

THE ORLEANS COUNTY
LOCAL DEVELOPMENT CORPORATION

Financial Statements and
Independent Auditors' Report

December 31, 2021 and 2020

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Orleans County Local Development Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Orleans County Local Development Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of December 31, 2021 and 2020, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 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 Corporation's ability to continue as a going concern within one year after the date that the financial statements are available.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and Government 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 financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 audits.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2022 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 Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 30, 2022

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Financial Position

December 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and equivalents	\$ 42,182	58,872
Accounts receivable - grant receivable	61,726	-
Loans receivable - current installments	27,370	38,281
Due from County of Orleans Industrial Development Agency	<u>-</u>	<u>25,000</u>
Total current assets	131,278	122,153
Loans receivable, less current installments	<u>52,943</u>	<u>72,904</u>
Total assets	<u>\$ 184,221</u>	<u>195,057</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities - accounts payable	23,976	3,225
Net assets with donor restrictions	<u>160,245</u>	<u>191,832</u>
Total liabilities and net assets	<u>\$ 184,221</u>	<u>195,057</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Activities

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Grant revenue	\$ 151,673	-
Program income - interest and penalties on loans	2,160	469
Other income	<u>1,347</u>	<u>500</u>
Total revenue	<u>155,180</u>	<u>969</u>
Expenses:		
Grant expense	151,630	-
Management and general:		
Bank service charges	180	45
Insurance	-	1,891
Professional fees	2,500	3,305
Legal fees	15,843	21,647
Travel and entertainment	640	662
Office supplies	28	429
Accounting	800	960
Consulting	11,299	29,538
Program expense	1,866	1,073
Telephone	-	196
Supplies	-	1,679
Marketing	935	905
Miscellaneous	<u>1,046</u>	<u>393</u>
Total management and general	<u>35,137</u>	<u>62,723</u>
Total expenses	<u>186,767</u>	<u>62,723</u>
Change in net assets with donor restrictions	(31,587)	(61,754)
Net assets with donor restrictions at beginning of year	<u>191,832</u>	<u>253,586</u>
Net assets with donor restrictions at end of year	<u>\$ 160,245</u>	<u>191,832</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets with donor restrictions	\$ (31,587)	(61,754)
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	(25,000)
Grant receivable	(61,726)	-
Accounts payable	20,751	3,225
Due to County of Orleans Industrial Development Agency	<u>-</u>	<u>(13,082)</u>
Net cash used in operating activities	(47,562)	(96,611)
Cash flows from investing activities - collections of loans receivable	<u>30,872</u>	<u>33,776</u>
Net change in cash and equivalents	(16,690)	(62,835)
Cash and equivalents at beginning of year	<u>58,872</u>	<u>121,707</u>
Cash and equivalents at end of year	<u>\$ 42,182</u>	<u>58,872</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021 and 2020

(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 2021 and 2020.

(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 conditional contributions 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, 2021 and 2020.

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.

(k) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have 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 \$131,278 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$42,182 of cash and equivalents, \$61,726 of grants receivable, and \$27,370 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 2021 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.

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

(3) Concentrations of Credit Risk

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 \$2,560 and \$27,038 for the years ended December 31, 2021 and 2020, respectively. The Corporation had an amount due from COIDA of \$25,000 at December 31, 2020. This amount was repaid in 2021.

(5) Loans Receivable

Loans receivable, which are considered level 3 assets at December 31, 2021 and 2020 are summarized as follows:

<u>Term</u>	<u>Borrower</u>	<u>Interest rate</u>	<u>2021</u>	<u>2020</u>
5 years	Fastfitness for Women, Inc. (2013)	2.4375%	\$ 4,250	5,809
10 years	Rachael and Rob's Wildwood Lake Family Campgrounds, Inc.	3.0000%	26,790	33,361
7 years	Shirt Factory Cafe	2.4380%	9,523	12,515
5 years	Gallo's Hauling	0.0000%	17,333	26,000
5 years	DC Hauling	0.0000%	15,167	22,750
5 years	Laura Loxley Vintage Inspired Goods	0.0000%	<u>7,250</u>	<u>10,750</u>
	Total loans		80,313	111,185
	Less current installments		<u>(27,370)</u>	<u>(38,281)</u>
	Loans receivable, less current installments		\$ <u>52,943</u>	<u>72,904</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 111,185	144,961
Less amounts repaid	<u>(30,872)</u>	<u>(33,776)</u>
Balance at end of year	\$ <u>80,313</u>	<u>111,185</u>

A summary of current, past due and nonaccrual loans as of December 31, 2021 and 2020 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, 2021	\$ <u>80,313</u>	<u>-</u>	<u>-</u>	<u>80,313</u>
December 31, 2020	\$ <u>111,185</u>	<u>-</u>	<u>-</u>	<u>111,185</u>

Management has not established an allowance for doubtful loans as all loans are current at December 31, 2021 and 2020.

The Corporation granted borrowers the option to defer up to three months of their loan payments due to the COVID-19 pandemic during the year ended December 31, 2020. Borrowers who elected this option have executed loan modification agreements to reflect their deferral.

**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, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 30, 2022.

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
March 30, 2022