

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A blended component unit of Ulster County, New York)

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

Draft

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	3
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to the Financial Statements	9
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	21
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues and Expenditures - Budget and Actual	23

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Ulster County Economic Development Alliance, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ulster County Economic Development Alliance, Inc. (a blended component unit of Ulster County, New York), as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Ulster County Economic Development Alliance, Inc.'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 Ulster County Economic Development Alliance, Inc., 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 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements. The Schedule of Revenues and Expenses – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues and Expenses – Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Report on Financial Statements for the Year Ended December 31, 2018**

The financial statements of Ulster County Economic Development Alliance, Inc. for the year ended December 31, 2018, were audited by Pattison, Koskey, Howe & Bucci, CPAs, P.C. who combined with UHY LLP effective January 1, 2020, and expressed an unmodified opinion on those statements on March 25, 2019.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020 on our consideration of Ulster County Economic Development Alliance, Inc.'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 Ulster County Economic Development Alliance, Inc.'s internal control over financial reporting and compliance.

Kingston, New York  
March 25, 2020

# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A blended component unit of Ulster County, New York)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**December 31, 2019 and 2018**

### **Introduction**

Management's Discussion and Analysis of the Ulster County Economic Development Alliance, Inc.'s (UCEDA or the Alliance) financial performance provides an overview of the Alliance's financial activities for the fiscal year ended December 31, 2019. Please read this report in conjunction with the Alliance's 2019 financial statements. UCEDA is a Local Development corporation which operates in Ulster County, New York and classified by the New York State Authority Budget Office as a public authority. This summary discussion and analysis includes only the financial and general business of the Alliance.

### **Financial Highlights**

The Alliance's net position has decreased by \$54,782 (or 3.2%) as a result of operations in 2019.

In 2019, revenues decreased \$169,002 compared to 2018, or 43.0%.

In 2018, revenues increased \$19,333 compared to 2017, or 5.2%.

In 2019, expenses decreased \$93,949 compared to 2018, or 25.2%.

In 2018, expenses increased \$75,535 compared to 2017, or 25.4%.

### **Organization Highlights**

2019 UCEDA highlights include:

- Retained Luminary Media to finalize a business attraction marketing plan for 2019.
- Maintained business attraction marketing campaign to acquire and nurture relocation leads.
- Continued to publish a monthly "Featured Properties" email.
- Hosted hundreds of participants at several events geared toward increasing economic development in Ulster County including webinars, workshops, and industry-focused events.
- Completed the sale of one former County-owned surplus property in order to return the property to the tax rolls and enhance economic development.
- Continued implementation of Ulster County's Ellenville Million initiative and secured additional legislative approval for reallocation to further enhance the effectiveness of the program.
- Solicited and evaluated loan applications, awarded two new loans, and serviced eleven active loans through the Ulster County Revolving Loan Fund, including visits to each site and preparation of required reporting documents for funders.

### **Using This Annual Report**

This Annual Report consists primarily of the Statements of Net Position, Statements of Revenues, Expenses, and Change in Net Position, and the Statements of Cash Flows, which provide information about the activities of the Alliance only.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements report the Alliance's net position and changes in net position. One way to measure the Alliance's financial position is to look at the net position - the difference between assets and liabilities.

## **Condensed Comparative Financial Statements and Analysis**

The Alliance's net position at the end of the 2019 was \$1,679,077, a decrease of \$54,782 over the net position of \$1,733,859 at the beginning of 2019. The Alliance's net position at the end of the 2018 was \$1,733,859, an increase of \$20,271 over the net position of \$1,713,588 at the beginning of 2018.

Our analysis below focuses on net position (Table 1) and the changes in net position (Table 2).

**Table 1 – Statement of Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>			
Current assets	\$ 1,231,538	\$ 1,276,021	\$ 1,868,227
Other assets	639,898	693,693	204,275
Total Assets	<u>\$ 1,871,436</u>	<u>\$ 1,969,714</u>	<u>\$ 2,072,502</u>
<b>Liabilities</b>			
Current liabilities	\$ 77,477	\$ 55,101	\$ 153,688
Long-term liabilities	114,882	180,754	205,226
Total Liabilities	<u>\$ 192,359</u>	<u>\$ 235,855</u>	<u>\$ 358,914</u>
<b>Net Position</b>			
Unrestricted	\$ 1,480,062	\$ 1,534,944	\$ 1,513,932
Restricted	199,015	198,915	199,656
Total Net Position	<u>\$ 1,679,077</u>	<u>\$ 1,733,859</u>	<u>\$ 1,713,588</u>

### **Current Assets:**

Cash totals at the end 2019 were \$1,131,344 versus \$1,128,667 at the end of 2018. This increase in cash was a result of loan repayments exceeding loan disbursements during 2019.

Cash totals at the end 2018 were \$1,128,667 versus \$1,324,033 at the end of 2017. This decrease in cash was primarily due to loan disbursements exceeding repayments.

### **Liabilities:**

Liabilities at the end of 2019 were \$192,359 versus \$235,855 and \$358,914 at the end of 2018 and 2017, respectively.

Liabilities decreased for 2019 primarily due to the payoff of the USDA loan.

**Table 2 – Change in Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>			
Ulster County	\$ -	\$ 125,000	\$ 170,000
Interest on loans	32,621	25,706	20,341
Other income	191,902	242,819	183,851
Total Revenues	<u>224,523</u>	<u>393,525</u>	<u>374,192</u>
<b>Expenses:</b>			
Operating expenses	279,101	372,199	295,824
Non-operating expenses	204	1,055	1,895
Total Expenses	<u>279,305</u>	<u>373,254</u>	<u>297,719</u>
<b>Changes in Net Position:</b>	<u>\$ (54,782)</u>	<u>\$ 20,271</u>	<u>\$ 76,473</u>

The Agency's revenues in 2019 were \$224,523 versus \$393,525 and \$374,192 in 2018 and 2017, respectively. Expenses in 2019 were \$279,305 versus \$373,254 and \$297,719 in 2018 and 2017, respectively. Revenues and expenses decreased in 2019 from 2018 due to no funding received from Ulster County and no related expenses in 2019.

**Capital Assets and Long-Term Debt**

There were no capital asset additions in 2019 or 2018, and the Alliance did not take on any long-term debt in 2019 or 2018. During the year ended December 31, 2019, the Alliance sold a parcel of land on Oneil Street in Kingston for \$19,100 and the proceeds from that sale were immediately transferred to Ulster County in accordance with the Alliance's agreement with Ulster County.

During the year ended December 31, 2018, the Alliance sold 300 Flatbush Avenue for \$950,000 and the proceeds from that sale were immediately transferred to Ulster County in accordance with the Alliance's agreement with Ulster County.

**Budget**

In October of 2018, the Alliance adopted a 2019 budget projecting revenues to be \$648,700 and expenses to be \$648,700. Actual 2019 revenues totaled \$224,523 and actual 2019 expenses totaled \$279,305. Revenues and expenses were significantly under budget as some Ellenville Million project components did not materialize in 2019.

**Contacting UCEDA Financial Administrator**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Alliance's finances and to show the Alliance's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ulster County Economic Development Alliance, P.O. Box 1800, Kingston, New York 12402.

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A blended component unit of Ulster County, New York)

**STATEMENTS OF NET POSITION**

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,131,344	\$ 1,128,667
Accounts receivable	1,010	76
Loans receivable, current portion	99,184	95,154
Due from Ulster County	-	52,124
Total current assets	<u>1,231,538</u>	<u>1,276,021</u>
<b>OTHER ASSETS</b>		
Loans receivable, less current portion, net of an allowance of \$10,840 and \$10,669 as of December 31, 2019 and 2018, respectively	639,898	693,693
Total other assets	<u>639,898</u>	<u>693,693</u>
Total assets	<u>\$ 1,871,436</u>	<u>\$ 1,969,714</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 77,477	\$ 34,688
Current portion of note payable	-	20,413
Total current liabilities	<u>77,477</u>	<u>55,101</u>
<b>LONG-TERM LIABILITIES</b>		
Unearned revenue	114,882	180,754
Total long-term liabilities	<u>114,882</u>	<u>180,754</u>
Total liabilities	<u>192,359</u>	<u>235,855</u>
<b>NET POSITION</b>		
Unrestricted	1,480,062	1,534,944
Restricted	199,015	198,915
Total net position	<u>1,679,077</u>	<u>1,733,859</u>
Total liabilities and net position	<u>\$ 1,871,436</u>	<u>\$ 1,969,714</u>

See notes to financial statements.



**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A blended component unit of Ulster County, New York)

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUE</b>		
Contract and administrative fees	\$ 500	\$ 130,005
Contribution	66,776	-
Contract fees - Ellenville Million	123,733	206,855
Interest on loans	32,621	25,706
Marketing support from UCIDA	-	5,000
Late fees collected	449	1,089
Miscellaneous income	-	11,492
Total operating revenues	<u>224,079</u>	<u>380,147</u>
<b>OPERATING EXPENSES</b>		
Contractual expense	66,741	2,243
Professional fees	12,609	12,405
Dues and subscriptions	-	10,000
Insurance	4,193	4,147
Marketing and advertising	71,272	119,646
Contracts for Services - Ellenville Million	123,733	206,855
Miscellaneous expenses	-	349
Office expense	382	353
Provision for loan losses	171	3,348
Total operating expenses	<u>279,101</u>	<u>359,346</u>
Operating income	<u>(55,022)</u>	<u>20,801</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest on deposits	444	525
Sale of property	19,100	889,513
Transfer to Ulster County	(19,100)	(889,513)
Interest expense	(204)	(1,055)
Total non-operating revenue (expenses)	<u>240</u>	<u>(530)</u>
<b>CHANGE IN NET POSITION</b>	<u>(54,782)</u>	<u>20,271</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,733,859</u>	<u>1,713,588</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,679,077</u>	<u>\$ 1,733,859</u>

See notes to financial statements.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

## STATEMENTS OF CASH FLOWS

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Administrative fees	\$ 31,265	\$ 147,936
Grant - Ellenville Million	145,510	300,326
Interest on loans	32,621	25,665
Marketing support from UCIDA	-	5,000
Miscellaneous revenue	-	11,492
Loans disbursed	(50,000)	(350,000)
Loans paid back	99,595	114,743
Payments to vendors	(236,141)	(388,232)
Net cash provided by (used for) operating activities	<u>22,850</u>	<u>(133,070)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	444	525
Transfer to Ulster County	(19,100)	(864,513)
Sale of property	19,100	840,763
Net cash provided by (used for) investing activities	<u>444</u>	<u>(23,225)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest expense	(204)	(1,055)
Payments on long-term debt	(20,413)	(38,016)
Net cash used for financing activities	<u>(20,617)</u>	<u>(39,071)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,677	(195,366)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	1,128,667	1,324,033
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 1,131,344</u>	<u>\$ 1,128,667</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ (55,022)	\$ 20,801
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Provision for loan losses	171	3,348
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(934)	5,592
Decrease (increase) in loans receivable	49,594	(235,694)
Decrease in due from Ulster County	52,124	109,176
Decrease in unearned revenue	(65,872)	(4,059)
Increase (decrease) in accounts payable	42,789	(32,234)
Net cash provided by (used for) operating activities	<u>\$ 22,850</u>	<u>\$ (133,070)</u>
<b>NONCASH DISCLOSURE</b>		
Property sale - deposit held by and released for benefit of Ulster County	<u>\$ -</u>	<u>\$ 25,000</u>

See notes to financial statements.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 1 — NATURE OF ORGANIZATION

#### Financial Reporting Entity

The Ulster County Economic Development Alliance, Inc. (“the Alliance” or “UCEDA”) (formerly Ulster County Development Corporation) promotes job growth, economic development and community revitalization for Ulster County by unified regional and national marketing and provides business financing through a variety of countywide and municipal revolving loan funds.

#### Governance/Accountability

The Corporation’s sole Member is the County of Ulster, New York (the “County”) acting by and through the County Executive, ex officio. The number of Directors of the Alliance shall be seven as established by resolution adopted by the Member.

#### Programs of the Alliance

##### CDBG

Includes the activities of Community Development Block Grants revolving loan fund which provides loans below \$75,000 to businesses to create and retain jobs in Ulster County. Loans can be issued in excess of \$75,000 with a super-majority of committee approval.

##### Section 108

Includes the HUD Section 108 Loan Guarantee Program activities administered through Ulster County, New York, which provide loans within the range of \$75,000 to \$750,000 to businesses for development and job creation in Ulster County.

##### Telecommunications Fund

Provides matching loan funds under the USDA Intermediary Relending Program Loan Fund.

##### USDA Intermediary Relending Program Loan Fund

Provides loans to small business at low rates of interest for part of their financing needs. The program will lend up to 16% of a total project cost and another 14% in matching loan funds from the Revolving Loan Funds in conjunction with conventional lending sources for eligible projects. Of the amount loaned by UCEDA to cover the cost of the project, 85% may be lent from USDA borrowings and 15% must be matched by UCEDA from funds raised from other unrestricted sources. At least 50% of the project must come from either the applicant or a conventional lending source.

##### Ellenville Million

Ulster County entered into an agreement with the UCEDA for the administration and oversight of the Ellenville Million Program (not to exceed \$1M) which is designed to enhance the economic prosperity of the Village of Ellenville and the Town of Wawarsing in nine project areas based on recommendations from the Ellenville Million Committee. The term of the agreement is September 1, 2015 to July 1, 2020. The UCEDA will review and approve plans and budgets for each project area. UCEDA will require each project plan to include a summary of the project components, an expenditure plan that identifies funding sources and uses for all funds involved, expected outcomes; including job creation data if applicable, timeline for completion, and other information that UCEDA deems appropriate to ensure that the project is successfully implemented. UCEDA will submit copies of all approved plans and budgets to the Ulster County Planning Department and the Ulster County Legislature.

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**  
**(A blended component unit of Ulster County, New York)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 1 – NATURE OF ORGANIZATION** (Continued)

**Programs of the Alliance** (Continued)

Ellenville Million (Continued)

UCEDA will enter into an appropriate contractual relationship with all entities implementing projects. Ulster County is to provide the funds to the UCEDA for each qualified project holding back 20% until project completion. UCEDA will reimburse entities for expenses which have been approved in their plan, incurred, and have been paid for. UCEDA may make advanced payments of up to 20% of a project's contract amount based on the submission and approval by UCEDA of a Statement of Need. UCEDA will hold the final 20% of each project's contract amount as retainage and will only release this amount upon full completion of the project and submission of a project closeout report. UCEDA will require the project closeout report document the accomplishments of the project and include an accounting of all funds for the project.

Other activities include business retention, expansion, recruitment, and incubation, site searches, marketing, and other sector initiatives.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Alliance 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 Alliance applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The Alliance applies GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which was issued by the GASB on December 30, 2010. The Alliance has chosen to only apply GASB pronouncements. The Alliance does not apply any Financial Accounting Standards Board (FASB) or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. The government-wide financial statements include the Corporation's only governmental fund (single enterprise fund).

**Deferred Outflows/Inflows of Resources**

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

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

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

**Budgetary Data**

The budget policies are as follows:

In October of each year the finance committee submits a tentative budget to the Board of Directors for the next fiscal year which begins the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing.

# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A blended component unit of Ulster County, New York)

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Alliance periodically evaluates estimates and assumptions used in the preparation of the financial statements and makes changes on a prospective basis when adjustments are necessary.

The most significant estimate of the Alliance is the allowance for loan losses. 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 may obtain independent appraisals for significant collateral.

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

Contributions are recognized when received or in the period of intended use as specified by the donor. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Administrative revenue is recognized in the period services are provided. 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 unearned until the period costs are incurred. 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**

The Alliance is a not-for-profit organization, exempt from federal income taxes under sections 501(c)(3) and is not a "private foundation" within the meaning of section 509(a)(2) of the Internal Revenue Code.

The Alliance 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 Alliance is no longer subject to examination by federal and state taxing authorities for years prior to the fiscal year ended December 31, 2016.

#### **Cash and Cash Equivalents**

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

# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A blended component unit of Ulster County, New York)

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Property and Equipment**

The cost of property and equipment is depreciated over the useful lives of the related assets using the straight-line method. The Alliance capitalizes fixed assets with an estimated useful life of greater than one year and a cost of greater than \$500.

#### **Concentration of Credit and Market Risk**

Financial instruments that potentially expose the Alliance 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 (FDIC) insured financial institutions and credit exposure is limited to any one institution. To the extent FDIC insurance is not sufficient, the Alliance requires its bank to maintain pledged collateral.

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.

#### **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. Interest rates on loans range from 3% to 5%.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. 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 case by case 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 rating 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 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 these 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.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 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 25, 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.

We have identified additional collection risk in our notes receivable balances due the fact that at least two of the underlying businesses are experiencing the same hardships.

### NOTE 3 — CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2019:

<u>Bank</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Pledged Collateral</u>
M&T	\$ 1,131,344	\$ 1,131,344	\$ 500,000	\$ 643,971

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2018:

<u>Bank</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Pledged Collateral</u>
M&T	\$ 1,128,667	\$ 1,155,365	\$ 250,000	\$ 923,116

At December 31, 2019 and 2018, deposits of the Alliance were fully covered by federal depository insurance (FDIC) and by collateral held by a Bank in the Alliance’s name.

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**  
(A blended component unit of Ulster County, New York)  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

**NOTE 3 — CASH AND CASH EQUIVALENTS** (Continued)

The following represents the cash balances at December 31, 2019 and 2018 by fund:

Fund:	<u>2019</u>	<u>2018</u>
Operating Fund	\$ 386,499	\$ 373,028
Ellenville Million	125,649	114,976
CDBG Loan Fund	352,725	211,036
Ready2Go Fund	-	66,576
USDA Intermediary Relending Program Loan Fund	-	124,557
Telecommunications Fund	199,015	198,915
Section 108	41,264	37,744
Revolving Loan Fund	26,192	1,835
Total	<u>\$ 1,131,344</u>	<u>\$ 1,128,667</u>

**NOTE 4 — PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows as of December 31, 2019 and 2018:

	<u>Balance at 12/31/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 12/31/2019</u>
Equipment - grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Vehicle and office equipment	59,025	-	-	59,025
	<u>411,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>411,510</u>
Accumulated depreciation	<u>(411,510)</u>			<u>(411,510)</u>
Total property and equipment	<u>\$ -</u>			<u>\$ -</u>

	<u>Balance at 12/31/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 12/31/2018</u>
Equipment - grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Vehicle and office equipment	59,025	-	-	59,025
	<u>411,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>411,510</u>
Accumulated depreciation	<u>(411,510)</u>			<u>(411,510)</u>
Total property and equipment	<u>\$ -</u>			<u>\$ -</u>

There was no depreciation expense during the years ended December 31, 2019 and 2018.



# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

**(A blended component unit of Ulster County, New York)**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

### **NOTE 5 — LOANS RECEIVABLE**

During the year ended December 31, 2019, the Alliance entered into two new loan agreements, Costas & Tate Insurance Agency Inc. and Mad Batters Pastries, LLC. The Mad Batters Pastries, LLC agreement was made on January 24, 2019 for \$35,000. The loan is to be paid in monthly payments (including principal and interest) of \$478 at a 4% fixed rate, the first payment due on March 1, 2019 until February 1, 2025. The Costas & Tate Insurance Agency Inc. agreement was made on March 25, 2019 for \$15,000. The loan is to be paid in monthly installments (including principal and interest) of \$276 at a 4% fixed rate, the first payment due on May 1, 2019, and matures on April 1, 2024.

During the year ended December 31, 2018, the Alliance refinanced three Bread Alone loans from Telecommunications, USDA, and revolving loan fund programs (all carrying 4% interest), into one loan for \$250,566. The new terms include monthly installments (including principal and interest) of \$2,537 at a 4% fixed rate, the first payment due on June 1, 2018 and matures May 1, 2028. No additional money was repaid or loaned with the refinancing. The Alliance also entered into three new loan agreements during the year ended December 31, 2018, Yoga Vida LLC, Fruition Chocolate and CYRE, Inc. d/b/a Pika's Farm to Table. The Yoga Vida LLC agreement was made on June 15, 2018 for \$150,000. The loan is to be paid in monthly installments of interest only payments of \$625 at a 5% fixed rate, the first payment due on July 1, 2018 until July 1, 2023 when the entire unpaid principal balance together with unpaid interest shall be due. The Fruition Chocolate agreement was made on April 16, 2018 for \$100,000. The loan is to be paid in monthly installments (including principal and interest) of \$1,367 at a 4% fixed rate, the first payment due on July 1, 2018, and matures on May 1, 2025. The Pika's Farm to Table agreement was made on November 2, 2018 for \$100,000. The loan is to be paid in monthly installments (including principal and interest) of \$1,367 at a 4% fixed rate, the first payment due on December 1, 2018 and matures on November 1, 2025.

These loans are collateralized by equipment and personal guarantees of the owners, and the loans are subject to certain affirmative covenants related to job creation.

The total loan balance at December 31, 2019 and 2018 was comprised of 9 loans totaling \$749,922 and 9 loans totaling \$799,516, respectively. The loan balance at December 31, 2019 was comprised of 4 loans making up 75% of the loan balance and the loan balance at December 31, 2018 was comprised of 4 loans making up 76% of the loan balance.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 5 — LOANS RECEIVABLE (Continued)

A summary of changes to loan receivable balances for the year ended December 31, 2019 are as follows:

	<b>Balance 12/31/18</b>	<b>New Loans</b>	<b>Payments</b>	<b>Balance 12/31/19</b>
Bread Alone	\$ 238,535	\$ -	\$ 19,482	\$ 219,053
Falcon Music & Art	5,245	-	5,245	-
Fruition Chocolate	93,747	-	12,887	80,860
Yoga Vida, LLC	150,000	-	-	150,000
The Farm Bridge	124,565	-	19,985	104,580
GAMEX, LLC	56,219	-	10,038	46,182
Organic Nectars	28,739	-	10,420	18,319
New World Catering	3,500	-	3,500	-
Pika's Farm Table	98,966	-	12,675	86,291
Costas and Tate Insurance Agency, Inc.	-	15,000	2,064	12,936
Mad Batters Pastries, LLC	-	35,000	3,299	31,701
	<u>\$ 799,516</u>	<u>\$ 50,000</u>	<u>\$ 99,595</u>	<u>\$ 749,922</u>

The allowance for loan losses activity during the year ended December 31, 2019 and was as follows:

Balance, beginning of year	\$ 10,669
Provision	171
Write-offs	-
Recoveries	-
Balance, end of year	<u>\$ 10,840</u>

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 5 — LOANS RECEIVABLE (Continued)

A summary of changes to loan receivable balances for the year ended December 31, 2018 are as follows:

	<b>Balance 12/31/17</b>	<b>New Loans</b>	<b>Payments</b>	<b>Balance 12/31/18</b>
AmeriBag	\$ 14,102	\$ -	\$ 14,102	\$ -
Bread Alone	126,821	126,822	15,108	238,535
Bread Alone	25,365	(25,365)	-	-
Falcon Music & Art	12,529	-	7,284	5,245
Serra, LLC	5,460	-	5,460	-
Fruition Chocolate	-	100,000	6,253	93,747
Yoga Vida, LLC	-	150,000	-	150,000
The Farm Bridge	143,768	-	19,203	124,565
GAMEX, LLC	65,961	-	9,742	56,219
Gillette Creamery	21,880	-	21,880	-
Organic Nectars	39,567	-	10,828	28,739
New World Catering	8,515	-	1,430	3,500
Pika's Farm Table	-	100,000	1,034	98,966
	<u>\$ 463,968</u>	<u>\$ 451,457</u>	<u>\$ 112,324</u>	<u>\$ 799,516</u>
USDA Loan program:				
Bread Alone	\$ 101,457	\$ (101,457)	\$ -	-
Costas & Tate	2,419	-	2,419	-
	<u>103,876</u>	<u>(101,457)</u>	<u>2,419</u>	<u>-</u>
	<u>\$ 567,844</u>	<u>\$ 350,000</u>	<u>\$ 114,743</u>	<u>\$ 799,516</u>

The allowance for loan losses activity during the year ended December 31, 2018 and was as follows:

Balance, beginning of year	\$ 11,343
Provision	2,910
Write-offs	(3,584)
Recoveries	-
Balance, end of year	<u>\$ 10,669</u>

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A blended component unit of Ulster County, New York)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**NOTE 6 — LONG TERM DEBT**

The Alliance grants loans to businesses which are funded through Community Development Block Grants and the HUD Section 108 Loan Guarantee Program. The primary objective of the programs is to encourage business expansion and create employment within the County. Interest rates vary but are always below the prime lending rate. Loans are generally secured by liens on real property and security interests in other business assets:

Long term debt at December 31, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
The Alliance administers loans from the USDA Intermediary Relending Program. The Alliance had been approved for a loan in the principal sum of \$600,000. The Alliance paid interest at 1%. Principal and interest was paid in 4 equal annual installments beginning in February 2015 and one additional installment in February 2019. The annual installments, which included principal and interest, were \$25,470 with a final installment of \$20,623. This payout schedule was based on the full \$600,000 being drawn despite only \$119,000 being drawn.		
During 2019 the loan was paid in full.	\$ -	\$ 20,413
Total:	-	20,413
Less current portion:	-	20,413
Long-Term Portion:	<u>\$ -</u>	<u>\$ -</u>

The following is a summary of long-term debt activity during the year ended December 31, 2019:

	<u>Balance 12/31/18</u>	<u>New Loans</u>	<u>Payments</u>	<u>Balance 12/31/19</u>
USDA Intermediary Relending Program	\$ 20,413	\$ -	\$ 20,413	\$ -

The following is a summary of long-term debt activity during the year ended December 31, 2018:

	<u>Balance 12/31/17</u>	<u>New Loans</u>	<u>Payments</u>	<u>Balance 12/31/18</u>
HUD Section 108 loan	\$ 13,000	\$ -	\$ 13,000	\$ -
USDA Intermediary Relending Program	45,429	-	25,016	20,413
	<u>\$ 58,429</u>	<u>\$ -</u>	<u>\$ 38,016</u>	<u>\$ 20,413</u>

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 7 — UNEARNED REVENUE

Unearned revenue represents contributions received for the Ready2Go Fund and the Ellenville Million project during the years ended December 31, 2019 and 2018.

#### Ready2Go Fund

The Ready2Go Fund represents funds received during the year ended December 31, 2012 that have not yet been applied to shared costs or existing projects as of December 31, 2016. The Ready2Go Fund provided assistance to property owners to offset the costs of obtaining site plan approval to get them permit ready. In 2016, Central Hudson and UCEDA agreed to repurpose the Ready2Go funds to other economic development purposes including \$87,092 to the Town of Saugerties for an infrastructure project to expand natural gas service to Kings Highway and \$50,000 was returned to the UCIDA. Unspent funds provided by Central Hudson of \$66,576 were earned during the year ended December 31, 2019 and included in accounts payable at December 31, 2019. In February 2020, the Alliance made payment to Northeast Solite Corporation, Inc.

#### Ellenville Million Project

The Alliance entered into a contract with Ulster County in 2015 to administer the Ellenville Million project. The Ellenville Million project was established to provide funding to nine project areas recommended by the Ellenville Million Committee. The Alliance will enter into an appropriate contractual relationship with all entities implementing projects and will reimburse entities for appropriate expenses. The Alliance invoices the County for 80% of funding upon the submission of a completed and approved project plan and required contracts. Upon the submission and approval of the Alliance's final report, the County will provide the remaining 20% of funding.

The following is a summary of unearned revenue at December 31, 2019:

Project	Project revenue			
	Balance 12/31/18	Project Receipts	earned	Balance 12/31/19
Ready2Go Fund	\$ 66,576	\$ -	\$ (66,576)	\$ -
Prepaid loan interest	99	108	(99)	108
Ellenville Million Project	114,079	123,038	(123,733)	114,774
	<u>\$ 180,754</u>	<u>\$ 123,146</u>	<u>\$ (190,408)</u>	<u>\$ 114,882</u>

The following is a summary of unearned revenue at December 31, 2018:

Project	Project revenue			
	Balance 12/31/17	Project Receipts	earned	Balance 12/31/18
Ready2Go Fund	\$ 66,576	\$ -	\$ -	\$ 66,576
Prepaid loan interest	140	99	(140)	99
Ellenville Million Project	118,096	202,838	(206,855)	114,079
	<u>\$ 184,812</u>	<u>\$ 202,937</u>	<u>\$ (206,995)</u>	<u>\$ 180,754</u>

### NOTE 8 — RELATED PARTIES

Ulster County Economic Development Alliance, Inc. does not have its own employees and recognizes no payroll expenses. Ulster County's finance department has assumed the accounting responsibilities and the County's Office of Economic Development has assumed the administration of the Alliance. Donated services have not been reflected in these financial statements.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### NOTE 8 – RELATED PARTIES (Continued)

For the year ended December 31, 2019, the Alliance did not earn any revenue or have any balance due from Ulster County. For the year ended December 31, 2018, the Alliance earned \$125,000 of revenue from Ulster County to provide marketing, education, support services and program administration. The Alliance had a due from Ulster County at December 31, 2018 for \$52,124. During the years ended December 31, 2019 and 2018, the Alliance did not pay rent to Ulster County.

The Ellenville Million Project as described in Note 7 is funded by a contract with Ulster County.

For the year ended December 31, 2018, the Alliance earned \$5,000 of revenue from the UCIDA for marketing support.

#### Real Property

Ulster County transferred the deeds to three properties to the Alliance during 2015 for the purpose of selling the properties at the highest potential value. When the Alliance sells the properties, the net proceeds will be transferred to Ulster County in accordance with the respective resolutions that granted the properties to the Alliance. Because of the relationship between Ulster County and the Alliance, this transfer of properties (which are fully depreciated at the County level) are not recorded as an asset of the Alliance in accordance with GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

During the year ended December 31, 2016, the Alliance entered in a contract on September 29, 2016, with a New York not-for-profit organization, RUPCO, Inc. for the sale of the property located at 300 Flatbush Ave., Kingston, NY. The selling price was \$950,000, which was payable upon closing of the transaction to Ulster County. The purchaser had deposited \$25,000 during 2017 with Ulster County as intermediary. An additional deposit of \$23,750 was provided by RUPCO, Inc. during the year ended December 31, 2017 and was applied to the purchase price at closing.

On April 23, 2018 RUPCO, Inc. finalized the purchase of the property located at 300 Flatbush Ave., Kingston, NY for the purchase price of \$950,000 minus the purchaser's credits of \$25,000 and \$23,750 for a total due at closing of \$901,250. The cashier's check for \$897,450 along with a transfer of tax paid by Benchmark Title Agency, LLC of \$3,800 concluded the sale. As discussed above, the proceeds were paid immediately to Ulster County.

On May 28, 2019, the Alliance entered into a contract with Richard P. Boice for the sale of a parcel of land on Oneil Street in Kingston, NY for the price of \$19,100. In accordance with the Alliance's agreement with Ulster County, the proceeds from the sale were paid to Ulster County immediately.

### NOTE 9 — RESTRICTED NET POSITION

Restricted net position consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Telecommunications Fund	\$ 199,015	\$ 198,915
Total Restricted Net Position	<u>\$ 199,015</u>	<u>\$ 198,915</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Ulster County Economic Development Alliance, Inc.

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 Ulster County Economic Development Alliance, Inc. as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements, and have issued our report thereon dated March 25, 2020.

***Internal Control over Financial Reporting***

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

Kingston, New York  
March 25, 2020

Draft



**SUPPLEMENTARY INFORMATION**

Draft

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**  
**(A blended component unit of Ulster County, New York)**  
**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**Year ended December 31, 2019**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
Revenues:			
Contract and administrative fees	\$ 131,900	\$ 949	\$ (130,951)
Contract fees - Ellenville Million	500,000	123,733	(376,267)
Contributions	-	66,776	66,776
Interest on deposits	100	444	344
Interest income - loans	13,700	32,621	18,921
Educational events	3,000	-	(3,000)
Total revenues	<u>648,700</u>	<u>224,523</u>	<u>(424,177)</u>
Expenditures:			
Contractual expense	11,200	66,741	(55,541)
Professional fees	17,500	12,609	4,891
Educational events	3,000	-	3,000
Dues and subscriptions	10,000	-	10,000
Insurance	5,500	4,193	1,307
Marketing and advertising	100,000	71,272	28,728
Contracts for services - Ellenville Million	500,000	123,733	376,267
Office expense	1,500	382	1,118
Provision for loan losses	-	171	(171)
Interest expense	-	204	(204)
Total expenditures	<u>648,700</u>	<u>279,305</u>	<u>369,395</u>
Total revenues in deficiency of expenditures	<u>\$ -</u>	<u>\$ (54,782)</u>	<u>\$ (54,782)</u>