COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(a component unit of the County of Columbia, New York)

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2019
(with memorandum totals for the year ended December 31, 2018)

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)

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INDEPENDENT AUDITOR'S 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, 2019, 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.

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, 2019, 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 31, 2020 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

Pattison, Koskey, Howe & Bucci, CPAs, P.C. who combined with UHY LLP effective January 1, 2020 previously audited Columbia Economic Development Corporation's 2018 financial statements, and it expressed an unmodified opinion on those audited financial statements in its report dated March 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

UHY LLP

Hudson, New York
March 31, 2020

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, 2019. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2019.

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 $595 during the year ended December 31, 2019. Operating revenues decreased $378,858 or 56%, primarily due to a decrease in land sale revenue of $339,459 and a decrease in bad debt recovery of $30,000. Non-operating activity in 2019 (excluding appropriations) resulted in a gain of $27,196 as a result of interest income exceeding interest expenses. Operating expenses increased $33,331 or 4%, primarily due to an increase in bad debt expense of $20,000, a decrease in new initiatives of $36,559, an increase in program delivery fees of $19,154, an increase in marketing of $12,717 and an increase in moving expenses of $15,769.

3. Financial Highlights (Continued):

Total assets decreased by $104,065 or 2.86% and total liabilities decreased $97,077 or 15.55% for the year ended December 31, 2019. Cash and cash equivalents was $1,434,564 at December 31, 2019, a decrease of $484,863 from December 31, 2018. Total loans increased by $358,748 to $1,510,080 presented net of an allowance for loan loss of $145,468 at December 31, 2019.

4. Financial Statement Analysis:

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

	2019	2018
Assets		
Capital assets	$ 13,532	$ 6,782
Current assets	1,955,259	2,273,000
Long-term assets	1,564,374	1,357,448
Total assets	$ 3,533,165	$ 3,637,230
Current liabilities	$ 151,848	$ 122,293
Long-term liabilities	375,203	501,835
Deferred inflow of resources	11,711	19,294
Net position		
Unrestricted	2,626,467	2,661,273
Capital	13,532	6,782
Restricted	354,404	325,753
Total liabilities, deferred inflows, and net position	$ 3,533,165	$ 3,637,230

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:

	2019	2018
Operating revenues		
Charges for services	$ 34,000	$ 34,000
Interest from loans	68,578	63,625
Grant revenues	135,178	161,650
Membership fees	55,148	47,625
Land sale	1,282	340,741
Bad debt recovery	-	30,000
Other operating revenues	6,795	2,198
Total operating revenues	300,981	679,839
Non-operating revenues		
Columbia County appropriation	460,000	460,000
Interest earnings	27,495	6,800
Total non-operating revenues	487,495	466,800
Total revenues	788,476	1,146,639
Operating expenditures		
Personnel and benefits	347,214	365,121
Professional fees	29,266	30,229
Grants	5,000	5,000
Rent and office	96,978	74,756
Consulting	157,190	159,922
Marketing	28,211	15,494
New initiatives	20,852	57,411
Bad debt	20,000	-
Other operating expenditures	82,871	46,318
Total operating expenditures	787,582	754,251
Nonoperating expenditures		
Interest	299	497
Total nonoperating expenditures	299	497
Total expenditures	787,881	754,748
Total revenues in excess of expenditures	595	391,891
Net position at the beginning of the year	2,993,808	2,601,917
Net position at the end of the year	$ 2,994,403	$ 2,993,808

The 2019 budget included revenue of $780,000 and expenses of $822,750 with a projected loss of $42,750.

Total revenues were 1% more than budget and total expenditures were less than budget by 4%.

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, 1 Hudson City Centre, Suite 301, Hudson, NY 12534.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF NET POSITION
December 31, 2019
(with memorandum only totals at December 31, 2018)

	2019	2018 (memorandum only)
CURRENT ASSETS		
Cash and cash equivalents	$ 1,434,564	$ 1,919,427
Certificate of deposit	151,029	-
Prepaid expenses	6,323	4,769
Accounts receivable	1,667	1,767
Grant receivable	62,750	50,000
Land sale receivable, current portion	9,491	9,082
SBA technical assistance grant receivable	62,740	51,498
Loans receivable, current portion	226,695	236,457
Total current assets	1,955,259	2,273,000
FURNITURE AND EQUIPMENT, NET		
Furniture and equipment, net of $20,600 of accumulated depreciation	13,532	6,782
Total furniture and equipment, net	13,532	6,782
OTHER ASSETS		
Restricted cash	267,871	423,163
Security deposit	3,200	-
Land sale receivable, long term portion	9,918	19,410
Loans receivable, less current portion, net of allowance of $145,468	1,283,385	914,875
Total other assets	1,564,374	1,357,448
Total assets	3,533,165	3,637,230
CURRENT LIABILITIES		
Accounts payable	21,465	12,096
Accrued expenses	11,332	7,504
Land deposit	-	3,300
Loans payable - SBA, current portion	110,310	77,810
Unearned revenue, current portion	8,741	21,583
Total current liabilities	151,848	122,293
NON-CURRENT LIABILITIES		
Loans payable-SBA, long-term portion	346,892	486,071
Unearned revenue, long-term portion	18,311	15,764
Debt reserve deposit	10,000	-
Total non-current liabilities	375,203	501,835
Total liabilities	527,051	624,128
DEFERRED INFLOWS OF RESOURCES		
Deferred grant income	-	4,735
Deferred membership income	11,711	14,559
Total deferred inflows of resources	11,711	19,294
NET POSITION		
Unrestricted	2,626,467	2,661,273
Invested in capital assets	13,532	6,782
Restricted		
Commerce Park water tower	71,817	71,817
County directed	48,889	48,889
SBA microloan program	233,698	205,047
Total net position	$ 2,994,403	$ 2,993,808

See notes to financial statements.

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, 2019
(with memorandum only totals for the year ended December 31, 2018)

	2019	2018 (memorandum only)
OPERATING REVENUE		
Administrative fees - related party	$ 24,000	$ 24,000
Administrative fees - Hudson IDA	10,000	10,000
Grant revenue	135,178	161,650
Interest on loans	68,578	63,625
Membership fees	55,148	47,625
Land sale	1,282	340,741
Bad debt recovery	-	30,000
Other income	6,795	2,198
Total operating revenue	300,981	679,839
OPERATING EXPENSES		
Personnel and benefits	347,214	365,121
Grant expense	5,000	5,000
Office expense	96,978	74,756
Program delivery fees	46,125	26,971
Professional fees	29,266	30,229
Consulting	157,190	159,922
Meetings and events	10,088	13,157
Insurance	3,192	3,171
Marketing	28,211	15,494
New initiatives	20,852	57,411
Depreciation	3,650	3,019
Moving expenses	15,769	-
Bad debt	20,000	-
Miscellaneous	4,047	-
Total operating expenses	787,582	754,251
OPERATING LOSS	(486,601)	(74,412)
NON-OPERATING REVENUE (EXPENSES)		
Bank interest	27,495	6,800
Interest expense and fees	(299)	(497)
Total Non-Operating Revenue (Expenses)	27,196	6,303
Appropriation from the County of Columbia, NY	460,000	460,000
CHANGE IN NET POSITION	595	391,891
NET POSITION, Beginning of the year	2,993,808	2,601,917
NET POSITION, End of year	$ 2,994,403	$ 2,993,808

See notes to financial statements.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(with memorandum only totals for the year ended December 31, 2018)

	2019	2018 (memorandum only)
Cash flows from operating activities:		
Administrative fees - related party	**$ 24,000**	$ 24,000
Administrative fees - Hudson IDA	**10,000**	10,000
Principal disbursed on loans receivable	**(697,000)**	(376,700)
Principal received on loans receivable	**318,252**	389,927
Membership contributions	**52,300**	56,720
Grant revenue	**96,156**	59,666
Land sale	**10,365**	349,432
Interest on loans	**68,578**	63,625
Payments to employees	**(347,114)**	(365,221)
Payments to vendors	**(408,275)**	(400,023)
Other income	**13,495**	2,198
Net cash used for operating activities	**(859,243)**	(186,376)
Cash flows from noncapital financing activities:		
Appropriation from the County of Columbia, NY	**460,000**	460,000
Payments on SBA loans	**(106,679)**	(125,858)
Proceeds from SBA loans	**-**	150,000
Net cash provided by noncapital financing activities	**353,321**	484,142
Cash flows from investing activities:		
Purchase of certificate of deposit	**(151,029)**	-
Purchase of equipment	**(10,400)**	(625)
Interest paid	**(299)**	(497)
Interest received	**27,495**	6,800
Net cash (used for) provided by investing activities	**(134,233)**	5,678

See notes to financial statements,

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, 2019
(with memorandum only totals for the year ended December 31, 2018)

	2019	2018
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**$ (640,155)**	$ 303,444
CASH AND CASH EQUIVALENTS, Beginning of year	**2,342,590**	2,039,146
CASH AND CASH EQUIVALENTS, End of year	**$ 1,702,435**	$ 2,342,590
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**$ 1,434,564**	$ 1,919,427
Restricted cash	**267,871**	423,163
	$ 1,702,435	$ 2,342,590
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	**$ (486,601)**	$ (74,412)
Bad debt reserve (recovery)	**20,000**	(30,000)
Depreciation expense	**3,650**	3,019
Changes in assets, liabilities, and deferred inflows:		
Prepaids	**(1,554)**	(3,396)
Loans receivable	**(378,748)**	13,227
Land sale receivable	**9,083**	8,691
SBA technical assistance grant receivable	**(11,242)**	(36,298)
Grant receivable	**(12,750)**	(35,000)
Accounts receivable	**100**	(100)
Security deposit	**(3,200)**	-
Accounts payable	**9,369**	(3,363)
Due to related party	**-**	(5,000)
Unearned revenue	**(10,295)**	(35,421)
Debt reserve deposit	**10,000**	-
Land deposit	**(3,300)**	-
Accrued expenses	**3,828**	(2,153)
Deferred grant income	**(4,735)**	4,735
Deferred membership income	**(2,848)**	9,095
Net cash used for operating activities	**$ (859,243)**	$ (186,376)

See notes to financial statements.

NOTE 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.

Programs of the Corporation

General Operating

The Corporation 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

The loan program offers loans to local businesses, often 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, 2019, the Corporation's loans receivables include $200,000 of these loan types, expected to be forgiven in 2022, comprised of:

	Original Loan Balance	Loan Balance at December 31, 2019
Flanders/Precisionaire Corporation	$ 200,000	$ 200,000

NOTE 1 – NATURE OF ORGANIZATION (Continued)

Programs of the Corporation (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, 2019, the loan balance outstanding was $27,052.

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.

NOTE 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019, $11,711 of membership fees that pertain to the year ending December 31, 2020 are presented as deferred inflows.

Prior Year Amounts

Amounts shown for December 31, 2018, in the accompanying statements are included to provide a basis for comparison with December 31, 2019 and present summarized totals only. Accordingly, the December 31, 2018 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.

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. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Corporation's returns are currently under examination.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Columbia County Appropriation

For the year ended December 31, 2019, Columbia County appropriated $460,000 for unrestricted use by the Corporation. The Corporation recognizes appropriated income in the period appropriated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

Subsequent events have been evaluated through March 31, 2020, which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

The extent of COVID-19’s effect on the Organization’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization’s finances. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Organization’s activities, results of operations, financial condition and cash flow.

In addition, the potential for additional collection risk to the Organization’s loans receivable balance exists, however, the impact is uncertain and difficult to predict at this time.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2019, were comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Key Bank	$ 589,910	$ 600,420	$ 250,000	$ 350,420
Community Bank N.A.	701,837	701,837	250,000	451,837
Bank of Greene County	409,867	409,957	250,000	159,957
TD Bank	821	821	250,000	-
	$ 1,702,435	$ 1,713,035		$ 962,214

Included in the book balance above is $267,871 of long-term restricted cash, $70,370 held with KeyBank and $197,501 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.

NOTE 4 – CERTIFICATE OF DEPOSIT

During the year ended December 31, 2019, the Corporation purchased a certificate of deposit (CD) at Berkshire Bank. The CD is for a 13-month term scheduled to mature in September 2020. The CD earns interest at a rate of 1.982%.

NOTE 5 – LOANS RECEIVABLE

During the year ended December 31, 2019, the Corporation loaned $697,000 to 11 local businesses.

A summary of loan activity is as follows:

	Balance at December 31, 2018	New Lendings	Payments	Balance at December 31, 2019
Loan Fund	$ 843,743	$ 515,000	$ 154,831	$ 1,203,912
CDBG Small Cities	37,347	-	10,295	27,052
SBA Microloan	391,401	182,000	148,817	424,584
	1,272,491	$ 697,000	$ 313,943	1,655,548
Less: Allowance for loan losses	(121,159)			(145,468)
Total Loans	$ 1,151,332			$ 1,510,080

NOTE 6 – FURNITURE AND EQUIPMENT

A summary of furniture and equipment is as follows as of December 31, 2019:

	December 31, 2018	Acquisitions	Disposals	December 31, 2019
Furniture and equipment	$ 28,185	$ 10,400	$ (4,453)	$ 34,132
Accumulated depreciation	(21,403)	(3,650)	4,453	(20,600)
Total Furniture and Equipment	$ 6,782	$ 6,750	$ -	$ 13,532

Depreciation expense was $3,650 during the year ended December 31, 2019.

NOTE 7 – RESTRICTED NET POSITION

Restricted net position at December 31, 2019, consists of the following:

Commerce Park water tower	$ 71,817
County directed	48,889
SBA loan program	233,698
Total Restricted Net Position	$ 354,404

In 2008, 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 9 for more information on the restrictions. See note 9 for more information on the County directed restricted net position balance.

NOTE 8 – 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 $69,452, totaled $355,132 at December 31, 2019.

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, 2018	Drawdowns	Payments	Balance at December 31, 2019
$ 563,881	$ -	$ 106,679	$ 457,202

NOTE 8 – SBA MICROLOAN PROGRAM (Continued)

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
2020	$ 110,310
2021	107,611
2022	79,722
2023	61,782
2024	36,667
Thereafter	61,110
Total	$ 457,202

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.

During the year ended December 31, 2019, the Corporation's Board of Directors approved an additional SBA drawdown (Draw Seven) for $250,000. As of December 31, 2019, no amount had been drawn on this available balance.

NOTE 9 – 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.

NOTE 10 – 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, 2019, the Corporation recorded $11,663 in pension expense.

NOTE 11 – UNEARNED REVENUE

As of December 31, 2019, unearned revenue (note 1) is comprised of:

CDBG Small Cities:		
Angello's Distributing, Inc.	$	27,052
Total unearned revenue	$	27,052

NOTE 12 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Corporation received $24,000 in administrative fees from Columbia County Industrial Development Agency (CCIDA). During 2019, the Corporation paid $5,000 to Columbia County Capital Resource Corporation (CCCRC) in the form of a grant.

NOTE 13 – RENT EXPENSE

The Corporation rents office space under the terms of a lease commencing September 1, 2019 and terminating August 31, 2024. The lease includes an option to renew for an additional five-year term. The lease calls for monthly payments ranging from $3,200 to $3,532 over the term of the lease. During the year ended December 31, 2019, the Corporation paid $38,774 of rent expense. Future minimum lease commitments are as follows:

2020	$	38,720
2021		39,688
2022		40,680
2023		41,696
2024		28,256
	$	189,040

UHY LLP
Certified Public Accountants

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 AUDITOR'S 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, 2019, 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 31, 2020.

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.

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.

UHY LLP

Hudson, New York
March 31, 2020