

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Financial Statements

December 31, 2020 and 2019

(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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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. 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2021, 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  
March 4, 2021

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION  
Statements of Financial Position  
December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 2,223	4,604
Accrued interest receivable	709	4,638
Current portion of loans receivable	62,733	44,174
Total current assets	65,665	53,416
Loans receivable, net of current portion	121,742	178,966
Less allowance for doubtful accounts	(50,000)	(50,000)
Net loans receivable, net of current portion	71,742	128,966
Total assets	\$ 137,407	182,382
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accrued interest	53	168
Current portion of loans payable	29,651	50,444
Total current liabilities	29,704	50,612
Long-term liabilities - loans payable, net of current portion	90,214	118,613
Total liabilities	119,918	169,225
Net assets without donor restrictions	17,489	13,157
Total liabilities and net assets	\$ 137,407	182,382

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION  
Statements of Activities  
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue:		
Interest income from loans to businesses	\$ 9,874	12,308
Interest income from investments	9	1,019
Program late fees	39	-
Bad debt allowance adjustment	-	15,800
Total revenue	9,922	29,127
Expenses:		
Administrative and operating expenses	3,940	10,252
Interest expense	1,650	2,052
Total expenses	5,590	12,304
Change in net assets without donor restrictions	4,332	16,823
Net assets (deficit) without donor restrictions at beginning of year	13,157	(3,666)
Net assets without donor restrictions at end of year	\$ 17,489	13,157

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION  
Statements of Cash Flows  
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 4,332	16,823
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Bad debt allowance adjustment	-	(15,800)
Changes in:		
Accrued interest receivable	3,929	13,482
Accrued interest	<u>(115)</u>	<u>(195)</u>
Net cash provided by operating activities	<u>8,146</u>	<u>14,310</u>
Cash flows from investing activities - collections on loans receivable	<u>38,665</u>	<u>30,492</u>
Cash flows from financing activities:		
Payments on long-term borrowings	(49,192)	(49,825)
Payments to related parties	<u>-</u>	<u>(16,042)</u>
Net cash used in financing activities	<u>(49,192)</u>	<u>(65,867)</u>
Net change in cash	(2,381)	(21,065)
Cash at beginning of year	<u>4,604</u>	<u>25,669</u>
Cash at end of year	<u>\$ 2,223</u>	<u>4,604</u>
Supplemental schedule of cash flow information - cash paid for interest	<u>\$ 1,765</u>	<u>2,247</u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE  
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020 and 2019

(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's financial statements are presented in accordance with the provisions of Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities." As a result, the RDC reports information regarding its net assets and changes therein in the following categories: 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 or are required to be held in perpetuity. The RDC had only net assets without donor restrictions in 2020 and 2019.

(d) Estimates

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

(e) Cash

For 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.

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

(h) Recent Accounting Standards Issued

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

(2) Liquidity

The RDC has approximately \$64,956 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$2,223 of cash and \$62,733 of loans receivables at December 31, 2020. 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, 2020 and 2019, the allowance for loan losses was \$50,000.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 223,140	253,632
Less amounts repaid	<u>(38,665)</u>	<u>(30,492)</u>
Balance at end of year	184,475	223,140
Less current portion	<u>(62,733)</u>	<u>(44,174)</u>
Loans receivable, net of current portion	\$ <u>121,742</u>	<u>178,966</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 United States Department of Agriculture Rural Development 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 matured 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>2020</u>	<u>2019</u>
FmHA loan #1	\$ -	19,905
FmHA loan #2	<u>119,865</u>	<u>149,152</u>
Total	119,865	169,057
Less current portion	<u>(29,651)</u>	<u>(50,444)</u>
Loans payable, net of current portion	\$ <u>90,214</u>	<u>118,613</u>

The aggregate maturity of the loans payable for the four years following December 31, 2020 and thereafter is as follows:

2021	\$ 29,651
2022	29,947
2023	30,247
2024	<u>30,020</u>
	\$ <u>119,865</u>

Interest expense was \$1,650 and \$2,052 for the years ended December 31, 2020 and 2019, 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 may be charged a fee for these items. No fees were charged during the years ended December 31, 2020 and 2019.

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 \$133,398 and \$173,638 at December 31, 2020 and 2019, respectively. Loans not accruing interest because management has determined that collection is doubtful amounted to \$51,077 and \$49,502 at December 31, 2020 and 2019, respectively. Approximately 45% and 47% of loans collectable at December 31, 2020 and 2019, respectively, are owed to the RDC by two borrowers.

(7) Functional Expenses

The RDC's functional expenses for the years ended December 31, 2020 and 2019, allocated all to administrative and operating expenses, are as follows:

	<u>2020</u>	<u>2019</u>
Professional services	\$ <u>3,940</u>	<u>10,252</u>

(8) Economic Conditions

The RDC has experienced several years of net deficit primarily due to uncollectible receivables and declining cash flows and has an insignificant surplus at December 31, 2020 of \$4,332. As of December 31, 2020, the RDC has \$2,223 in cash available to be used for operations, loans receivable of \$184,475 and FmHA loans payable to the United States Department of Agriculture in the amount of \$119,865. RDC may not have sufficient cash resources to make the required payments for the FmHA loan through 2021. Management does not believe it can operate effectively in the future without the collection of outstanding loan receivables and reducing expenses. The allowance of doubtful accounts of \$50,000 approximates the balance on the RDC's largest loan. Collection of this loan, is considered by management, to be critical for future cash flows and therefore future operations. 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, 2020, 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 4, 2021.

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) 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 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 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 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  
March 4, 2021