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March 30, 2023

To the Board of Directors of  
Columbia Economic Development Corporation:

We have audited the financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2022, and have issued our report thereon dated March 30, 2023. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated December 13, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Columbia Economic Development Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate report dated March 30, 2023.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team and others in our firm, as appropriate have complied with all relevant ethical requirements regarding independence. We have applied a safeguard which included a quality control partner review to the independence threat of our preparation of the Organization's financial statements, preparation of the Organization's annual tax return and assistance with the Organization's filing for the employee retention credit (ERC).

## **Significant Risks Identified**

We have identified the following significant risks:

- Revenue recognition
- Management override
- GASB 87 implementation

As a result of our audit procedures, we did not identify any control deficiencies related to the identified significant risks above.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Columbia Economic Development Corporation is included in Note 2 to the financial statements. As described in Note 2 to the financial statements, during the year, the entity adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the allowance for loan losses.

Management's estimate of the allowance for loan losses is based on a review of outstanding loans receivable on an individual loan basis. Management performs a risk assessment of each loan considering collateral, payment history, delinquency status, and other matters indicating the borrower's ability to pay. We evaluated the key factors and assumptions used to develop the allowance for loan losses and determined that the estimate is reasonable in relation to the basic financial statements taken as a whole.

## *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Columbia Economic Development Corporation's financial statements related to the allowance for loan losses, revenue recognition, and loans.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- Decrease the allowance for loan losses and increase bad debt recovery by \$8,287 to agree allowance balance at year end to allowance calculation prepared by management.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We proposed the following material adjustments as a result of our audit:

- Increase grant revenue and decrease land deposit liability by \$88,490 to record grant from Columbia County from sale of Lot 8 by IDA directed by County for the Organization to use for purchase of a piece of land.
- Increase land by \$232,900, decrease expenses by \$2,000 and decrease land deposit by \$230,900 to properly record purchase of land.
- Increase right of use asset by \$280,587, increase lease liability by \$280,587 for initial implementation of GASB 87 at 1/1/22. Increase amortization expense and increase accumulated amortization expense on right of use asset by \$36,598 for 2022 amortization on right of use asset. Decrease rent expense by \$40,680, decrease lease liability by \$28,488 and increase interest expense on right of use asset by \$12,192 for 2022 payments.
- Increase grant expense for grant to Columbia County Chamber and increase grant revenue from Columbia County by \$65,000 to correctly record the amounts received and paid on the Columbia Forward grant.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Columbia Economic Development Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in a separate letter dated March 30, 2023.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Columbia Economic Development Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Columbia Economic Development Corporation's auditors.

## **Information Technology (IT) Recommendations:**

The Corporation should consider the following recommendations surrounding its information technology (IT) environment:

- **Logical Security:** recommend that a segregation of duties be implemented where the individual authorizing access to financial applications is not also the one who sets up and reviews access.
- **Network Security:** recommend that management require a third-party service provider to provide regular reports on network activity and security for management to review on a periodic basis.
- **Vendor Management:** recommend that management take an active role in monitoring the services provided by their third-party service provider.
- **Network Security:** recommend having a cyber program in place for all personnel firm wide.

This report is intended solely for the information and use of the board of directors and management of Columbia Economic Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*UHY LLP*