



SHARPE
PATELCPA

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2023

(With Comparative Totals For The Year Ended June 30, 2022)

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

Opinion

We have audited the accompanying consolidated financial statements of GTCC Innovative Resources Corporation and Subsidiary, a nonprofit organization (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating 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 consolidated 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 Organization's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, 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 judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Organization's internal control. Accordingly, no such opinion is expressed.
- 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Summarized Comparative Information

We have previously audited GTCC Innovative Resources Corporation and Subsidiary's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sharpe Patel PLLC

Raleigh, North Carolina

August 15, 2023

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,618,466	\$ 1,214,230
Accounts receivable	50,133	8,403
Prepaid expenses	1,454	1,240
Total current assets	1,670,053	1,223,873
Total assets	\$ 1,670,053	\$ 1,223,873
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 69,478	\$ 1,398
Accrued expenses	74,762	6,013
Deferred revenue	58,468	24,874
Total current liabilities	202,708	32,285
Total liabilities	202,708	32,285
Net assets:		
Without donor restrictions	1,467,345	1,191,588
With donor restrictions	-	-
Total net assets	1,467,345	1,191,588
Total liabilities and net assets	\$ 1,670,053	\$ 1,223,873

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

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Consolidated Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Conference revenue	\$ 970,358	\$ -	\$ 970,358	\$ 559,314
Contributed services and materials	355,470	-	355,470	262,563
Consulting	-	-	-	114,801
Instruction	41,800	-	41,800	19,310
Contributions	1,267	-	1,267	359
Investment income	36	-	36	181
Total revenue and support	<u>1,368,931</u>	<u>-</u>	<u>1,368,931</u>	<u>956,528</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support and net assets released from restrictions	<u>1,368,931</u>	<u>-</u>	<u>1,368,931</u>	<u>956,528</u>
EXPENSES				
Program services	969,255	-	969,255	828,256
Management and general	123,919	-	123,919	22,945
Total expenses	<u>1,093,174</u>	<u>-</u>	<u>1,093,174</u>	<u>851,201</u>
Change in net assets	275,757	-	275,757	105,327
Net assets at beginning of year	<u>1,191,588</u>	<u>-</u>	<u>1,191,588</u>	<u>1,086,261</u>
Net assets at end of year	<u>\$ 1,467,345</u>	<u>\$ -</u>	<u>\$ 1,467,345</u>	<u>\$ 1,191,588</u>

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

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Program Services	Management and General	Total	
EXPENSES				
Salaries and benefits	\$ 309,254	\$ -	\$ 309,254	\$ 321,675
Cost of goods sold	534,069	-	534,069	303,866
Management expenses	-	67,924	67,924	45,985
Administrative expenses	-	1,383	1,383	569
Contracted services	13,927	11,377	25,304	30,792
Grants	-	-	-	58,144
Office supplies & other	27,571	43,186	70,758	27,945
Printing and duplicating	1	49	50	87
Travel expenses	58	-	58	2,560
Donation to GTCC foundation	-	-	-	21,731
Taxes	84,375	-	84,375	37,847
Total expenses	<u>\$ 969,255</u>	<u>\$ 123,919</u>	<u>\$ 1,093,174</u>	<u>\$ 851,201</u>

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

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY**Consolidated Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 275,757	\$ 105,327
Changes in assets and liabilities that provided (used) cash to net cash provided (used) by operating activities:		
Accounts receivable	(41,730)	59,206
Prepaid expenses	(214)	2,600
Accounts payable	68,080	820
Accrued expenses	68,749	(1,138)
Deferred revenue	33,594	(66,076)
Net cash provided (used) by operating activities	<u>404,236</u>	<u>100,739</u>
Net increase (decrease) in cash and cash equivalents	404,236	100,739
Cash and cash equivalents, beginning of year	<u>1,214,230</u>	<u>1,113,491</u>
Cash and cash equivalents, end of year	<u>\$ 1,618,466</u>	<u>\$ 1,214,230</u>

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

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

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.

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).

Principles of Consolidation

As a result of formal affiliations as noted above, the financial statements of GTCC Innovative Resources Corporation and GC3 are presented on a consolidated basis and include the account of both entities. All significant intercompany transactions and balances have been eliminated in consolidation.

Financial Statement Presentation

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 vary from the estimates that were assumed in preparing the financial statements.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. This Standard established for external financial reporting by not-for-profit organizations requires 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 without restrictions totaled \$1,471,532 and \$1,191,588 as of June 30, 2023 and 2022, respectively.

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. The Organization did not report net assets with donor restrictions for the years ended June 30, 2023 and 2022.

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Functional Expenses

The expenses of the Organization have been reported on a functional basis in the statement of functional expenses. Expenses are charged to programs in a combination of direct expenses incurred and estimates of time and effort. Expenses are charged to management and general in a combination of direct expenses incurred, estimates of time and effort and supporting activities that are not directly identifiable with program or fundraising activities.

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, 2023 and 2022 were deemed collectible.

Deferred Revenue

Deferred revenue consisted of unearned conference center deposits. For the years ended June 30, 2023 and 2022, unearned conference center revenue was \$58,468 and \$24,874, respectively.

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.

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Items and Services (Gifts in Kind)

Effective January 1, 2014, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2013-06, *Services Received from Personnel of an Affiliate*, which resulted in the recognition of in-kind goods and services provided by the College under an affiliation agreement with the Organization.

In addition, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* effective the for the year ended June 30, 2022. Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Organization reports the donations as support without restriction, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services.

GTCC paid salaries and benefits on behalf of the Organization of \$287,495 and \$240,242 for the years ended June 30, 2023 and 2022, respectively. These amounts are included as contributed services and materials revenue and included in management 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.

Income Taxes

GIRC is and exempt organization under Section 501(c)(3) of the United States Internal Revenue Code. GC3 is a non-profit corporation, however is subject to taxation, as it is not registered as a tax exempt organization with Internal Revenue Service. 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, 2019 are still subject to examination by taxing authorities.

Income tax expense for unrelated business activities amounts to \$84,375 and \$37,847 for the years ended June 30, 2023 and 2022.

NOTE 2 – 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. At June 30, 2023 and 2022, the Organization's cash deposits exceed the FDIC insured limits by approximately \$1,142,507 and \$727,588, respectively.

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 3 – RELATED PARTY TRANSACTIONS

The Organization and GTCC are related parties through common control. Accounts receivable include \$0 and \$11,917 due from GTCC on June 30, 2023 and 2022, respectively. Deferred revenue includes \$0 and \$11,917 from GTCC on June 30, 2023 and 2022, respectively. Conference revenue for services provided to GTCC amounted to \$18,903 and \$25,207 for the years ended June 30, 2023 and 2022, respectively.

NOTE 4 – IN-KIND DONATIONS SERVICES AND MATERIALS

During the years ended June 30, 2023 and 2022, the in-kind contributions were as follows:

From the College:

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 287,495	\$ 240,242
Materials	67,975	22,321
	<u>\$ 355,470</u>	<u>\$ 262,563</u>

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,618,466	\$ 1,214,230
Accounts receivable	50,133	8,403
Less:		
Accounts payable	(69,478)	(1,398)
Accrued expenses	<u>(74,762)</u>	<u>(6,013)</u>
Total financial assets available to meet general expenditures and liabilities within the next 12 months	<u>\$ 1,524,359</u>	<u>\$ 1,215,222</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At June 30, 2023 and 2022, all net assets without donor restrictions are available to meet cash needs for general expenditures of the Organization within one year.

GTCC INNOVATIVE RESOURCES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 6 – COMMITMENTS

The Organization routinely enters into contracts with customers for conference center activities ahead of the actual scheduled time of use. If payment has not been received nor has the event taken place before year-end, the amounts are not recorded because they have not triggered an event under generally accepted accounting standards. Amounts committed under these contracts at June 30, 2023 and 2022 total \$78,699 and \$163,602, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 15, 2023, which is the date the financial statements were available to be issued.