

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

FINANCIAL REPORT

**For the Years Ended
December 31, 2019 and 2018**



CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position	3-3a
Statements of Activities	4-4a
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16
<hr/>	
Report Required Under <i>Government Auditing Standards</i> 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 <i>Government Auditing Standards</i>	17-18

INDEPENDENT AUDITORS' 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, 2019 and 2018, 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.

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 auditors' 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, 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 March 4, 2020 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, 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,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2020

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

	2019		
	Operating Fund	Revolving Loan Funds	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents:			
Unrestricted	\$ 195,069	\$	\$ 195,069
Restricted		527,771	527,771
Accounts Receivable	214,072		214,072
Loans Receivable - Current Portion, Net of Allowance and Discount Disclosed in Note 4		27,946	27,946
Prepaid Expenses	7,696		7,696
Total Current Assets	416,837	555,717	972,554
Land			-
Equipment and Improvements, Net of Accumulated Depreciation (\$13,249 and \$13,440, Respectively)	5,541		5,541
Loans Receivable - Long-term Portion, Net of Allowance and Discount Disclosed in Note 4		196,440	196,440
Total Assets	\$ 422,378	\$ 752,157	\$1,174,535
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 5,937	\$	\$ 5,937
Accrued Payroll Liabilities	555		555
Accrued Expenses	3,148		3,148
Total Current Liabilities	9,640	-	9,640
Net Assets			
Net Assets Without Donor Restrictions	42,300		42,300
Net Assets Without Donor Restrictions - Board Designated	370,438		370,438
Net Assets with Donor Restrictions		752,157	752,157
Total Net Assets	412,738	752,157	1,164,895
Total Liabilities and Net Assets	\$ 422,378	\$ 752,157	\$1,174,535

See Notes to Financial Statements

2018

<u>Operating Fund</u>	<u>Revolving Loan Funds</u>	<u>Total</u>
\$ 164,362	\$	\$ 164,362
91,835	652,494	652,494
7,970	18,307	18,307
<u>264,167</u>	<u>670,801</u>	<u>934,968</u>
122,237		122,237
3,651		3,651
	60,171	60,171
<u>\$ 390,055</u>	<u>\$ 730,972</u>	<u>\$ 1,121,027</u>
\$ 599	\$	\$ 599
517		517
<u>2,237</u>		<u>2,237</u>
3,353	-	3,353
16,264		16,264
370,438		370,438
	730,972	730,972
<u>386,702</u>	<u>730,972</u>	<u>1,117,674</u>
<u>\$ 390,055</u>	<u>\$ 730,972</u>	<u>\$ 1,121,027</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets			
Operating Revenues			
Contracts and Support	\$ 435,827	\$	\$ 435,827
Interest Income	538	23,760	24,298
Application Fees		225	225
Administrative Service Revenue	25,000		25,000
Other Revenue	4,030		4,030
Net Assets Released from Restrictions	2,800	(2,800)	-
Total Operating Revenues	468,195	21,185	489,380
Operating Expenses			
Program Services	398,200		398,200
Management and General	43,959		43,959
Total Operating Expenses	442,159	-	442,159
Changes in Net Assets	26,036	21,185	47,221
Net Assets, January 1,	386,702	730,972	1,117,674
Net Assets, December 31,	\$ 412,738	\$ 752,157	\$ 1,164,895

See Notes to Financial Statements

2018

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 435,827	\$	\$ 435,827
737	10,105	10,842
		-
25,000		25,000
3,940		3,940
5	(5)	-
<u>465,509</u>	<u>10,100</u>	<u>475,609</u>
408,581		408,581
<u>44,391</u>		<u>44,391</u>
<u>452,972</u>	<u>-</u>	<u>452,972</u>
12,537	10,100	22,637
<u>374,165</u>	<u>720,872</u>	<u>1,095,037</u>
<u>\$ 386,702</u>	<u>\$ 730,972</u>	<u>\$ 1,117,674</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Total
Salaries	\$ 216,746	\$ 24,083	\$ 240,829
Employee Benefits	72,102	8,011	80,113
Marketing	27,243		27,243
Occupancy	17,686	1,965	19,651
Payroll Taxes	16,870	1,875	18,745
Legal and Professional Fees	4,657	518	5,175
Equipment Rental and Maintenance	5,985	665	6,650
Conferences and Meetings	7,037		7,037
Accounting and Payroll Services	6,498	722	7,220
Telephone, Fax, Internet	3,612	402	4,014
Supplies	3,226	358	3,584
Automobile Expense	1,673	3,107	4,780
Travel	3,200	800	4,000
Insurance	2,617	291	2,908
Filing Fees	1,110	123	1,233
Dues	1,453		1,453
Moving Expense	4,369	485	4,855
Postage	590	66	656
Miscellaneous	662	74	735
Depreciation	864	414	1,278
Total Expenses	\$ 398,200	\$ 43,959	\$ 442,159

See Notes to Financial Statements

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 and 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 Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash Provided by Contracts	\$ 460,827	\$ 460,827
Cash Provided by Interest	15,321	10,842
Other Operating Cash Receipts	4,255	3,940
Cash Paid to Suppliers and Employees	(425,662)	(445,732)
Other Operating Cash Payments	<u>(8,659)</u>	<u>(8,154)</u>
Net Cash Provided by Operating Activities	<u>46,082</u>	<u>21,723</u>
Cash Flows from Investing Activities		
Equipment Purchase	(3,168)	(3,455)
Principal Received on Loans Receivable	65,331	38,418
Discount on Purchased Loan	55,863	-
New Loans Originated	<u>(258,124)</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>(140,098)</u>	<u>34,963</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(94,016)	56,686
Cash and Cash Equivalents, January 1,	<u>816,856</u>	<u>760,170</u>
Cash and Cash Equivalents, December 31,	<u><u>\$ 722,840</u></u>	<u><u>\$ 816,856</u></u>
Non-Monetary Investing and Financing Activities:		
Property Transfer (Agency)	<u>\$ (122,237)</u>	<u>\$ -</u>
Accounts Receivable (Agency)	<u>\$ 122,237</u>	<u>\$ -</u>
Amortization of Discount	<u>\$ (8,978)</u>	<u>\$ -</u>

See Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 promoting and developing 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 (U.S. 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 objectivities 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 DECEMBER 31, 2019 AND 2018

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, 2019, the Corporation had 7 loans outstanding with interest rates ranging from 3% to 6% and 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. 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- in 2019 and 2018, respectively. Collection of amounts previously included in the allowance totaled \$-0- in 2019 and 2018, 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.

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.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Tax Status

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

Evaluation of Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 4, 2020, the date which the financial statements were available to be issued.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606), effective for years beginning after December 15, 2018. This update supersedes existing revenue recognition guidance. Entities should now recognize revenue depicting the transfer of promised goods or services in a manner which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU No. 2015-14. The purpose of this update was to defer the effective date of ASU No. 2014-09. Accordingly, the effective date for non-public entities is for years beginning after December 15, 2018, applied on a retrospective basis.

In June 2018, FASB issued ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for resources provided. If the resource provider does receive commensurate value, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received the resource provider, the transfer is a contribution. The effective date of this ASU is for years beginning after December 15, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those reporting periods.

During the year ended December 31, 2019, the Corporation adopted the above accounting pronouncements. Where applicable, previously reported balances have been reclassified to conform to the new pronouncements. The adoption had no effect on the net asset balances previously reported.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, "Leases" (Topic 842). ASU No. 2016-02 improves transparency and comparability among companies by recognizing lease assets and lease liabilities on the Balance Sheet and by disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for the year ending December 31, 2021. The Corporation is currently assessing the financial impact of this guidance on the financial statements.

***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 two 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.

During 2018, the Corporation renewed its agreement with Cortland County to provide business development and related services to businesses within the County for the 2019, 2020, 2021 and 2022 fiscal years. In exchange for these services, the County will make quarterly payments of specific annual amounts over the 4 year period. As of December 31, 2019 and 2018, the Corporation had complied with all the requirements of the agreement and recognized the corresponding revenue for those periods as earned in the Statement of Activities. The Corporation received approximately 89% and 92% in 2019 and 2018, respectively, of its support from Cortland County.

The Corporation also has a perpetual administrative service agreement with the Cortland County Industrial Development Agency, a related party, to provide operational support. The Agreement renews annually and the Corporation has recognized the corresponding earned revenue in the Statement of Activities.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 3 Property and Equipment

Property and equipment consisted of the following at December 31:

2019			
Asset	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 18,790	\$ 13,249	\$ 5,541
Total	\$ 18,790	\$ 13,249	\$ 5,541
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

Depreciation expense amounted to \$1,278 and \$414 for the years ended 2019 and 2018, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 4 Loans Receivable - Revolving Loan Program

	2019	2018
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.	\$ 1,598	\$ 7,951
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 changing the maturity date to October 1, 2020.	7,113	15,195
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%, matured August 1, 2019. Paid in full.	-	5,212
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.	21,025	22,797
Loan receivable from Custom Machining Technology, dated November 25, 2014, original amount: \$25,000, payable in monthly installments of \$483 including interest at 6%, matured December 1, 2019. Paid in full.	-	5,616
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.	2,417	6,370
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.	35,320	38,752
Loan receivable from KIK Custom, purchased April 1, 2019, original amount: \$195,447, payable in monthly installments of \$3,810 including interest at 3%, maturing October 31, 2023.	165,375	-
Loan receivable form S&D Mironti, dated August 9, 2019, original amount: \$63,000, payable in monthly installments of \$699 including interest at 6%, maturing September 31, 2024.	61,841	-
Total Loans Outstanding	294,689	101,893
Less Allowance for Uncollectible Loans Receivable	(23,418)	(23,415)
Less Discount on Loans Receivable	(46,885)	-
Net Loans Outstanding	224,386	78,478
Less Current Portion	(27,946)	(18,307)
Long-term Portion	<u>\$ 196,440</u>	<u>\$ 60,171</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 12/31/2018	Transfers In	Funds Used	Balance at 12/31/2019
Future Project Needs	\$ 340,000	\$	\$	\$ 340,000
Training	30,438			30,438
Total	\$ 370,438	\$ -	\$ -	\$ 370,438
	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

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, 2019 and 2018 amounted to \$24,083 and \$23,404, 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, 2019 and 2018, respectively.

Commencing January 1, 2020, the Corporation moved its office and entered into a new lease agreement for the 2020 calendar year. The initial lease term is one year with five optional one-year renewal terms. The lease is for three separate spaces in the same building. The first space will be occupied by the Corporation for their operations and the base rent will be \$20,400 annually, payable in monthly installments. The other two spaces will be used by the Corporation to sublet to other tenants for a combined additional \$22,800 annually, payable in monthly installment. The Corporation only has to pay for the additional space when it is occupied. The Corporation is in the process of executing agreements with the other tenants and the additional rent is anticipated to be reimbursed by those tenants.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 7 Lease Commitments - Continued

On January 10, 2018 the Corporation entered into a 35-month automobile lease with monthly payments of \$346. Automobile lease expense amounted to \$4,146 and \$4,122, net of employee reimbursement for personal miles, for the years ended December 31, 2019 and 2018, 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 \$3,882 and \$3,894 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows at December 31, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 39,267

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 shares the Chief Executive Officer, Treasurer, and Board of the Corporation. At December 31, 2019 and 2018, the Corporation had an accounts receivable balance of \$214,072 and \$91,835 respectively, due from the Agency. The increase in accounts receivable due from the Agency is based on the Route 11 property from the Corporation to the Agency during 2019. The receivable is expected to be paid when the related Route 11 and Contento properties transferred to the Agency are sold by the Agency. The Board approved transfer of the balance due when the property is sold by the Agency.

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, 2019 and 2018.

The Cortland County Legislature appoints member directors of the Corporation. Cortland County provided support to the Corporation totaling \$435,827 and \$435,827 for the years ended December 31, 2019 and 2018, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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	2019	2018
Cash and Equivalents	\$ 722,840	\$ 816,856
Accounts Receivable	214,072	91,835
Total Financial Assets	936,912	908,691
Donor Restricted Cash	(527,771)	(652,494)
Total Amounts Unavailable Within One Year	(527,771)	(652,494)
Total Financial Assets Available Within One Year	\$ 409,141	\$ 256,197

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

**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***

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, 2019, 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, 2020.

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, 2020