

THE ORLEANS COUNTY
LOCAL DEVELOPMENT CORPORATION

Financial Statements and
Independent Auditors' Report

December 31, 2020 and 2019

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	11 - 12

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Orleans County Local Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of The Orleans County Local Development Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to 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.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in Government Auditing Standards. 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 Corporation'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 Corporation'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 Orleans County Local Development Corporation as of December 31, 2020 and 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 1, 2021 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
April 1, 2021

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Financial Position

December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and equivalents	\$ 58,872	121,707
Loans receivable - current installments	38,281	35,568
Due from County of Orleans Industrial Development Agency	<u>25,000</u>	<u>-</u>
Total current assets	122,153	157,275
Loans receivable, less current installments	<u>72,904</u>	<u>109,393</u>
Total assets	<u>\$ 195,057</u>	<u>266,668</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	3,225	-
Due to County of Orleans Industrial Development Agency	<u>-</u>	<u>13,082</u>
Total current liabilities	3,225	13,082
Net assets with donor restrictions	<u>191,832</u>	<u>253,586</u>
Total liabilities and net assets	<u>\$ 195,057</u>	<u>266,668</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Activities

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue:		
Program income - interest and penalties on loans	\$ 469	4,824
Other income	500	1,225
Settlement proceeds	<u>-</u>	<u>20,000</u>
Total revenue	<u>969</u>	<u>26,049</u>
Expenses:		
Repayment of grant	-	118,583
Management and general:		
Bank service charges	45	10
Contributions	-	20
Insurance	1,891	946
Miscellaneous	393	390
Professional fees	3,305	3,141
Legal fees	21,647	15,154
Travel and entertainment	662	1,242
Office supplies	429	264
Accounting	960	960
Consulting	29,538	44,716
Program expense	1,073	1,199
Telephone	196	-
Supplies	1,679	-
Marketing	<u>905</u>	<u>9,510</u>
Total management and general	<u>62,723</u>	<u>77,552</u>
Total expenses	<u>62,723</u>	<u>196,135</u>
Change in net assets with donor restrictions	(61,754)	(170,086)
Net assets with donor restrictions at beginning of year	<u>253,586</u>	<u>423,672</u>
Net assets with donor restrictions at end of year	<u>\$ 191,832</u>	<u>253,586</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets with donor restrictions	\$ (61,754)	(170,086)
Adjustments to reconcile change in net assets with donor restrictions to net cash used in operating activities - changes in:		
Due from County of Orleans Industrial Development Agency	(25,000)	-
Accounts payable	3,225	-
Due to County of Orleans Industrial Development Agency	<u>(13,082)</u>	<u>(2,954)</u>
Net cash used in operating activities	<u>(96,611)</u>	<u>(173,040)</u>
Cash flows from investing activities:		
Issuance of loans receivable	-	(15,000)
Collections of loans receivable	<u>33,776</u>	<u>39,319</u>
Net cash provided by investing activities	<u>33,776</u>	<u>24,319</u>
Net change in cash and equivalents	(62,835)	(148,721)
Cash and equivalents at beginning of year	<u>121,707</u>	<u>270,428</u>
Cash and equivalents at end of year	<u>\$ 58,872</u>	<u>121,707</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Orleans County Local Development Corporation (the Corporation) was incorporated in September 1993 under the State of New York Not-for-Profit Law and Article 8, Title 8 of the Public Authorities Law. The Corporation was incorporated for the purpose of encouraging the location and expansion of industrial and manufacturing facilities, the creation of new and improved job opportunities, the reduction of unemployment and the betterment of individual and community prosperity within the County of Orleans, New York.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Corporation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations and either expire by passage of time or can be fulfilled by actions of the Corporation. The Corporation had only net assets with donor restrictions in 2020 and 2019.

(d) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash

For the purposes of reporting cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(f) Loans Receivable and Allowance for Doubtful Loans

Loans receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income and commitment fees on loans are accrued as earned. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements

A framework has been established for measuring fair value of loans receivable. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(h) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue. The Corporation had no deferred revenue at December 31, 2020 and 2019.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(j) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

(2) Liquidity

The Company has approximately \$97,153 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$58,872 of cash and equivalents and \$38,281 of loans receivable. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2020 statement of financial position.

Additionally, the Company manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can easily be predicted since they are comprised mostly of loan payments. Cash outflows are planned accordingly so as not to exceed those expected inflows.

(3) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to credit risk include cash on deposit with a financial institution, which is insured for up to \$250,000 by the U.S. Federal Deposit Insurance Corporation. At various times throughout the year ended December 31, 2019, the Corporation's balance in its accounts has exceeded the federally-insured limit.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(3) Concentrations of Credit Risk, Continued

The Corporation provides funds under a revolving loan program to businesses located within the boundaries of the municipality of the County of Orleans, New York. The Corporation performs ongoing credit evaluations of its loans.

(4) Related Party Transactions

The Corporation has a related party relationship with the County of Orleans Industrial Development Agency (COIDA) and Orleans Land Restoration Corporation (OLRC). All three entities are managed by the same personnel. COIDA allocates a portion of its personnel costs to the Corporation. These costs amounted to \$27,038 and \$23,178 for the years ended December 31, 2020 and 2019, respectively. The amount due to COIDA amounted to \$13,082 at December 31, 2019. The Corporation had an amount due from COIDA of \$25,000 at December 31, 2020.

(5) Loans Receivable

Loans receivable, which are considered level 3 assets at December 31, 2020 and 2019 are summarized as follows:

<u>Term</u>	<u>Borrower</u>	<u>Interest rate</u>	<u>2020</u>	<u>2019</u>
5 years	810 Meadworks LLC	2.4375%	\$ -	531
5 years	Fastfitness for Women, Inc. (2013)	2.4375%	5,809	7,226
10 years	Rachael and Rob's Wildwood Lake Family Campgrounds, Inc.	3.0000%	33,361	37,910
7 years	Shirt Factory Cafe	2.4380%	12,515	15,085
5 years	The Frosty Bucket	2.6250%	-	11,459
5 years	Gallo's Hauling	0.0000%	26,000	32,000
5 years	DC Hauling	0.0000%	22,750	28,000
5 years	Laura Loxley Vintage Inspired Goods	0.0000%	<u>10,750</u>	<u>12,750</u>
	Total loans		111,185	144,961
	Less current installments		<u>(38,281)</u>	<u>(35,568)</u>
	Loans receivable, less current installments		\$ <u>72,904</u>	<u>109,393</u>

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(5) Loans Receivable, Continued

The table below sets forth a summary of changes in the fair value of the Corporation's level 3 assets (loans receivable) for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 144,961	169,280
Add loans issued	-	15,000
Less amounts repaid	<u>(33,776)</u>	<u>(39,319)</u>
Balance at end of year	\$ <u>111,185</u>	<u>144,961</u>

A summary of current, past due and nonaccrual loans as of December 31, 2020 and 2019 is as follows:

<u>Year ended</u>	<u>Current</u>	<u>30 -90 days past due</u>	<u>Nonaccrual</u>	<u>Total</u>
December 31, 2020	\$ <u>111,185</u>	<u>-</u>	<u>-</u>	<u>111,185</u>
December 31, 2019	\$ <u>144,961</u>	<u>-</u>	<u>-</u>	<u>144,961</u>

Management has not established an allowance for doubtful loans as all loans are current for the years ended December 31, 2020 and 2019, respectively.

The Corporation granted borrowers the option to defer up to three months of their loan payments due to the COVID-19 pandemic. Borrowers who elected this option have executed loan modification agreements to reflect their deferral.

(6) Litigation Matters

In 2005, the Corporation filed a judgment by confession against a debtor in the amount of \$22,335 with interest at the rate of 3.1875%. On January 29, 2015, a motion for summary judgment in lieu of complaint, returnable March 17, 2015, to renew the judgment in the amount of \$30,337 consisting of the original judgment amount, interest from September 1, 2005, costs and attorney fees. The motion was unopposed and an order granting a renewal judgment was filed on March 23, 2015. During the year ended December 31, 2019, this was settled in the amount of \$20,000 and is included as settlement proceeds on the statements of activities.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS,
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
The Orleans County Local Development Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of The Orleans County Local Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to financial statements, and have issued our report thereon dated April 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
April 1, 2021