

WARREN COUNTY LOCAL
DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Financial Statements and
Supplementary Information
December 31, 2022 and 2021
(With Independent Auditors' Report Thereon)

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Warren County Local Development Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Warren County Local Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2022 and 2021, 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 present fairly, in all material respects, the financial position of Warren County Local Development Corporation as of December 31, 2022 and 2021, 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.

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 audits. 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 to be issued.

Auditor's 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 22, 2023 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
March 22, 2023

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Financial Position
December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and equivalents	\$ 1,054,975	1,108,490
Investment in certificate of deposit	200,000	-
Accounts receivable	20,833	13,226
Loans receivable - current portion	<u>45,470</u>	<u>175,132</u>
Total current assets	<u>1,321,278</u>	<u>1,296,848</u>
Non-current assets:		
Loans receivable, net of current portion	217,521	601,155
Allowance for doubtful accounts	<u>(2,339)</u>	<u>(182,558)</u>
Total non-current assets	<u>215,182</u>	<u>418,597</u>
Total assets	<u>\$ 1,536,460</u>	<u>1,715,445</u>
<u>Net Assets</u>		
Net assets without donor restrictions	<u>\$ 1,536,460</u>	<u>1,715,445</u>

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Activities
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Interest and late fees on loans	\$ 19,923	20,481
Program service fees	441	998
Warren County support fee	<u>50,000</u>	<u>50,000</u>
Total revenue	<u>70,364</u>	<u>71,479</u>
Expenses:		
Supporting services - management and general:		
Professional fees	6,600	6,250
Legal fees	2,183	2,284
Bad debt expense	190,566	-
Service contract - Economic Development Corporation of Warren County	<u>50,000</u>	<u>50,000</u>
Total expenses	<u>249,349</u>	<u>58,534</u>
Change in net assets without donor restrictions	(178,985)	12,945
Net assets without donor restrictions at beginning of year	<u>1,715,445</u>	<u>1,702,500</u>
Net assets without donor restrictions at end of year	<u>\$ 1,536,460</u>	<u>1,715,445</u>

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Cash Flows
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ (178,985)	12,945
Bad debt	190,566	-
Changes in:		
Accounts receivable	(7,607)	3,441
Accounts payable	<u>-</u>	<u>(8,333)</u>
Net cash provided by operating activities	<u>3,974</u>	<u>8,053</u>
Cash flows from investing activities:		
Purchase of investment in certificate of deposit	(200,000)	-
Proceeds from investment in certificate of deposit	-	512,495
Repayment of loans receivable	<u>142,511</u>	<u>94,979</u>
Net cash provided by (used in) investing activities	<u>(57,489)</u>	<u>607,474</u>
Change in cash and equivalents	(53,515)	615,527
Cash and equivalents at beginning of year	<u>1,108,490</u>	<u>492,963</u>
Cash and equivalents at end of year	<u>\$ 1,054,975</u>	<u>1,108,490</u>

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Warren County Local Development Corporation (the Corporation) was incorporated in 1986 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities for low to moderate income residents of Warren County. This is accomplished through the Corporation's community development and housing programs as follows:

Community Economic Development - Administration and management of small business lending programs, economic development loans, and economic development grant programs that benefit low and moderate income persons. This is accomplished through grants and loans made to qualifying employers.

Housing - Administration and management of grants to eligible homeowners who need funds to make health and safety related repairs to their homes.

Warren County contracts with the Corporation to administer a revolving loan program funded by the repayments of low interest loans issued by the Warren County Community Development Program. The County Board of Supervisors assigned all loans to the Corporation for no consideration. The Corporation is a component unit of Warren County and is included as such in the County's financial statements.

(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 without donor restrictions in 2022 and 2021.

(d) Use of 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 and Equivalents

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

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition

The Corporation's primary sources of revenue are from interest payments received on loans issued by the Corporation through its Micro-Enterprise Loan Program and from grants administered by New York State and the U.S. Department of Housing and Urban Development. Revenue is recognized when earned.

(g) Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual loans. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

(h) Expense Allocation

The costs of providing programs and other activities have been adequately detailed in the statements of activities. Allocation of management and general expenses between program and supporting services is not considered significant to the operations of the Corporation, therefore, no such allocation has been made.

(i) Contributed Services

During the years ended December 31, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation.

(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) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. As a result, no provision for income taxes is reflected in the accompanying financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements, Continued

(2) Liquidity

The Corporation has approximately \$1,275,808 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$1,054,975 of cash, \$200,000 of investments and \$20,833 of accounts receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2022 statement of financial position.

(3) Concentration of Credit Risk

Financial instruments which potentially expose the Corporation to concentrations of credit risk consist primarily of loans receivable. Management considers the loans, net of allowances, to be fully collectible.

The Corporation had funds on deposit at two banks totaling \$1,054,975 and \$1,108,490 at December 31, 2022 and 2021, respectively. These deposits were fully secured by Federal Deposit Insurance Corporation insurance and letters of credit at December 31, 2022 and 2021.

(4) Fair Value Measurements

A framework has been established for measuring fair value of its 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.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

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.

The investment in certificate of deposit in the amount of \$200,000 at December 31, 2022 is a level 1 asset.

(5) Loans Receivable

The Corporation maintains a revolving loan program. The loans, which are considered to be level 3 assets as described in note 4, have varying interest rates ranging from 3% to 6% and have repayment terms ranging from 3 to 15 years. The loans are collateralized by a priority security interest in any equipment, machinery, furnishings or fixtures refinanced or purchased from loan proceeds. An allowance for doubtful accounts of \$2,339 and \$182,558 has been established as of December 31, 2022 and 2021, respectively.

The table below sets forth a summary of changes in the fair value of the Corporation's Level 3 assets for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 776,287	871,266
Less loans written off	(370,785)	-
Less amounts repaid	(142,511)	(94,979)
Balance at end of year	262,991	776,287
Less current portion	(45,470)	(175,132)
Loans receivable, net of current portion	\$ <u>217,521</u>	<u>601,155</u>

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Notes to Financial Statements, Continued

(5) Loans Receivable, Continued

Expected repayments on the loans receivable at December 31, 2022 are as follows:

2023	\$ 45,470
2024	73,796
2025	97,250
2026	<u>46,475</u>
Total	\$ <u>262,991</u>

(6) Related Party Transactions

An agreement between the Corporation and Warren County requires the County to pay a support fee for services rendered in administrating the development grants of the County. The support fee revenue amounted to \$50,000 for the years ended December 31, 2022 and 2021.

The Corporation contracts for administrative and management services with the Economic Development Corporation (EDC) of Warren County at a cost of \$50,000 per year. These costs are included in expenses - administrative 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
Warren County Local Development Corporation:

We have audited, in accordance with the 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 Warren County Local Development Corporation (the Corporation) (a non-profit organization), which comprise the statement of financial position as of December 31, 2022, 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 22, 2023.

Report on 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 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 or significant deficiencies may exist that were not identified.

Report on 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 22, 2023