

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
FINANCIAL REPORT
DECEMBER 31, 2017**

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake Champlain-Lake George Regional Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Lake Champlain-Lake George Regional Development Corporation (a non-profit organization), which comprise the statements of financial position, as of December 31 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the 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* issued by the Comptroller General of the United States of America. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Lake Champlain-Lake George Regional Development Corporation as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of loan activity, program income and expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of the Lake Champlain-Lake George Regional Development 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 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 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 Lake Champlain-Lake George Regional Development Corporation's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Queensbury, NY
March 19, 2019

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS

Current assets:	<u>2017</u>	<u>2016</u>
Cash in checking account	\$ 8,163	\$ 44,075
Accrued interest receivable	3,475	1,310
Prepaid expense	3,018	9,242
Due from related parties	44,188	32,438
Current portion of loans receivable	35,526	38,700
Total current assets	<u>94,370</u>	<u>125,765</u>
Other assets:		
Loans receivable from businesses, net	<u>192,498</u>	<u>156,727</u>
TOTAL ASSETS	<u>\$ 286,868</u>	<u>\$ 282,492</u>

LIABILITIES AND NET DEFICIT

Current liabilities:		
Accounts payable	\$ -	\$ 871
Accrued interest	2,750	491
Current portion of loans payable	77,884	48,900
Total current liabilities	<u>80,634</u>	<u>50,262</u>
Long term liabilities:		
Loans payable, net of current portion	218,916	268,309
TOTAL LIABILITIES	<u>299,550</u>	<u>318,571</u>
NET DEFICIT	<u>(12,682)</u>	<u>(36,079)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u>\$ 286,868</u>	<u>\$ 282,492</u>

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2017 AND 2016**

Income:	<u>2017</u>	<u>2016</u>
Interest income from loans to businesses	\$ 13,659	\$ 21,302
Interest income from investments	15	25
Loan fee income	500	-
Total Income	<u>14,174</u>	<u>21,327</u>
 Expenses:		
Administrative and operating expenses	(12,298)	(39,568)
Interest expense	3,075	3,547
Total Expenses	<u>(9,223)</u>	<u>(36,021)</u>
 Change in Net Assets	 23,397	 57,348
 Net Deficit, Beginning of Period	 <u>(36,079)</u>	 <u>(93,427)</u>
 Net Deficit, End of Period	 <u><u>\$ (12,682)</u></u>	 <u><u>\$ (36,079)</u></u>

See accompanying notes to financial statements.

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 23,397	\$ 57,348
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense (recovery)	(22,200)	(60,000)
(Increase) decrease in current assets		
Accrued interest receivable	(2,165)	556
Prepaid expenses	6,224	4,601
Due from related entity	(11,750)	40,950
Increase (decrease) in current liabilities		
Accounts payable	(871)	191
Accrued interest	2,259	-
Net Cash Provided (Used) by Operating Activities	<u>(5,106)</u>	<u>43,646</u>
Cash Flows From Investing Activities		
Collections on loans receivable	39,603	47,858
Loans made	(50,000)	-
Net Cash Provided (Used) by Investing Activities	<u>(10,397)</u>	<u>47,858</u>
Cash Flows From Financing Activities		
Payments on long-term borrowings	<u>(20,409)</u>	<u>(48,526)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,912)	42,978
Cash and Cash Equivalents at Beginning of Year	<u>44,075</u>	<u>1,097</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,163</u>	<u>\$ 44,075</u>
Supplemental Information		
Cash Paid for Interest	<u>\$ 816</u>	<u>\$ 3,547</u>

See accompanying notes to financial statements

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

The Lake Champlain–Lake George Regional Development Corporation (the “Organization”) was incorporated under sections 402 and 1411 of the Not-For Profit Corporation Law of New York State. The Organization’s objectives are to promote commercial development within Warren, Washington, Clinton, Essex, and Hamilton Counties. These objectives are primarily accomplished by the relending of Farmers Home Administration (FmHA) loans to new or existing businesses located within these five counties.

Basis of Accounting

The accompanying financial statements have been prepared based on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met; either by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of December 31, 2017 and 2016.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At December 31, 2017 and 2016, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

Cash and equivalents include bank accounts as well as certificates of deposit purchased with a maturity of three months or less.

To the extent that cash includes unexpended proceeds from FmHA loans, it must be used in accordance with the FmHA agreement.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code.

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more than likely would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization and is not aware of any events that could jeopardize its tax exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LOANS RECEIVABLE

Program Description

Loans receivable represents the balance on loans made available through the FmHA Intermediary Relending Programs (IRP). These loans are made available through the Community Economic Development Act as assistance to eligible IRP intermediaries. Under the IRP, interest and fee income earned on the loans to ultimate recipients may be used for operating expenditures of the Organization. To qualify for a loan through this program, applicants must have applied for and been denied credit at a financial institution. In addition, all loans are required to be secured by some form of collateral.

Allowance for Loan Losses

An allowance for loan losses is established through a provision for the loan losses when management believes that the collectability of the principal is impaired. Recoveries on loans previously charged off are credited directly to the allowance for loan losses. The allowance is an estimated amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans, quality of collateral and prior loan loss experience.

At December 31, 2017 and 2016, the allowance for loan losses was \$65,800 and \$88,000, respectively.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful.

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

2. LOANS RECEIVABLE

Loan Interest

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Interest accrues on loans receivable at 5% - 6.5% per annum as detailed in the terms of each loan. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

3. LOANS PAYABLE

The Organization is the intermediary recipient of FmHA loans with interest of 1% annually. The Organization, upon FmHA approval, may draw funds from FmHA for the purpose of relending to businesses and individuals who meet the criteria of the IRP. Principal and interest on the first loan are due in annual installments of \$21,225 including interest. Principal and interest on the second loan are due in annual installments of \$30,847 including interest. The first loan matures in July 2020, while the second loan matures in December 2024. These loans are secured by the Organization's Loans Receivable.

A summary of the outstanding loans payable is as follows:

	<u>2017</u>	<u>2016</u>
FmHA loan #1	\$ 61,353	\$ 81,762
FmHA loan #2	235,447	235,447
Total	296,800	317,209
Less current portion	77,884	48,900
Loan payable, net of current portion	\$ 218,916	\$ 268,309

Future principal payments are as follows for years ending December 31:

2018		\$ 77,884
2019		49,884
2020		49,276
2021		29,651
2022		29,947
Thereafter		60,158
		\$ 296,800

Interest expense was \$3,075 and \$3,547 for the years ended December 31, 2017 and 2016, respectively.

4. RELATED PARTY TRANSACTIONS AND PREPAID EXPENSES

The Lake Champlain-Lake George Regional Planning Board (Planning Board) shares certain members of its board of directors and is, therefore, considered a related party to the Organization. In addition, the Organization shares office space and personnel with the Planning Board and has contracted with them to administer the IRP and to provide other services. The Organization is charged a fee for these items. During 2017 and 2016 fees of \$2,063 and \$4,601 respectively, were charged by the Planning Board, and these amounts are included in administrative and operating expenses.

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

4. RELATED PARTY TRANSACTIONS AND PREPAID EXPENSES

The Organization has paid the Planning Board in advance for services as noted above. As of December 31, 2017 and 2016, the prepaid expenses totaled \$3,018 and \$9,242, respectively.

The Organization has made loans to the Planning Board over time. The balance of these loans were \$44,188 and \$32,438 at December 31, 2017 and 2016, respectively. Management expects the loans will be repaid in full.

5. CONCENTRATION OF CREDIT RISK – LOANS RECEIVABLE

Financial instruments that potentially subject the Organization to credit risk are loans receivable from various businesses within the Organization's service area. These loans are secured by various types of collateral to minimize the risk to the Organization. Loans are considered past due when a payment as detailed in the loan agreement is not paid timely. Loans receivable, which are considered collectable and are still accruing finance charges, totaled \$233,606 and \$222,210 at December 31, 2017 and 2016, respectively. Loans not accruing interest because management has determined that collection is doubtful totaled \$60,217 and \$61,217 at December 31, 2017 and 2016, respectively. Approximately 51% and 60% of loans collectable at December 31, 2017 and 2016, respectively, are owed to the Organization by two borrowers.

6. NATURAL EXPENSE CLASSIFICATIONS

The Organization's natural expense classifications, as allocated by functional classification, for the years ended December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Administrative and operating expenses		
Dues, meetings, conferences and travel	\$ 1,441	\$ 4,057
Overhead and administrative	2,105	4,601
Professional services	6,120	11,455
Bad debt (recovery)	(22,200)	(60,000)
Telephone	<u>236</u>	<u>319</u>
Total administrative and operating expenses	<u>\$ (12,298)</u>	<u>\$ (39,568)</u>

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 19, 2019, the date which the financial statements were available to be issued and have determined that there are no subsequent events that require recording or disclosure.

**LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF LOAN ACTIVITY, PROGRAM INCOME
AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor:

Department of Agriculture - Rural Development
CFDA 10.767

Loan Activity, Gross

Beginning loan balance	\$ 283,427
New loans issued	50,000
Loan payments received	(39,603)
Less allowance for loan losses	(65,800)
Ending loan balance, net	<u>\$ 228,024</u>

Program Income	<u>\$ 14,174</u>
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Program Expenditures	<u>\$ (9,223)</u>
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**INDEPENDENT AUDITOR'S 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
Lake Champlain-Lake George Regional 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 the Lake Champlain-Lake George Regional Development Corporation, which comprise the statements of financial position as of December 31, 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Lake Champlain-Lake George Regional Development Corporation's internal control over financial reporting (internal control) to determine the 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 Lake Champlain-Lake George Regional Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Champlain-Lake George Regional Development 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 entity'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 over financial reporting 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 audits 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 Lake Champlain-Lake George Regional Development 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Queensbury, NY
March 19, 2019