

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Financial Statements

December 31, 2018

(With Independent Auditors' Report Thereon)

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

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## INDEPENDENT AUDITORS' REPORT

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The Board of Directors  
Lake Champlain-Lake George Regional  
Development Corporation:

### Report on the Financial Statements

We have audited the accompanying financial statements of Lake Champlain-Lake George Regional Development Corporation (the RDC), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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. 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 RDC'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 RDC'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 Lake Champlain-Lake George Regional Development Corporation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Prior Period Financial Statements

The financial statements of Lake Champlain-Lake George Regional Development Corporation, as of December 31, 2017, were audited by other auditors whose report dated March 19, 2019, expressed an unmodified opinion on those statements.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2019, on our consideration of the RDC'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 RDC'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 RDC's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 26, 2019

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION  
Statements of Financial Position  
December 31, 2018 and 2017

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash		\$ 25,669	8,163
Accrued interest receivable		18,120	3,475
Prepaid expense		-	3,018
Due from related parties		-	44,188
Current portion of loans receivable		<u>45,808</u>	<u>35,526</u>
Total current assets		89,597	94,370
Loans receivable, net of current portion		207,824	258,298
Less allowance for doubtful accounts		<u>(65,800)</u>	<u>(65,800)</u>
Net loans receivable, net of current portion		<u>142,024</u>	<u>192,498</u>
Total assets		<u>\$ 231,621</u>	<u>286,868</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accrued interest		363	2,750
Due to related parties		16,042	-
Current portion of loans payable		<u>52,073</u>	<u>77,884</u>
Total current liabilities		68,478	80,634
Long-term liabilities - loans payable, net of current portion		<u>166,809</u>	<u>218,916</u>
Total liabilities		235,287	299,550
Net deficit without donor restrictions		<u>(3,666)</u>	<u>(12,682)</u>
Total liabilities and net assets		<u>\$ 231,621</u>	<u>286,868</u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION  
Statements of Activities  
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue:		
Interest income from loans to businesses	\$ 22,654	13,659
Interest income from investments	9	15
Loan fee income	<u>807</u>	<u>500</u>
Total revenue	<u>23,470</u>	<u>14,174</u>
Expenses:		
Administrative and operating expenses	11,838	(12,298)
Interest expense	<u>2,616</u>	<u>3,075</u>
Total expenses	<u>14,454</u>	<u>(9,223)</u>
Change in net deficit without donor restrictions	9,016	23,397
Net deficit without donor restrictions at beginning of year	<u>(12,682)</u>	<u>(36,079)</u>
Net deficit without donor restrictions at end of year	<u>\$ (3,666)</u>	<u>(12,682)</u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION  
Statements of Cash Flows  
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net deficit without donor restrictions	\$ 9,016	23,397
Adjustments to reconcile change in net deficit without donor restrictions to net cash provided by (used in) operating activities:		
Bad debt recovery	-	(22,200)
Changes in:		
Accrued interest receivable	(14,645)	(2,165)
Prepaid expenses	3,018	6,224
Accounts payable	-	(871)
Accrued interest	<u>(2,387)</u>	<u>2,259</u>
Net cash provided by (used in) operating activities	<u>(4,998)</u>	<u>6,644</u>
Cash flows from investing activities:		
Loans made	-	(50,000)
Collections on loans receivable	<u>40,192</u>	<u>39,603</u>
Net cash provided by (used in) investing activities	<u>40,192</u>	<u>(10,397)</u>
Cash flows from financing activities:		
Payments on long-term borrowings	(77,918)	(20,409)
Proceeds (payments) from related parties	<u>60,230</u>	<u>(11,750)</u>
Net cash used in financing activities	<u>(17,688)</u>	<u>(32,159)</u>
Net change in cash	17,506	(35,912)
Cash at beginning of year	<u>8,163</u>	<u>44,075</u>
Cash at end of year	<u>\$ 25,669</u>	<u>8,163</u>
Supplemental schedule of cash flow information - cash paid for interest	<u>\$ 5,003</u>	<u>816</u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Lake Champlain-Lake George Regional Development Corporation (the RDC) was incorporated under Sections 402 and 1411 of the Not-For-Profit Corporation Law of New York State. The RDC'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.

(b) Basis of Accounting

The financial statements of the RDC 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 RDC 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 RDC's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the RDC. The RDC had only net assets without donor restrictions in 2018 and 2017.

(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 purposes of reporting cash flows, cash includes money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

(f) Income Taxes

The RDC is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code (the Code). 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 RDC and recognize a tax liability if the RDC 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 RDC 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.



LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Subsequent Events

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

(h) Reclassifications

Reclassifications have been made to certain 2017 balances in order to conform them to the 2018 presentation.

(i) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity, and a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows done on the direct basis. This guidance is effective for fiscal years beginning after December 15, 2017. These financial statements and notes reflect adoption of this new standard.

(2) Liquidity

The RDC has approximately \$71,477 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$25,669 of cash and \$45,808 of loans receivables at December 31, 2018. The loans receivable are restricted to the repayment of FmHA loan payable (note 4).

(3) Loans Receivable

(a) 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 RDC. 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.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) Loans Receivable, Continued

(b) Allowance for Loan Losses

An allowance for loan losses is established 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, 2018 and 2017, the allowance for loan losses was \$65,800.

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

The table sets forth a summary of loans receivable for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 293,824	283,427
Add loans issued	-	50,000
Less amounts repaid	<u>(40,192)</u>	<u>(39,603)</u>
Balance at end of year	253,632	293,824
Less current portion	<u>(45,808)</u>	<u>(35,526)</u>
Loans receivable, net of current portion	\$ <u>207,824</u>	<u>258,298</u>

(c) 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.

(4) Loans Payable

The RDC is the intermediary recipient of FmHA loans with interest of 1% annually. The RDC, 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 \$30,848 including interest. The first loan matures in July 2020, while the second loan matures in December 2024. These loans are secured by the RDC's loans receivable.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(4) Loans Payable, Continued

A summary of the outstanding loans payable is as follows:

	<u>2018</u>	<u>2017</u>
FmHA loan #1	\$ 40,727	61,353
FmHA loan #2	<u>178,155</u>	<u>235,447</u>
Total	218,882	296,800
Less current portion	<u>(52,073)</u>	<u>(77,884)</u>
Loans payable, net of current portion	\$ <u>166,809</u>	<u>218,916</u>

The aggregate maturity of the loans payable for the five years following December 31, 2018 and thereafter is as follows:

2019	\$ 52,073
2020	49,276
2021	29,651
2022	29,947
2023	30,247
Thereafter	<u>27,688</u>
	\$ <u>218,882</u>

Interest expense was \$2,616 and \$3,075 for the years ended December 31, 2018 and 2017, respectively.

(5) Related Party Transactions

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 RDC. In addition, the RDC shares office space and personnel with the Planning Board and has contracted with them to administer the IRP and to provide other services. The RDC is charged a fee for these items. During December 31, 2018 and 2017, fees amounting to \$1,608 and \$2,063, respectively, were charged by the Planning Board and these amounts are included in administrative and operating expenses.

As of December 31, 2017, the RDC has paid the Planning Board in advance for services as noted above in the amount of \$3,018.

The RDC lends and receives loans with the Planning Board for operational needs. The balance due from related parties was \$44,188 at December 31, 2017. The balance due to related parties was \$16,042 at December 31, 2018.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(6) Concentration of Credit Risk

Financial instruments that potentially subject the RDC to credit risk are loans receivable from various businesses within the RDC's service area. These loans are secured by various types of collateral to minimize the risk to the RDC. 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, amounted to \$218,741 and \$233,606 at December 31, 2018 and 2017, respectively. Loans not accruing interest because management has determined that collection is doubtful amounted to \$34,891 and \$60,218 at December 31, 2018 and 2017, respectively. Approximately 48% and 51% of loans collectable at December 31, 2018 and 2017, respectively, are owed to the RDC by two borrowers.

(7) Functional Expenses

The RDC's functional expenses for the years ended December 31, 2018 and 2017, allocated all to administrative and operating expenses, are as follows:

	<u>2018</u>	<u>2017</u>
Dues, meetings, conferences and travel	\$ -	1,441
Professional services	10,158	6,120
Bad debt recovery	-	(22,200)
Telephone	-	236
Miscellaneous	<u>1,680</u>	<u>2,105</u>
Total administrative and operating expenses	\$ <u>11,838</u>	<u>(12,298)</u>

(8) Economic Conditions

The RDC has experienced several years of net deficit primarily due to uncollectible receivables and declining cash flows and has a deficit at December 31, 2018 of \$3,666. As of December 31, 2018, the RDC has \$25,669 in cash available to be used for operations, loans receivable of \$253,632 and two FmHA loans payable to the United States Department of Agriculture in the amounts of \$218,882. To generate cash flows, the RDC is pursuing legal action on delinquent loan receivables. Management does not believe it can operate effectively in the future without the collection of outstanding loan receivables and reducing expenses. The accompanying financial statements do not include any adjustments that might result from this uncertainty.

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  
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 Lake Champlain-Lake George Regional Development Corporation (the RDC), which comprise the statement of financial position as of December 31, 2018 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 June 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the RDC'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 RDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the RDC'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 RDC'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 the 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 RDC'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 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 RDC'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 RDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 26, 2019