COLUMBIA ECONOMIC
DEVELOPMENT CORPORATION
(a component unit of the County of Columbia, New York)
FINANCIAL STATEMENTS
(and Reports of Independent Auditors)

December 31, 2017
(with memorandum totals for December 31, 2016)

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of County of Columbia, New York)
December 31, 2017
(with memorandum totals for December 31, 2016)

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INDEPENDENT AUDITORS' REPORT

To the Chairman and Board of
Columbia Economic Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Columbia Economic Development Corporation (a not-for-profit component unit of the County of Columbia, New York) (the "Corporation"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Columbia Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Columbia Economic Development Corporation's 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 audit. We conducted our audit 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.

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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 respective financial position of the Columbia Economic Development Corporation as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018 on our consideration of Columbia Economic 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 Columbia Economic Development Corporation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Columbia Economic Development Corporation's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison, Koskey, Howe & Bucci, CPAs, P.C.

Valatie, New York
March 27, 2018

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1. Introduction:

Within this section of the Columbia Economic Development Corporation's (the "Corporation") financial statements, the Corporation's management provides narrative discussion and analysis of the financial activities of the not-for profit Corporation for the year ended December 31, 2017. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2017.

2. Overview of the Financial Statements:

The Corporation's basic financial statements include: (1) financial statements, and (2) notes to the financial statements.

Financial Statements:

The Corporation's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Corporation is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Corporation's significant accounting policies.

The *Statement of Net Position* presents information on the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Corporation's financial position.

The *Statement of Revenues, Expenses and Change in Net Position* presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Corporation's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

Notes to Financial Statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

3. Financial Highlights:

Net position increased $10,911 during the year ended December 31, 2017. Operating expenses increased $102,031 or 15.3%, primarily due to increases in new initiatives of $73,056, and personnel expense of $22,577, respectively. Operating revenues increased $1,802 or 0.57%. Non-operating activity in 2017 resulted in a gain of $3,145 as a result of interest income exceeding interest expenses.

Total assets increased by $7,934 or 0.24% and total liabilities increased $10,140 or 1.59% for the year ended December 31, 2017. Cash and cash equivalents was $1,595,163 at December 31, 2017, a decrease of $71,357 from December 31, 2016. The Corporation borrowed $150,000 from the Small Business Administration (SBA) for the SBA loan program and overall total loans decreased by $58,827 to $1,134,559 net of an allowance for loan loss of $161,923 at December 31, 2017.

4. Financial Statement Analysis:

Below is a comparative summary of the Corporation's Statements of Net Position as of December 31:

	2017	2016
Assets		
Capital assets	$ 9,176	$ 12,749
Current assets	2,350,754	2,288,891
Long-term assets	893,374	943,730
Total assets	$ 3,253,304	$ 3,245,370
Current liabilities	$ 156,599	$ 137,271
Long-term liabilities	489,324	498,512
Deferred inflow of resources	5,464	18,581
Net position		
Unrestricted	2,301,667	2,314,727
Capital	9,176	12,749
Restricted	291,074	263,530
Total liabilities, deferred inflows, and net position	$ 3,253,304	$ 3,245,370

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4. Financial Statement Analysis (Continued):

Below is a comparative summary of the Corporation's statements of Revenues, Expenses and Changes in Net Position for the years ended December 31:

	2017	2016
Operating revenues		
Charges for services	$ 33,167	$ 25,000
Interest from loans	65,735	81,644
Grant revenues	159,522	123,565
Membership fees	46,642	33,819
Land sale	2,047	48,889
Other operating revenues	10,386	2,780
Total operating revenues	317,499	315,697
Non-operating revenues		
Columbia County appropriation	460,000	437,000
Interest earnings	4,006	3,387
Total non-operating revenues	464,006	440,387
Total revenues	781,505	756,084
Operating expenditures		
Personnel and benefits	355,094	332,517
Professional service contracts	34,056	40,848
Grants and contributions	30,000	30,000
Rent and office	87,270	80,151
Consulting	140,371	143,942
Marketing	14,680	13,256
New initiatives	73,056	-
Other operating expenditures	35,206	26,988
Total operating expenditures	769,733	667,702
Nonoperating expenditures		
Interest	861	612
Total nonoperating expenditures	861	612
Total expenditures	770,594	668,314
Total revenues in excess of expenditures	10,911	87,770
Net position at the beginning of the year	2,591,006	2,503,236
Net position at the end of the year	$ 2,601,917	$ 2,591,006

The revenue budget for 2017 was $694,000 with a projected gain of $5.

Total revenues were 12.6% more than budget, primarily due to greater than anticipated grant revenue. Total expenditures were more than budget by 11.04%.

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5. Additional Information:

This report is prepared for the use of the Corporation's audit committee, management, federal awarding agencies and pass through entities, and members of the public interested in the affairs of the Corporation. Questions with regard to this financial report or requests for additional information may be addressed to the President/CEO, Columbia Economic Development Corporation, 4303 Route 9, Hudson, NY 12534.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF NET POSITION
December 31, 2017
(with memorandum only totals at December 31, 2016)

	2017	2016 (memorandum only)
Current assets:		
Cash and cash equivalents	$ 1,595,163	$ 1,666,520
Restricted cash	443,983	306,903
Prepaid expenses	1,373	904
Accounts receivable	1,667	-
Grant receivable	15,000	-
Land sale receivable, current portion	8,691	8,317
SBA receivable	15,200	19,408
Loans receivable, current portion	269,677	286,839
Total current assets	2,350,754	2,288,891
Furniture and equipment, net:		
Furniture and equipment, net of $18,384 of accumulated depreciation	9,176	12,749
Total furniture and equipment, net	9,176	12,749
Other assets:		
Land sale receivable, long term portion	28,492	37,183
Loans receivable, less current portion, net of allowance of $161,923	864,882	906,547
Total other assets	893,374	943,730
Total assets	3,253,304	3,245,370
Current liabilities:		
Accounts payable	15,459	18,407
Accrued expenses	9,657	10,745
Land deposits	3,300	3,300
Due to related party	5,000	-
Loans payable - SBA, current portion	85,030	68,363
Unearned revenue, current portion	38,153	36,456
Total current liabilities	156,599	137,271
Non-current liabilities:		
Loans payable-SBA, long-term portion	454,709	410,413
Unearned revenue, long-term portion	34,615	88,099
Total non-current liabilities	489,324	498,512
Total liabilities	645,923	635,783
Deferred inflows of resources		
Deferred membership income	5,464	18,581
Total deferred inflows of resources	5,464	18,581
Net position:		
Unrestricted	2,301,667	2,314,727
Invested in capital assets	9,176	12,749
Restricted		
Commerce Park principal	71,817	71,817
County directed	48,889	48,889
SBA microloan	170,368	142,824
Total net position	$ 2,601,917	$ 2,591,006

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the year ended December 31, 2017
(with memorandum only totals for the year ended December 31, 2016)

	2017	2016 (memorandum only)
Operating Revenues:		
Administrative fees - related party	$ 24,000	$ 25,000
Administrative fees - Hudson IDA	9,167	-
Grant revenue	159,522	123,565
Interest on loans	65,735	81,644
Membership fees	46,642	33,819
Land sale	2,047	48,889
Other income	10,386	2,780
Total operating revenues	317,499	315,697
Operating Expenses:		
Personnel expense	355,094	332,517
Grant expense	25,000	20,000
Grant expense- CRC	5,000	10,000
Office expense	87,270	80,151
Program delivery fees	20,336	19,034
Professional fees	34,056	40,848
Consulting	140,371	143,942
Meetings and events	7,357	-
Insurance	3,346	5,218
Marketing	14,680	13,256
New initiatives	73,056	-
Depreciation	4,167	2,736
Total operating expenses	769,733	667,702
Operating loss	(452,234)	(352,005)
Non-Operating Revenues (Expenses):		
Bank interest	4,006	3,387
Interest expense and fees	(861)	(612)
Total Non-Operating Revenues (Expenses)	3,145	2,775
Appropriation from the County of Columbia, NY	460,000	437,000
Change in net position	10,911	87,770
Net position, beginning of the year	2,591,006	2,503,236
Net position, end of year	$ 2,601,917	$ 2,591,006

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017
(with memorandum only totals for the year ended December 31, 2016)

	2017	2016 (memorandum only)
Cash flows from operating activities:		
Administrative fees - related party	$ 24,000	$ 25,000
Administrative fees - Hudson IDA	7,500	-
Principal disbursed on loans receivable	(385,219)	(129,000)
Principal received on loans receivable	419,046	342,467
Membership contributions	33,525	38,175
Grant revenue	96,943	108,328
Cash on behalf of BEHOLD	-	(5,201)
Cash collected on behalf of related party	-	(1,240)
Land sale	10,364	3,389
Interest on loans	65,735	81,644
Payments to employees	(355,094)	(332,517)
Payments to vendors	(384,977)	(302,563)
Other income	10,386	2,780
Net cash used for operating activities	(457,791)	(168,738)
Cash flows from noncapital financing activities:		
Appropriation from the County of Columbia, NY	460,000	437,000
Payments on SBA loans	(89,085)	(67,750)
Proceeds from SBA loans	150,000	75,000
Net cash provided by noncapital financing activities	520,915	444,250
Cash flows from investing activities:		
Purchase of equipment	(594)	(8,945)
Interest paid	(861)	(612)
Interest received	4,006	3,387
Net cash provided by (used for) investing activities	2,551	(6,170)

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION

(A Component Unit of the County of Columbia, New York)
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended December 31, 2017
(with memorandum only totals for the year ended December 31, 2016)

Cash flows from capital and related financing activities:		
Land deposits	$ -	$ (8,750)
Net cash used for capital and related financing activities	-	(8,750)
Net increase in cash and cash equivalents	65,675	260,592
Cash and cash equivalents at beginning of year	1,973,423	1,712,831
Cash and cash equivalents at end of year	$ 2,039,098	$ 1,973,423
Reconciliation of total cash and cash equivalents:		
Cash and cash equivalents	$ 1,595,163	$ 1,666,520
Restricted cash	443,983	306,903
	$ 2,039,146	$ 1,973,423
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (452,234)	$ (352,005)
Depreciation expense	4,167	2,736
Changes in assets, liabilities, and deferred inflows:		
Prepaids	(469)	(457)
Loans receivable	33,827	213,467
Land sale receivable	8,317	(45,500)
SBA receivable	4,208	4,513
Grant receivable	(15,000)	35,000
Accounts receivable	(1,667)	-
Accounts payable	(2,948)	7,800
Due to BEHOLD! New Lebanon	-	(5,201)
Due to related party	5,000	(1,240)
Unearned Revenue	(26,787)	(34,750)
Accrued expenses	(1,088)	2,543
Deferred inflows of resources	(13,117)	4,356
Net cash used in operating activities	$ (457,791)	$ (168,738)
Non-Cash Activity		
Contingent grants earned	$ 25,000	$ 20,000

See independent auditors' report and accompanying notes

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1. Nature of Organization:

Financial Reporting Entity:

The Columbia Economic Development Corporation ("CEDC" or the "Corporation") was organized as a not-for-profit entity for the purpose of promoting and developing industry and job development in Columbia County, New York (the "County"). The Corporation is a component unit of the County, is a separate entity, and operates independently of the County.

In February 1995, the Corporation agreed to consolidate administrative operations with Hudson Development Corporation ("HDC") to better coordinate efforts in promoting economic development in the County. The new entity, Columbia Hudson Partnership, LLC (the "Partnership"), managed both organizations' operations. In 2003, an agreement was signed to dissolve The Partnership and in 2006, the CEDC purchased the entire equity share of HDC. The Corporation now, in effect, solely owns the assets of the Partnership.

Programs of the Corporation:

Operating Fund

The operating fund derives its revenues primarily from Columbia County appropriations and from administrative fees from related parties such as Columbia County Capital Resource Corporation ("CRC") and Columbia County Industrial Development Agency ("CCIDA"). The fund also derives revenue from interest from loan receivables.

Loan Program – Revolving Loan Fund

The loan program offers loans to local businesses at a discounted interest rate to attract business to the County as well as expand business growth from existing businesses already located in the County. The fund also is used to continue offering the Microbusiness seminar series and is used to fund expenses as it applies to the administration and delivery of programs.

The loan program receives grant money from time to time from CDBG-NYS. As a requirement of the grant, the loan program awards a contingent grant (usually based on employment goals) to local organizations after meeting certain NYS grant requirements. If requirements of the grant are not met by the local organization, the grant converts to a loan. The Corporation treats these arrangements as loans until the contingencies are met. As of December 31, 2017, the Corporation's loans receivables include $200,000 of these loan types comprised of:

	Original Loan Balance	Loan Balance at December 31, 2017
Flanders/Precisionaire Corporation (CEDC)	$ 200,000	$ 200,000
Hudson Valley Creamery (CDBG)	100,000	-
	$ 300,000	$ 200,000

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1. Nature of Organization (Continued):

CDBG Small Cities

Grant funds received with performance requirements are recorded as unearned revenue in the period granted. The Corporation records a receivable for the amount of the loan lent out or grant made to the third party business. As obligations are met, the loan is paid off or written down and the loan balance is earned or forfeited. Unearned revenue is recognized in income as performance obligations are met and contingent grants made are recognized in expense as earned by the grantee.

267ED424-02 Grant

The 267ED424-02 grant offered assistance to local businesses by offering low interest business loans. The Corporation receives interest and principal payments on a monthly basis. At December 31, 2017, the loan balance outstanding was $32,595.

267ED760-11 Grant

The 267ED760-11 grant offered assistance to local businesses to promote growth in the area and increase employment. The Corporation receives interest and principal payments on a monthly basis for the outstanding loan and the grant has contingent terms (e.g. employment targets) that must be met over a period of time. If the recipient fails to meet the requirements of the grant, the proceeds are to be paid back to the Corporation. The Corporation in turn is obligated to remit the funds back to the CDBG unless permission is granted to re-distribute the funds. At December 31, 2017, the outstanding balance was $40,173.

Microbusiness Program

The microbusiness program is funded by the loan program. The program offers technical assistance to local businesses. The program also offers seminars taught by local business owners and professionals.

SBA-Microloan Program

Loans are provided to small businesses in Columbia and Greene Counties funded by the Small Business Administration (SBA). Loans over 120 days past due are required to be charged off. The loan maturity date should not exceed six years on Microloans. The Corporation may charge up to 7.75% over the Corporation's cost of funds on a microloan of more than $10,000 and up to 8.5% over the Intermediary's cost of funds on a microloan of $10,000 or less. Amounts loaned to the Corporation are maintained in a restricted revolving loan fund. The Corporation is also required to maintain a separate loan loss reserve fund with its own funds representing at least 15% of SBA funds received.

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2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Corporation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Corporation applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as the Corporation is a component unit of the County of Columbia, New York (the "County"), a governmental entity. The Corporation does not apply any Financial Accounting Standards Board (FASB) or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. In accordance with GASB standards, balances and activity for the Corporation are presented as an enterprise fund.

Deferred Outflows/Inflows of Resources:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

Statement 63 changed how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

As a result of Statement 63, financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report net position instead of net assets.

Membership fees collected in the current year that will be recognized as revenue next year are classified as a deferred inflow. As of December 31, 2017, $5,464 of membership fees that pertain to the year ending December 31, 2018 are presented as deferred inflows.

Prior Year Amounts:

Amounts shown for December 31, 2016, in the accompanying statements are included to provide a basis for comparison with December 31, 2017 and present summarized totals only. Accordingly, the December 31, 2016 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies (Continued):

Budgetary Data:

The budget policies are as follows:

In October of each year, the President/CEO submits a tentative budget to the Board of Directors for their approval for the next fiscal year. The tentative budget includes proposed expenditures and the proposed means of financing, which is to be used as a guide of activity for the fiscal 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Corporation's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in Columbia County, New York.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

Revenue Recognition:

Contribution revenue is recognized in the period it is unconditional, measurable, and future installments are considered probable of collection. Contribution revenue that is restricted as a result of a purpose or time restriction is included as a component of "restricted net position", when applicable.

Administrative revenue is recognized in the period services are provided and payments are generally received from related parties on a quarterly basis. Grant revenue is recognized on cost reimbursable contracts in the period the costs are incurred. Advances on grants prior to costs being incurred in accordance with the terms of the grant agreement are deferred until the period costs are incurred. Membership revenue is recognized as revenue over the period of membership.

Interest on loans is recognized in the period earned over the life of the related loans receivable.

Operating revenues include revenue generated from ongoing operating activities. Non-operating revenues include investing, financing and other non-recurring activities.

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2. Summary of Significant Accounting Policies (Continued):

Income Taxes:

A provision for income tax has not been provided for in these financial statements, as the Corporation is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Corporation has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. The Corporation is no longer subject to examination by federal and state taxing authorities for years prior to the year ended December 31, 2015.

Columbia County Appropriation:

For the year ended December 31, 2017, Columbia County appropriated $460,000 for unrestricted use by the Corporation. The Corporation recognizes appropriated income in the period appropriated.

Cash and Cash Equivalents:

The Corporation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment:

Property and equipment are stated at cost and fair market value for donated items. Maintenance and repairs are expensed as incurred whereas major repairs and betterments are capitalized. Property and equipment comprise office equipment, furniture and software. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, which are:

Computer/Software	3 – 5 years
Furniture and Equipment	5 – 10 years

Loans and Allowance for Loan Losses:

Loans are stated at their recorded investment, which is the amount of unpaid principal, reduced by an allowance for loan losses. Interest is calculated by using the simple interest method.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Corporation uses a disciplined process and methodology to establish the allowance for loan losses. To determine the total allowance for loan losses, management estimates the reserves needed for each loan outstanding.

2. Summary of Significant Accounting Policies (Continued):

Loans and Allowance for Loan Losses (continued):

To determine the balance of the allowance account, loans are evaluated on a case by case basis and future losses are projected using historical experience adjusted for current economic and industry conditions. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each case. Management must use judgment in establishing additional input factors for estimating purposes. The assumptions used to determine the allowance are periodically reviewed by management to ensure that their theoretical foundation, assumptions, data integrity, computational processes, and reporting practices are appropriate and properly documented.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to, or release balances from, the allowance for loan losses.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the assumptions used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Concentration of Credit and Market Risk:

Financial instruments that potentially expose the Corporation to concentrations of credit and market risk consist primarily of cash and cash equivalents and loans receivable. Cash and cash equivalents are maintained at Federal Deposit Insurance Corporation insured financial institutions and credit exposure is limited to any one institution.

Concentrations of credit risk with respect to notes receivables are limited due to the diverse industry backgrounds of its borrowers. Furthermore, management feels its borrower approval processes and regular review of provisions for loan losses, adequately provides for any material credit risks. Generally, sufficient collateral or a personal guarantee is obtained for all loans at the time of disbursement. Collateral is generally in the form of a mortgage on real property or a chattel lien on equipment title.

Interest Income on Loans:

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in accordance with adopted policies, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed.

2. Summary of Significant Accounting Policies (Continued):

Reclassifications:

For the purposes of presenting the Statement of Cash Flows, restricted cash as of December 31, 2016, was reclassified to be included as a component of cash and cash equivalents.

Subsequent Events:

Subsequent events have been evaluated through March 27, 2018, which is the date the financial statements were available to be issued. There were no material subsequent events that required adjustment or disclosure.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2017, were comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Key Bank	$ 554,377	$ 568,157	$ 250,000	$ 318,157
National Union Bank of Kinderhook	908,728	908,728	250,000	658,728
Bank of Greene County	575,220	575,220	250,000	325,220
TD Bank	821	821	250,000	-
	$ 2,039,146	$ 2,052,926		$ 1,302,105

Included in the book balance above is $443,983 of restricted cash, $128,334 held with KeyBank and $315,649 held with the Bank of Greene County. The Small Business Administration requires the Corporation to keep the SBA bank accounts restricted as they can only be used for small business loans.

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4. Loans Receivable:

During the year ended December 31, 2017, the Corporation loaned $385,219 to 12 local businesses.

A summary of loan activity is as follows:

	Balance at December 31, 2016	New Lendings	Payments	Other Adjustments		Balance at December 31, 2017
Loan Fund	$ 828,098	$ 252,219	$ 204,641	$ 21,041	*	$ 854,635
CDBG Small Cities	156,738	-	47,502	20,000		89,236
SBA Microloan	402,247	133,000	166,903	15,733	*	352,611
	1,387,083	$ 385,219	$ 419,046	$ 56,774		1,296,482
Less: Allowance for loan losses	(193,697)					(161,923)
Total Loans	$ 1,193,386					$ 1,134,559

* Includes write-offs against the allowance for loan losses of $31,774

5. Furniture and Equipment:

A summary of furniture and equipment is as follows as of December 31, 2017:

	December 31, 2016	Acquisitions	Disposals	December 31, 2017
Furniture and equipment	$ 26,966	$ 594	$ -	$ 27,560
Accumulated depreciation	(14,217)	(4,167)	-	(18,384)
Total Furniture and Equipment	$ 12,749	$ (3,573)	$ -	$ 9,176

Depreciation expense was $4,167 during the year ended December 31, 2017.

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6. Restricted Net Position:

Restricted net position at December 31, 2017, consists of the following:

Commerce Park water tower	$	71,817
County directed		48,889
SBA loan program		170,368
Total Restricted Net Position	$	291,074

For one year only the Corporation did not remit the principal back to Columbia County, New York for Commerce Park loans. The principal is to be retained by the Organization to aide in the construction of the water tower within Commerce Park. Refer to Note 8 for more information on the restrictions. See note 8 for more information on the County directed restricted net position balance.

7. SBA Microloan Program:

Since 2003, the Corporation took the steps toward acquiring the Hudson Development Corporation's SBA loan portfolio by establishing a small business loan program. The Corporation acquired the SBA loan program in 2008. Total loans outstanding, net of an allowance under this program of $42,292, totaled $310,321 at December 31, 2017.

The Corporation borrows money from SBA loan awards in order to fund loans given to businesses participating in the SBA program. The following illustrates the amounts payable to the SBA:

Balance at December 31, 2016	Drawdowns	Payments	Balance at December 31, 2017
$ 478,776	$ 150,000	$ 89,037	$ 539,739

Once draws have been made from the SBA, the Corporation pays the SBA back based on an amortization schedule for each specific drawdown. The following shows the combined expected payout of the SBA drawdowns—Draw Three, Draw Four, Draw Five and Draw Six:

December 31,		Balance
2018	$	85,030
2019		73,217
2020		61,143
2021		57,734
2022		30,556
Thereafter		232,059
Total	$	539,739

Each drawdown has repayments of principal and interest, with each drawdown having a separate interest rate based on the agreement—1.5% (Draw Three), 1.625% (Draw Four), 0.75% (Draw Five) and 1.25% (Draw Six), per annum.

8. Commerce Park Land:

Beginning in 2005, Columbia County initiated a program to sell undeveloped land it owns in Commerce Park through a component unit, the Columbia County IDA. CEDC works directly with the buyer on the County's behalf. CEDC receives a deposit from the buyer and in turn uses this money to pay for surveying and legal fees associated with the transfer of the land.

CEDC recognizes a receivable for the sales price due from the buyer and a liability to the County for the same amount. The CCIDA plays an administrative role in the transfer of the land and receives a stipend from the first payment made. The CEDC retains the interest portion earned on land sale receivables as payment for servicing the loans and the remaining principal portion is forwarded to the County. In 2008 and only for 2008, the CEDC retained the principal and interest payments, as agreed upon with the County, to assist the County with the possible future construction of a water tower in Commerce Park. The principal forgiven during 2008 was recognized as revenue.

In June 2016, the Corporation sold land in the Commerce Park to a local individual for $50,000, with $4,500 being paid to the Corporation as a deposit in 2015. The Corporation received a $45,500 five-year note at 4.5% per annum with payments commencing on June 8, 2017. The note provides for an annual payment of $10,365 of principal and interest, with a final payment due to the Corporation on June 8, 2021. The principal portion, $48,889, of the note, net of legal fees of $1,111, normally remitted to the County was recognized as revenue during the year ended December 31, 2016. The County asked CEDC to retain the principal portion as restricted net position to be used as directed by the County in the future.

9. Pension Plan:

The Corporation has a SARSEP pension plan. The Corporation pays 5% of eligible employee's gross wages each year. For the year ended December 31, 2017, the Corporation recorded $11,322 in pension expense.

10. Unearned Revenue:

As of December 31, 2017, unearned revenue (note 1) is comprised of:

CDBG Small Cities:		
Angello's Distributing, Inc.	$	32,595
Hudson Valley Creamery		40,173
Total unearned revenue	$	72,768

11. Related Party Transactions:

During the year ended December 31, 2017, the Corporation received $24,000 in administrative fees from Columbia County Industrial Development Agency (CCIDA). The Corporation granted $5,000 to the Columbia County Capital Resource Corporation (CCCRC) during the year ended December 31, 2017. The $5,000 was recorded as due to related party at December 31, 2017.

12. Rent Expense:

The Corporation rents office space on a month to month basis. During the year ended December 31, 2017, the Corporation paid $28,846 of rent expense.

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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*

INDEPENDENT AUDITORS' REPORT

To the Chairman and Board of
Columbia Economic Development Corporation:

We have audited, 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, the financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Columbia Economic Development Corporation's basic financial statements, and have issued our report thereon dated March 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Columbia Economic Development 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 Columbia Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Economic Development 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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Columbia Economic Development 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattison, Koskey, Howe & Bucci, CPAs, P.C.

Valatie, New York
March 27, 2018

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To the Board of Directors and
F. Michael Tucker of the Columbia Economic Development Corporation:

In planning and performing our audit of the basic financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2017, 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, we considered Columbia Economic Development Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Economic Development Corporation's internal control over financial reporting.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

The observations and recommendations included in the attachment to this letter are control deficiencies that did not raise to the level of significant deficiencies or material weaknesses. Columbia Economic Development Corporation's written responses to the comments identified in the attachment have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Pattison, Koskey, Howe & Bucci, CPAs, P.C.

March 27, 2018
Valatie, New York

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ATTACHMENT

Other Matters:

Current Year Observation and Recommendation

1. *Financial Handbook:*

Observation

The Corporation does not have written policies and procedures in place for certain aspects of its accounting procedures. Some of the areas that should be documented include: policy for bank transfers, policy for payroll including pay rate change approvals, check processing procedures, IT controls, underwriting procedures, etc., including its allowance for loan loss policy, to ensure it adequately addresses the risk associated with its loan policy and is in accordance with standards.

Recommendation

The Corporation should create a written financial handbook that addresses the items identified above. The financial handbook should be approved by the board of directors.

Management's Response

The Corporation is committed to working with management and staff to develop a comprehensive Financial Handbook with the goal of reviewing and evaluating current policies and procedures in an effort to further automate and streamline the process. As part of this review, the Corporation will also review its allowance for loan loss policy to ensure it adequately addresses the risk associated with its loan portfolio and is in accordance with standards.

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March 27, 2018

To the Board of Directors of
Columbia Economic Development Corporation:

We have audited the financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2017, and have issued our report thereon dated March 27, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 28, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Columbia Economic Development Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding other matters noted during our audit in a separate letter to you dated March 27, 2018.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Columbia Economic Development Corporation. is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017 except for the presentation of restricted cash as a component of total cash and cash equivalents for statement of cash flows purposes. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the allowance for loan losses.

Management's estimate of the allowance for loan losses is based on a review of outstanding loans receivable on an individual loan basis. Management performs a risk assessment of each loan considering collateral, payment history, delinquency status, and other matters indicating the borrower's ability to pay. We evaluated the key factors and assumptions used to develop the allowance for loan losses and determined that the estimate is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Columbia Economic Development Corporation's financial statements relate to: allowance for loan losses, revenue recognition, and loans.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- Increase expenses and accounts payable by $10,000 for goat grant invoice for services rendered in December 2017.
- Decrease goat grant revenue and receivable by $15,000 for goat grant with contingent grant terms.
- Decrease allowance for loan loss and increase bad debt recovery income by $30,000 for overstated estimated allowance for loan losses.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were none.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Columbia Economic Development Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated March 27, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters..

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Columbia Economic Development Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Columbia Economic Development Corporation's auditors.

This report is intended solely for the information and use of the board of directors and management of Columbia Economic Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

, CPA

PATTISON, KOSKEY, HOWE & BUCCI, CPAs. P.C.