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

AUDITED FINANCIAL STATEMENTS

As of and for the year ended December 31, 2022
(with memorandum totals as of and for the year ended December 31, 2021)

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

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of
Columbia Economic Development Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Columbia Economic Development Corporation (a not-for-profit component unit of the County of Columbia, New York) (the "Corporation"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Columbia Economic Development Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Columbia Economic Development Corporation as of December 31, 2022 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.

Basis for Opinion

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Columbia Economic Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Corporation adopted GASB Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Columbia Economic Development Corporation's management is responsible for the preparation and fair presentation of the 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 Columbia Economic Development Corporation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's 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 auditor's 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 audit.
- Identify and assess the risks of material misstatements 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 audit 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 Columbia Economic Development 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 professional judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Columbia Economic Development 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 audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of Columbia Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbia Economic Development Corporation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Columbia Economic Development Corporation's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

UHY LLP

Hudson, New York
March 30, 2023

1. Introduction:

Within this section of the Columbia Economic Development Corporation's (the "Corporation") financial statements, the Corporation's management provides narrative discussion and analysis of the financial activities of the not-for profit Corporation for the year ended December 31, 2022. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2022.

2. Overview of the Financial Statements:

The Corporation's basic financial statements include: (1) financial statements, and (2) notes to the financial statements.

Financial Statements:

The Corporation's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Corporation is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Corporation's significant accounting policies.

The *Statement of Net Position* presents information on the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Corporation's financial position.

The *Statement of Revenues, Expenses and Change in Net Position* presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Corporation's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

Notes to Financial Statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

3. Financial Highlights:

During the year ended December 31, 2022, the Corporation was able to assist Columbia County businesses through its loan programs.

3. Financial Highlights (Continued):

Net position decreased $17,732 during the year ended December 31, 2022. Operating revenues increased $293,597 or 79%, primarily due to an increase in grant revenue of $307,611 offset by a decrease of administrative fees of $10,022. Non-operating activity in 2022 (excluding appropriations) resulted in a loss of $13,087. Operating expenses increased $288,908 or 34%, primarily due to an increase in grant expense of $276,707, an increase in personnel and benefits of $22,107, an increase in consulting of $25,280, offset by a decrease in bad debt expense of $50,000.

Total assets increased by $741,199 or 19.84% and total liabilities increased $661,919 or 67.67% for the year ended December 31, 2022. Cash and cash equivalents was $1,413,338 at December 31, 2022, an increase of $60,139 from December 31, 2021. Total loans increased by $119,722 to $1,787,811 presented net of an allowance for loan loss of $278,233 at December 31, 2022.

4. Financial Statement Analysis:

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

	2022	2021
Assets		
Capital assets	$ 247,468	$ 12,740
Current assets	1,960,896	2,165,039
Long-term assets	2,268,458	1,557,844
Total assets	$ 4,476,822	$ 3,735,623
Current liabilities	$ 265,068	$ 199,586
Long-term liabilities	1,374,989	778,552
Deferred inflow of resources	102,249	5,237
Net position		
Unrestricted	2,067,349	2,271,624
Capital	6,458	12,740
Restricted	660,709	467,884
Total liabilities, deferred inflows, and net position	$ 4,476,822	$ 3,735,623

4. Financial Statement Analysis (Continued):

Below is a comparative summary of the Corporation's statements of Revenues, Expenses and Changes in Net Position for the years ended December 31:

	2022	2021
Operating revenues		
Charges for services	$ 34,000	$ 44,022
Interest from loans	72,160	73,472
Grant revenues	528,700	221,089
Membership fees	31,185	32,992
Land sale	-	873
Total operating revenues	666,045	372,448
Non-operating revenues		
Columbia County appropriation	460,000	368,000
Forgiveness of paycheck protection program loans	-	132,814
Interest earnings	5,795	3,750
Total non-operating revenues	465,795	504,564
Total revenues	1,131,840	877,012
Operating expenditures		
Personnel and benefits	337,175	315,068
Professional fees	61,167	46,419
Grants	286,361	9,654
Office	100,651	98,642
Consulting	192,598	167,318
Marketing	41,088	19,689
New initiatives	15,285	61,802
Amortization on right-of-use asset	36,598	-
Bad debt	-	50,000
Other operating expenditures	59,767	73,190
Total operating expenditures	1,130,690	841,782
Nonoperating expenditures		
Interest	18,882	69
Total nonoperating expenditures	18,882	69
Total expenditures	1,149,572	841,851
Total revenues (deficiency) in excess of expenditures	(17,732)	35,161
Net position at the beginning of the year	2,752,248	2,717,087
Net position at the end of the year	$ 2,734,516	$ 2,752,248

The 2022 budget included revenue of $833,000 and expenses of $833,000 with no projected gain or loss.

4. Financial Statement Analysis (Continued):

Total revenues were $298,840 more (36%) than the budget and total expenditures were $316,572 more (38%) than the budget. Total revenues exceeded budget primarily due to grant revenue exceeding the budget by $373,700. This was offset by interest on loans, membership fees, and other income not meeting the budget by $3,840, $28,815, and $12,000, respectively. Total expenses exceeded the budget primarily due to grant expenses and professional fees exceeding budget by $271,361 and $25,167, respectively, offset by personnel and benefits and new initiatives budget exceeding actual expense by $22,825 and $34,715, respectively.

5. Additional Information:

This report is prepared for the use of the Corporation's audit committee, management, federal awarding agencies and pass-through entities, and members of the public interested in the affairs of the Corporation. Questions with regard to this financial report or requests for additional information may be addressed to the President/CEO, Columbia Economic Development Corporation, 1 Hudson City Centre, Suite 301, Hudson, NY 12534.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF NET POSITION
December 31, 2022
(with memorandum only totals at December 31, 2021)

	2022	2021 (memorandum only)
CURRENT ASSETS		
Cash and cash equivalents	$ 1,413,338	$ 1,353,199
Certificate of deposit	-	153,955
Restricted cash - fiscal agency	-	14,670
Accounts receivable	62,402	50,675
Account receivable - IDA	6,000	12,000
Land sale receivable, current portion	-	9,918
SBA technical assistance grant receivable	59,224	43,352
Loans receivable, current portion	419,932	527,270
Total current assets	1,960,896	2,165,039
CAPITAL ASSETS, NET		
Land	232,900	-
Furniture and equipment, net of $35,855 of accumulated depreciation	14,568	12,740
Total capital assets, net	247,468	12,740
OTHER ASSETS		
Restricted cash	653,390	413,825
Right of use asset, net	243,989	-
Security deposit	3,200	3,200
Loans receivable, less current portion, net of allowance of $278,233	1,367,879	1,140,819
Total other assets	2,268,458	1,557,844
Total assets	4,476,822	3,735,623
CURRENT LIABILITIES		
Accounts payable	33,546	16,222
Accrued expenses	22,045	8,674
Due to fiscal agency	-	14,670
Loans payable - SBA microloan program, current portion	169,913	140,833
Lease liability, current	29,761	-
Debt reserve deposit	-	10,000
Unearned revenue, current portion	9,803	9,187
Total current liabilities	265,068	199,586
NON-CURRENT LIABILITIES		
Loan payable-EIDL, long-term portion	100,000	100,000
Loans payable-SBA microloan program, long-term portion	856,853	623,680
Lease liability, long-term portion	222,338	-
Unearned revenue, long-term portion	195,798	54,872
Total non-current liabilities	1,374,989	778,552
Total liabilities	1,640,057	978,138
DEFERRED INFLOWS OF RESOURCES		
Deferred grant income	83,737	5,237
Deferred membership income	18,512	-
Total deferred inflows of resources	102,249	5,237
NET POSITION		
Unrestricted	2,067,349	2,271,624
Invested in capital assets	6,458	12,740
Restricted		
Commerce Park water tower	-	71,817
County directed	-	48,889
Columbia County Student Connects Program	8,000	23,000
County restricted land	232,900	-
Masten Park	-	15,000
SBA microloan program	419,809	309,178
Total net position	$ 2,734,516	$ 2,752,248

See notes to financial statements.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended December 31, 2022
(with memorandum only totals for the year ended December 31, 2021)

	2022	2021 (memorandum only)
OPERATING REVENUE		
Administrative fees - related party	$ 24,000	$ 24,000
Administrative fees - Hudson IDA	10,000	20,022
Grant revenue	280,710	221,089
Grant revenue - Columbia County	247,990	-
Interest on loans	72,160	73,472
Membership fees	31,185	32,992
Land sale	-	873
Total operating revenue	666,045	372,448
OPERATING EXPENSES		
Personnel and benefits	337,175	315,068
Grants	286,361	9,654
Office	100,651	98,642
Program delivery fees	40,095	35,442
Professional fees	61,167	46,419
Consulting	192,598	167,318
Meetings and events	2,655	2,620
Insurance	2,903	2,886
Marketing	14,788	19,689
New initiatives	41,585	61,802
Depreciation	4,535	5,293
Amortization on right-of-use asset	36,598	-
Bad debt	-	50,000
Miscellaneous	9,579	26,949
Total operating expenses	1,130,690	841,782
OPERATING LOSS	(464,645)	(469,334)
NON-OPERATING REVENUE (EXPENSES)		
Bank interest	5,795	3,750
Forgiveness of paycheck protection program loans	-	132,814
Interest expense and fees	(18,882)	(69)
Total Non-Operating (Expenses) Revenue	(13,087)	136,495
Appropriation from the County of Columbia, NY	460,000	368,000
CHANGE IN NET POSITION	(17,732)	35,161
NET POSITION, Beginning of year	2,752,248	2,717,087
NET POSITION, End of year	$ 2,734,516	$ 2,752,248

See notes to financial statements.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022
(with memorandum only totals for the year ended December 31, 2021)

	2022	2021 (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Administrative fees - related party	**$ 30,000**	$ 18,000
Administrative fees - Hudson IDA	**10,000**	20,022
Principal disbursed on loans receivable	**(943,500)**	(580,400)
Principal received on loans receivable	**623,778**	392,514
Membership contributions	**49,697**	28,825
Grant revenue	**706,473**	234,026
Land sale	**9,918**	10,364
Interest on loans	**62,160**	73,472
Payments to employees	**(337,175)**	(315,068)
Payments to vendors	**(521,687)**	(548,616)
Net cash used for operating activities	**(310,336)**	(666,861)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriation from the County of Columbia, NY	**460,000**	368,000
Proceeds from loans payable - PPP	**-**	64,114
Payments on SBA microloan program	**(137,747)**	(132,564)
Proceeds from SBA microloan program	**400,000**	300,000
Net cash provided by noncapital financing activities	**722,253**	599,550
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal paid on leases	**(28,488)**	-
Interest paid	**(18,882)**	(69)
Net cash used for capital financing activities	**(47,370)**	(69)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchase) of certificate of deposit	**153,955**	(516)
Purchase of equipment	**(6,363)**	(3,693)
Purchase of land	**(232,900)**	-
Interest received	**5,795**	3,750
Net cash used for investing activities	**(79,513)**	(459)

See notes to financial statements.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended December 31, 2022
(with memorandum only totals for the year ended December 31, 2021)

	2022	2021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**$ 285,034**	$ (67,839)
CASH AND CASH EQUIVALENTS, Beginning of year	**1,781,694**	1,849,533
CASH AND CASH EQUIVALENTS, End of year	**$ 2,066,728**	$ 1,781,694
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**$ 1,413,338**	$ 1,353,199
Restricted cash - fiscal agency	**-**	14,670
Restricted cash	**653,390**	413,825
	$ 2,066,728	$ 1,781,694
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	**$ (464,645)**	$ (469,334)
Bad debt reserve	**-**	50,000
Amortization on right-of-use assets	**36,598**	-
Depreciation expense	**4,535**	5,293
Changes in assets, liabilities, and deferred inflows:		
Prepaids	**-**	2,888
Loans receivable	**(119,722)**	(187,887)
Land sale receivable	**9,918**	9,491
SBA technical assistance grant receivable	**(15,872)**	(24,070)
Accounts receivable	**(11,727)**	(49,008)
Account receivable - IDA	**6,000**	(6,000)
Accounts payable	**17,324**	(13,493)
Due to fiscal agency	**(14,670)**	(10,674)
Unearned revenue	**141,542**	37,007
Debt reserve deposit	**(10,000)**	-
Accrued expenses	**13,371**	(6,907)
Deferred grant income	**78,500**	-
Deferred membership income	**18,512**	(4,167)
Net cash used for operating activities	**$ (310,336)**	$ (666,861)
Non-Cash Activity:		
Contingent loan forgiven	$ 200,000	$ -

See notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Financial Reporting Entity

The Columbia Economic Development Corporation ("CEDC" or the "Corporation") was organized as a not-for-profit entity for the purpose of promoting and developing industry and job development in Columbia County, New York (the "County"). The Corporation is a component unit of the County, is a separate entity, and operates independently of the County.

Programs of the Corporation

General Operating

The Corporation derives its revenues primarily from Columbia County appropriations and from administrative fees from related parties such as Columbia County Capital Resource Corporation ("CRC") and Columbia County Industrial Development Agency ("CCIDA"). The fund also derives revenue from interest from loan receivables.

Loan Program

The loan program offers loans to local businesses, often at a discounted interest rate, to attract business to the County as well as expand business growth from existing businesses already located in the County. The program funds are also used to continue offering the Microbusiness seminar series and is used to fund expenses as it applies to the administration and delivery of programs.

The loan program receives grant money from time to time from the Community Development Block Grant Program (CDBG) through New York State (NYS). As a requirement of the grant, the loan program awards a contingent grant (usually based on employment goals) to local organizations after meeting certain NYS grant requirements. If requirements of the grant are not met by the local organization, the grant converts to a loan. The Corporation treats these arrangements as loans until the contingencies are met. As of December 31, 2022, the Corporation's loans receivables include $195,000 of these loan types comprised of:

	Original Loan Balance	Loan Balance at December 31, 2022
Flanders/Precisionaire Corporation	$ 200,000	$ -
Klocke Estates (CDBG)	150,000	150,000
Hudson Valley Creamery (CDBG)	45,000	45,000
	$ 395,000	$ 195,000

Flanders/Precisionaire Corporation's loan was fully forgiven in 2022 because the company fulfilled its requirements. Hudson Valley Creamery's loan is expected to be fully forgiven in 2026 and Klocke Estates loan is expected to be fully forgiven in 2027.

During the years ended December 31, 2022 and 2021 grant money received from CDBG-NYS of $150,000 and $45,000, respectively, was recorded as unearned revenue due to the CDBG grant including conditions that the grantee must meet the employment goals in order for the grant revenue to be earned by the Corporation (see Note 11). If the job requirements are not met by the grantee, they are obligated to repay the grant received. Should the employment goals not be met, the Corporation would either have to repay the CDBG grant or request permission to re-grant the funds to another eligible participant.

NOTE 1 – NATURE OF ORGANIZATION (Continued)

Programs of the Corporation (Continued)

CDBG Small Cities

Grant funds received with performance requirements are recorded as unearned revenue in the period granted. The Corporation records a receivable for the amount of the loan lent out or grant made to the third party business. As obligations are met, the loan is paid off or written down and the loan balance is earned or forfeited. Unearned revenue is recognized in income as performance obligations are met and contingent grants made are recognized in expense as earned by the grantee.

267ED424-02 Grant

The 267ED424-02 grant offered assistance to local businesses by offering low interest business loans. The Corporation receives interest and principal payments on a monthly basis. At December 31, 2022, the loan balance outstanding was $10,601.

Microbusiness Program

The microbusiness program is funded by the loan program. The program offers technical assistance to local businesses. The program also offers seminars taught by local business owners and professionals.

SBA-Microloan Program

Loans are provided to small businesses in Columbia and Greene Counties funded by the Small Business Administration (SBA). Loans over 120 days past due are required to be charged off. The loan maturity date should not exceed six years on Microloans. The Corporation may charge up to 7.75% interest over the Corporation's cost of funds on a microloan of more than $10,000 and up to 8.5% interest over the Intermediary's cost of funds on a microloan of $10,000 or less. Amounts loaned to the Corporation are maintained in a restricted revolving loan fund. The Corporation is also required to maintain a separate loan loss reserve fund with its own funds representing at least 15% of SBA funds received.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Corporation applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as the Corporation is a component unit of the County of Columbia, New York (the "County"), a governmental entity. The Corporation does not apply any Financial Accounting Standards Board (FASB) or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. In accordance with GASB standards, balances and activity for the Corporation are presented as an enterprise fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

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

Membership fees collected in the current year that will be recognized as revenue next year and grant payments received in advance of the grant term are classified as a deferred inflow.

Prior Year Amounts

Amounts shown for the prior year, in the accompanying statements are included to provide a basis for comparison with the current year and present summarized totals only. Accordingly, the prior year amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Budgetary Data

The budget policies are as follows:

In October of each year, the President/CEO submits a tentative budget to the Board of Directors for their approval for the next fiscal year. The tentative budget includes proposed expenditures and the proposed means of financing, which is to be used as a guide of activity for the fiscal year.

Income Taxes

A provision for income tax has not been provided for in these financial statements, as the Corporation is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Corporation has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Corporation's returns are currently under examination.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Corporation's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets, along with personal guarantees. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in Columbia County, New York.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

Revenue Recognition

Contribution revenue is recognized in the period it is unconditional, measurable, and future installments are considered probable of collection. Contribution revenue that is restricted as a result of a purpose or time restriction is included as a component of "restricted net position", when applicable.

Administrative revenue is recognized in the period services are provided and payments are generally received from related parties on a quarterly basis. Grant revenue is recognized on cost reimbursable contracts in the period the costs are incurred. Advances on grants prior to costs being incurred in accordance with the terms of the grant agreement are deferred until the period costs are incurred. Membership revenue is recognized as revenue over the period of membership.

Interest on loans is recognized in the period earned over the life of the related loans receivable.

Operating revenues include revenue generated from ongoing operating activities. Non-operating revenues include investing, financing and other non-recurring activities.

Columbia County Appropriation

For the year ended December 31, 2022, Columbia County appropriated $460,000 for unrestricted use by the Corporation. The Corporation recognizes appropriated income in the period appropriated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Certificates of Deposit

The Corporation records certificate of deposits at amortized cost.

Capital Assets

Capital assets are stated at cost and fair market value for donated items. Maintenance and repairs are expensed as incurred whereas major repairs and betterments are capitalized. Property and equipment comprise office equipment, furniture and software. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, which are:

Land	Not applicable
Computer/Software	3 – 5 years
Furniture and Equipment	5 – 10 years

Right-of-Use Lease Assets

The Corporation's right of use assets are reported within the major class of the underlying asset and initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or before the commencement of the lease term, less any lease incentives, plus ancillary charges necessary to place the lease asset into service. The right-of-use lease assets are amortized on a straight-line basis over the life of the related lease.

Loans and Allowance for Loan Losses

Loans are stated at their recorded investment, which is the amount of unpaid principal, reduced by an allowance for loan losses. Interest is calculated by using the simple interest method.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Corporation uses a disciplined process and methodology to establish the allowance for loan losses. To determine the total allowance for loan losses, management estimates the reserves needed for each loan outstanding.

To determine the balance of the allowance account, loans are evaluated on a case by case basis and future losses are projected using historical experience adjusted for current economic and industry conditions. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each case. Management must use judgment in establishing additional input factors for estimating purposes. The assumptions used to determine the allowance are periodically reviewed by management to ensure that their theoretical foundation, assumptions, data integrity, computational processes, and reporting practices are appropriate and properly documented.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Allowance for Loan Losses (Continued)

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to, or release balances from, the allowance for loan losses.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the assumptions used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Corporation to concentrations of credit and market risk consist primarily of cash and cash equivalents, certificates of deposit and loans receivable. Cash and cash equivalents and certificates of deposit are maintained at Federal Deposit Insurance Corporation insured financial institutions and credit exposure is limited to any one institution. As of December 31, 2022, the Corporation was in excess of the FDIC limits of approximately $1,324,000, which is not collateralized.

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.

The Corporation received $707,990 from the County of Columbia representing 63% of its total revenue for the year ended December 31, 2022.

Investment Policy

The Corporation has an investment policy that includes authorized investments of the following types: special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State of New York and money market/savings accounts.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

In May 2020, the Corporation applied for and received a loan in the amount of $68,700 from its bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). In February 2021, the loan, including principal and interest, was fully forgiven, and considered repaid in full. In February 2021, the Corporation applied for and received a second PPP loan in the amount of $64,114. In December 2021, the loan, including principal and interest was fully forgiven and considered repaid in full.

According to the rules of the SBA, the Corporation is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Corporation's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Corporation may be required to adjust previously reported amounts and disclosures in the financial statements.

Change in Accounting Principle

During the year ended December 31, 2022, the Corporation implemented GASB Statement No. 87, *Leases.* This statement changes the reporting of leases that were previously classified as operating leases, requiring the recognition of certain lease assets and liabilities along with the recognition of inflows and outflows of resources, as appropriate.

The Corporation applied the new standard as of January 1, 2022, since the prior year is presented as memorandum only. As part of the implementation, a right-of-use asset and lease liability of $280,587 was recorded as of January 1, 2022.

Subsequent Events

Subsequent events have been evaluated through March 30, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

During the year ended December 31, 2022, the Corporation loaned $943,500 to 34 local businesses.

A summary of loan activity is as follows:

	Balance at January 1, 2022	New Loans	Payments	(Write-offs), Reclasses, and Recoveries	Balance at December 31, 2022	Current Portion
Loan Fund	$ 1,235,401	$ 615,000	$ 423,975	$ (182,891)	$ 1,243,535	$ 207,500
CDBG Small Cities	19,059	-	8,458	-	10,601	9,803
SBA Microloan	691,862	328,500	191,345	(17,109)	811,908	202,629
	1,946,322	$ 943,500	$ 623,778	$ (200,000)	2,066,044	$ 419,932
Less: Allowance for loan losses	(278,233)				(278,233)	
Total Loans	$ 1,668,089				$ 1,787,811	

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at January 1, 2022	Additions	Disposals	Balance at December 31, 2022
Land	$ -	$ 232,900	$ -	$ 232,900
Furniture and equipment	44,060	6,363	-	50,423
Accumulated depreciation	(31,320)	(4,535)	-	(35,855)
Total capital assets	$ 12,740	$ 234,728	$ -	$ 247,468

Depreciation expense was $4,535 for the year ended December 31, 2022.

NOTE 5 – RIGHT-OF-USE LEASE ASSET

Right-of-use lease assets of the Corporation is as follows:

	Balance as of January 1, 2022	Additions	Subtractions	Modifications and Remeasurements	Balance at December 31, 2022
Right-to-use lease asset - building	$ 280,587	$ -	$ -	$ -	$ 280,587
Accumulated amortization	-	(36,598)	-	-	(36,598)
Total right-to-use lease asset, net	$ 280,587	$ (36,598)	$ -	$ -	$ 243,989

NOTE 6 – LOAN PAYABLE – EIDL

In July 2020, the Corporation applied for and received a loan in the amount of $100,000 from the SBA's Emergency Injury Disaster Loan (EIDL) Program. Interest accrues on the EIDL loan at a fixed rate of 2.75% per annum. The loan has a deferral period of 30 months.

Beginning January 2023, loan agreement requires the Corporation to make 330 monthly payments of $463, with the first payments received by the SBA going first towards the accrued interest to date until the accrued interest is paid off in full. Once the accrued interest is paid in full, these monthly payments will then go towards principal and interest. As of December 31, 2022, the Corporation has accrued $6,690 of interest payable included in accrued expenses on the statement of net position. The Corporation's board of directors have approved a plan expediate full repayment of the loan over five years beginning January 2023.

The EIDL loan matures on July 24, 2050 and is collateralized by all tangible and intangible property of the Corporation, including equipment, accounts receivable, and deposit accounts.

Maturities of the loan payable are as follows based on the terms of the agreement:

2023	$	-
2024		1,890
2025		2,786
2026		2,864
2027		3,026
Thereafter		89,434
	$	100,000

NOTE 7 – SBA MICROLOAN PROGRAM

Since 2003, the Corporation has taken steps toward acquiring the Hudson Development Corporation's SBA loan portfolio by establishing a small business loan program. The Corporation acquired the SBA loan program in 2008. Total loans outstanding, net of an allowance under this program of $102,182, totaled $709,726 at December 31, 2022.

The Corporation borrows money from SBA loan awards in order to fund loans given to businesses participating in the SBA program. The following illustrates the amounts payable to the SBA:

Balance at January 1, 2022	Drawdowns	Payments	Balance at December 31, 2022
$ 764,513	$ 400,000	$ 137,747	$ 1,026,766

NOTE 7 – SBA MICROLOAN PROGRAM (Continued)

Once draws have been made from the SBA, the Corporation pays the SBA back based on an amortization schedule for each specific drawdown. The following shows the combined expected payout of the SBA drawdowns—Draw Five, Draw Six, Draw Seven, Draw Eight, and Draw Nine:

December 31,	Balance
2023	$ 169,913
2024	144,797
2025	144,797
2026	132,574
2027	108,130
Thereafter	326,557
Total	$ 1,026,766

Each drawdown has repayments of principal and interest, with each drawdown having a separate interest rate based on the agreement—0.75% (Draw Five), 1.25% (Draw Six), 1.75% (Draw Seven), 0.25% (Draw Eight), and 1.125% (Draw Nine), per annum.

NOTE 8 – RESTRICTED NET POSITION

Restricted net position at December 31, 2022, consists of the following:

Columbia County Student Connects Program	$	8,000
SBA microloan program		419,809
Land		232,900
Total Restricted Net Position	$	660,709

In 2008, the Corporation did not remit the principal back to Columbia County, New York for Commerce Park loans. The principal was to be retained by the Corporation to aide in the construction of the water tower within Commerce Park. Refer to Note 9 for more information on the Commerce Park water tower restrictions and on the County directed restricted net position balance which were released during 2022 to purchase a piece of land. The land purchased is now restricted by the County.

The SBA microloan program restricted net position balance above represents the balance of the Corporation's SBA microloan program that has been borrowed from the SBA but has not been lent to qualified businesses as of December 31, 2022.

The "Columbia County Student Connects Program" balance of $8,000 represents grant funds received and restricted for a specific purpose.

NOTE 9 – COMMERCE PARK LAND

Beginning in 2005, Columbia County initiated a program to sell undeveloped land it owns in Commerce Park through a component unit, the Columbia County IDA. CEDC works directly with the buyer on the County's behalf. CEDC receives a deposit from the buyer and in turn uses this money to pay for surveying and legal fees associated with the transfer of the land.

CEDC recognizes a receivable for the sales price due from the buyer and a liability to the County for the same amount. The CCIDA plays an administrative role in the transfer of the land. CEDC retains the interest portion earned on land sale receivables as payment for servicing the loans and the remaining principal portion is forwarded to the County.

In 2008 and only for 2008, the CEDC retained the principal and interest payments, as agreed upon with the County, to assist the County with the possible future construction of a water tower in Commerce Park. The principal forgiven during 2008 was recognized as revenue.

In June 2016, the Corporation sold land in the Commerce Park to a local individual for $50,000, with $4,500 being paid to the Corporation as a deposit in 2015. The Corporation received a $45,500 five-year note at 4.5% per annum with payments commencing on June 8, 2017. The note provided for an annual payment of $10,365 of principal and interest, with a final payment due to the Corporation on June 8, 2021. During the year ended December 31, 2020, the Corporation approved a deferral of loan payments extending the maturity date to June 8, 2022. During the year ended December 31, 2022, the loan was repaid in full. The principal portion, $48,889, of the note, net of legal fees of $1,111, normally remitted to the County was recognized as revenue during the year ended December 31, 2016. The County asked CEDC to retain the principal portion as restricted net position to be used as directed by the County in the future.

During the year ended December 31, 2022, Lot 8 in Commerce Park was sold by CCIDA. The sale resulted in net proceeds of $88,400 which the County then granted to CEDC. In December 2022, the County requested CEDC purchase property located on Route 9H in the Town of Ghent. The County approved the use of the "county directed" and "commerce part water tower" restricted funds which totaled $120,706 plus the net proceeds of $88,400 from the sale of Lot 8 by IDA be used to finance the property purchase. The property was purchased by CEDC for $232,990.

CEDC at the County's direction plans to hold the land for future County facility development. If the County decides not to build on the land, CEDC would market the property to a third-party. The County has directed the land be restricted until it determines what it will be used for in the future.

NOTE 10 – PENSION PLAN

The Corporation has a salary reduction simplified employee pension plan (SARSEP). The Corporation pays 5% of eligible employee gross wages each year. For the year ended December 31, 2022, the Corporation recorded $11,519 in pension expense.

NOTE 11 – UNEARNED REVENUE

As of December 31, 2022, unearned revenue (note 1) is comprised of:

Angello's Distributing, Inc.	$	10,601
Klocke Estates		150,000
Hudson Valley Creamery		45,000
Total unearned revenue	$	205,601

NOTE 12 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Corporation received $24,000 in administrative fees from Columbia County Industrial Development Agency (CCIDA). During 2022, the Corporation paid $3,571 to Columbia County Capital Resource Corporation (CCCRC) in the form of a grant. As of December 31, 2022, $6,000 was due from CCIDA.

During the year ended December 31, 2021, the Corporation entered into an agreement with Columbia County related to broadband access. During the year ended December 31, 2022, $38,000 was recognized and included as “grant revenue” on the statement of revenues, expenses and changes in net position. As of December 31, 2022, $18,000 is included in “accounts receivable” on the statement of net position.

During the year ended December 31, 2022, the Corporation entered into an agreement with Columbia County to administer an initiative referred to as “Columbia Forward.” The purpose of this initiative is to assist small businesses throughout Columbia County and was funded by The American Rescue Plan (ARP) grant money from Columbia County. The contract with Columbia County calls for the Corporation to receive $200,000 in year one and $150,000 in years two and three, subject to annual review and approval. $50,000 of the year one payment is to be used to provide grants to the Corporation’s loan clients during the three-year period. The program is being administered through partnership with the Columbia County Chamber of Commerce (the “Chamber”). The Corporation will share with the Chamber, $65,000 per year for the three-year contract. During the year ended December 31, 2022, the Corporation paid $65,000 to the Chamber which is recorded as a grant expense on the statement of revenues, expenses and changes in net position. During the year ended December 31, 2022, the Corporation recognized revenue of $121,500 and has recorded $78,500 as deferred inflow or resources as of December 31, 2022 related to this contract.

NOTE 13 – LEASE LIABILITY

The following is a summary of the Corporation's lease liability:

	Balance at January 1, 2022	New Obligations	Current Payments	Balance at December 31, 2022
Lease liability	$ 280,587	$ -	$ (28,488)	$ 252,099
Less: current portion				29,761
Long-term portion				$ 222,338

As of December 31, 2022, future maturities relating to the lease liability is as follows:

Year Ending December 31,	Total Payments	Interest Portion	Principal Portion
2023	$ 41,696	$ 11,935	$ 29,761
2024	42,736	10,388	32,348
2025	43,804	8,708	35,096
2026	44,904	6,888	38,016
2027	46,028	4,917	41,111
2028	47,176	2,787	44,389
2029	31,968	590	31,378
	$ 298,312	$ 46,213	$ 252,099

The Corporation rents office space under the terms of a lease which commenced September 1, 2019 and terminates August 31, 2024. The lease includes an option to renew for an additional five-year term which has been included in the lease liability. Interest expense on the Corporation's lease liabilities was $12,192 for the year ended December 31, 2022. The lease liability was measured at a rate of 5%.

NOTE 14 – EMPLOYEE RETENTION CREDIT

During the year ended December 31, 2022, the Corporation recorded $40,236 in grant revenue from the employee retention credit (ERC) which is recorded in accounts receivable as of December 31, 2022. The grant payment was subsequently received in March 2023.

UHY LLP
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of
Columbia Economic Development Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Columbia Economic Development Corporation's basic financial statements, and have issued our report thereon dated March 30, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Columbia Economic Development Corporation's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Columbia Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Economic Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Columbia Economic Development Corporation's Response to Findings

Columbia Economic Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Columbia Economic Development Corporation's response was not subjected to the auditing procedures applied in the audit of the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Hudson, New York
March 30, 2023

FINDING 2022-001

Significant Deficiency in Internal Control over Financial Reporting – Significant Audit Adjustments

Criteria:

The Corporation is responsible for ensuring its financial statements are recorded in accordance with Generally Accepted Accounting Principles (GAAP).

Condition:

The Organization's auditor was required to propose a significant number of adjustments during the audit process in order for the financial statements to be recorded in accordance with GAAP.

Cause:

Management's accounting staff do not consistently ensure its financial statements are recorded in accordance with GAAP.

Effect or Potential Effect:

The Corporation's financial statements could be misstated and not in conformity with GAAP.

Recommendation:

Management should enlist the necessary resources to ensure that its financial statements are properly adjusted to ensure conformity with GAAP.

Responsible Official's Response:

In 2023, the Corporation's management have engaged a CPA firm to assist with remedying this matter.