

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

Cortland, New York

FINANCIAL REPORT

**For the Years Ended
December 31, 2021 and 2020**



CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

TABLE OF CONTENTS

| | |
|-----------------------------------|------|
| Independent Auditors' Report | 1-3 |
| Statements of Financial Position | 4 |
| Statements of Activities | 5 |
| Statements of Functional Expenses | 6-7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9-16 |

Report Required Under *Government Auditing Standards*

| | |
|---|-------|
| 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 the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cortland County Business Development Corporation (the Corporation), a nonprofit corporation, which comprise the Statements of Financial Position as of December 31, 2021 and 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022 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,

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 14, 2022

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

| | 2021 | | | 2020 | | |
|---|-------------------|-------------------------|---------------------|-------------------|-------------------------|---------------------|
| | Operating Fund | Revolving Loan Funds | Total | Operating Fund | Revolving Loan Funds | Total |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and Cash Equivalents: | | | | | | |
| Unrestricted | \$ 367,211 | \$ - | \$ 367,211 | \$ 316,883 | \$ - | \$ 316,883 |
| Restricted | - | 489,934 | 489,934 | - | 410,673 | 410,673 |
| Total Cash and Cash Equivalents | 367,211 | 489,934 | 857,145 | 316,883 | 410,673 | 727,556 |
| Accounts Receivable | 92,226 | - | 92,226 | 94,609 | - | 94,609 |
| Security Deposits | 5,800 | - | 5,800 | 5,800 | - | 5,800 |
| Loans Receivable - Current Portion, Net of Allowance and Discount Disclosed in Note 4 | - | 59,821 | 59,821 | - | 48,522 | 48,522 |
| Prepaid Expenses | 5,345 | - | 5,345 | 5,150 | - | 5,150 |
| Total Current Assets | 470,582 | 549,755 | 1,020,337 | 422,442 | 459,195 | 881,637 |
| Equipment and Improvements, Net of Accumulated Depreciation (\$18,911 and \$15,786 Respectively) | 4,448 | - | 4,448 | 5,443 | - | 5,443 |
| Loans Receivable - Long-Term Portion, Net of Allowance and Discount Disclosed in Note 4 | - | 200,578 | 200,578 | - | 276,968 | 276,968 |
| Total Assets | \$ 475,030 | \$ 750,333 | \$ 1,225,363 | \$ 427,885 | \$ 736,163 | \$ 1,164,048 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Current Liabilities | | | | | | |
| Accounts Payable | \$ 1,505 | \$ - | \$ 1,505 | \$ 2,737 | \$ - | \$ 2,737 |
| Accrued Payroll Liabilities | 601 | - | 601 | 482 | - | 482 |
| Security Deposits Held | 2,400 | - | 2,400 | 2,400 | - | 2,400 |
| Total Current Liabilities | 4,506 | - | 4,506 | 5,619 | - | 5,619 |
| Net Assets | | | | | | |
| Net Assets Without Donor Restrictions | 100,086 | - | 100,086 | 51,828 | - | 51,828 |
| Net Assets Without Donor Restrictions - Board Designated | 370,438 | - | 370,438 | 370,438 | - | 370,438 |
| Net Assets With Donor Restrictions | - | 750,333 | 750,333 | - | 736,163 | 736,163 |
| Total Net Assets | 470,524 | 750,333 | 1,220,857 | 422,266 | 736,163 | 1,158,429 |
| Total Liabilities and Net Assets | \$ 475,030 | \$ 750,333 | \$ 1,225,363 | \$ 427,885 | \$ 736,163 | \$ 1,164,048 |

See Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

| | 2021 | | | 2020 | | |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Changes in Net Assets | | | | | | |
| Operating Revenues | | | | | | |
| Contracts and Support | \$ 449,000 | \$ - | \$ 449,000 | \$ 442,364 | \$ - | \$ 442,364 |
| Interest Income | 542 | 22,935 | 23,477 | 182 | 23,642 | 23,824 |
| Application Fees | - | - | - | - | 450 | 450 |
| Administrative Service Revenue | 25,000 | - | 25,000 | 25,000 | - | 25,000 |
| Rental Revenue | 22,800 | - | 22,800 | 17,200 | - | 17,200 |
| Other Revenue | 72 | - | 72 | - | - | - |
| Net Assets Released from Restrictions | 8,765 | (8,765) | - | 40,086 | (40,086) | - |
| Total Operating Revenues | 506,179 | 14,170 | 520,349 | 524,832 | (15,994) | 508,838 |
| Operating Expenses | | | | | | |
| Program Services | 411,785 | - | 411,785 | 472,786 | - | 472,786 |
| Management and General | 46,136 | - | 46,136 | 42,518 | - | 42,518 |
| Total Operating Expenses | 457,921 | - | 457,921 | 515,304 | - | 515,304 |
| Changes in Net Assets | 48,258 | 14,170 | 62,428 | 9,528 | (15,994) | (6,466) |
| Net Assets, January 1, | 422,266 | 736,163 | 1,158,429 | 412,738 | 752,157 | 1,164,895 |
| Net Assets, December 31, | \$ 470,524 | \$ 750,333 | \$ 1,220,857 | \$ 422,266 | \$ 736,163 | \$ 1,158,429 |

See Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

| | Program Services | Management and General | Total |
|----------------------------------|-----------------------------|-----------------------------------|-------------------|
| Salaries | \$ 213,813 | \$ 23,757 | \$ 237,570 |
| Employee Benefits | 52,325 | 5,814 | 58,139 |
| Occupancy | 42,975 | 4,775 | 47,750 |
| Payroll Taxes | 17,516 | 1,946 | 19,462 |
| Special Projects Expense | 15,500 | - | 15,500 |
| Equipment Rental and Maintenance | 13,533 | 1,504 | 15,037 |
| Marketing | 12,294 | - | 12,294 |
| Bad Debt Expense | 8,447 | - | 8,447 |
| Accounting and Payroll Services | 7,546 | 838 | 8,384 |
| Automobile Expense | 2,317 | 4,303 | 6,620 |
| Travel | 3,840 | 960 | 4,800 |
| Utilities Expense | 4,085 | 454 | 4,539 |
| Telephone, Fax, Internet | 3,791 | 421 | 4,212 |
| Supplies | 2,984 | 332 | 3,316 |
| Depreciation | 2,615 | 510 | 3,125 |
| Dues | 2,314 | - | 2,314 |
| Legal and Professional Fees | 1,768 | 197 | 1,965 |
| Insurance | 1,555 | 173 | 1,728 |
| Conferences and Meetings | 1,201 | - | 1,201 |
| Professional Development | 585 | 65 | 650 |
| Postage | 498 | 55 | 553 |
| Filing Fees | 283 | 32 | 315 |
| Total Expenses | \$ 411,785 | \$ 46,136 | \$ 457,921 |

See Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

| | Program Services | Management and General | Total |
|----------------------------------|-----------------------------|-----------------------------------|-------------------|
| Salaries | \$ 196,492 | \$ 21,832 | \$ 218,324 |
| Employee Benefits | 57,904 | 6,434 | 64,338 |
| Occupancy | 33,840 | 3,760 | 37,600 |
| Payroll Taxes | 15,555 | 1,728 | 17,283 |
| Special Projects Expense | 51,237 | - | 51,237 |
| Equipment Rental and Maintenance | 8,931 | 992 | 9,923 |
| Marketing | 34,940 | - | 34,940 |
| Bad Debt Expense | 36,904 | - | 36,904 |
| Accounting and Payroll Services | 6,768 | 752 | 7,520 |
| Automobile Expense | 1,919 | 3,565 | 5,484 |
| Travel | 3,200 | 800 | 4,000 |
| Utilities Expense | 3,959 | 440 | 4,399 |
| Telephone, Fax, Internet | 3,493 | 388 | 3,881 |
| Supplies | 4,568 | 508 | 5,076 |
| Depreciation | 2,123 | 414 | 2,537 |
| Dues | 2,206 | - | 2,206 |
| Legal and Professional Fees | 4,532 | 504 | 5,036 |
| Insurance | 2,732 | 304 | 3,036 |
| Conferences and Meetings | 613 | - | 613 |
| Postage | 645 | 72 | 717 |
| Filing Fees | 225 | 25 | 250 |
| Total Expenses | \$ 472,786 | \$ 42,518 | \$ 515,304 |

See Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Cash Flows From Operating Activities | | |
| Cash Provided by Contracts | \$ 476,383 | \$ 464,590 |
| Cash Provided by Interest | 11,506 | 11,851 |
| Other Operating Cash Receipts | 22,800 | 17,650 |
| Cash Paid to Suppliers and Employees | (424,319) | (423,469) |
| Other Operating Cash Payments | <u>(23,266)</u> | <u>(8,432)</u> |
| Net Cash Provided by Operating Activities | <u>63,104</u> | <u>62,190</u> |
| Cash Flows From Investing Activities | | |
| Cash Received From BDC Property Sale | - | 71,000 |
| Equipment Purchase | (2,130) | (2,439) |
| Principal Received on Loans Receivable | 93,615 | 63,965 |
| New Loans Originated | <u>(25,000)</u> | <u>(190,000)</u> |
| Net Cash Provided by Investing Activities | <u>66,485</u> | <u>(57,474)</u> |
| Cash Flows from Financing Activities | <u>-</u> | <u>-</u> |
| Net Change in Cash and Cash Equivalents | 129,589 | 4,716 |
| Cash and Cash Equivalents, January 1, | <u>727,556</u> | <u>722,840</u> |
| Cash and Cash Equivalents, December 31, | <u>\$ 857,145</u> | <u>\$ 727,556</u> |
| Non-Monetary Investing and Financing Activities: | | |
| Forgiveness of Amounts Owed | <u>\$ -</u> | <u>\$ (51,237)</u> |
| Amortization of Discount | <u>\$ (11,971)</u> | <u>\$ (11,974)</u> |

See Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

Business Activity

Cortland County Business Development Corporation (the Corporation) is a nonprofit 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.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Note 1 Summary of Significant Accounting Policies - Continued

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.

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. Additionally, during 2020, the Corporation made several COVID-19 business assistance loans to provide local businesses with working capital required to cover costs incurred as a result of the pandemic. As of December 31, 2021, the Corporation had nine loans outstanding with interest rates raising from 2% 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 \$8,447 in 2021 and \$1,585 in 2020. Collection of amounts previously included in the allowance totaled \$-0- in 2021 and 2020.

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.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Note 1 Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Tax Status

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

Revenue Recognition

The Corporation receives revenue through contracts with Cortland County Industrial Development Agency, a related party, and Cortland County. The Corporation recognizes revenue under those agreements as it satisfies the underlying performance obligations. At December 31, 2021 and 2020, the Corporation had met the performance obligations in those respective agreements and recognized the corresponding revenue in the Statement of Activities.

Evaluation of Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 14, 2022, the date which the financial statements were available to be issued.

Future Accounting Pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2022. The Corporation is currently assessing the financial impact of this guidance on the financial statements.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, 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 86% and 87% in 2021 and 2020, 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.

Note 3 **Property and Equipment**

Property and equipment consisted of the following at December 31,:

| <u>Asset</u> | <u>2021</u> | | |
|--------------|-------------------------|-------------------------------------|------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
| Equipment | <u>\$ 23,359</u> | <u>\$ 18,911</u> | <u>\$ 4,448</u> |
| Total | <u>\$ 23,359</u> | <u>\$ 18,911</u> | <u>\$ 4,448</u> |

| <u>Asset</u> | <u>2020</u> | | |
|--------------|-------------------------|-------------------------------------|------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
| Equipment | <u>\$ 21,229</u> | <u>\$ 15,786</u> | <u>\$ 5,443</u> |
| Total | <u>\$ 21,229</u> | <u>\$ 15,786</u> | <u>\$ 5,443</u> |

Depreciation expense amounted to \$3,125 and \$2,537 for the years ended December 31, 2021 and 2020, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Note 4 Loans Receivable - Revolving Loan Program

| | 2021 | 2020 |
|---|-------------------|-------------|
| 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. | \$ 14,475 | \$ 17,675 |
| 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. | 80,978 | 123,943 |
| Loan receivable from 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. | 51,916 | 57,027 |
| Loan receivable from Community Restaurant, dated August 11, 2020, original amount: \$75,000, payable in monthly installments of \$1,450 including interest at 6%, maturing September 1, 2025. | 58,299 | 71,759 |
| Loan receivable from Tanya Dammert and Derek Perry, dated June 2, 2020, original amount: \$25,000, payable in monthly installments of \$900 including interest at 6%, maturing July 1, 2023. | - | 25,000 |
| COVID-19 Loan receivable from Community Restaurant, dated June 1, 2020, original amount: \$25,000, payable in monthly installments of \$716 including interest at 2%, maturing May 1, 2024. | 20,255 | 25,000 |
| COVID-19 Loan receivable from Armideo Housing, dated June 1, 2020, original amount: \$25,000, payable in monthly installments of \$716 including interest at 2%, maturing May 1, 2024. | 20,256 | 25,000 |
| COVID-19 Loan receivable from 60 Main LLC, dated August 13, 2020, original amount: \$25,000, payable in monthly installments of \$717 including interest at 2%, maturing September 1, 2024. | 22,973 | 25,000 |
| COVID-19 Loan receivable from Mironti Enterprises, Inc., dated September 23, 2020, original amount: \$15,000, payable in monthly installments of \$430 including interest at 2%, maturing October 1, 2024. | 14,190 | 15,000 |
| COVID-19 Loan receivable from Silver Lining Performance Horses, dated January 11, 2021, original amount: \$25,000, payable in monthly installments of \$716 including interest at 2%, maturing January 1, 2025. | 25,000 | - |
| Total Loans Outstanding | 308,342 | 385,404 |
| Less Allowance for Uncollectible Loans Receivable | (25,000) | (25,000) |
| Less Discount on Loans Receivable | (22,943) | (34,914) |
| Net Loans Outstanding | 260,399 | 325,490 |
| Less Current Portion | (59,821) | (48,522) |
| Long-Term Portion | \$ 200,578 | \$ 276,968 |

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 12/31/2020 | Transfers In | Funds Used | Balance at 12/31/2021 |
|----------------------|----------------------------------|-------------------------|-----------------------|----------------------------------|
| Future Project Needs | \$ 340,000 | \$ - | \$ - | \$ 340,000 |
| Training | 30,438 | - | - | 30,438 |
| Total | \$ 370,438 | \$ - | \$ - | \$ 370,438 |
| | Balance at 12/31/2019 | Transfers In | Funds Used | Balance at 12/31/2020 |
| Future Project Needs | \$ 340,000 | \$ - | \$ - | \$ 340,000 |
| Training | 30,438 | - | - | 30,438 |
| Total | \$ 370,438 | \$ - | \$ - | \$ 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, 2021 and 2020 amounted to \$19,830 and \$21,832, respectively.

Note 7 Lease Commitments

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 was for one year with five optional one-year renewal terms. The lease is for three separate spaces in the same building. The first space was occupied by the Corporation for their operations and the base rent is \$20,400 annually, payable in monthly installments. During the 2021 fiscal year, additional space was rented on a month to month basis for \$650 each month. The other two spaces are 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. During 2020 the Corporation did sublet the other two spaces and recognized rental income and additional rental expense of \$17,200 for the year ended December 31, 2020. During 2021, the Corporation recognized rental income and additional rental expense of \$22,800 for the year ended December 31, 2021.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Note 7 Lease Commitments - Continued

In July 2019, the Corporation signed a new copier lease with a monthly payment of \$292 plus usage. Copier lease expense amounted to \$3,500 and \$3,882 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows at December 31, 2021:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022 | \$ 4,880 |
| 2023 | 4,880 |
| 2024 | 4,880 |

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 Chief Finance Officer 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, Chief Finance Officer, and Board of the Corporation. At December 31, 2021 and 2020, the Corporation had an accounts receivable balance of \$91,835 and \$91,835 due from the Agency. The receivable is expected to be paid when the related Contento property transferred to the Agency is 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, 2021 and 2020.

The Cortland County Legislature appoints member directors of the Corporation. Cortland County provided support to the Corporation totaling \$449,000 and \$442,364 for the years ended December 31, 2021 and 2020, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Financial Assets at Year End | | |
| Cash and Equivalents | \$ 857,145 | \$ 727,556 |
| Accounts Receivable | 92,226 | 94,609 |
| Loans Receivable - Current Portion | 59,821 | 48,522 |
| Total Financial Assets | <u>1,009,192</u> | <u>870,687</u> |
| | | |
| Donor Restricted Amounts | <u>(549,755)</u> | <u>(459,195)</u> |
| Total Amounts Unavailable Within One Year | <u>(549,755)</u> | <u>(459,195)</u> |
| | | |
| Total Financial Assets Available Within One Year | <u>\$ 459,437</u> | <u>\$ 411,492</u> |

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

Note 10 Economic Uncertainty

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Corporation operates. Although there is still uncertainty regarding what if any effect this will have on funding, the Corporation feels that it will be able to maintain operations in a fiscally sound manner.



**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, 2021, 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 14, 2022.

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) 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 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.

Report on 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 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 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 14, 2022