

LEWIS COUNTY DEVELOPMENT
CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY** (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

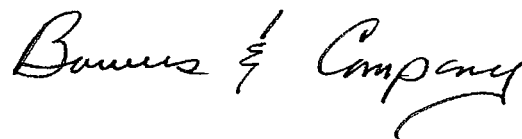
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lewis County Development Corporation and Subsidiary as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Lewis County Development Corporation and Subsidiary's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 28, 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 consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, on our consideration of Lewis County Development Corporation and Subsidiary'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 solely 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 the effectiveness of Lewis County Development Corporation and Subsidiary's 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 Lewis County Development Corporation and Subsidiary's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
March 16, 2020

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019 with Comparative Totals for 2018

ASSETS	2019	2018 Restated
Cash	\$ 68,633	\$ 110,235
Accounts Receivable	7,667	-
Other Receivable	185,000	464,559
Grant Receivable	150,000	300,000
Property and Equipment, Net	<u>256,324</u>	<u>279,371</u>
TOTAL ASSETS	<u><u>\$ 667,624</u></u>	<u><u>\$ 1,154,165</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ -	\$ 660
Accrued Interest Payable	3,000	3,000
Deposits	10,000	10,000
Refundable Advance	-	15,065
Line of Credit	324,013	750,000
Notes Payable	<u>315,530</u>	<u>338,646</u>
Total Liabilities	<u>652,543</u>	<u>1,117,371</u>
NET ASSETS		
Net Assets Without Donor Restrictions	<u>15,081</u>	<u>36,794</u>
Total Net Assets	<u>15,081</u>	<u>36,794</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 667,624</u></u>	<u><u>\$ 1,154,165</u></u>

See notes to consolidated financial statements.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2019 with Summarized Totals for December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018 (Summarized)
SUPPORT AND REVENUE				
Contributions	\$ -	\$ -	\$ -	\$ 58
Local Government Sources	-	-	-	464,559
Grant Revenue	15,065	-	15,065	300,000
Interest	40	-	40	34
Miscellaneous	358	-	358	506
Rent	16,663	-	16,663	2,996
Total Support and Revenue	<u>32,126</u>	<u>-</u>	<u>32,126</u>	<u>768,153</u>
EXPENSES				
Program Service				
Local Development	43,810	-	43,810	790,699
Supporting Service				
Management and General	10,029	-	10,029	12,216
Total Expenses	<u>53,839</u>	<u>-</u>	<u>53,839</u>	<u>802,915</u>
CHANGE IN NET ASSETS	<u>(21,713)</u>	<u>-</u>	<u>(21,713)</u>	<u>(34,762)</u>
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(237,745)</u>	<u>274,539</u>	<u>36,794</u>	<u>71,556</u>
PRIOR PERIOD ADJUSTMENT	<u>274,539</u>	<u>(274,539)</u>	<u>-</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR, RESTATED	<u>36,794</u>	<u>-</u>	<u>36,794</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 15,081</u>	<u>\$ -</u>	<u>\$ 15,081</u>	<u>\$ 36,794</u>

See notes to consolidated financial statements.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 with Summarized Totals for December 31, 2018

	Program Service Local Development	Management and General	2019	Totals 2018 (Summarized)
Grants Paid	\$ -	\$ -	\$ -	\$ 764,874
Advertising, Postage and Printing	-	77	77	639
Fees and Permits	3,882	50	3,932	3,898
Occupancy	-	-	-	768
Insurance	1,707	856	2,563	4,776
Interest	14,664	-	14,664	4,599
Miscellaneous	-	1,458	1,458	1,805
Professional Fees	-	7,588	7,588	6,360
Repairs and Maintenance	510	-	510	3,864
Depreciation	23,047	-	23,047	11,332
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ 43,810	\$ 10,029	\$ 53,839	\$ 802,915

See notes to consolidated financial statements.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2019 with Comparative Totals for 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (21,713)	\$ (34,762)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	23,047	11,332
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(7,667)	-
Other Receivable	279,559	(464,559)
Grant Receivable	150,000	(300,000)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(660)	660
Refundable Advance	(15,065)	-
Net Cash Provided By (Used In) Operating Activities	<u>407,501</u>	<u>(787,329)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>-</u>	<u>(3,674)</u>
Net Cash Used In Investing Activities	<u>-</u>	<u>(3,674)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(23,116)	(11,354)
Proceeds From Line of Credit	-	750,000
Repayment of Line of Credit	<u>(425,987)</u>	<u>-</u>
Net Cash Provided by (Used In) Financing Activities	<u>(449,103)</u>	<u>738,646</u>
Net Decrease in Cash	(41,602)	(53,258)
Cash, Beginning of Year	<u>110,235</u>	<u>163,493</u>
Cash, End of Year	<u><u>\$ 68,633</u></u>	<u><u>\$ 110,235</u></u>

See notes to consolidated financial statements.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 1 – NATURE OF ACTIVITIES

Lewis County Development Corporation (the LCDC) was established in 2003 under the Not-for-Profit Corporation Law of the State of New York for the following purposes:

- To identify, research, fund, develop and manage projects, programs and business opportunities that will increase economic opportunities for Lewis County, New York (the “County”) and its residents;
- To revitalize and enhance business areas in the County;
- To stabilize and enhance the infrastructure of the County to include the utilization of new technologies;
- To recruit enterprises and businesses to the County;
- To provide education and research on the best practices for the economic development of the County;
- To preserve the cultural, historical, and natural resources of the County; and
- To expand economic development potential through collaboration and partnerships.

LCDC’s wholly owned subsidiary, Black Moose Development, LLC, was established in 2011 for the purposes of owning property in the Village of Lyons Falls, New York.

LCDC and Black Moose Development, LLC’s significant sources of operating revenues are from grant and contract revenue, rental revenue, interest received on loans issued, and contributions received.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the LCDC and its wholly owned subsidiary, Black Moose Development, LLC. All significant intercompany transactions and balances have been eliminated. The LCDC and its Subsidiary are collectively referred to herein as the “Corporation”.

Basis of Accounting

The Corporation’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations. They are currently available for operating purposes subject only to the broad limits resulting from the nature of the Organization.

Net Assets With Donor Restrictions – These net assets result from a grant received that is limited by grantor-imposed purpose restrictions. The net assets were released from restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Actual results could differ from those estimates.

Cash

For purposes of the Consolidated Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of December 31, 2019 and 2018, the Corporation held no cash equivalents.

Other and Grant Receivable

Other receivable and grant receivable represent amounts due from the Village of Lyons Falls, County of Lewis Industrial Development Agency, and a National Grid grant for the Phase 4 demolition of the Lyons Falls Pulp & Paper Mill project. The receivables are deemed to be fully collectible.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are capitalized at cost and depreciated using the straight-line method over their estimated useful lives of seven to thirty-nine years. The Corporation does not have a formal capitalization policy.

Advertising

Advertising costs are expensed as incurred.

Tax Status

The Corporation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision has been made for Federal or State taxes.

The Corporation has adopted the provisions of Financial Accounting Standards Board Codification, “*Income Taxes*.” In determining the recognition of uncertain tax positions, the Corporation applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities.

The Corporation recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense. The Corporation analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2016, 2017, and 2018. Based on this analysis, the Corporation determined that there were no uncertain tax positions and that the Corporation should prevail upon examination by the taxing authorities.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation’s consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

Expenses consist of costs related to local development and administrative functions. The Corporation's operating costs have been allocated based on direct identification when possible and allocation if a single expenditure benefits more than one function. For the years ended December 31, 2019 and 2018, all costs have been allocated based on direct identification.

New Accounting Pronouncement

On January 1, 2019, the LCDC adopted ASU No. 2014-09, "*Revenue from Contracts with Customers*" (Topic 606) and all subsequent ASUs that modified Topic 606, which supersedes previous revenue recognition guidance. Topic 606, "*Revenue from Contracts with Customers*", requires that an organization recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the organization expects to receive in exchange for those goods or services. On January 1, 2019, the LCDC adopted Topic 606, using the modified retrospective method applied to contracts that were not completed as of January 1, 2019. Comparative financial information has not been restated and continues to be reported in accordance with the historic accounting under Topic 605. The LCDC did not recognize any adjustment to the opening balance of net assets upon adoption of Topic 606. There was no material impact to the LCDC's net income on adoption of this new standard in 2019. As of January 1, 2019, the LCDC had no material remaining performance obligations.

Revenue Recognition

The majority of the LCDC's revenue stream is generated from lease income and interest income on loans which are outside the scope of Topic 606. Lease income is recognized at the time it is received by the LCDC.

A portion of the LCDC's revenue is derived from cost-reimbursable local contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the LCDC incurred expenditures in compliance with specific grant provisions.

Date of Management's Review

Management has evaluated subsequent events through March 16, 2020, the date which the consolidated financial statements were available to be issued.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 3 – OTHER RECEIVABLE / LOCAL GOVERNMENT SOURCES

Local government sources are amounts due from the Village of Lyons Falls and the County of Lewis Industrial Development Agency for the Phase 4 abatement and demolition of the former Lyons Falls Pulp and Paper Mill as follows:

	2019	2018
Village of Lyons Falls / County of Lewis Industrial Development Agency	<u>\$ 185,000</u>	<u>\$ 464,559</u>

NOTE 4 – GRANT RECEIVABLE

The Corporation recognized grant receivable for the Phase 4 demolition of the Lyons Falls Pulp and Paper Mill project as follows during the years ended December 31:

	2019	2018
National Grid	<u>\$ 150,000</u>	<u>\$ 300,000</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

On January 10, 2011, Black Moose Development, LLC purchased property with a building on its premises on Center Street in the Village of Lyons Falls, New York. During the year ended December 31, 2012, the Corporation began work to rehabilitate this property. This property was purchased using Lewis County Shovel Ready Industrial Development Program (Shovel Ready Program) grant funds. As a result, the County has a security interest in this property. The County has the right to reimbursement for the proceeds of the sale of any property purchased with Shovel Ready Program funds until such time as the grant program closes and all program requirements are satisfied.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 5 – PROPERTY AND EQUIPMENT, NET - Continued

On September 16, 2016, Lewis County Development Corporation purchased \$62,924 worth of equipment with United States Department of Agriculture Grant monies to be used by Tug Hill Vineyards.

Property and equipment consist of the following at December 31:

	2019	2018
Land and Improvements	\$ 190,000	\$ 190,000
Buildings and Improvements	54,259	54,259
Equipment	<u>62,924</u>	<u>62,924</u>
	307,183	307,183
Less: Accumulated Depreciation	<u>50,859</u>	<u>27,812</u>
Property and Equipment, Net	<u><u>\$ 256,324</u></u>	<u><u>\$ 279,371</u></u>

NOTE 6 – EQUIPMENT ON OPERATING LEASES, NET

The following schedule provides an analysis of the LCDC's investment in equipment on operating leases as of December 31:

	2019	2018
Equipment	\$ 62,924	\$ 62,924
Less: Accumulated Depreciation	<u>34,458</u>	<u>25,469</u>
Equipment on Operating Leases, Net	<u><u>\$ 28,466</u></u>	<u><u>\$ 37,455</u></u>

The scheduled future rental payments under current operating leases as of December 31, are as follows:

2020	\$ 2,996
2021	<u>2,996</u>
Total	<u><u>\$ 5,992</u></u>

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 7 – REFUNDABLE ADVANCE / REVOLVING LOAN FUND

In 2004, the Town of Lyonsdale, New York entered into a grant agreement with the New York State Housing Trust Fund Corporation under the Small Cities Program Community Development Block Grant to create a Lyonsdale Economic Assistance Program (“LEAP”) revolving loan fund. During the year ended December 31, 2008, the Town of Lyonsdale, New York entered into a servicing agreement with the LCDC to continue the revolving loan fund under the LCDC’s administration. Under this agreement the Town of Lyonsdale, New York transferred \$257,371 of its Small Cities Community Development Block Grant monies to the LCDC. Principal amounts loaned out are deducted from the balance of deferred revenue and recognized as permanently restricted revenue in the period loaned. Deferred revenue associated with funds not yet loaned for both years ended December 31, 2019 and 2018 totaled \$0 and \$15,065, respectively.

NOTE 8 – LINE OF CREDIT

The Corporation has a \$200,000 line of credit with Community Bank. The interest rate is 5.50%, which was the prime rate at December 31, 2019, with a floor of 4%. The line is secured by various assets of the Corporation. The total amount outstanding for both years ended December 31, 2019 and 2018 was \$0. The line of credit will expire on June 30, 2020.

The Corporation has a \$750,000 line of credit with the Development Authority of the North Country. The interest rate is 1.5%. The line is secured by assignment of payments from grant sources to include National Grid, Restore NY, and Empire State Development. The total amount outstanding at December 31, 2019 and 2018 was \$324,013 and \$750,000, respectively. The line of credit will expire upon receipt of final disbursement from grant sources of like amount.

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 9 – NOTES PAYABLE

The Corporation had notes payable as follows at December 31:

	2019	2018
A note and mortgage dated May 10, 2011 in the amount of \$100,000. The mortgage created a lien on real estate located in the Village of Lyons Falls, New York. The value of all property and equipment subject to this lien at December 31, 2019 and 2018 was \$303,509 for both years. Annual payments of interest only at 3.00% have been made since May 10, 2012. Monthly installments of approximately \$833 plus interest will be due at a future date to be determined.	\$ 100,000	\$ 100,000
A note dated August 25, 2016 in the amount of \$250,000 from the Development Authority of the North Country. The note is secured by a guarantee by the County of Lewis Industrial Development Agency. Interest accrues annually at 1.00%. Repayment began on the one-year anniversary date of the loan closing.	<u>215,530</u>	<u>238,646</u>
Total	<u>\$ 315,530</u>	<u>\$ 338,646</u>

Maturities of long-term debt over the next five years and thereafter are estimated as follows:

2020	\$ 11,698
2021	11,815
2022	21,933
2023	22,052
2024	22,173
Thereafter	<u>225,859</u>
Total	<u>\$ 315,530</u>

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Corporation typically maintains cash deposits in local federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. As of December 31, 2019 and 2018, all of the Corporation’s deposits were covered by FDIC insurance.

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Corporation operates collecting sufficient revenue to cover general expenditures. The costs for the grant project are covered by resources from local government agencies and grants. The following table reflects the Corporation’s financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date because the assets are not convertible to cash within one year.

	2019	2018
Financial Assets:		
Cash	\$ 68,633	\$ 110,235
Accounts Receivable	7,667	-
Other Receivable	185,000	464,559
Grant Receivable	150,000	300,000
Financial Assets, End of Year	<u>411,300</u>	<u>874,794</u>
Less those Unavailable for General Expenditures Within One Year, due to:		
Other Receivable and Grant Receivable Used to Pay the Line of Credit	<u>335,000</u>	<u>764,559</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 76,300</u>	<u>\$ 110,235</u>

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 12 – CASH FLOW INFORMATION

There were no noncash investing or financing activities during 2019 and 2018.

Cash paid for interest was as follows for the years ended December 31:

	2019	2018
Interest	<u>\$ 14,664</u>	<u>\$ 4,599</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENT

Net assets with donor restrictions at December 31, 2018 of \$274,539 were reclassified to net assets without donor restrictions based upon a determination that a restriction no longer applied. The net effect on total net assets was \$0.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S 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

**BOARD OF DIRECTORS
LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Lewis County Development Corporation and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lewis County Development Corporation and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lewis County Development Corporation and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewis County Development Corporation and Subsidiary'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 consolidated 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency 2019-01.

Compliance and Other Matters

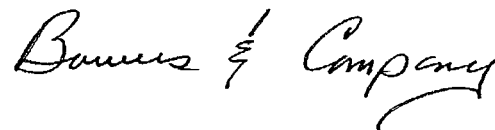
As part of obtaining reasonable assurance about whether Lewis County Development Corporation and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

Lewis County Development Corporation and Subsidiary's Response to Findings

Lewis County Development Corporation and Subsidiary's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Lewis County Development Corporation and Subsidiary's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Watertown, New York
March 16, 2020

LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2019

Internal Control Over Financial Reporting

SIGNIFICANT DEFICIENCY

2019-01 Preparation of Consolidated Financial Statements

Condition: Management is unable to prepare the consolidated financial statements in accordance with GAAP and relies on the external auditor to prepare the consolidated financial statements, which also includes preparation of a significant amount of journal entries.

Criteria: Management needs to exercise control over the preparation of its consolidated financial statements. To exercise control, management must possess the necessary accounting expertise to prevent, detect and correct a potential misstatement in its consolidated financial statements.

Cause: The Corporation does not have a person who possesses the necessary accounting expertise to take responsibility for the preparation of the consolidated financial statements.

Effect: Management may not be able to detect and correct potential misstatements in its consolidated financial statements.

Recommendation: The Board of Directors should be aware that this condition is a significant deficiency and will be in future years unless management is able to prepare their consolidated financial statements in accordance with the accrual basis of accounting.

Management's Response:

The Corporation currently has its own staff perform day-to-day bookkeeping duties and prepare financial statements using QuickBooks software. At year-end, the Corporation contracts with an outside auditing firm to prepare its audited consolidated financial statements. The Corporation recognizes that this is viewed as a significant deficiency; however, it is not financially feasible now to hire someone with the expertise to prepare the consolidated financial statements.



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

March 16, 2020

Board of Directors and Management
Lewis County Development Corporation

We have audited the consolidated financial statements of Lewis County Development Corporation and Subsidiary for the year ended December 31, 2019, and have issued our report thereon dated March 16, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lewis County Development Corporation and Subsidiary are described in Note 2 to the consolidated financial statements. As described in Note 2, the Organization changed accounting policies relating to revenue recognition by adopting FASB Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) and all subsequent ASU's that modified Topic 606, which supersedes previous revenue recognition guidance. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's 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 consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the consolidated financial statements was:

Management's estimate of the grant receivable and due from other governments is based on collectability from various funding sources. We evaluated the key factors and assumptions used to develop the collectability from various sources in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following schedule of material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 16, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Lewis County Development Corporation and Subsidiary and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Client: **Lewis County Development Corporation**
 Engagement: **Material Journal Entries**
 Period Ending: **12/31/2019**
 Trial Balance:
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2		01-02.02		
To reclassify to proper accounts				
2009	DANC Financing		279,559.00	
4003-1	National Grid Econ Development		150,000.00	
1204	Grant Receivable			150,000.00
1205-00	Due from Other governments			279,559.00
Total			429,559.00	429,559.00
Adjusting Journal Entries JE # 4		01-W01		
to record prior period adjustment to release restrictions				
3003-1	Restricted Fund Balance		274,505.00	
32000	Unrestricted Net Assets			274,505.00
Total			274,505.00	274,505.00
Adjusting Journal Entries JE # 7		01-W.01		
To recognize refundable advance as unrestricted revenue				
2002-1	Community Devel Block Grant		15,065.00	
4006-1	Loan from CDBG			15,065.00
Total			15,065.00	15,065.00



**BOWERS & COMPANY
CPAS PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Directors
Lewis County Development Corporation and Subsidiary

In planning and performing our audit of the consolidated financial statements of Lewis County Development Corporation and Subsidiary as of and for the year ended December 31, 2019, 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 Lewis County Development Corporation and Subsidiary'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 16, 2020, on the consolidated financial statements of Lewis County Development Corporation and Subsidiary.

Segregation of Duties

Due to the small size of the entity there is limited segregation of duties. This presents the risk for both intentional and unintentional errors to be made and go undetected. There is no recommendation to change current procedures and personnel, only acknowledgement that this is considered a deficiency in internal control.

Year End Cash Reconciliation

We noted that the Corporation reconciled the General Checking account as of January 16, 2020 due to the bank statement date being generated mid-month instead of December 31, 2019. We recommend the Corporation contact Community Bank N.A. to change the bank statement date to coincide with the Corporation's year end in order to aid in the reconciliation process.

Board of Directors
Lewis County Development Corporation and Subsidiary
March 16, 2020
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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Corporation personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Banner & Company

Watertown, New York
March 16, 2020