WAYNE ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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 Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wayne Economic Development Corporation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 the Wayne Economic Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 Wayne 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wayne 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2022, on our consideration of Wayne 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 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 Wayne Economic Development Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 29, 2022

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,116,814	$ 3,020,158
Loans receivable - current	214,878	214,377
Prepaid expenses	402,216	402,607
Total current assets	3,733,908	3,637,142
Property and Equipment - Net	2,362,428	2,336,292
Other Assets		
Loans receivable - net	1,289,272	1,418,238
Total Assets	$ 7,385,608	$ 7,391,672
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 62	$ 697
Contract advances	453,697	455,875
Total current liabilities	453,759	456,572
Net Assets Without Donor Restrictions	6,931,849	6,935,100
Total Liabilities and Net Assets	$ 7,385,608	$ 7,391,672

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

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Activities
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUES		
Rental income	$ 892,000	$ 892,000
Interest income	49,436	58,638
Grant income	33,000	-
Other income	19,178	16,128
Total revenues	993,614	966,766
EXPENSES		
Program Expenses		
Capital repair expenses	802,800	802,800
Grants	63,428	33,500
Repairs and maintenance	25,750	56,099
Depreciation	30,459	27,383
Bad debt (recoveries) and collection costs	11,944	(3,687)
Total program expenses	934,381	916,095
Management and General		
Advertising and promotion	-	16
Bank fees	15	15
Insurance expense	3,052	4,809
Interest expense	2	-
Legal and professional services	34,505	7,659
Outside services	24,436	6,010
Postage	254	147
Sponsorship	220	-
Supplies	-	11
Total management and general	62,484	18,667
Total expenses	996,865	934,762
Other Income		
Transfer - WCIDA	-	2,919,729
Changes in Net Assets	(3,251)	2,951,733
Net Assets Without Donor Restrictions - Beginning	6,935,100	3,983,367
Net Assets Without Donor Restrictions - Ending	$ 6,931,849	$ 6,935,100

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ (3,251)	$ 2,951,733
Adjustments		
Depreciation	30,459	27,383
Bad debt expense (recoveries)	11,944	(3,687)
Transfer - WCIDA	-	(2,919,729)
Change in assets and liabilities		
Loans receivable	116,521	420,694
Prepaid expenses	391	734
Contract advances	(2,178)	3,072
Accounts payable	(635)	594
Net cash flows from operating activities	153,251	480,794
Cash Flows from Investing Activities		
Purchase of property and equipment	(56,595)	-
Construction in progress	-	(42,895)
Cash transfer - WCIDA	-	1,575,905
Net cash flows from investing activities	(56,595)	1,533,010
Net Change in Cash and Cash Equivalents	96,656	2,013,804
Cash and Cash Equivalents - Beginning	3,020,158	1,006,354
Cash and Cash Equivalents - Ending	$ 3,116,814	$ 3,020,158

The accompanying notes are an integral part of these 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 - The Corporation’s financial statements are presented in accordance with the provisions of Accounting Standards Update (ASU) 2016-14, “Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.” As a result, the Corporation reports information regarding its net assets and changes therein in the following categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general 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. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Corporation or are required to be held in perpetuity. As of December 31, 2021 and 2020, all net assets are classified as without donor restriction.

Liquidity - The Corporation has $3,331,692 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents of $3,116,814 and receivables of $214,878. 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.

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 Corporation 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 $30,459 and $27,383 for the years ended December 31, 2021 and 2020, respectively.

At December 31, 2020, the Corporation had construction in progress of $42,895 for signage at Silver Hill. For the year ended December 31, 2021 the construction in progress was transferred to land improvements.

Revenue Recognition - Under ASU No. 2014-09 (Topic 606) - Revenue from contracts with customers (“ASU 2014-09” or “Topic 606”), revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for these goods or services. The Corporation utilizes a five-step framework as identified in ASU-2014-09. The primary sources of revenue from contracts with customers for the Corporation are as follows:

> **Rental Income -** Rental income is recognized at a point in time and represents the annual amount received under the terms of the lease agreement, $892,000, which is due in June of each year. A prepaid expense is recorded by the Corporation for capital repairs paid for the period January 1, 2022 - June 30, 2022. A contract advance is recorded by the Corporation for the portion of the lease agreement that covers January 1, 2022 - June 30, 2022.
>
> **Grant Revenue -** Grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted grants are reported as increases in net assets with donor restrictions.
>
> Grant revenue consists of a single performance obligation and revenue is recognized when the expense is incurred.

The timing of revenue recognition, billings and cash collections could result in prepaid expenses and contract advances on the statements of financial position.

	Prepaid Expenses	Contract Advances
2021	$ 401,400	$ 446,000
2020	$ 401,400	$ 446,000
2019	$ 401,400	$ 446,000

Contributions - The Corporation's financial statements are presented in accordance with the provisions of ASU 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional.

Income Taxes - The Corporation is a not-for-profit corporation and is exempt from income tax under 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. The exempt Corporation's informational returns are subject to audit by various taxing authorities.

Expense Allocation - The costs of providing programs and other activities have been adequately detailed in the statement of activities. Allocations of management and general expenses among program and supporting services is not considered significant to the operations of the Corporation therefore, no such allocation has been provided.

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.

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.

Note 2. Fair Value Measurements

The Corporation has adopted the language of ASC 820, "Fair Value Measurements", which establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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, 2021	
	Level 3	Total
Loans receivable - beginning balance	$ 1,693,108	$ 1,693,108
Loan advances	145,250	145,250
Loan write-offs	(2,420)	(2,420)
Loan repayments	(261,771)	(261,771)
Loans receivable - ending balance	$ 1,574,167	$ 1,574,167

Reflected in the statement of financial position, as loans receivable is $70,017 of allowance for loan loss.

	December 31, 2020	
	Level 3	Total
Loans receivable - beginning balance	$ 727,838	$ 727,838
Loan advances	29,428	29,428
Loan transfers	1,385,964	1,385,964
Loan repayments	(450,122)	(450,122)
Loans receivable - ending balance	$ 1,693,108	$ 1,693,108

Reflected in the statement of financial position, as loans receivable is $60,493 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, 2021.

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:

	2021	2020
Economic Opportunity	$ 83,612	$ 115,022
GAIN	278,218	310,482
SOAR	4,967	9,986
Revolving Loan Fund	1,055,457	1,232,993
Micro Loan Fund	151,913	24,625
Sub-total	1,574,167	1,693,108
Less, allowance for loan loss	(70,017)	(60,493)
Total	1,504,150	1,632,615
Less, current portion	(214,878)	(214,377)
Long-term portion	$ 1,289,272	$ 1,418,238

Note 4. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Land	$ 1,655,540	$ 1,655,540
Land improvements	99,490	-
Building	950,000	950,000
Equipment	10,388	10,388
Construction in progress	-	42,895
Sub-total	2,715,418	2,658,823
Less - accumulated depreciation	(352,990)	(322,531)
Total	$ 2,362,428	$ 2,336,292

Note 5. Lease Agreement

The Corporation has a lease agreement through June 24, 2024 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 annual lease payment of $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:

	Lease Amount	Return to Tenant
2022	$ 892,000	$ 802,800
2023	892,000	802,800
2024	546,000	401,400
2025	200,000	-
2026	200,000	-
Thereafter	1,500,000	-
Total	$ 4,230,000	$ 2,007,000

Note 6. Supplemental Cash Flow Information

	2021	2020
Non-cash investing and financing activities:		
Transfer of assets - WCIDA		
Loans receivable	$ -	$ 1,385,964
Allowance for loan loss	-	(42,140)
Total transfer of assets - WCIDA	$ -	$ 1,343,824

Note 7. Functional Expenses

The costs of providing the programs and other activities have been summarized on a functional basis as follows:

	2021	2020
Program expenses	$ 934,381	$ 916,095
Management and general	62,484	18,667
Total expenses	$ 996,865	$ 934,762

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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, 2021, 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 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Wayne Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Wayne 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 29, 2022