

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

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, 2019 and 2018, 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, 2019 and 2018, 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 February 13, 2020, 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
February 13, 2020

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 4,604	25,669
Accrued interest receivable	4,638	18,120
Current portion of loans receivable	44,174	45,808
Total current assets	53,416	89,597
Loans receivable, net of current portion	178,966	207,824
Less allowance for doubtful accounts	(50,000)	(65,800)
Net loans receivable, net of current portion	128,966	142,024
Total assets	\$ 182,382	231,621
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accrued interest	168	363
Due to related parties	-	16,042
Current portion of loans payable	50,444	52,073
Total current liabilities	50,612	68,478
Long-term liabilities - loans payable, net of current portion	118,613	166,809
Total liabilities	169,225	235,287
Net assets (deficit) without donor restrictions	13,157	(3,666)
Total liabilities and net assets	\$ 182,382	231,621

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
Statements of Activities
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue:		
Interest income from loans to businesses	\$ 12,308	22,654
Interest income from investments	1,019	9
Loan fee income	-	807
Bad debt allowance adjustment	<u>15,800</u>	<u>-</u>
Total revenue	<u>29,127</u>	<u>23,470</u>
Expenses:		
Administrative and operating expenses	10,252	11,838
Interest expense	<u>2,052</u>	<u>2,616</u>
Total expenses	<u>12,304</u>	<u>14,454</u>
Change in net assets (deficit) without donor restrictions	16,823	9,016
Net assets (deficit) without donor restrictions at beginning of year	<u>(3,666)</u>	<u>(12,682)</u>
Net assets (deficit) without donor restrictions at end of year	<u>\$ 13,157</u>	<u>(3,666)</u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
Statements of Cash Flows
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets (deficit) without donor restrictions	\$ 16,823	9,016
Adjustments to reconcile change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities:		
Bad debt allowance adjustment	(15,800)	-
Changes in:		
Accrued interest receivable	13,482	(14,645)
Prepaid expenses	-	3,018
Accrued interest	(195)	(2,387)
Net cash provided by (used in) operating activities	<u>14,310</u>	<u>(4,998)</u>
Cash flows from investing activities - collections on loans receivable	<u>30,492</u>	<u>40,192</u>
Cash flows from financing activities:		
Payments on long-term borrowings	(49,825)	(77,918)
Proceeds from (payments to) related parties	<u>(16,042)</u>	<u>60,230</u>
Net cash used in financing activities	<u>(65,867)</u>	<u>(17,688)</u>
Net change in cash	(21,065)	17,506
Cash at beginning of year	<u>25,669</u>	<u>8,163</u>
Cash at end of year	<u>\$ 4,604</u>	<u>25,669</u>
Supplemental schedule of cash flow information - cash paid for interest	<u>\$ 2,247</u>	<u>5,003</u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2019 and 2018

(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 2019 and 2018.

(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) 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 \$48,778 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$4,604 of cash and \$44,174 of loans receivables at December 31, 2019. 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, 2019 and 2018, the allowance for loan losses was \$50,000 and \$65,800, respectively.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 253,632	293,824
Less amounts repaid	<u>(30,492)</u>	<u>(40,192)</u>
Balance at end of year	223,140	253,632
Less current portion	<u>(44,174)</u>	<u>(45,808)</u>
Loans receivable, net of current portion	\$ <u>178,966</u>	<u>207,824</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 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>2019</u>	<u>2018</u>
FmHA loan #1	\$ 19,905	40,727
FmHA loan #2	<u>149,152</u>	<u>178,155</u>
Total	169,057	218,882
Less current portion	<u>(50,444)</u>	<u>(52,073)</u>
Loans payable, net of current portion	\$ <u>118,613</u>	<u>166,809</u>

The aggregate maturity of the loans payable for the five years following December 31, 2019 and thereafter is as follows:

2020	\$ 50,444
2021	29,651
2022	29,947
2023	30,247
2024	<u>28,768</u>
	\$ <u>169,057</u>

Interest expense was \$2,052 and \$2,616 for the years ended December 31, 2019 and 2018, 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, fees amounting to \$1,608, were charged by the Planning Board and these amounts are included in administrative and operating expenses. No fees were charged during the year ended December 31, 2019.

The RDC lends and receives loans with the Planning Board for operational needs. 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 \$173,638 and \$218,741 at December 31, 2019 and 2018, respectively. Loans not accruing interest because management has determined that collection is doubtful amounted to \$49,502 and \$34,891 at December 31, 2019 and 2018, respectively. Approximately 47% and 48% of loans collectable at December 31, 2019 and 2018, respectively, are owed to the RDC by two borrowers.

(7) Functional Expenses

The RDC's functional expenses for the years ended December 31, 2019 and 2018, allocated all to administrative and operating expenses, are as follows:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 10,252	10,158
Miscellaneous	<u> -</u>	<u> 1,680</u>
Total administrative and operating expenses	\$ <u>10,252</u>	<u>11,838</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 surplus at December 31, 2019 of \$13,157. As of December 31, 2019, the RDC has \$4,604 in cash available to be used for operations, loans receivable of \$223,140 and two FmHA loans payable to the United States Department of Agriculture in the amount of \$169,057. RDC may not have sufficient cash resources to make the required payments for the two FmHA loans through 2020. 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 second 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, 2019, 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 February 13, 2020.

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
February 13, 2020