

**GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
JAMESTOWN, NORTH CAROLINA  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

GTCC Innovative Resources Corporation and Subsidiary

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
GTCC Innovative Resources Corporation and Subsidiary  
Jamestown, North Carolina

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

We have audited the accompanying consolidated financial statements of GTCC Innovative Resources Corporation and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the consolidated financial statements).

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

Management is responsible for the preparation and fair presentation of these consolidated 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 an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of GTCC Innovative Resources Corporation and Subsidiary as of June 30, 2021, and the changes in its net assets and its cash flows for the year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

*Lovell-Smit & Associates PLLC*

Charlotte, North Carolina  
January 26, 2022

# GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY

## Consolidated Statement of Financial Position

As of June 30, 2021

	<b>Amount</b>
<b>ASSETS</b>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 1,113,491
Accounts receivable	67,609
Prepaid expenses	3,840
	<hr/>
<b>Total Current Assets</b>	<b>1,184,940</b>
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<b>Total Assets</b>	<b>\$ 1,184,940</b>
	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>	
<u>Current Liabilities</u>	
Accounts payable	\$ 7,731
Deferred revenue	90,950
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<b>Total Liabilities</b>	<b>98,681</b>
	<hr/>
<u>Net Assets</u>	
Without donor restrictions	1,022,300
With donor restrictions	63,959
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<b>Total Net Assets</b>	<b>1,086,259</b>
	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,184,940</b>
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The accompanying notes are an integral part of these consolidated financial statements.

## GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY

Consolidated Statement of Activities

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Conference revenue	\$ 42,857	\$ -	\$ 42,857
Contributed services	270,448	-	270,448
Consulting	126,613	-	126,613
Instruction	5,440	-	5,440
Contributions	1,124	-	1,124
Investment income	68	-	68
Net assets released from restrictions:			
Satisfaction of program restrictions	88,908	(88,908)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>535,458</b>	<b>(88,908)</b>	<b>446,550</b>
<b>EXPENSES AND LOSSES</b>			
Salaries and benefits	316,714	-	316,714
Cost of goods sold	13,469	-	13,469
Management expenses	63,999	-	63,999
Administrative expenses	40,708	-	40,708
Contracted services	15,437	-	15,437
Grants	81,154	-	81,154
Office supplies & other	2,293	-	2,293
Printing and duplicating	637	-	637
Membership, dues, and subscriptions	2,004	-	2,004
<b>Total Expenses and Losses</b>	<b>536,415</b>	<b>-</b>	<b>536,415</b>
Decrease in Net Assets	(957)	(88,908)	(89,865)
Net Assets, Beginning of Year	1,023,257	152,867	1,176,124
<b>Net Assets, End of Year</b>	<b>\$ 1,022,300</b>	<b>\$ 63,959</b>	<b>\$ 1,086,259</b>

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

**GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY**

## Consolidated Statement of Cash Flows

For the Year Ended June 30, 2021

	<b>Amount</b>
<b>Cash Flows from Operating Activities</b>	
Decrease in net assets	\$ (89,865)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Changes in:	
Accounts receivable	84,160
Prepaid expenses	8,320
Accounts payable	(1,256)
Deferred revenue	(60,723)
	<u>(59,364)</u>
<b>Net Cash Used in Operating Activities</b>	<u>(59,364)</u>
<b>Cash Flows from Investing Activities</b>	
	<u>-</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>-</u>
<b>Cash Flows from Financing Activities</b>	
	<u>-</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(59,364)
Cash and Cash Equivalents, Beginning of Year	1,172,855
	<u>1,113,491</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 1,113,491</b></u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – ORGANIZATION, NATURE OF ACTIVITIES, AND BASIS OF CONSOLIDATION**

GTCC Innovative Resources Corporation (GIRC) is a North Carolina nonprofit organization incorporated in 2012. The purpose of GIRC is to aid, support and promote teaching and service in various educational, professional, artistic, and creative endeavors of Guilford Technical Community College (GTCC) in Jamestown, North Carolina. GIRC helps promote entrepreneurialism by investing start-up funds to launch innovative and results-oriented projects which align with GTCC core objectives to serve the Guilford County North Carolina community and generate revenue to advance the life-long educational opportunities of students.

GIRC's consolidated subsidiary is GTCC Corporation for Creativity and Commerce (GC3). GC3 is a North Carolina nonprofit organization incorporated in 2020. GC3's purpose is to support GTCC and GIRC by maintaining the conference center activities, which are unrelated business income and taxable. GC3 will file a separate income tax return, thus helping to preserve GIRC's tax exempt status.

The accompanying consolidated financial statements of GTCC Innovative Resources Corporation and Subsidiary (collectively, the Organization) include the financial statements of GIRC and its subsidiary. Material intercompany transactions and balances have been eliminated in consolidation.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying basic consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of consolidated 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 period. Actual results could differ from those estimates.

Financial Statement Presentation

The accompanying consolidated financial statements are reflective of the Organization's activities for the year ended June 30, 2021 and present all funds for which the Organization's Boards of Directors are responsible. Established standards for external financial reporting by nonprofit organizations require that resources be classified for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. Descriptions of the two net asset classes are as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the Organization.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions as to the purpose, time of use, or maintained permanently by the Organization.



## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### Functional Classification of Expenses

Operating expenses are allocated to specific functions based on management's judgment.

### Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless board-designated or donor-restricted for long-term purposes.

### Accounts Receivable and Bad Debt

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debt; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. No provision has been made for bad debt on these financial statements as all amounts due on June 30, 2021 were deemed collectible.

### Deferred Revenue

Deferred revenue consisted of unearned conference center and Financial Aid Leadership Academy deposits on June 30, 2021. See Note D to the consolidated financial statements for additional disclosure.

### Contributed Services

Contributed services are recorded if the services are specialized and would need to be purchased during the normal course of business if they had not otherwise been donated. The amounts are reflected in the consolidated financial statements as revenue and expense if the value of the donated services is ascertainable. GTCC paid salaries and benefits on behalf of the Organization of \$231,215 for the year ending June 30, 2021. These amounts are included as contributed services revenue and included in salaries and benefits expenses on the accompanying consolidated statement of activities. Incidentally, during the year, board and committee members donated their time which does not meet the requirement for inclusion in the consolidated financial statements.

### Fair Value Measurements

Accounting standards established a single definition of fair value and a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as, "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." The Organization's financial instruments are cash and cash equivalents and accounts receivable. The values of these financial instruments are recorded at fair value based on their short-term nature.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### Income Taxes

GIRC and GC3 are exempt organizations under Section 501(c)(3) of the United States Internal Revenue Code. However, certain activities of GC3 are subject to tax as unrelated business activities. The Organization's management believes that there is a basis for all tax positions taken by GC3 in its tax returns. Therefore, there are no uncertain positions disclosed in these consolidated financial statements. Though the Organization has not been notified by any pending audits, all tax years ending after June 30, 2017 are still subject to examination by taxing authorities.

Income tax expense for unrelated business activities amounts to \$0 for the year ended June 30, 2021. These expenses are included on the office supplies line of the statements of activities.

## **NOTE C – CONCENTRATION OF CREDIT RISK**

In addition to FDIC insurance coverage on deposit accounts, the Organization's cash and cash equivalents are collateralized by Guilford Technical Community College's deposit accounts at FDIC-insured banking institutions.

## **NOTE D – DEFERRED REVENUE**

Deferred revenue consisted of the following on June 30, 2021:

Conference center deposits	\$ 69,190
Financial Aid Leadership Academy deposits	21,760
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	\$ 90,950
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## **NOTE E – RELATED PARTY TRANSACTIONS**

The Organization and GTCC are related parties through common control. Accounts receivable include \$2,056 due from GTCC on June 30, 2021. Deferred revenue includes \$2,056 from GTCC on June 30, 2021. Contributions support includes \$1,124 in contributions from GTCC for the year ended June 30, 2021. Conference revenue for services provided to GTCC amounted to \$8,923 for the year ended June 30, 2021. In addition, the Organization reimbursed GTCC for salaries and benefits along with other operating expenses of the Organization. Reimbursement of salaries and operating expenses paid to GTCC amounted to \$79,974 for the year ended June 30, 2021. Lastly, contributed services revenue and salaries and benefits expenses include \$231,215 in Organization salaries and benefits paid by GTCC for the year ended June 30, 2021 (see Note B).

## **NOTE F – SUBSEQUENT EVENTS**

Management considered subsequent events occurring between July 1, 2021 and the date the financial statements were available to be issued, January 26, 2022, and did not identify any events necessitating disclosure.