

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	12 - 13

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lake Champlain-Lake George Regional
Development Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lake Champlain-Lake George Regional Development Corporation (the Corporation) (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 9, 2023

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 60,724	56,184
Accrued interest receivable	130	97
Current portion of loans receivable	35,597	49,022
Less allowance for doubtful accounts	<u>(19,361)</u>	<u>(12,379)</u>
Total current assets	77,090	92,924
Loans receivable, net of current portion	31,145	55,622
Less allowance for doubtful accounts	<u>(30,639)</u>	<u>(37,621)</u>
Net loans receivable, net of current portion	<u>506</u>	<u>18,001</u>
Total assets	<u><u>\$ 77,596</u></u>	<u><u>110,925</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	-	195
Accrued interest payable	45	40
Current portion of loan payable	<u>30,247</u>	<u>29,947</u>
Total current liabilities	30,292	30,182
Long-term liabilities - loan payable, net of current portion	<u>30,027</u>	<u>60,280</u>
Total liabilities	60,319	90,462
Net assets without donor restrictions	<u>17,277</u>	<u>20,463</u>
Total liabilities and net assets	<u><u>\$ 77,596</u></u>	<u><u>110,925</u></u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
Statements of Activities
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Interest income from loans to businesses	\$ 2,206	10,331
Interest income from investments	24	12
Prior year refund of expenditures	433	-
Program late fees	<u>53</u>	<u>34</u>
Total revenue	<u>2,716</u>	<u>10,377</u>
Expenses:		
Administrative and operating expenses	4,946	5,079
Interest expense	<u>956</u>	<u>2,324</u>
Total expenses	<u>5,902</u>	<u>7,403</u>
Change in net assets without donor restrictions	(3,186)	2,974
Net assets without donor restrictions at beginning of year	<u>20,463</u>	<u>17,489</u>
Net assets without donor restrictions at end of year	<u><u>\$ 17,277</u></u>	<u><u>20,463</u></u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION
Statements of Cash Flows
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ (3,186)	2,974
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities - changes in:		
Accrued interest receivable	(33)	612
Accounts payable	(195)	195
Accrued interest payable	<u>5</u>	<u>(13)</u>
Net cash provided by (used in) operating activities	(3,409)	3,768
Cash flows from investing activities - collections on loans receivable	37,902	79,831
Cash flows from financing activities - repayments on loan payable	<u>(29,953)</u>	<u>(29,638)</u>
Net change in cash	4,540	53,961
Cash at beginning of year	<u>56,184</u>	<u>2,223</u>
Cash at end of year	<u><u>\$ 60,724</u></u>	<u><u>56,184</u></u>
Supplemental schedule of cash flow information - cash paid for interest	<u><u>\$ 951</u></u>	<u><u>2,337</u></u>

See accompanying notes to financial statements.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Lake Champlain-Lake George Regional Development Corporation (the Corporation) was incorporated under Sections 402 and 1411 of the Not-For-Profit Corporation Law of New York State. The Corporation's objectives are to promote commercial development within Warren, Washington, Clinton, Essex and Hamilton Counties. These objectives are primarily accomplished by the relending of Farmers Home Administration (FmHA) loans to new or existing businesses located within these five counties.

(b) Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

(c) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions. Net asset without donor restrictions represents resources available for the general support of the Corporation's activities. Net assets with donor restrictions are those whose use has been limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Corporation. The Corporation had only net assets without donor restrictions in 2022 and 2021.

(d) Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash

For purposes of reporting cash flows, cash includes money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

(f) Income Taxes

The Corporation is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code (the Code). Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and recognize a tax liability if the Corporation has taken an uncertain tax position that more than likely would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Corporation and is not aware of any events that could jeopardize its tax exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(h) Reclassifications

Reclassifications have been made to certain 2021 balances in order to conform them to the 2022 presentation.

(2) Liquidity

The Corporation has approximately \$96,451 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$60,724 of cash, \$130 of accrued interest receivable and \$35,597 of loans receivables at December 31, 2022. The loans receivable are restricted to the repayment of FmHA loan payable (note 4).

(3) Loans Receivable

(a) Program Description

Loans receivable represents the balance on loans made available through the FmHA Intermediary Relending Program (IRP). These loans are made available through the Community Economic Development Act as assistance to eligible IRP intermediaries. Under the IRP, interest and fee income earned on the loans to ultimate recipients may be used for operating expenditures of the Corporation. To qualify for a loan through this program, applicants must have applied for and been denied credit at a financial institution. In addition, all loans are required to be secured by some form of collateral.

(b) Allowance for Loan Losses

An allowance for loan losses is established when management believes that the collectability of the principal is impaired. Recoveries on loans previously charged off are credited directly to the allowance for loan losses. The allowance is an estimated amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans, quality of collateral and prior loan loss experience. At December 31, 2022 and 2021, the allowance for loan losses was \$50,000.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) Loans Receivable, Continued

(b) Allowance for Loan Losses, Continued

Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions and collection efforts, that the loans are impaired or collection of interest is doubtful.

The table sets forth a summary of loans receivable for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 104,644	184,475
Less amounts collected	(37,902)	(79,831)
Balance at end of year	66,742	104,644
Less current portion	(35,597)	(49,022)
Loans receivable, net of current portion	\$ <u>31,145</u>	<u>55,622</u>

(c) Loan Interest

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Interest accrues on loans receivable at 5.0% - 6.5% per annum as detailed in the terms of each loan agreement. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

(4) Loan Payable

The Corporation is the intermediary recipient of a United States Department of Agriculture Rural Development FmHA loan with interest of 1% annually. The Corporation, upon FmHA approval, may draw funds from FmHA for the purpose of relending to businesses and individuals who meet the criteria of the IRP. Principal and interest on the loan are due in annual installments of \$30,848. The loan matures in December 2024. The loan is secured by the Corporation's loans receivable. A summary of the outstanding loan payable as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
FmHA loan	\$ 60,274	90,227
Less current portion	(30,247)	(29,947)
Loan payable, net of current portion	\$ <u>30,027</u>	<u>60,280</u>

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(4) Loan Payable, Continued

The aggregate maturity of the loan payable for the two years following December 31, 2022 is as follows:

2023	\$ 30,247
2024	<u>30,027</u>
	\$ <u>60,274</u>

Interest expense was \$956 and \$2,324 for the years ended December 31, 2022 and 2021, respectively.

(5) Related Party Transactions

The Lake Champlain-Lake George Regional Planning Board (the Board) shares certain members of its Board of Directors and is, therefore, considered a related party to the Corporation. In addition, the Corporation shares office space and personnel with the Board and has contracted with them to administer the IRP and to provide other services. The Corporation may be charged a fee for these items. No fees were charged during the years ended December 31, 2022 and 2021.

(6) Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to credit risk are loans receivable from various businesses within the Corporation's service area. These loans are secured by various types of collateral to minimize the risk to the Corporation. Loans are considered past due when a payment as detailed in the loan agreement, is not paid timely. Loans receivable, which are considered collectable and are still accruing finance charges, amounted to \$19,083 and \$56,985 at December 31, 2022 and 2021, respectively. Loans not accruing interest because management has determined that collection is doubtful amounted to \$47,659 at December 31, 2022 and 2021. At December 31, 2022, the Corporation had two loans that represented 98% of the total outstanding loans receivable. At December 31, 2021, the Corporation had three loans that represented 91% of the total loans receivable.

LAKE CHAMPLAIN-LAKE GEORGE
REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(7) Functional Expenses

The Corporation's expenses for the years ended December 31, 2022 and 2021, are allocated as follows:

	<u>2022</u>	<u>2021</u>
Program services	\$ 2,111	2,324
Supporting services	<u>3,791</u>	<u>5,079</u>
	\$ <u>5,902</u>	<u>7,403</u>

(8) Economic Conditions

The Corporation previously experienced several years of net deficits primarily due to uncollectible receivables and declining cash flows. As of December 31, 2022, the Corporation has \$60,724 in cash available to be used for operations, loans receivable of \$66,742 and FmHA loans payable to the United States Department of Agriculture in the amount of \$60,274. If there continues to be collection issues related to loans receivables, the Corporation may not have sufficient cash resources to make the required payments for the FmHA loan through 2024. Management does not believe it can operate effectively in the future without the collection of outstanding loan receivables. The allowance for doubtful accounts of \$50,000 approximates the balance on the Corporation's largest loan. Collection of this loan, is considered by management, to be critical for future cash flows and therefore future operations. The accompanying financial statements do not include any adjustments that might result from this uncertainty.

INDEPENDENT AUDITORS' 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

The Board of Directors
Lake Champlain-Lake George Regional
Development Corporation:

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 financial statements of Lake Champlain-Lake George Regional Development Corporation (the Corporation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 9, 2023