

TOWN OF UNION
LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Town of Union Local Development Corporation
Endwell, New York

Report on the Financial Statements

We have audited the accompanying financial statements of **TOWN OF UNION LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), a component unit of the Town of Union, which comprise of the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Piaker & Lyons

The Board of Directors
Town of Union Local Development Corporation

Opinion

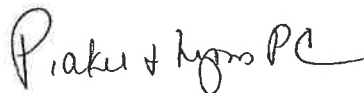
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Town of Union Local Development Corporation as of December 31, 2019 and 2018, and the respective statements of activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of loans receivable on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2020 on our consideration of Town of Union Local 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 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 Town of Union Local Development Corporation's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Union Local Development Corporation's internal control over financial reporting and compliance.



PIAKER & LYONS, P.C.

Binghamton, New York
March 3, 2020

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,738,673	\$ 1,523,462
Loans Receivable - Current Portion (Net of Reserve for Doubtful Loans of \$20,312 in 2019 and 2018)	136,279	185,061
Accounts Receivable	2,473	2,297
Prepaid Expense	<u>2,507</u>	<u>2,588</u>
Total Current Assets	1,879,932	1,713,408
Other Assets		
Loans Receivable - Non-Current Portion	<u>650,994</u>	<u>786,535</u>
TOTAL ASSETS	<u>\$ 2,530,926</u>	<u>\$ 2,499,943</u>
Current Liabilities		
Accounts Payable	\$ 153	\$ 380
Accrued Liabilities	2,320	1,916
Compensated Absences - Current Portion	<u>3,789</u>	<u>2,767</u>
Total Current Liabilities	6,262	5,063
Long - Term Liabilities		
Compensated Absences, Net of Current Portion	<u>32,815</u>	<u>29,569</u>
Total Liabilities	<u>39,077</u>	<u>34,632</u>
Net Assets		
Without Restrictions	2,316	2,316
With Restrictions	<u>2,489,533</u>	<u>2,462,995</u>
Total Net Assets	<u>2,491,849</u>	<u>2,465,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,530,926</u>	<u>\$ 2,499,943</u>

See the accompanying notes to financial statements.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Federal Aid - CDBG	\$ 110,196	\$ 108,927
CDBG Loan Interest	21,896	23,950
Miscellaneous Income	40	3,125
Contributed Revenue - Town of Union	<u>4,386</u>	<u>3,655</u>
Total Operating Revenues	<u>136,518</u>	<u>139,657</u>
Operating Expenses		
Salaries	85,102	81,851
Administration Fees	6,714	6,638
Employee Benefits	18,130	18,778
Occupancy	4,386	3,655
Audit	4,600	3,700
Legal Fees	275	3,087
Provision for Loan Losses	<u>-</u>	<u>747</u>
Total Operating Expenses	<u>119,207</u>	<u>118,456</u>
Operating Income	17,311	21,201
Non-Operating Revenue		
Other Interest Income	<u>9,227</u>	<u>1,581</u>
Change in Assets	26,538	22,782
Net Assets - Beginning of Year	<u>2,465,311</u>	<u>2,442,529</u>
Net Assets - End of Year	<u>\$ 2,491,849</u>	<u>\$ 2,465,311</u>

See the accompanying notes to financial statements.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Cash Received from Providing Services	\$ 136,342	\$ 142,080
Cash Payments for Contractual Expenses	(114,681)	(115,282)
Cash Received from Loan Program Repayments	<u>184,323</u>	<u>180,372</u>
 Net Cash Provided by Operating Activities	 205,984	 207,170
 Cash Flows From Investing Activities:		
Interest Income	<u>9,227</u>	<u>1,581</u>
 Increase In Cash	 215,211	 208,751
Cash at Beginning of Year	<u>1,523,462</u>	<u>1,314,711</u>
 Cash at End of Year	 \$ 1,738,673	 \$ 1,523,462
 Reconciliation of Operating Income to Net Cash		
Provided by (Used in) Operating Activities:		
Operating Income	\$ 17,311	\$ 21,201
Adjustments to Reconcile to Net Cash Provided By		
Operating Activities:		
Decrease in Reserve for Doubtful Accounts	-	(2,167)
Changes in Operating Assets and Liabilities:		
Loans Receivable	184,323	183,286
Accounts Receivable	(176)	2,423
Accounts Payable	(227)	(1,213)
Prepaid Expense	81	827
Compensated Absences	4,268	2,461
Accrued Liabilities	<u>404</u>	<u>352</u>
 Net Cash Provided By Operating Activities	 \$ 205,984	 \$ 207,170

See the accompanying notes to financial statements.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities - The Town of Union Local Development Corporation (LDC) was established to aid the Town of Union in growth and development of business concerns by encouraging the location of industrial, manufacturing and commercial capacity, and the creation of new and improved job opportunities and retention of existing jobs within the geographic boundaries of the Town of Union.

B. Basis of Presentation - In 2019, the LDC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." These changes were applied retroactively to ensure comparability with 2018. The ASU was issued to improve net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

Under Topic 958, LDC is required to report information regarding its financial position and activities according to two classes of asset: net assets without restriction and net assets with restrictions. Net Assets without restrictions are net assets that are not subject to or no longer subject to stipulations. Net assets with restrictions are net assets whose use is limited by time and/or purpose restrictions.

C. Revenue Recognition - As of January 1, 2019, the LDC adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* using the modified retrospective method. ASC 606 provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There was no effect to any lines of the financial statements as a result of adopting ASC 606.

The LDC is a nonprofit corporation and is a component unit of the Town of Union. The LDC operates as a proprietary fund (a business-type activity), distinguishing operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant, government subsidy, and interest revenue resulting from exchange transactions associated with the principal activities. All revenues not meeting these definitions are reported as non-operating revenues. Revenues are recognized when earned.

LDC is funded principally through grants from the Town of Union Community Development Block Grant Program (CDBG). LDC recognizes the grant funds from CDBG when received, which coincides with the disbursement of funds by LDC for various operation expenses and new loans.

LDC also receives revenue in the form of repayments on loans from the Urban Development Action Grant Program (UDAG) and grants from the Town of Union's (UDAG) program. Program income generated from CDBG and UDAG loans is recognized as revenue when received.

D. Federal Income Taxes - The LDC is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is not liable for income taxes. The LDC files annual informational returns to the Internal Revenue Service (Form 990) and to New York State Department of Law (Office of the Attorney General) (CHAR500). The LDC has not been informed of any tax examinations by either the Internal Revenue Service or New York State. Tax returns for the previous three years are subject to examination by the Internal Revenue Service.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents - The LDC considers short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

F. Compensated Absences - The LDC utilizes employees of the Town of Union. The amount of compensated absences as of December 31, 2019 and 2018, represent unused vacation pay and sick leave based on the Town's personnel policy.

G. 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 and disclosure of contingent 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 estimates.

H. Reserve for Doubtful Loans - The LDC follows the policy of providing currently for bad debts in order to maintain an adequate reserve for anticipated losses. Management anticipates certain loan receivables are doubtful as to collection and therefore, established a reserve for doubtful loans receivable of \$20,312 as of December 31, 2019 and 2018. Accounts receivable is stated at the amount management expects to collect.

I. Subsequent Events - The LDC has evaluated events and transactions that occurred between January 1, 2020 and March 3, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the accompanying financial statements.

J. Contributions and Grants - Contributions are recorded as revenue upon receipt of cash or unconditional promises to give. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

The Town of Union contributes office space to the LDC for its operations. The accompanying financial statements include amounts for this contributed service, which as of December 31, 2019 and 2018 was valued at approximately \$4,386 and \$3,655, respectively, by management.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the LDC to concentrations of credit risk, consist of deposits with a single financial institution, cash in excess of FDIC insurance, and loans receivable. The LDC generally places its cash and investments with quality financial institutions and collateralizes cash deposits in excess of FDIC coverage with obligations of the United States and its agencies. As of December 31, 2019, cash deposits in excess of FDIC coverage and collateralization amounted to approximately \$226,000.

Concentrations of credit risk with respect to loans receivable are limited due to the large number of loans and the dispersion across many different industries. Also, the LDC requires security to support the loans receivable.

**TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 - COMMITMENTS AND CONTINGENCIES

The LDC has approved various development loan commitments as of December 31, 2019. Such commitments will be funded upon the satisfaction of all loan provisions by the applicants and the availability of funds at the time of closing the loans.

In the current year, the LDC awarded four \$10,000 grants to local small businesses. According to the award letters, the LDC will forgive the grants over a three-year grant performance period, subject to a maturity date. As of December 31, 2019, none of the grantees had satisfied the grant provisions or requested the grant funds.

NOTE 4 - LOANS RECEIVABLE

Loan Transactions are summarized as follows:

	<u>2019</u>	<u>2018</u>
Loans Receivable Balance, Beginning of Period	\$ 991,908	\$ 1,175,194
Year Ended December 31, Activity:		
Write-Offs	-	(2,914)
Principal Repayments	<u>(184,323)</u>	<u>(180,372)</u>
Loans Receivable Balance, End of the Period	807,585	991,908
Less: Reserve for Doubtful Loans	(20,312)	(20,312)
Less: Loans Receivable - Current Portion	<u>(136,279)</u>	<u>(185,061)</u>
Loans Receivable - Noncurrent Portion	<u>\$ 650,994</u>	<u>\$ 786,535</u>

NOTE 5 - TOWN OF UNION AGREEMENT

The LDC has an agreement with the Town of Union, regarding the use of CDBG fund for various economic development programs. The original agreement was for the period October 1, 2014 through September 30, 2016, which was renewed for two years through September 30, 2018. In March 2019, the terms were amended to allow for an automatic renewal every two years until either party gives 60 days' notice, prior to the expiration date, to end the agreement. Upon termination, all loans related to funds allocated by CDBG funds become the property of the Town of Union and the LDC shall assign to the Town related security interest.

**TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 - FUNCTIONAL EXPENSES

	<u>Program Services</u>	<u>Management and General</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 52,179	\$ 32,923	\$ 85,102	\$ 81,851
Administration Fees	-	6,713	6,714	6,638
Employee Benefits	9,935	8,195	18,130	18,778
Occupancy	-	4,386	4,386	3,655
Audit	-	4,600	4,600	3,700
Legal Fees	-	276	275	3,087
Provision for Loan Losses	-	-	-	747
Total Operating Expenses	<u>\$ 62,114</u>	<u>\$ 57,093</u>	<u>\$ 119,207</u>	<u>\$ 118,456</u>

The costs of providing program service and other activities have been summarized in the table above. Accordingly, 2019 costs have been allocated between program service, and management and general services based upon actual costs incurred within each area. The 2018 costs are summarized in total for comparison purposes.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The LDC's financial assets available for general use within one year of the balance sheet date consist of cash and cash equivalents of \$1,738,673 and current net portion of loans receivable and accounts receivable of \$136,279 and \$2,473, respectively. Therefore, financial assets available to meet cash needs for general expenditure within one year is \$1,877,425.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF LOANS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Loan Principal Balance as of <u>1/1/2019</u>	<u>2019</u> <u>Advances</u>	<u>2019</u> <u>Repayments</u>	<u>2019</u> <u>Write-Offs</u>	Loan Principal Balance as of <u>12/31/19</u>
<u>CDBG Loans:</u>					
17 Kentucky Avenue, LLC	\$ 218,713	\$ -	\$ 12,672	\$ -	\$ 206,041
402 Airport Rd. Holding, LLC	54,510	-	2,391	-	52,119
500 North Street, LLC	28,302	-	7,888	-	20,414
Connolly Companies, LLC	81,525	-	9,336	-	72,189
Engineering Manufacturing Tech	45,477	-	41,935	-	3,542
Jewels of Java, LLC	40,624	-	-	-	40,624
Lopez-Edouard, Diane (Unforgettable Parties)	7,853	-	7,853	-	-
New Vision Industries, Inc.	102,599	-	13,901	-	88,698
Renaissance Realty & Management	20,974	-	7,669	-	13,305
Sonostics	164,489	-	27,932	-	136,557
Southern Tier Leasing, LLC	42,722	-	4,974	-	37,748
Southern Tier Technologies, LLC	42,431	-	5,120	-	37,311
T&M Enterprises of Broome County, NY Inc.	25,597	-	3,478	-	22,119
Subtotal CDBG Loans	<u>875,816</u>	<u>-</u>	<u>145,149</u>	<u>-</u>	<u>730,667</u>
<u>UDAG - Façade Loans:</u>					
2719-2725 Plaza, LLC	25,190	-	8,170	-	17,020
Gobbo Enterprises, LLC	2,890	-	1,825	-	1,065
Sheric Holdings, LLC	7,179	-	7,179	-	-
Spathl Group	73,333	-	20,000	-	53,333
Taylor Irene Properties, LLC	7,500	-	2,000	-	5,500
Subtotal UDAG - Façade Loans	<u>116,092</u>	<u>-</u>	<u>39,174</u>	<u>-</u>	<u>76,918</u>
Total Loans	<u>\$ 991,908</u>	<u>\$ -</u>	<u>\$ 184,323</u>	<u>\$ -</u>	807,585
Less: Reserve for Doubtful Loans					(20,312)
Less: Loans Receivable - Current Portion					<u>(136,279)</u>
Loans Receivable - Non-Current Portion					<u>\$ 650,994</u>

See the accompanying notes to financial statements.

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

Board of Directors
Town of Union Local Development Corporation
Endwell, New York

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 the Town of Union Local Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Union Local Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Union Local Development 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 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. 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 may exist that have not been identified.

To the Board of Directors
Town of Union Local Development Corporation

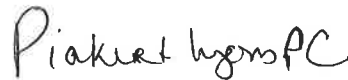
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Union Local 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the U.S. Department of Housing and Urban Development, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



PIAKER & LYONS, P.C.

Binghamton, New York
March 3, 2020