

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

Cortland, New York

FINANCIAL REPORT

December 31, 2018 and 2017



CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

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FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cortland County Business Development Corporation
Cortland, New York

Report on Financial Statements

We have audited the accompanying financial statements of Cortland County Business Development Corporation (the Corporation), a non-profit corporation, which comprise the Statements of Financial Position as of December 31, 2018 and 2017, and the related Statements of Activities, Functional Expenses, 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. 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 Cortland County Business Development Corporation as of December 31, 2018 and 2017, 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.

Emphasis of a Matter

As discussed in Note 1 to financial statements, the Corporation adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) “Presentation of Financial Statements of Not-for-Profit Entities,” during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019 on our consideration of the Cortland County Business 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 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.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2019

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

| | 2018 | | |
|--|-------------------|-------------------------|---------------------|
| | Operating Fund | Revolving Loan Funds | Total |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents: | | | |
| Unrestricted | \$ 164,362 | \$ | \$ 164,362 |
| Restricted | | 652,494 | 652,494 |
| Accounts receivable | 91,835 | | 91,835 |
| Loans receivable - Current portion, net of allowance (\$22,302 and \$15,917, respectively) | | 18,307 | 18,307 |
| Prepaid expenses | 7,970 | | 7,970 |
| Total Current Assets | 264,167 | 670,801 | 934,968 |
| Land | 122,237 | | 122,237 |
| Equipment and improvements, net of accumulated depreciation (\$13,440 and \$43,484, respectively) | 3,651 | | 3,651 |
| Loans receivable - Long-term portion, net of allowance (\$1,113 and \$7,498, respectively) | | 60,171 | 60,171 |
| Total Assets | \$ 390,055 | \$ 730,972 | \$ 1,121,027 |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 599 | \$ | \$ 599 |
| Accrued payroll liabilities | 517 | | 517 |
| Accrued expenses | 2,237 | | 2,237 |
| Total Current Liabilities | 3,353 | - | 3,353 |
| Net Assets | | | |
| Net Assets without donor restrictions | 16,264 | | 16,264 |
| Net Assets without donor restrictions - Board designated | 370,438 | | 370,438 |
| Net Assets with donor restrictions | | 730,972 | 730,972 |
| Total Net Assets | 386,702 | 730,972 | 1,117,674 |
| Total Liabilities and Net Assets | \$ 390,055 | \$ 730,972 | \$ 1,121,027 |

See Independent Auditor's Report and Notes to Financial Statements

2017

| <u>Operating Fund</u> | <u>Revolving Loan Funds</u> | <u>Total</u> |
|---------------------------|---------------------------------|---------------------|
| \$ 156,194 | \$ | \$ 156,194 |
| 91,835 | 603,976 | 603,976 |
| | | 91,835 |
| | 44,333 | 44,333 |
| 8,107 | | 8,107 |
| <u>256,136</u> | <u>648,309</u> | <u>904,445</u> |
| 122,237 | | 122,237 |
| 610 | | 610 |
| | <u>72,563</u> | <u>72,563</u> |
| <u>\$ 378,983</u> | <u>\$ 720,872</u> | <u>\$ 1,099,855</u> |
| | | |
| \$ 4,084 | \$ | \$ 4,084 |
| 734 | | 734 |
| | | - |
| <u>4,818</u> | - | <u>4,818</u> |
| 43,727 | | 43,727 |
| 330,438 | | 330,438 |
| | <u>720,872</u> | <u>720,872</u> |
| <u>374,165</u> | <u>720,872</u> | <u>1,095,037</u> |
| <u>\$ 378,983</u> | <u>\$ 720,872</u> | <u>\$ 1,099,855</u> |

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

| | 2018 | | |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Changes in Net Assets | | | |
| Operating Revenues | | | |
| Contracts and support | \$ 435,827 | \$ | \$ 435,827 |
| Interest income | 737 | 10,105 | 10,842 |
| Grant income | | | - |
| Application fees | | | - |
| Administrative service revenue | 25,000 | | 25,000 |
| Other revenue | 3,940 | | 3,940 |
| Net assets released from restrictions | 5 | (5) | - |
| Total Operating Revenues | 465,509 | 10,100 | 475,609 |
| Operating Expenses | | | |
| Program services | 408,581 | | 408,581 |
| Management and general | 44,391 | | 44,391 |
| Total Operating Expenses | 452,972 | - | 452,972 |
| Changes in Net Assets | 12,537 | 10,100 | 22,637 |
| Net Assets, January 1, | 374,165 | 720,872 | 1,095,037 |
| Net Assets, December 31, | \$ 386,702 | \$ 730,972 | \$ 1,117,674 |

See Independent Auditor's Report and Notes to Financial Statements

| 2017 | | |
|---------------------------------------|------------------------------------|---------------------|
| Without Donor Restrictions | With Donor Restrictions | Total |
| \$ 429,387 | \$ | \$ 429,387 |
| 18 | 8,975 | 8,993 |
| 32,000 | | 32,000 |
| | 200 | 200 |
| 25,000 | | 25,000 |
| 3,865 | 2 | 3,867 |
| (1,261) | 1,261 | - |
| <u>489,009</u> | <u>10,438</u> | <u>499,447</u> |
| 399,425 | | 399,425 |
| 42,333 | | 42,333 |
| <u>441,758</u> | <u>-</u> | <u>441,758</u> |
| 47,251 | 10,438 | 57,689 |
| 326,914 | 710,434 | 1,037,348 |
| <u>\$ 374,165</u> | <u>\$ 720,872</u> | <u>\$ 1,095,037</u> |

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

| | Program Services | Management and General | Total |
|----------------------------------|-----------------------------|-----------------------------------|-------------------|
| Salaries | \$ 210,637 | \$ 23,404 | \$ 234,041 |
| Employee benefits | 71,412 | 7,935 | 79,347 |
| Marketing | 33,334 | | 33,334 |
| Occupancy | 17,686 | 1,965 | 19,651 |
| Payroll taxes | 16,511 | 1,834 | 18,345 |
| Legal and professional fees | 12,320 | 1,368 | 13,688 |
| Equipment rental and maintenance | 7,457 | 829 | 8,286 |
| Conferences and meetings | 7,541 | | 7,541 |
| Accounting & payroll services | 6,390 | 710 | 7,100 |
| Special projects | 5,500 | | 5,500 |
| Telephone, fax, internet | 4,168 | 463 | 4,631 |
| Supplies | 4,157 | 462 | 4,619 |
| Automobile expense | 1,589 | 2,952 | 4,541 |
| Travel | 3,200 | 800 | 4,000 |
| Insurance | 2,815 | 313 | 3,128 |
| Filing fees | 1,864 | 207 | 2,071 |
| Dues | 1,335 | | 1,335 |
| Postage | 665 | 74 | 739 |
| Miscellaneous | | 661 | 661 |
| Depreciation | | 414 | 414 |
| Total Expenses | \$ 408,581 | \$ 44,391 | \$ 452,972 |

See Independent Auditor's Report and Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

| | Program Services | Management and General | Total |
|----------------------------------|-----------------------------|-----------------------------------|-------------------|
| Salaries | \$ 206,507 | \$ 22,945 | \$ 229,452 |
| Employee benefits | 67,489 | 7,499 | 74,988 |
| Marketing | 29,266 | | 29,266 |
| Occupancy | 17,686 | 1,965 | 19,651 |
| Payroll taxes | 16,210 | 1,801 | 18,011 |
| Legal and professional fees | 13,670 | 1,519 | 15,189 |
| Equipment rental and maintenance | 6,043 | 671 | 6,714 |
| Conferences and meetings | 8,164 | | 8,164 |
| Accounting & payroll services | 6,390 | 710 | 7,100 |
| Special projects | 8,018 | | 8,018 |
| Telephone, fax, internet | 6,622 | 736 | 7,358 |
| Supplies | 2,252 | 250 | 2,502 |
| Automobile expense | 1,825 | 3,388 | 5,213 |
| Travel | 3,200 | 800 | 4,000 |
| Insurance | 2,686 | 299 | 2,985 |
| Filing fees | 1,851 | 206 | 2,057 |
| Dues | 625 | | 625 |
| Postage | 921 | 102 | 1,023 |
| Miscellaneous | | 567 | 567 |
| Depreciation | | 208 | 208 |
| Bad debt expense (recovery) | | (1,333) | (1,333) |
| Total Expenses | \$ 399,425 | \$ 42,333 | \$ 441,758 |

See Independent Auditor's Report and Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| Cash Flows from Operating Activities | | |
| Cash provided by contracts | \$ 460,827 | \$ 454,387 |
| Cash provided by grants | - | 32,000 |
| Cash provided by interest | 10,842 | 8,993 |
| Other operating cash receipts | 3,940 | 4,067 |
| Cash paid to suppliers and employees | (445,732) | (438,611) |
| Other operating cash payments | <u>(8,154)</u> | <u>(2,714)</u> |
| Net Cash Provided by Operating Activities | <u>21,723</u> | <u>58,122</u> |
| Cash Flows from Investing Activities | | |
| Equipment purchase | (3,455) | (631) |
| Principal received on loans receivable | 38,418 | 63,432 |
| New loans originated | <u>-</u> | <u>(55,000)</u> |
| Net Cash Provided by Investing Activities | <u>34,963</u> | <u>7,801</u> |
| Cash Flows from Financing Activities | <u>-</u> | <u>-</u> |
| Net Increase in Cash and Cash Equivalents | 56,686 | 65,923 |
| Cash and Cash Equivalents, January 1, | <u>760,170</u> | <u>694,247</u> |
| Cash and Cash Equivalents, December 31, | <u><u>\$ 816,856</u></u> | <u><u>\$ 760,170</u></u> |

See Independent Auditor's Report and Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies

Business Activity

Cortland County Business Development Corporation (the Corporation) is a not-for-profit corporation formed on May 12, 1992. The Corporation's activities involve attracting new business, developing existing businesses, and promotion and development of job opportunities in Cortland County. The Board of Directors is comprised of 13 members split into two classifications. The seven Member Directors of the Corporation are the same members appointed to the Cortland County Industrial Development Agency by the Cortland County Legislature. Additionally, there are six Non-Member Directors selected by members of the Corporation.

Accounting Method

The financial statements of the Corporation have been prepared on the accrual basis.

Basis of Accounting

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

- Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the corporation. These net assets may be used at the discretion of the Corporation's management and the Board of Directors.
- Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expired, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Funds

The assets, liabilities, and net assets of the Corporation are reported in two self-balancing fund groups as follows:

- Operating Funds - Resources which represent the portion of expendable funds available for support of Corporation operations.
- Revolving Loan Funds - Resources used to support local business by granting loans for economic development within Cortland County.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Loans Receivable

The Corporation holds funds that are earmarked for the purpose of making loans to qualified Cortland County businesses. The funds are to be used for expansion and the creation of jobs within the county. As of December 31, 2018, the Corporation had granted 7 loans still outstanding at 6% interest with various terms to maturity through 2025. Collateral consists of various assets owned by the individual businesses. The Corporation has filed all necessary legal documents to obtain a first or second lien on the various assets. During 2018, no new loans were issued. Interest on loans is recognized when collected.

An allowance for uncollectable loans has been established and used based on management's evaluation of potential uncollectable loans at year end. Amounts expensed to maintain the appropriate allowance balance were \$-0- and \$-0- in 2018 and 2017, respectively. Collection of amounts previously included in the allowance totaled \$-0- and \$1,333 in 2018 and 2017, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets. The Corporation capitalizes all assets, excluding land, greater than \$1,000 and with useful lives greater than one year.

Use of Estimates

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

Marketing Costs

Marketing costs are comprised of print and audio media advertising and promotions. These costs are expensed when incurred.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies - Continued

Functional Allocation of Expenses

The costs of providing program and management and general activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among functions as determined by management on an equitable basis. For the years presented, the Corporation did not incur any fundraising expenses.

Tax Status

The Corporation is recognized as exempt from federal taxation under Section 501(c)(6) of the Internal Revenue Code.

Reclassifications - Cash Flows

During the year ended December 31, 2018, the Corporation changed its method of presenting the statement of cash flows for operating activities from the indirect method (which adjusts net income to remove the effects of noncash operating transactions) to the direct method (which showed principal components of operating cash receipts and payments). This change has been applied retroactively to the 2017 statement of cash flows.

Evaluation of Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 4, 2019, the date which the financial statements were available to be issued.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – “Presentation of Financial Statements of Not-for-Profit Entities.” The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14 in 2018, and applied the changes retrospectively. As a result of the adoption of ASU 2016-14, the Organization has updated its net asset classifications, presented a Statement of Functional Expenses and a disclosure of liquidity information. The adoption has no effect on the net asset balances previously reported but did enhance the presentation of the prior year expenses through the addition of a comparative statement of functional expenses.

Note 2 Concentration of Credit Risk and Sources of Revenue

Financial instruments which potentially expose the Corporation to concentrations of credit and market risk consist primarily of cash. Cash is maintained at high quality financial institutions and credit exposure is limited to cash in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. From time to time the Corporation may have bank deposits in excess of FDIC insurance limits.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 2 Concentration of Credit Risk and Sources of Revenue - Continued

The Corporation received approximately 92% and 86%, in 2018 and 2017, respectively, of its support from Cortland County. In 2003, Cortland County passed a resolution to annually fund the Corporation. In 2018, a contract extension was passed for unrestricted funding for the years 2019, 2020, 2021, and 2022, respectively.

Note 3 Property and Equipment

Property and equipment consisted of the following at December 31:

| | | 2018 | | |
|-------------------------------|-------------------|-----------------------------|------------|----------------|
| Asset | Cost | Accumulated Depreciation | Book Value | |
| Equipment | \$ 15,622 | \$ 11,971 | \$ | 3,651 |
| Leasehold improvements | 1,469 | 1,469 | | - |
| Special projects - Land route | 122,237 | | | 122,237 |
| Total | \$ 139,328 | \$ 13,440 | \$ | 125,888 |
| | | 2017 | | |
| Asset | Cost | Accumulated Depreciation | Book Value | |
| Equipment | \$ 42,625 | \$ 42,015 | \$ | 610 |
| Leasehold improvements | 1,469 | 1,469 | | - |
| Special projects - Land route | 122,237 | | | 122,237 |
| Total | \$ 166,331 | \$ 43,484 | \$ | 122,847 |

Depreciation expense amounted to \$414 and \$208 for the years ended 2018 and 2017, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4 **Loans Receivable - Revolving Loan Program**

| | 2018 | 2017 |
|--|----------------------|---------------|
| Loan receivable from 60 Main, LLC, dated February 11, 2010, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing March 1, 2020. | \$ 7,951 | \$ 13,933 |
| Loan receivable from Delta Investments, dated January 18, 2010, original amount \$35,000, payable in monthly installments of \$389 including interest at 6%, initially maturing December 1, 2020. Prior to the original maturity, an additional \$25,000 was added to the loan, increasing monthly payments to \$731 and extending the maturity date to October 1, 2020. | 15,195 | 22,808 |
| Loan receivable from Marathon Boat Group, dated June 11, 2008, original amount \$15,000, payable in monthly installments of \$219 including interest at 6%, maturing January 1, 2018. The loan was paid in full during 2018. | - | 848 |
| Loan receivable from M & D Deli Central, dated July 7, 2009, original amount \$60,000, payable in monthly installments of \$666 including interest at 6%, maturing August 1, 2019. | 5,212 | 12,648 |
| Loan receivable from Crown City Stove Works, dated January 29, 2010, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing February 1, 2020. | 22,797 | 23,415 |
| Loan receivable from Custom Machining Technology, dated November 25, 2014, original amount \$25,000, payable in monthly installments of \$483 including interest at 6%, maturing December 1, 2019. | 5,616 | 10,905 |
| Loan receivable from Pat-Tees Apparel, dated May 18, 2016, original amount \$15,000, payable in monthly installments of \$352 including interest at 6%, maturing June 1, 2020. | 6,370 | 10,093 |
| Loan receivable from Rainbow Trucking, dated February 14, 2017, original amount \$55,000, payable in monthly installments of \$600 including interest at 6%, maturing July 31, 2025. | 38,752 | 45,661 |
| Total loans outstanding | 101,893 | 140,311 |
| Less allowance for uncollectible loans receivable | (23,415) | (23,415) |
| Net loans outstanding | 78,478 | 116,896 |
| Less current portion | (18,307) | (44,333) |
| Long-term Portion | \$ 60,171 | \$ 72,563 |

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 5 Board Designated Net Assets

The Corporation's Board of Directors designated net assets for potential future projects. Changes in Board Designated Net Assets, for the years ended December 31, are as follows:

| | Balance at 12/31/2017 | Transfers In | Funds Used | Balance at 12/31/2018 |
|----------------------|----------------------------------|-------------------------|-----------------------|----------------------------------|
| Future project needs | \$ 300,000 | \$ 40,000 | \$ - | \$ 340,000 |
| Training | 30,438 | | | 30,438 |
| Total | \$ 330,438 | \$ 40,000 | \$ - | \$ 370,438 |

| | Balance at 12/31/2016 | Transfers In | Funds Used | Balance at 12/31/2017 |
|----------------------|----------------------------------|-------------------------|-----------------------|----------------------------------|
| Future project needs | \$ 300,000 | \$ - | \$ - | \$ 300,000 |
| Training | 30,438 | | | 30,438 |
| Total | \$ 330,438 | \$ - | \$ - | \$ 330,438 |

Note 6 Pension Plan

The Corporation sponsors a 401(k) plan. There are no plan-imposed limits on employee contributions. The Corporation matches each employee's contribution up to a maximum of 10% of the employee's compensation. Pension expense incurred as of December 31, 2018 and 2017 amounted to \$23,404 and \$22,945, respectively.

Note 7 Lease Commitments

The Corporation leases office space from Cortland County on a month to month basis. Lease expense amounted to \$19,651 and \$19,651 for the years ended December 31, 2018 and 2017, respectively.

On October 30, 2014, the Corporation entered in to a 39 month automobile lease with monthly payments of \$344. On January 10, 2018 the Corporation entered into a 35-month automobile lease with monthly payments of \$346. Automobile lease expense amounted to \$4,122 and \$4,131, net of employee reimbursement for personal miles, for the years ended December 31, 2018 and 2017, respectively.

On January 17, 2015, the Corporation entered into a cancelable 5 year lease for a copier with monthly payments of \$321 plus usage. Copier lease expense amounted to \$3,922 and \$3,894 for the years ended December 31, 2018 and 2017, respectively.

On October 20, 2014, the Corporation entered into a 51 month lease for a postage machine with quarterly payments of \$360. Postage lease expense amounted to \$1,555 and \$1,555 for the years ended December 31, 2018 and 2017, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7 Lease Commitments - Continued

Future minimum lease payments are as follows at December 31, 2018:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2019 | \$ 8,472 |
| 2020 | 4,467 |

Note 8 Related Party Transactions

Cortland County Industrial Development Agency (the Agency) was created for the purpose of advancing job opportunities, health, general prosperity, and economic welfare of the people of Cortland County in 1974.

The Executive Director of the Corporation acts as the Chief Executive Officer of the Agency; the Chief Finance Officer and Project Development Director of the Corporation acts as the Treasurer of the Agency; and the members of Board of Directors of the Corporation are also members of the Agency's Board of Directors. In addition, the Agency has a component unit, the Cortland County Agricultural Local Development Corporation (Ag Corp), which also share the Chief Executive Officer, Treasurer, and Board of the Corporation. The Corporation pays the expenses of the Ag Corp. The Ag Corp did not owe the Corporation any amount at December 31, 2018 or 2017. At December 31, 2018 and 2017, the Corporation had an accounts receivable balance of \$91,835 due from the Agency. The receivable is expected to be paid back when the related property owned by the Agency is sold.

The Corporation and the Agency have an administrative service agreement wherein the Agency pays the Corporation \$25,000 annually for administrative services. The Agency paid the Corporation \$25,000 for each of the years ended December 31, 2018 and 2017.

The Cortland County Legislature appoints member directors of the Corporation. Cortland County provided support to the Corporation totaling \$435,827 and \$429,387 for the years ended December 31, 2018 and 2017, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9 **Liquidity and Availability of Resources**

The Corporation's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

| Financial Assets at Year End: | 2018 | 2017 |
|---|---------------------------------|---------------------------------|
| Cash and equivalents | \$ <u>816,856</u> | \$ 760,170 |
| Accounts receivable | <u>91,835</u> | 91,835 |
| Total Financial Assets | <u>908,691</u> | <u>852,005</u> |
| | | |
| Donor restricted cash | <u>(652,494)</u> | (603,976) |
| Total Amounts Unavailable Within One Year | <u>(652,494)</u> | <u>(603,976)</u> |
| | | |
| Total Financial Assets Available Within One Year | \$ <u><u>256,197</u></u> | \$ <u><u>248,029</u></u> |

The Corporation manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due.

Note 10 **Subsequent Event**

In the meeting January 14, 2019, the Board of Directors approved a resolution to convey a parcel of land currently owned by the Corporation to the Agency, a related party. In exchange for the parcel, the Agency promised to pay an amount up to the cost of the parcel, \$122,237, to the Corporation from the proceeds of the eventual sale of the parcel.

At the February 11, 2019 meeting the Board of Directors approved a resolution to purchase an existing loan for \$151,031. The loan will be purchased in the 2019 fiscal year and added to the existing portfolio.

**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***

To the Board of Directors
Cortland County Business Development Corporation
Cortland, New York

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 Cortland County Business Development Corporation (the Corporation), which comprise the Statement of Financial Position as of December 31, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2019.

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) 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 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 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 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 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 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2019