

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

December 31, 2018
(with memorandum totals for December 31, 2017)

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of County of Columbia, New York)
FINANCIAL STATEMENTS
December 31, 2018
(with memorandum totals for December 31, 2017)

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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, 2018, 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

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financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Columbia Economic Development Corporation as of December 31, 2018, 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 4 to 7 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, 2019 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison, Koskey, Howes Bucci, CPAs, P.C.

Hudson, New York
March 27, 2019

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2018

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, 2018. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2018.

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.

See independent auditors' report and accompanying notes.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2018

3. Financial Highlights:

Net position increased \$391,891 during the year ended December 31, 2018. Operating expenses decreased \$15,482 or 2%, primarily due to decreases in new initiatives of \$15,645, and grant expense of \$25,000, respectively. Operating revenues increased \$362,340 or 114%, primarily due to an increase in land sale revenue of \$338,694 and bad debt recovery of \$30,000. Non-operating activity in 2018 resulted in a gain of \$6,303 as a result of interest income exceeding interest expenses.

Total assets increased by \$383,926 or 11.80% and total liabilities decreased \$21,795 or 3.37% for the year ended December 31, 2018. Cash and cash equivalents was \$1,919,427 at December 31, 2018, an increase of \$324,264 from December 31, 2017. The Corporation borrowed \$150,000 from the Small Business Administration (SBA) for the SBA loan program and overall total loans increased by \$16,773 to \$1,151,332 presented net of an allowance for loan loss of \$121,159 at December 31, 2018.

4. Financial Statement Analysis:

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

	2018	2017
Assets		
Capital assets	\$ 6,782	\$ 9,176
Current assets	2,696,163	2,350,754
Long-term assets	934,285	893,374
Total assets	\$ 3,637,230	\$ 3,253,304
Current liabilities	\$ 122,293	\$ 156,599
Long-term liabilities	501,835	489,324
Deferred inflow of resources	19,294	5,464
Net position		
Unrestricted	2,661,273	2,301,667
Capital	6,782	9,176
Restricted	325,753	291,074
Total liabilities, deferred inflows, and net position	\$ 3,637,230	\$ 3,253,304

See independent auditors' report

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2018

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:

	2018	2017
Operating revenues		
Charges for services	\$ 34,000	\$ 33,167
Interest from loans	63,625	65,735
Grant revenues	161,650	159,522
Membership fees	47,625	46,642
Land sale	340,741	2,047
Bad debt recovery	30,000	-
Other operating revenues	2,198	10,386
Total operating revenues	679,839	317,499
Non-operating revenues		
Columbia County appropriation	460,000	460,000
Interest earnings	6,800	4,006
Total non-operating revenues	466,800	464,006
Total revenues	1,146,639	781,505
Operating expenditures		
Personnel and benefits	365,121	355,094
Professional fees	30,229	34,056
Grants and contributions	5,000	30,000
Rent and office	74,756	87,270
Consulting	159,922	140,371
Marketing	15,494	14,680
New initiatives	57,411	73,056
Other operating expenditures	46,318	35,206
Total operating expenditures	754,251	769,733
Nonoperating expenditures		
Interest	497	861
Total nonoperating expenditures	497	861
Total expenditures	754,748	770,594
Total revenues in excess of expenditures	391,891	10,911
Net position at the beginning of the year	2,601,917	2,591,006
Net position at the end of the year	\$ 2,993,808	\$ 2,601,917

The revenue budget for 2018 was \$843,000 with a projected gain of \$64,500.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2018

4. Financial Statement Analysis (Continued):

Total revenues were 36.02% more than budget, primarily due to greater than anticipated land sale revenue and bad debt recovery. Total expenditures were more than budget by 3.05%.

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, 2018
(with memorandum only totals at December 31, 2017)

	2018	2017 (memorandum only)
Current assets:		
Cash and cash equivalents	\$ 1,919,427	\$ 1,595,163
Restricted cash	423,163	443,983
Prepaid expenses	4,769	1,373
Accounts receivable	1,767	1,667
Grant receivable	50,000	15,000
Land sale receivable, current portion	9,082	8,691
SBA receivable	51,498	15,200
Loans receivable, current portion	236,457	269,677
Total current assets	2,696,163	2,350,754
Furniture and equipment, net:		
Furniture and equipment, net of \$21,403 of accumulated depreciation	6,782	9,176
Total furniture and equipment, net	6,782	9,176
Other assets:		
Land sale receivable, long term portion	19,410	28,492
Loans receivable, less current portion, net of allowance of \$121,159	914,875	864,882
Total other assets	934,285	893,374
Total assets	3,637,230	3,253,304
Current liabilities:		
Accounts payable	12,096	15,459
Accrued expenses	7,504	9,657
Land deposits	3,300	3,300
Due to related party	-	5,000
Loans payable - SBA, current portion	77,810	85,030
Unearned revenue, current portion	21,583	38,153
Total current liabilities	122,293	156,599
Non-current liabilities:		
Loans payable-SBA, long-term portion	486,071	454,709
Unearned revenue, long-term portion	15,764	34,615
Total non-current liabilities	501,835	489,324
Total liabilities	624,128	645,923
Deferred inflows of resources		
Deferred grant income	4,735	-
Deferred membership income	14,559	5,464
Total deferred inflows of resources	19,294	5,464
Net position:		
Unrestricted	2,661,273	2,301,667
Invested in capital assets	6,782	9,176
Restricted		
Commerce Park water tower	71,817	71,817
County directed	48,889	48,889
SBA microloan program	205,047	170,368
Total net position	\$ 2,993,808	\$ 2,601,917

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, 2018
(with memorandum only totals for the year ended December 31, 2017)

	2018	2017 (memorandum only)
Operating Revenues:		
Administrative fees - related party	\$ 24,000	\$ 24,000
Administrative fees - Hudson IDA	10,000	9,167
Grant revenue	161,650	159,522
Interest on loans	63,625	65,735
Membership fees	47,625	46,642
Land sale	340,741	2,047
Bad debt recovery	30,000	-
Other income	2,198	10,386
Total operating revenues	679,839	317,499
Operating Expenses:		
Personnel and benefits	365,121	355,094
Grant expense	5,000	25,000
Grant expense- CRC	-	5,000
Office expense	74,756	87,270
Program delivery fees	26,971	20,336
Professional fees	30,229	34,056
Consulting	159,922	140,371
Meetings and events	13,157	7,357
Insurance	3,171	3,346
Marketing	15,494	14,680
New initiatives	57,411	73,056
Depreciation	3,019	4,167
Total operating expenses	754,251	769,733
Operating loss	(74,412)	(452,234)
Non-Operating Revenues (Expenses):		
Bank interest	6,800	4,006
Interest expense and fees	(497)	(861)
Total Non-Operating Revenues (Expenses)	6,303	3,145
Appropriation from the County of Columbia, NY	460,000	460,000
Change in net position	391,891	10,911
Net position, beginning of the year	2,601,917	2,591,006
Net position, end of year	\$ 2,993,808	\$ 2,601,917

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
For the year ended December 31, 2018
(with memorandum only totals for the year ended December 31, 2017)

	2018	2017 (memorandum only)
Cash flows from operating activities:		
Administrative fees - related party	\$ 24,000	\$ 24,000
Administrative fees - Hudson IDA	10,000	7,500
Principal disbursed on loans receivable	(376,700)	(385,219)
Principal received on loans receivable	389,927	419,046
Membership contributions	56,720	33,525
Grant revenue	59,666	96,943
Land sale	349,432	10,364
Interest on loans	63,625	65,735
Payments to employees	(365,221)	(355,094)
Payments to vendors	(400,023)	(384,977)
Other income	2,198	10,386
Net cash used for operating activities	(186,376)	(457,791)
Cash flows from noncapital financing activities:		
Appropriation from the County of Columbia, NY	460,000	460,000
Payments on SBA loans	(125,858)	(89,037)
Proceeds from SBA loans	150,000	150,000
Net cash provided by noncapital financing activities	484,142	520,963
Cash flows from investing activities:		
Purchase of equipment	(625)	(594)
Interest paid	(497)	(861)
Interest received	6,800	4,006
Net cash provided by investing activities	5,678	2,551

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, 2018

(with memorandum only totals for the year ended December 31, 2017)

Net increase in cash and cash equivalents	\$ 303,444	\$ 65,723
Cash and cash equivalents at beginning of year	2,039,146	1,973,423
Cash and cash equivalents at end of year	<u>\$ 2,342,590</u>	<u>\$ 2,039,146</u>
Reconciliation of total cash and cash equivalents:		
Cash and cash equivalents	\$ 1,919,427	\$ 1,595,163
Restricted cash	423,163	443,983
	<u>\$ 2,342,590</u>	<u>\$ 2,039,146</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (74,412)	\$ (452,234)
Bad debt recovery	(30,000)	-
Depreciation expense	3,019	4,167
Changes in assets, liabilities, and deferred inflows:		
Prepays	(3,396)	(469)
Loans receivable	13,227	33,827
Land sale receivable	8,691	8,317
SBA receivable	(36,298)	4,208
Grant receivable	(35,000)	(15,000)
Accounts receivable	(100)	(1,667)
Accounts payable	(3,363)	(2,948)
Due to related party	(5,000)	5,000
Unearned revenue	(35,421)	(26,787)
Accrued expenses	(2,153)	(1,088)
Deferred grant income	4,735	-
Deferred membership income	9,095	(13,117)
Net cash used in operating activities	<u>\$ (186,376)</u>	<u>\$ (457,791)</u>
Non-Cash Activity		
Contingent grants earned	<u>\$ -</u>	<u>\$ 25,000</u>

See independent auditors' report and accompanying notes.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

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, 2018, the Corporation's loans receivables include \$200,000 of these loan types, expected to be forgiven in 2022, comprised of:

See independent auditors' report

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

1. Nature of Organization (Continued):

Programs of the Corporation (Continued):

Loan Program - Revolving Loan Fund (Continued):

	Original Loan Balance	Loan Balance at December 31, 2018
Flanders/Precisionaire Corporation (CEDC)	\$ 200,000	\$ 200,000

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, 2018, the loan balance outstanding was \$27,052.

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, 2018, the outstanding balance was \$10,295.

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.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

1. Nature of Organization (Continued):

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.

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).

See independent auditors' report

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

2. **Summary of Significant Accounting Policies (Continued):**

Deferred Outflows/Inflows of Resources (Continued):

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, 2018, \$14,559 of membership fees and \$4,735 of grant revenue that pertain to the year ending December 31, 2019 are presented as deferred inflows.

Prior Year Amounts:

Amounts shown for December 31, 2017, in the accompanying statements are included to provide a basis for comparison with December 31, 2018 and present summarized totals only. Accordingly, the December 31, 2017 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.

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.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018
(with memorandum totals for December 31, 2017)

2. Summary of Significant Accounting Policies (Continued):

Use of Estimates (Continued):

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(with memorandum totals for December 31, 2017)

2. Summary of Significant Accounting Policies (Continued):

Income Taxes (Continued):

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, 2018, 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.

See independent auditors' report

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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.

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2. Summary of Significant Accounting Policies (Continued):

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.

Subsequent Events:

Subsequent events have been evaluated through March 27, 2019, 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, 2018, were comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Key Bank	\$ 745,040	\$ 770,454	\$ 250,000	\$ 520,454
National Union Bank of Kinderhook	988,448	988,498	250,000	738,498
Bank of Greene County	608,281	608,281	250,000	358,281
TD Bank	821	821	250,000	-
	<u>\$ 2,342,590</u>	<u>\$ 2,368,054</u>		<u>\$ 1,617,233</u>

Included in the book balance above is \$423,163 of restricted cash, \$75,785 held with KeyBank and \$347,378 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, 2018, the Corporation loaned \$376,700 to 19 local businesses.

A summary of loan activity is as follows:

	Balance at December 31, 2017	New Lendings	Payments	Write-offs and Recoveries	Balance at December 31, 2018
Loan Fund	\$ 854,635	\$ 167,572	\$ 173,838	\$ 4,626	\$ 843,743
CDBG Small Cities	89,236	-	51,889	-	37,347
SBA Microloan	352,611	209,128	164,200	6,138	391,401
	<u>1,296,482</u>	<u>\$ 376,700</u>	<u>\$ 389,927</u>	<u>\$ 10,764</u>	<u>1,272,491</u>
Less: Allowance for loan losses	<u>(161,923)</u>				<u>(121,159)</u>
Total Loans					<u>\$ 1,151,332</u>

5. Furniture and Equipment:

A summary of furniture and equipment is as follows as of December 31, 2018:

	December 31, 2017	Acquisitions	Disposals	December 31, 2018
Furniture and equipment	\$ 27,560	\$ 625	\$ -	\$ 28,185
Accumulated depreciation	(18,384)	(3,019)	-	(21,403)
Total Furniture and Equipment	<u>\$ 9,176</u>	<u>\$ (2,394)</u>	<u>\$ -</u>	<u>\$ 6,782</u>

Depreciation expense was \$3,019 during the year ended December 31, 2018.

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6. Restricted Net Position:

Restricted net position at December 31, 2018, consists of the following:

Commerce Park water tower	\$	71,817
County directed		48,889
SBA loan program		205,047
Total Restricted Net Position	<u>\$</u>	<u>325,753</u>

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 \$36,154, totaled \$355,247 at December 31, 2018.

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, 2017	Drawdowns	Payments	Balance at December 31, 2018
<u>\$ 539,739</u>	<u>\$ 150,000</u>	<u>\$ 125,858</u>	<u>\$ 563,881</u>

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:

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7. SBA Microloan Program (Continued):

December 31,	Balance
2019	\$ 77,810
2020	77,810
2021	74,812
2022	47,222
2023	47,222
Thereafter	239,005
Total	\$ 563,881

Each drawdown has repayments of principal and interest, with each drawdown having a separate interest rate based on the agreement—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.

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8. Commerce Park Land (continued):

In August 2018, the Corporation received a payment of \$339,068 from a local company in full satisfaction of a penalty note and mortgage related to a planned warehouse expansion project. The documents provided that if the company failed to construct a 60,000 square foot structure on the 33 acre parcel of real property adjacent to the Commerce Park, the company became obligated to pay the Corporation the sum of \$280,000, together with accrued interest at a rate of 7% per annum, running from August 11, 2015.

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, 2018, the Corporation recorded \$11,663 in pension expense.

10. Unearned Revenue:

As of December 31, 2018, unearned revenue (note 1) is comprised of:

CDBG Small Cities:	
Angello's Distributing, Inc.	\$ 27,052
Hudson Valley Creamery	10,295
Total unearned revenue	<u>\$ 37,347</u>

11. Related Party Transactions:

During the year ended December 31, 2018, the Corporation received \$24,000 in administrative fees from Columbia County Industrial Development Agency (CCIDA). During 2018, the Corporation paid \$5,000 to Columbia County Capital Resource Corporation (CCCRC) which was recorded as due to related party as of December 31, 2017.

12. Rent Expense:

The Corporation rents office space on a month to month basis. During the year ended December 31, 2018, the Corporation paid \$31,730 of rent expense.