

WAYNE ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020

WAYNE ECONOMIC DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wayne Economic Development Corporation
Lyons, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne Economic Development Corporation (a nonprofit local development corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne Economic Development Corporation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on pages 3 - 7, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by the *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 24, 2021

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019

As management of the Wayne Economic Development Corporation (the "Corporation") we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the years ended December 31, 2020 and 2019. This narrative should be read in conjunction with the Corporation's audited financial statements.

Financial Highlights

- The assets of the Corporation exceed its liabilities (net assets) at December 31, 2020 and 2019 by \$6,935,100 and \$3,983,367, respectively. Of this amount in 2020, \$3,020,158 is *unrestricted cash*, meaning that this amount is available for use in furthering the Corporation's mission of providing general economic development and technical services for the benefit of existing and potential businesses within Wayne County.
- The primary assets of the Corporation include cash, loans receivable and property, which is currently leased through June 2029 to Wayne-Finger Lakes Board of Cooperative Educational Services.
- During 2020, the Corporation received assets transferred from Wayne County Industrial Development Agency (WCIDA) totaling \$2,919,729, which consisted of cash and loans receivable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. This report includes the independent auditors' report, financial statements and notes to financial statements that will enhance the reader's understanding of the financial condition of the Corporation.

Required Financial Statements - The financial statements are prepared using the accrual basis of accounting. The financial statements include:

- **Statements of Financial Position** - Present all assets, liabilities and net assets of the Corporation at December 31, 2020 and 2019. The statements provide information about the amounts and investments in resources (assets) and the obligations to creditors (liabilities).
- **Statements of Activities** - Present the financial activity for the years ended December 31, 2020 and 2019 and displays how this activity changed the Corporation's net assets. The statements provide information on the Corporation's operations and can be used to determine if the Corporation has recovered all of its costs through grants, user fees and other charges.
- **Statements of Cash Flows** - Present the cash provided and used in operations, investments and financing activities during 2020 and 2019 and how it affects the cash balances at December 31, 2020 and 2019.
- **Notes to Financial Statements** - Provide information regarding the Corporation and explain in more detail information included in the financial statements.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019

Financial Analysis

The Corporation is a local development corporation operated exclusively for the charitable or public purpose of relieving and reducing unemployment through the process of providing general economic and technical assistance to businesses moving to or expanding in Wayne County where job and capital creation will help improve the economic climate of the County. The Corporation's net assets may serve over time as a useful indicator of its financial position. In the case of the Corporation, assets exceeded liabilities by \$6,935,100 and \$3,983,367 at December 31, 2020 and 2019, respectively.

Rounding differences may exist that do not have a material impact on the financial information as presented.

The Corporation's largest asset type is its property and equipment. A condensed version of the Corporation's statements of financial position follows:

Table 1
Condensed Statements of Financial Position
(In Thousands of Dollars)

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>% Change</u>	<u>2018</u>	<u>Dollar Change</u>	<u>% Change</u>
Assets							
Cash and cash equivalents	\$ 3,020.2	\$ 1,006.4	\$ 2,013.8	200.1	\$ 584.3	\$ 422.1	72.2
Property and equipment - net	2,336.3	2,320.8	15.5	0.7	2,689.7	(368.9)	(13.7)
Other assets	<u>2,035.2</u>	<u>1,109.1</u>	<u>926.1</u>	<u>83.5</u>	<u>1,087.0</u>	<u>22.1</u>	<u>2.0</u>
Total assets	<u>7,391.7</u>	<u>4,436.3</u>	<u>2,955.4</u>	<u>66.6</u>	<u>4,361.0</u>	<u>75.3</u>	<u>1.7</u>
Liabilities							
Line of credit	-	-	-	DIV/0	1.7	(1.7)	(100.0)
Contract advances	455.9	452.8	3.1	0.7	462.5	(9.7)	(2.1)
Due to related parties	-	-	-	-	1.0	(1.0)	-
Accounts payable	0.1	0.1	-	-	0.1	-	100.0
Deposit	-	-	-	-	37.0	(37.0)	100.0
Total liabilities	<u>456.0</u>	<u>452.9</u>	<u>3.1</u>	<u>0.7</u>	<u>502.3</u>	<u>(49.4)</u>	<u>(9.8)</u>
Net Assets							
Net assets without donor restrictions	<u>6,935.1</u>	<u>3,983.4</u>	<u>2,951.7</u>	<u>74.1</u>	<u>3,858.7</u>	<u>124.7</u>	<u>3.2</u>
Total net assets	<u>\$ 6,935.1</u>	<u>\$ 3,983.4</u>	<u>\$ 2,951.7</u>	<u>74.1</u>	<u>\$ 3,858.7</u>	<u>\$ 124.7</u>	<u>3.2</u>

Significant changes in the statements of financial position from 2019 to 2020 include:

- Cash and cash equivalents increased as operating income exceeded cash expenses and cash transferred from WCIDA accounted for approximately \$1.6M.
- Property and equipment decreased as a result of the current year's depreciation expense.
- Other assets primarily includes prepaid amounts for capital repairs and loans receivable.
- Contract advances represent lease payments received in advance from the tenant of the real property.
- During 2020, the Corporation received assets transferred from WCIDA totaling \$2,919,729, which consisted of cash and loans receivable of approximately \$1.6M and \$1.3M, respectively.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019

A condensed version of the Corporation's statements of activities follows:

Table 2
Condensed Statements of Activities
(In Thousands of Dollars)

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>% Change</u>	<u>2018</u>	<u>Dollar Change</u>	<u>% Change</u>
Revenues							
Rental income	\$ 892.0	\$ 892.0	\$ -	-	\$ 892.0	\$ -	-
Interest income	58.6	13.8	44.8	324.6	15.4	(1.6)	(10.4)
Other income	16.2	38.6	2,919.7	-	32.3	-	-
Revenues	<u>966.8</u>	<u>944.4</u>	<u>22.4</u>	<u>2.4</u>	<u>939.7</u>	<u>4.7</u>	<u>0.5</u>
Expenses							
Program expenses	916.1	916.6	(0.5)	(0.1)	863.6	53.0	6.1
Management and general expenses	18.7	12.8	5.9	46.1	19.8	(7.0)	(35.4)
Total expenses	<u>934.8</u>	<u>929.4</u>	<u>5.4</u>	<u>0.6</u>	<u>883.4</u>	<u>46.0</u>	<u>5.2</u>
Other Income (Expense)							
Gain on sale of assets	-	109.7	(109.7)	-	-	109.7	-
Transfer - WCIDA	2,919.7	-	2,919.7	-	-	-	-
Total other income (expense)	<u>2,919.7</u>	<u>109.7</u>	<u>2,810.0</u>	<u>-</u>	<u>-</u>	<u>109.7</u>	<u>-</u>
Change in Net Assets	2,951.7	124.7	2,827.0	2,367.0	56.3	68.4	121.5
Net Assets Without Donor Restrictions - Beginning	<u>3,983.4</u>	<u>3,858.7</u>	<u>124.7</u>	<u>3.2</u>	<u>3,802.4</u>	<u>56.3</u>	<u>1.5</u>
Net Assets Without Donor Restrictions - Ending	<u>6,935.1</u>	<u>3,983.4</u>	<u>2,919.7</u>	<u>73.3</u>	<u>3,858.7</u>	<u>124.7</u>	<u>3.2</u>

Significant activity in the statements of activities from 2019 to 2020 include:

- Rental income is from the lease of the real property to Wayne-Finger Lakes Board of Cooperative Educational Services.
- Program expenses represent amounts for ordinary or capital repairs on the real property as well as amounts related to providing program services, particularly costs associated with funding the revolving loan program.
- During 2020, the Corporation received assets transferred from WCIDA totaling \$2,919,729.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019

Another important factor in the consideration of fiscal condition is the Corporation's cash position and statements of cash flows. A condensed version of the Corporation's statements of cash flows follows:

Table 3
Condensed Statements of Cash Flows
(In Thousands of Dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash Flow from Operating Activities			
Change in net assets	\$ 2,951.7	\$ 124.7	\$ 56.3
Adjustments			
Depreciation	27.4	28.7	28.7
Bad debt expense	(3.7)	(12.4)	4.4
Gain on sale of property	-	(109.7)	-
Transfer - WCIDA	(2,919.7)	-	-
Change in assets and liabilities			
Other receivable	-	1.1	0.4
Loans receivable	420.7	(13.7)	182.5
Prepaid expenses	0.7	2.9	(2.1)
Contract advances	3.1	(9.7)	(2.1)
Construction in progress	0.6	(0.1)	(7.0)
Deposit	-	(37.0)	37.0
Due to related parties	-	(1.0)	-
Net cash flows from operating activities	<u>480.8</u>	<u>(26.2)</u>	<u>298.1</u>
Cash Flow from Investing Activities			
Proceeds from sale of property and equipment	-	450.0	-
Construction in progress	(42.9)	-	-
Cash transfer - WCIDA	<u>1,575.9</u>	<u>-</u>	<u>-</u>
Net cash flows from investing activities	<u>1,533.0</u>	<u>450.0</u>	<u>-</u>
Cash Flow from Financing Activities			
Line of credit	<u>-</u>	<u>(1.7)</u>	<u>(164.3)</u>
Net Change in Cash and Cash Equivalents	2,013.8	422.1	133.8
Cash and Cash Equivalents - Beginning	<u>1,006.4</u>	<u>584.3</u>	<u>450.5</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,020.2</u>	<u>\$ 1,006.4</u>	<u>\$ 584.3</u>

Significant activity in the statements of cash flows include:

- Changes in net assets resulting from operating results from year to year.
- Loans receivable represent the decrease in loans receivable as a result of repayment of loans.
- During 2020, the Corporation received assets transferred from WCIDA totaling \$2,919,729, which accounted for cash of approximately \$1.6M and loans receivable of approximately \$1.3M.

Capital Assets

The Corporation's capital assets consist primarily of land and buildings leased to the Wayne-Finger Lakes Board of Cooperative Educational Services.

Long-Term Debt

The Corporation has no direct long-term debt.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019

Economic Factors

The Corporation was formed to promote Wayne County using appropriate resources to help create and retain jobs by attracting new businesses and through expansion of existing businesses. The national economic downturn that started in 2008 has continued to lessen and the outlook is for modest economic expansion. While the business and economic climate in the County have been relatively steady over the past two years modest growth may now be expected.

Contacting the Corporation

This financial report is designed to provide a general overview of the Corporation's finances for interested individuals. Questions regarding this report or requests for additional information should be directed to the Wayne Economic Development Corporation, 9 Pearl Street, Lyons, New York 14489 - Attention: Executive Director.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,020,158	\$ 1,006,354
Loans receivable - current	214,377	67,814
Prepaid expenses	<u>402,607</u>	<u>403,341</u>
Total current assets	3,637,142	1,477,509
Property and Equipment - Net	2,336,292	2,320,780
Other Assets		
Loans receivable - net of current	<u>1,418,238</u>	<u>637,984</u>
Total Assets	<u>\$ 7,391,672</u>	<u>\$ 4,436,273</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 697	\$ 103
Contract advances	<u>455,875</u>	<u>452,803</u>
Total current liabilities	456,572	452,906
Net Assets Without Donor Restrictions	<u>6,935,100</u>	<u>3,983,367</u>
Total Liabilities and Net Assets	<u>\$ 7,391,672</u>	<u>\$ 4,436,273</u>

The accompanying notes are an integral part of these financial statements.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Rental income	\$ 892,000	\$ 892,000
Interest income	58,638	13,787
Other income	16,128	38,558
Total revenues	<u>966,766</u>	<u>944,345</u>
EXPENSES		
Program Expenses		
Capital repair expenses	802,800	802,800
Grants	33,500	63,224
Repairs and maintenance	56,099	34,330
Depreciation	27,383	28,627
Bad debt (recoveries) and collection costs	(3,687)	(12,429)
Total program expenses	<u>916,095</u>	<u>916,552</u>
Management and General		
Advertising and promotion	16	-
Bank fees	15	-
Insurance expense	4,809	7,708
Interest expense	-	3
Legal and professional services	7,659	550
Supplies	11	-
Outside services	6,010	4,250
Postage	147	321
Travel	-	5
Total management and general	<u>18,667</u>	<u>12,837</u>
Total expenses	<u>934,762</u>	<u>929,389</u>
Other Income		
Gain on sale of assets	-	109,666
Transfer - WCIDA	2,919,729	-
Total other income	<u>2,919,729</u>	<u>109,666</u>
Changes in Net Assets	2,951,733	124,622
Net Assets Without Donor Restrictions - Beginning	<u>3,983,367</u>	<u>3,858,745</u>
Net Assets Without Donor Restrictions - Ending	<u>\$ 6,935,100</u>	<u>\$ 3,983,367</u>

The accompanying notes are an integral part of these financial statements.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,951,733	\$ 124,622
Adjustments		
Depreciation	27,383	28,627
Bad debt expense (recoveries)	(3,687)	(12,429)
Transfer - WCIDA	(2,919,729)	-
Gain on sale of property and equipment	-	(109,666)
Change in assets and liabilities		
Other receivables	-	1,092
Loans receivable	420,694	(13,643)
Prepaid expenses	734	2,887
Contract advances	3,072	(9,725)
Due to related parties	-	(1,000)
Accounts payable	594	(59)
Deposit	-	(37,000)
Net cash flows from operating activities	<u>480,794</u>	<u>(26,294)</u>
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	450,000
Construction in progress	(42,895)	-
Cash transfer - WCIDA	1,575,905	-
Net cash flows from investing activities	<u>1,533,010</u>	<u>450,000</u>
Cash Flows from Financing Activities		
Net repayments on line of credit	-	(1,686)
Net Change in Cash and Cash Equivalents	2,013,804	422,020
Cash and Cash Equivalents - Beginning	<u>1,006,354</u>	<u>584,334</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,020,158</u>	<u>\$ 1,006,354</u>

The accompanying notes are an integral part of these financial statements.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Organization

Nature of Organization - The Wayne Economic Development Corporation (the Corporation) was incorporated on October 1, 1968 as a local development corporation under Article 14 of Membership Corporation Law of the State of New York. The Corporation was formed to promote Wayne County using appropriate resources to help create and retain jobs by attracting new businesses and through the expansion of existing businesses.

On May 19, 2009, pursuant to Section 904 of the Not-for-Profit Corporation Law, the Plan of Merger of Wayne Economic Development Corporation, the Second Wayne Economic Development Corporation, the Third Wayne Economic Development Corporation, the Fourth Wayne Economic Development Corporation, the Fifth Wayne Economic Development Corporation, and the Sixth Wayne Economic Development Corporation into Wayne Economic Development Corporation was approved. At that time, the New York Department of State was authorized to file the Certificate of Merger of the Petitioners of Wayne Economic Development Corporation under Section 904 of the Not-for-Profit Corporation Law, which was certified by the New York Secretary of State on June 18, 2009 and considered effective as of that date.

On May 17, 2017, pursuant to Section 904 of the Not-for-Profit Corporation Law, the Plan of Merger of Wayne Economic Development Corporation and Wayne Industrial Sustainability Development Corporation was approved. At that time, the New York Department of State was authorized to file the Certificate of Merger of the Petitioners of Wayne Economic Development Corporation and Wayne Industrial Sustainability Development Corporation under Section 904 of the Not-for-Profit Corporation Law, which was certified by the New York Secretary of State on June 9, 2017 and considered effective as of that date.

Basis of Accounting - The Corporation's financial statements have been prepared on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Basis of Presentation - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statement of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity and disclosure of expenses by functional classification. The Corporation did not have any net assets with donor restrictions for the years ended December 31, 2020 and 2019.

Net Assets Without Donor Restriction - Net assets without donor restriction represent net assets that are not subject to donor imposed stipulations and are generally available for support of the Corporation's activities. The Board of Directors has discretionary control over these resources to carry out the operations of the Corporation in accordance with its by-laws.

Liquidity - The Corporation has \$3,234,535 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents of \$3,020,158 and receivables of \$214,377. None of these financial assets are subject to donor or contractual restricts that make them unavailable for general expenditures within one year of the statement of financial position date.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Significant Programs - The Corporation is a local development corporation operating exclusively for the charitable or public purpose of relieving and reducing unemployment through the process of creating and retaining jobs by attracting new business and through the expansion of existing business. The Corporation also owns a building which it leases to Wayne-Finger Lakes Board of Cooperative Educational Services (the tenant).

Cash and Cash Equivalents - For the purposes of the statements of financial position and cash flows, cash and cash equivalents include deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Company maintains cash and cash equivalents at financial institutions which periodically may exceed insured limits.

Allowance for Loan Losses - The allowance for loan losses consists of the provision for loan losses charged to operations based upon management's evaluation of the loan portfolio considering such factors as review of specific loans, current economic conditions and such other factors as management considers appropriate to estimate loan losses. Loan losses and the recovery of loans previously charged off are charged or credited to the allowance as incurred or realized, respectively. The allowance for loan losses is maintained at a level believed by management to be adequate to provide for the inherent risk of loss in the current loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

Property and Equipment - Property and equipment is stated at cost. Donated items are stated at fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of 5 years for computers and 35 years for buildings. Land is not depreciated. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. The Corporation capitalizes assets which cost \$2,500 or more and have a useful life of at least two years. When items of property or equipment are sold, the related cost and accumulated depreciation are removed from the accounts. Depreciation expense was \$27,383 and \$28,627 for the years ended December 31, 2020 and 2019, respectively.

At December 31, 2020, the Corporation had construction in progress of \$42,895 for signage at Silver Hill.

Income Taxes - The Corporation is a not-for-profit corporation and is exempt from income tax under IRC 501(c)(3) and New York State Article 14 as a local development corporation. Accordingly, no provision for taxes has been made.

In accordance with ASC 740-10-50, *Accounting for Uncertainty in Income Taxes*, the Corporation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Corporation is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Corporation's financial statements.

Related Parties - The Corporation is related through common management and Board of Directors membership with the Wayne County Industrial Development Agency (IDA), and through common management with Wayne County Civic Facility Development Center (CFDC), which also promote economic development in the County. During 2020, the Corporation received assets transferred from Wayne County Industrial Development Agency totaling \$2,919,729, which consisted of cash and loans receivable. During 2019, the Corporation purchased \$22,996 of Small Cities CDBG loans from Wayne County Industrial Development Agency.

Subsequent Events - Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 2. Fair Value Measurements

In accordance with *GASB Statement No. 72, Fair Value Measurement and Application*, a framework has been established for measuring fair value of loans receivable. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

December 31, 2020

	<u>Level 3</u>	<u>Total</u>
Loans receivable - beginning balance	\$ 727,838	\$ 727,838
Loan advances	29,428	29,428
Loan transfers	1,385,964	1,385,964
Loan repayments	<u>(450,122)</u>	<u>(450,122)</u>
Loans receivable - ending balance	<u>\$ 1,693,108</u>	<u>\$ 1,693,108</u>

Reflected in the Statement of Financial Position, as loans receivable is \$60,493 of allowance for loan loss.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

December 31, 2019

	<u>Level 3</u>	<u>Total</u>
Loans receivable - beginning balance	\$ 710,990	\$ 710,990
Loan advances	89,500	89,500
Loan transfers	14,329	14,329
Loan repayments	<u>(86,981)</u>	<u>(86,981)</u>
Loans receivable - ending balance	<u>\$ 727,838</u>	<u>\$ 727,838</u>

Reflected in the Statement of Financial Position, as loans receivable is \$22,040 of allowance for loan loss.

Note 3. Loans Receivable

The Corporation issued loans for the purpose of fostering economic development. The defederalization process was utilized to release funds from grants to support the local community. Whether the loan funds are restricted by a grant agreement or funded from the Corporation monies, they are established directly from net assets and reported as a reservation of net assets. There were no funds restricted as of December 31, 2020.

Loans to commercial enterprises and principal repayments are not recorded through revenue and expenses. Any interest income is restricted to making future loans and is credited to revenues and closed to net assets.

Loans receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Economic Opportunity	\$ 115,022	\$ 376,735
GAIN	310,482	344,543
SOAR	9,986	6,560
Revolving Loan Fund	1,232,993	-
Micro Loan Fund	<u>24,625</u>	<u>-</u>
Sub-total	1,693,108	727,838
Less, allowance for loan loss	<u>(60,493)</u>	<u>(22,040)</u>
Total	1,632,615	705,798
Less, current portion	<u>(214,377)</u>	<u>(67,814)</u>
Long-term portion	<u>\$ 1,418,238</u>	<u>\$ 637,984</u>

Note 4. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,655,540	\$ 1,655,540
Building	950,000	950,000
Equipment	10,388	10,388
Construction in progress	<u>42,895</u>	<u>-</u>
Sub-total	2,658,823	2,615,928
Less - accumulated depreciation	<u>(322,531)</u>	<u>(295,148)</u>
Total	<u>\$ 2,336,292</u>	<u>\$ 2,320,780</u>

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 5. Line of Credit

In August 2014, a line of credit was transferred from the IDA. The Corporation maintained a \$1,000,000 line with Lyons National Bank that beared interest at the prime rate minus 1%, or 2.25% for 2019; the line of credit was closed effective June 2019. There was no balance as of December 31, 2019. The line of credit was collateralized by the loans receivable generated, and guaranteed by the IDA.

Note 6. Lease Agreement

The Corporation has a lease agreement through June 24, 2029 requiring annual lease payments due on June 25th of each year in the amount of \$892,000. By agreement with the tenant, the Corporation returns 90% of the lease payment, amounting to \$802,800, to the tenant for ordinary or capital repairs, structural additions, modifications or improvements to the premises. The lease has a ten year option term with the lease payment amount and return to the tenant amounting to \$200,000. The future lease payment schedule below assumes the anticipated renewal of the lease.

Future lease payments and return to the tenant are as follows for the years ending December 31:

	<u>Lease Amount</u>	<u>Return to Tenant</u>
2021	\$ 892,000	\$ 802,800
2022	892,000	802,800
2023	892,000	802,800
2024	892,000	802,800
2025	892,000	802,800
Thereafter	<u>7,582,000</u>	<u>6,823,800</u>
Total	<u>\$ 12,042,000</u>	<u>\$ 10,837,800</u>

Note 7. Supplemental Cash Flow Information

	<u>2020</u>	<u>2019</u>
Non-cash investing and financing activities:		
Transfer of assets - WCIDA		
Loans receivable	\$ 1,385,964	\$ -
Allowance for loan loss	<u>(42,140)</u>	<u>-</u>
Total transfer of assets - WCIDA	<u>\$ 1,343,824</u>	<u>\$ -</u>

Note 8. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2019. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

Note 9. Subsequent Events

The United States is presently in the midst of a national health emergency related to COVID-19 virus. The overall consequences of COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

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

To the Board of Directors
Wayne Economic Development Corporation
Lyons, 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 Wayne Economic Development Corporation (a nonprofit local development corporation), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 24, 2021