liabilities and Net Assets	\$ 811,816	\$ 817,737

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

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<b>YEARS ENDED SEPTEMBER 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>UNRESTRICTED REVENUES</b>		
Earned Income - Rental	\$ 8,000	\$ 64,852
Interest Income	217	262
Total Revenues	<u>8,217</u>	<u>65,114</u>
<b>FUNCTIONAL EXPENSES</b>		
General and Administrative		
Professional Fees	2,800	3,400
Miscellaneous Expense	63	37
Total General and Administrative	<u>2,863</u>	<u>3,437</u>
Program Expenses		
Grant Repayment	7,960	44,000
Total Program Expenses	<u>7,960</u>	<u>44,000</u>
Total Functional Expenses	<u>10,823</u>	<u>47,437</u>
Increase in Unrestricted Net Assets	(2,606)	17,677
Unrestricted Net Assets, Beginning of Year	174,003	156,326
Unrestricted Net Assets, End of Year	<u>\$ 171,397</u>	<u>\$ 174,003</u>
Change in Temporarily Restricted Net Assets		
Interest Income	\$ 16,448	\$ 12,525
Increase in Temporarily Restricted Net Assets	16,448	12,525
Temporarily Restricted Net Assets, Beginning of Year	369,356	356,831
Temporarily Restricted Net Assets, End of Year	<u>\$ 385,804</u>	<u>\$ 369,356</u>
Increase in Net Assets	\$ 13,842	\$ 30,202
Net Assets, Beginning of Year	543,359	513,157
Net Assets, End of Year	<u>\$ 557,201</u>	<u>\$ 543,359</u>

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

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<b>YEARS ENDED SEPTEMBER 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	<b>\$ 13,842</b>	<b>\$ 30,202</b>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
(Increase) decrease in accounts receivable	(6,000)	-
(Increase) decrease in notes receivable	1,552	5,474
(Increase) decrease in restricted cash	(18,081)	(18,290)
(Increase) decrease in leases receivable	-	73,721
Increase (decrease) in accounts payable	(20,763)	20,000
Increase (decrease) in deferred revenues	1,000	(73,431)
Total adjustments	<b>(42,292)</b>	<b>7,474</b>
Net Cash Provided (Used) by Operating Activities	<b>(28,450)</b>	<b>37,676</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(28,450)</b>	<b>37,676</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>45,916</b>	<b>8,240</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 17,466</b>	<b>\$ 45,916</b>

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

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

Lowcountry Regional Development Corporation (LRDC) is a non-profit corporation certified by the US Small Business Administration as an Associate Development Company. LRDC strives to stimulate economic development in the counties of Beaufort, Colleton, Hampton, and Jasper, 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) board also serves as the board for LRDC and LCOG provides personnel, office space, and technical assistance necessary to perform the Corporation's duties.

**FINANCIAL STATEMENT PRESENTATION**

LRDC adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 17, LRDC is required to 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 generally accepted accounting principles. 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.

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**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.

**STATEMENT OF CASH FLOWS**

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.

**LAND AND BUILDINGS AVAILABLE FOR LEASE**

LRDC has a spec 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 statement 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, 2013 and 2012, the carrying value and bank balances of LRDC's deposits were \$301,115 and \$311,484, respectively. The 2013 deposits exceeded FDIC coverage by \$51,115 and the 2012 deposits exceeded FDIC coverage by \$61,484.



**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 3 RESTRICTED CASH**

Restricted cash held as of September 30, 2013 and 2012 was \$283,649 and \$265,568, respectively. Restricted cash represents amounts held as follows:

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 temporarily restricted for the establishment of a revolving loan fund. The balance held in restricted cash at September 30, 2013 and 2012 is \$143,089 and \$125,089, respectively.

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 held in restricted cash at September 30, 2013 and 2012 is \$140,560 and \$140,479, respectively.

**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 FASB Statement No. 13.

	<b>2013</b>	<b>2012</b>
Total Minimum Lease Payments Receivable	\$ 134,450	\$ 134,450
Less Unearned Income	(23,590)	(23,590)
Net Investment in Financing Leases	\$ 110,860	\$ 110,860

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

<b>Year Ending September 30,</b>	<b>2013</b>	<b>2012</b>
2014	\$ 12,907	\$ 12,907
2015	13,632	13,632
2016	14,399	14,399
2017	15,209	15,209
2018	16,065	16,065
Thereafter	38,648	38,648
Total	\$ 110,860	\$ 110,860

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**NOTE 4 LEASES – CONTINUED**

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

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
<b>Hardeeville Industrial Park – Jasper County</b>		
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 for \$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 5.485% implicit interest rate.	<u>110,860</u>	<u>110,860</u>
Total Net Investment in Leases	110,860	110,860
Less: Current Maturities	<u>(12,907)</u>	<u>(12,907)</u>
Long-term Portion of Financing Leases	<u>\$ 97,953</u>	<u>\$ 97,953</u>

**NOTE 5 NOTES RECEIVABLE**

The notes receivable include the proceeds of a grant that was loaned to the Parish Market for construction of a retail store in Sheldon, South Carolina in the amount of \$225,000 in year 2001 with an interest rate of 5.75%. Due to financial hardships, ownership of the store changed in year 2011. The new owner has resumed payments against the loan. During the fiscal years ended September 30, 2013 and 2012, payments of \$18,000 and \$18,000, respectively, were received on the loan. The balance at September 30, 2013 and 2012 of the notes receivable was \$249,805 and \$251,357.

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 6 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 purpose, subject to approval by the Governor's Office, Division of Economic Development.

<b>Hampton County Speculative Building</b>	<u>2013</u>	<u>2012</u>
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	<u>173,528</u>	<u>173,528</u>
Accumulated Depreciation	<u>(41,726)</u>	<u>(41,726)</u>
Net Land and Building	<u>\$ 131,802</u>	<u>\$ 131,802</u>

No depreciation was taken in 2013 or 2012 because it is estimated that the building is at net realizable value.

**NOTE 7 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 until the actual receipt of lease occurs. Also included is program income from grant proceeds used to develop Palm Key that is being held until a similar economic development project is identified.

The following is a schedule of the deferred revenues by lease.

<u>Deferred Revenues</u>	<u>2013</u>	<u>2012</u>
EnviraCarbon deposit on Hampton County	\$ 1,000	\$ -
Star Trax Lease	110,860	110,860
Palm Key Program Income	<u>136,785</u>	<u>136,785</u>
Total Deferred Revenues	<u>\$ 248,645</u>	<u>\$ 247,645</u>

**LOWCOUNTRY REGIONAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 8 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:

	2013	2012
<b>Colleton County Speculative Building</b>		
\$4,000 of the \$4,200 lease payment collected by LRDC under this commercial lease is repayable to the SC Department of Commerce. In year 2012, this lease was paid off.	\$ -	\$ 44,000
<b>Hampton County Speculative Building</b>		
\$1,990 of the \$2,000 lease payment collected by LRDC under this commercial lease is repayable to Hampton County.	7,960	-
<b>Total Grant Repayment</b>	<b>\$ 7,960</b>	<b>\$ 44,000</b>

**NOTE 9 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. LRDC paid LCOG \$6,733 for September 30, 2013 and \$0 for the year ended September 30, 2012. The amount of \$6,733 was included in accounts payable for year ended September 30, 2012 for services fees that were accrued in the past.

**NOTE 10 SUBSEQUENT EVENTS**

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