

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ulster County Economic Development Alliance, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ulster County Economic Development Alliance, Inc., a component unit of Ulster County, New York, as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Ulster County Economic Development Alliance, Inc.'s 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 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 respective financial position of Ulster County Economic Development Alliance, Inc., as of December 31, 2020 and 2019, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures – Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 on our consideration of Ulster County Economic Development Alliance, Inc.'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 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 Ulster County Economic Development Alliance, Inc.'s internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

Kingston, New York
March 31, 2021

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A blended component unit of Ulster County, New York)

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2020 and 2019

Introduction

The management's discussion and analysis of the Ulster County Economic Development Alliance, Inc.'s (UCEDA or the Alliance) financial performance provides an overview of the Alliance's financial activities for the fiscal year ended December 31, 2020. Please read this report in conjunction with the Alliance's 2020 financial statements. UCEDA is a Local Development corporation which operates in Ulster County, New York and classified by the New York State Authority Budget Office as a public authority. This summary discussion and analysis includes only the financial and general business of the Alliance.

Financial Highlights

The Alliance's net position decreased by \$41,258 (or 2.5%) as a result of operations in 2020.

In 2020, revenues increased \$86,516 compared to 2019, or 38.5%.

In 2019, revenues decreased \$169,002 compared to 2018, or 43.0%.

In 2020, expenses increased \$72,992 compared to 2019, or 26.1%.

In 2019, expenses decreased \$93,949 compared to 2018, or 25.2%.

Organization Highlights

2020 UCEDA highlights include:

- Maintained business attraction marketing campaign to acquire and nurture relocation leads.
- Continued to publish a monthly "Featured Properties" email.
- Hosted hundreds of participants at several events geared toward increasing economic development in Ulster County including webinars, workshops, and industry-focused events.
- Contracted with the Hudson Valley Center for Innovation to aid small businesses through the economic effects of the COVID-19 pandemic.
- Continued implementation of Ulster County's Ellenville Million initiative and secured additional legislative approval for reallocation to further enhance the effectiveness of the program.
- Solicited and evaluated loan applications, awarded one new loan, and serviced ten active loans through the Ulster County Revolving Loan Fund, including visits to each site and preparation of required reporting documents for funders.

Using This Annual Report

This Annual Report consists primarily of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows, which provide information about the activities of the Alliance only.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements report the Alliance's net position and changes in net position. One way to measure the Alliance's financial position is to look at the net position - the difference between assets and liabilities.

Condensed Comparative Financial Statements and Analysis

The Alliance's net position at the end of the 2020 was \$1,637,819, a decrease of \$41,258 over the net position of \$1,679,077 at the beginning of 2020. The Alliance's net position at the end of the 2019 was \$1,679,077, a decrease of \$54,782 over the net position of \$1,733,859 at the beginning of 2019.

Our analysis below focuses on net position (Table 1) and the changes in net position (Table 2).

Table 1 – Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets	\$ 1,170,851	\$ 1,231,538	\$ 1,276,021
Other assets	652,306	639,898	693,693
Total Assets	<u>\$ 1,823,157</u>	<u>\$ 1,871,436</u>	<u>\$ 1,969,714</u>
Liabilities			
Current liabilities	\$ 185,338	\$ 77,477	\$ 55,101
Long-term liabilities	-	114,882	180,754
Total Liabilities	<u>\$ 185,338</u>	<u>\$ 192,359</u>	<u>\$ 235,855</u>
Net Position			
Unrestricted	\$ 1,438,692	\$ 1,480,062	\$ 1,534,944
Restricted	199,127	199,015	198,915
Total Net Position	<u>\$ 1,637,819</u>	<u>\$ 1,679,077</u>	<u>\$ 1,733,859</u>

Current Assets:

Cash totals at the end 2020 were \$899,282 versus \$1,131,344 at the end of 2019. This decrease in cash was a result of one loan disbursed for \$100,000 and additional contract services related to the Ellenville Million Program during 2020.

Cash totals at the end 2019 were \$1,131,344 versus \$1,128,667 at the end of 2018. This increase in cash was a result of loan repayments exceeding loan disbursements during 2019.

Liabilities:

Liabilities at the end of 2020 were \$185,338 versus \$192,359 and \$235,855 at the end of 2019 and 2018, respectively.

Liabilities decreased for 2020 primarily due to payments made for the Ellenville Million program previously held in unearned revenues.

Liabilities decreased in 2019 primarily due to the payoff of the USDA loan.

Table 2 – Change in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues:			
Ulster County	\$ -	\$ -	\$ 125,000
Interest on loans	25,801	32,621	25,706
Other income	285,238	191,902	242,819
Total Revenues	<u>311,039</u>	<u>224,523</u>	<u>393,525</u>
Expenses:			
Operating expenses	352,297	279,101	372,199
Non-operating expenses	-	204	1,055
Total Expenses	<u>352,297</u>	<u>279,305</u>	<u>373,254</u>
Changes in Net Position:	<u>\$ (41,258)</u>	<u>\$ (54,782)</u>	<u>\$ 20,271</u>

The Agency's revenues in 2020 were \$311,039 versus \$224,523 and \$393,525 in 2019 and 2018, respectively. Expenses in 2020 were \$352,297 versus \$279,305 and \$373,254 in 2019 and 2018, respectively. Revenues and expenses increased in 2020 from 2019 due to progress with the Ellenville Million project.

Capital Assets and Long-Term Debt

There were no capital asset additions in 2020 or 2019, and the Alliance did not take on any long-term debt in 2020 or 2019.

During the year ended December 31, 2019, the Alliance sold a parcel of land on Oneil Street in Kingston for \$19,100 and the proceeds from that sale were immediately transferred to Ulster County in accordance with the Alliance's agreement with Ulster County.

Budget

In October of 2019, the Alliance adopted 2020 budget projecting revenues to be \$501,600 and expenses to be \$501,600. Actual 2020 revenues totaled \$311,039 and actual 2020 expenses totaled \$352,297. Revenues and expenses were significantly under budget as there was no County contribution received in 2020, and some other program initiatives did not materialize in 2020 due to the COVID-19 pandemic.

Contacting UCEDA Financial Administrator

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Alliance's finances and to show the Alliance's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ulster County Economic Development Alliance, P.O. Box 1800, Kingston, New York 12402.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 899,282	\$ 1,131,344
Accounts receivable	230	1,010
Loans receivable, current portion	102,406	99,184
Due from Ulster County	168,933	-
Total current assets	<u>1,170,851</u>	<u>1,231,538</u>
OTHER ASSETS		
Loans receivable, less current portion, net of an allowance of \$11,795 and \$10,840 as of December 31, 2020 and 2019, respectively	652,306	639,898
Total other assets	<u>652,306</u>	<u>639,898</u>
Total assets	<u>\$ 1,823,157</u>	<u>\$ 1,871,436</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 184,089	\$ 77,477
Unearned revenue	1,249	-
Total current liabilities	<u>185,338</u>	<u>77,477</u>
LONG-TERM LIABILITIES		
Unearned revenue	-	114,882
Total long-term liabilities	<u>-</u>	<u>114,882</u>
Total liabilities	<u>185,338</u>	<u>192,359</u>
NET POSITION		
Unrestricted	1,438,692	1,480,062
Restricted	199,127	199,015
Total net position	<u>1,637,819</u>	<u>1,679,077</u>
Total liabilities and net position	<u>\$ 1,823,157</u>	<u>\$ 1,871,436</u>

See notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Contract and administrative fees	\$ 1,000	\$ 500
Contribution	-	66,776
Contract fees - Ellenville Million	283,708	123,733
Interest on loans	25,081	32,621
Late fees collected	570	449
Miscellaneous income	200	-
Total operating revenues	<u>310,559</u>	<u>224,079</u>
OPERATING EXPENSES		
Contractual expense	40	66,741
Professional fees	13,449	12,609
Insurance	4,223	4,193
Marketing and advertising	49,600	71,272
Contracts for services - Ellenville Million	283,707	123,733
Office expense	324	382
Provision for loan losses	954	171
Total operating expenses	<u>352,297</u>	<u>279,101</u>
Operating loss	<u>(41,738)</u>	<u>(55,022)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest on deposits	480	444
Sale of property	-	19,100
Transfer to Ulster County	-	(19,100)
Interest expense	-	(204)
Total non-operating revenue (expenses)	<u>480</u>	<u>240</u>
CHANGE IN NET POSITION	<u>(41,258)</u>	<u>(54,782)</u>
NET POSITION, BEGINNING OF YEAR	<u>1,679,077</u>	<u>1,733,859</u>
NET POSITION, END OF YEAR	<u>\$ 1,637,819</u>	<u>\$ 1,679,077</u>

See notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Administrative fees	\$ 2,350	\$ 31,265
Grant - Ellenville Million	-	145,510
Interest on loans	26,223	32,621
Miscellaneous revenue	200	-
Loans disbursed	(100,000)	(50,000)
Loans paid back	83,416	99,595
Payments to vendors	(244,731)	(236,141)
Net cash (used for) provided by operating activities	<u>(232,542)</u>	<u>22,850</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	480	444
Transfer to Ulster County	-	(19,100)
Sale of property	-	19,100
Net cash provided by investing activities	<u>480</u>	<u>444</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	-	(204)
Payments on long-term debt	-	(20,413)
Net cash used for financing activities	<u>-</u>	<u>(20,617)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(232,062)	2,677
CASH AND CASH EQUIVALENTS, Beginning of year	1,131,344	1,128,667
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 899,282</u>	<u>\$ 1,131,344</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (41,738)	\$ (55,022)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Provision for loan losses	954	171
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	780	(934)
(Increase) decrease in loans receivable	(16,584)	49,594
(Increase) decrease in due from Ulster County	(168,933)	52,124
Decrease in unearned revenue	(113,633)	(65,872)
Increase in accounts payable	106,612	42,789
Net cash (used for) provided by operating activities	<u>\$ (232,542)</u>	<u>\$ 22,850</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 — NATURE OF ORGANIZATION

Financial Reporting Entity

The Ulster County Economic Development Alliance, Inc. (“the Alliance” or “UCEDA”) (formerly Ulster County Development Corporation) promotes job growth, economic development and community revitalization for Ulster County by unified regional and national marketing and provides business financing through a variety of countywide and municipal revolving loan funds.

Governance/Accountability

The Corporation’s sole Member is the County of Ulster, New York (the “County”) acting by and through the County Executive, ex officio. The number of Directors of the Alliance shall be seven as established by resolution adopted by the Member.

Programs of the Alliance

CDBG

Includes the activities of Community Development Block Grants revolving loan fund which provides loans below \$75,000 to businesses to create and retain jobs in Ulster County. Loans can be issued in excess of \$75,000 with a super-majority of committee approval.

Section 108

Includes the HUD Section 108 Loan Guarantee Program activities administered through Ulster County, New York, which provide loans within the range of \$75,000 to \$750,000 to businesses for development and job creation in Ulster County.

Telecommunications Fund

Provides matching loan funds under the USDA Intermediary Relending Program Loan Fund.

USDA Intermediary Relending Program Loan Fund

Dissolved in 2019. Provided loans to small business at low rates of interest for part of their financing needs. The program lent up to 16% of a total project cost and another 14% in matching loan funds from the Revolving Loan Funds in conjunction with conventional lending sources for eligible projects. Of the amount loaned by UCEDA to cover the cost of the project, 85% may be lent from USDA borrowings and 15% must be matched by UCEDA from funds raised from other unrestricted sources. At least 50% of the project must come from either the applicant or a conventional lending source.

Ellenville Million

Ulster County entered into an agreement with the UCEDA for the administration and oversight of the Ellenville Million Program (not to exceed \$1M) which was designed to enhance the economic prosperity of the Village of Ellenville and the Town of Wawarsing in nine project areas based on recommendations from the Ellenville Million Committee. The term of the agreement was from September 1, 2015 to August 31, 2020. The UCEDA reviewed and approved plans and budgets for each project area. UCEDA required each project plan to include a summary of the project components, an expenditure plan that identified funding sources and uses for all funds involved, expected outcomes; including job creation data if applicable, timeline for completion, and other information that UCEDA deemed appropriate to ensure that the project was successfully implemented. UCEDA submitted copies of all approved plans and budgets to the Ulster County Planning Department and the Ulster County Legislature.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION (Continued)

Programs of the Alliance (Continued)

Ellenville Million (Continued)

UCEDA entered into appropriate contractual relationships with all entities implementing projects. Ulster County provided the funds to the UCEDA for each qualified project holding back 20% until project completion. UCEDA reimbursed entities for expenses which have been approved in their plan, incurred, and have been paid for. UCEDA was authorized to advance payments of up to 20% of a project's contract amount based on the submission and approval by UCEDA of a Statement of Need. UCEDA held the final 20% of each project's contract amount as retainage and will only release this amount upon full completion of the project and submission of a project closeout report. UCEDA will require the project closeout report document the accomplishments of the project and include an accounting of all funds for the project.

Other activities include business retention, expansion, recruitment, and incubation, site searches, marketing, and other sector initiatives.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Alliance have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Alliance applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The Alliance applies GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which was issued by the GASB on December 30, 2010. The Alliance has chosen to only apply GASB pronouncements. The Alliance does not apply any Financial Accounting Standards Board (FASB) or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. The government-wide financial statements include the Corporation's only governmental fund (single enterprise fund).

Deferred Outflows/Inflows of Resources

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

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

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

Budgetary Data

The budget policies are as follows:

In October of each year the finance committee submits a tentative budget to the Board of Directors for the next fiscal year which begins the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Alliance periodically evaluates estimates and assumptions used in the preparation of the financial statements and makes changes on a prospective basis when adjustments are necessary.

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

The Alliance's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Alliance has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in Ulster County, New York. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

Revenue Recognition

Contributions are recognized when received or in the period of intended use as specified by the donor. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Administrative revenue is recognized in the period services are provided. Grant revenue is recognized on cost reimbursable contracts in the period the costs are incurred. Advances on grants prior to costs being incurred in accordance with the terms of the grant agreement are unearned until the period costs are incurred. Interest on loans is recognized in the period earned over the life of the related loans receivable. Operating revenues include revenue generated from ongoing operating activities. Non-operating revenues include investing, financing and other non-recurring activities.

Income Taxes

The Alliance is a not-for-profit organization, exempt from federal income taxes under sections 501(c)(3) and is not a "private foundation" within the meaning of section 509(a)(2) of the Internal Revenue Code.

The Alliance has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Alliance's returns are currently under examination.

Cash and Cash Equivalents

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

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The cost of property and equipment is depreciated over the useful lives of the related assets using the straight-line method. The Alliance capitalizes fixed assets with an estimated useful life of greater than one year and a cost of greater than \$500.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Alliance to concentrations of credit and market risk consist primarily of cash and cash equivalents and loans receivable. Cash and cash equivalents are maintained at Federal Deposit Insurance Corporation (FDIC) insured financial institutions and credit exposure is limited to any one institution. To the extent FDIC insurance is not sufficient, the Alliance requires its bank to maintain pledged collateral.

Concentrations of credit risk with respect to notes receivables are limited due to the diverse industry backgrounds of its borrowers. Furthermore, management feels its borrower approval processes and regular review of provisions for loan losses, adequately provides for any material credit risks. Generally, sufficient collateral or a personal guarantee is obtained for all loans at the time of disbursement. Collateral is generally in the form of a mortgage on real property or a chattel lien on equipment title.

Loans and Allowance for Loan Losses

Loans are stated at their recorded investment, which is the amount of unpaid principal, reduced by an allowance for loan losses. Interest is calculated by using the simple interest method. Interest rates on loans range from 3% to 5%.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. To determine the total allowance for loan losses, management estimates the reserves needed for each loan outstanding.

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

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

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

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Income on Loans

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in accordance with adopted policies, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed.

Risks and Uncertainties

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's finances. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Organization's activities, results of operations, financial condition and cash flow.

We have identified additional collection risk in our notes receivable balances due the fact that at least two of the underlying businesses are experiencing the same hardships.

Subsequent Events

On March 15, 2021, a loan recipient repaid its \$150,000 loan with the sale of its real property collateralizing the UCEDA loan.

On March 16, 2021, the Ulster County legislature passed resolution #112 authorizing the transfer of real property owned by Ulster County and located at Enterprise West, Town of Ulster, to the UCEDA. The resolution allows for the transfer of title and shall require the net proceeds of any eventual sale to a third party to be paid to the County. The transfer is expected to be completed in 2021.

Subsequent events have been evaluated through March 31, 2021, which is the date the financial statements were available to be issued.

NOTE 3 — CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2020:

<u>Bank</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Pledged Collateral</u>
M&T	\$ 899,282	\$ 899,557	\$ 500,000	\$ 407,549

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 — CASH AND CASH EQUIVALENTS (Continued)

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2019:

<u>Bank</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Pledged Collateral</u>
M&T	\$ 1,131,344	\$ 1,131,344	\$ 500,000	\$ 643,971

At December 31, 2020 and 2019, deposits of the Alliance were fully covered by federal depository insurance (FDIC) and by collateral held by a Bank in the Alliance's name.

The following represents the cash balances at December 31, 2020 and 2019 by fund:

Fund:	<u>2020</u>	<u>2019</u>
Operating Fund	\$ 268,726	\$ 386,499
Ellenville Million	-	125,649
CDBG Loan Fund	363,939	352,725
Telecommunications Fund	199,127	199,015
Section 108	41,285	41,264
Revolving Loan Fund	26,205	26,192
Total	<u>\$ 899,282</u>	<u>\$ 1,131,344</u>

NOTE 4 — PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of December 31, 2020 and 2019:

	<u>Balance at 12/31/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 12/31/2020</u>
Equipment - grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Office equipment	59,025	-	-	59,025
	<u>411,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>411,510</u>
Accumulated depreciation	<u>(411,510)</u>			<u>(411,510)</u>
Total property and equipment	<u>\$ -</u>			<u>\$ -</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4 — PROPERTY AND EQUIPMENT (Continued)

	<u>Balance at</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>12/31/2019</u>
Equipment - grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Office equipment	59,025	-	-	59,025
	<u>411,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>411,510</u>
Accumulated depreciation	(411,510)			(411,510)
Total property and equipment	<u>\$ -</u>			<u>\$ -</u>

There was no depreciation expense during the years ended December 31, 2020 and 2019.

NOTE 5 — LOANS RECEIVABLE

During the year ended December 31, 2020, the Alliance entered into one new loan agreement, Arrowood Farms, LLC. The agreement was made on November 20, 2020 for \$100,000. The loan is to be paid in monthly installments, beginning with interest-only payments for the first 12 months of approximately \$354 per month, then monthly principal and interest payments of approximately \$2,269 per month. These payment terms assume a 4.25% rate of interest, but will be adjusted each calendar quarter to align with the Prime Rate as published in the Wall Street Journal + 1.00%, with a floor of 4.25%, and no cap on the rate.

During the year ended December 31, 2019, the Alliance entered into two new loan agreements, Costas & Tate Insurance Agency Inc. and Mad Batters Pastries, LLC. The Mad Batters Pastries, LLC agreement was made on January 24, 2019 for \$35,000. The loan is to be paid in monthly payments (including principal and interest) of \$478 at a 4% fixed rate, the first payment due on March 1, 2019 until February 1, 2025. The Costas & Tate Insurance Agency Inc. agreement was made on March 25, 2019 for \$15,000. The loan is to be paid in monthly installments (including principal and interest) of \$276 at a 4% fixed rate, the first payment due on May 1, 2019, and matures on April 1, 2024.

These loans are collateralized by equipment and personal guarantees of the owners, and the loans are subject to certain affirmative covenants related to job creation.

The total loan balance at December 31, 2020 and 2019 was comprised of 10 loans totaling \$766,507 and 9 loans totaling \$749,922, respectively. The loan balance at December 31, 2020 was comprised of 5 loans making up 79% of the loan balance and the loan balance at December 31, 2019 was comprised of 4 loans making up 75% of the loan balance.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 — LOANS RECEIVABLE (Continued)

A summary of changes to loan receivable balances for the year ended December 31, 2020 are as follows:

	Balance			Balance
	12/31/19	New Loans	Payments	12/31/20
Bread Alone	\$ 219,053	\$ -	\$ 23,961	\$ 195,092
Fruition Chocolate	80,860	-	10,009	70,851
Yoga Vida, LLC	150,000	-	-	150,000
The Farm Bridge	104,580	-	15,521	89,059
GAMEX, LLC	46,182	-	10,344	35,839
Organic Nectars	18,319	-	7,181	11,138
Pika's Farm Table	86,291	-	9,844	76,447
Costas and Tate Insurance Agency, Inc.	12,936	-	2,608	10,328
Mad Batters Pastries, LLC	31,701	-	3,948	27,753
Arrowood Farms, LLC	-	100,000	-	100,000
	<u>\$ 749,922</u>	<u>\$ 100,000</u>	<u>\$ 83,416</u>	<u>\$ 766,507</u>

The allowance for loan losses activity during the year ended December 31, 2020 and was as follows:

Balance, beginning of year	\$ 10,840
Provision	955
Write-offs	-
Recoveries	-
Balance, end of year	<u>\$ 11,795</u>

A summary of changes to loan receivable balances for the year ended December 31, 2019 are as follows:

	Balance			Balance
	12/31/18	New Loans	Payments	12/31/19
Bread Alone	\$ 238,535	\$ -	\$ 19,482	\$ 219,053
Falcon Music & Art	5,245	-	5,245	-
Fruition Chocolate	93,747	-	12,887	80,860
Yoga Vida, LLC	150,000	-	-	150,000
The Farm Bridge	124,565	-	19,985	104,580
GAMEX, LLC	56,219	-	10,038	46,182
Organic Nectars	28,739	-	10,420	18,319
New World Catering	3,500	-	3,500	-
Pika's Farm Table	98,966	-	12,675	86,291
Costas and Tate Insurance Agency, Inc.	-	15,000	2,064	12,936
Mad Batters Pastries, LLC	-	35,000	3,299	31,701
	<u>\$ 799,516</u>	<u>\$ 50,000</u>	<u>\$ 99,595</u>	<u>\$ 749,922</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 — LOANS RECEIVABLE (Continued)

The allowance for loan losses activity during the year ended December 31, 2019 and was as follows:

Balance, beginning of year	\$ 10,669
Provision	171
Write-offs	-
Recoveries	-
Balance, end of year	<u>\$ 10,840</u>

NOTE 6 — LONG TERM DEBT

The Alliance grants loans to businesses which are funded through Community Development Block Grants and the HUD Section 108 Loan Guarantee Program. The primary objective of the programs is to encourage business expansion and create employment within the County. Interest rates vary but are always below the prime lending rate. Loans are generally secured by liens on real property and security interests in other business assets.

There was no long-term debt activity during the year ended December 31, 2020.

The following is a summary of long-term debt activity during the year ended December 31, 2019:

	<u>Balance 12/31/18</u>	<u>New Loans</u>	<u>Payments</u>	<u>Balance 12/31/19</u>
USDA Intermediary Relending Program	\$ 20,413	\$ -	\$ 20,413	\$ -

NOTE 7 — UNEARNED REVENUE

Unearned revenue represents contributions received for the Ready2Go Fund and the Ellenville Million project during the years ended December 31, 2020 and 2019.

Ellenville Million Project

The Alliance entered into a contract with Ulster County in 2015 to administer the Ellenville Million project. The Ellenville Million project was established to provide funding to nine project areas recommended by the Ellenville Million Committee. The Alliance will enter into an appropriate contractual relationship with all entities implementing projects and will reimburse entities for appropriate expenses. The Alliance invoices the County for 80% of funding upon the submission of a completed and approved project plan and required contracts. Upon the submission and approval of the Alliance's final report, the County will provide the remaining 20% of funding.

The following is a summary of unearned revenue at December 31, 2020:

Project	Balance 12/31/19	Project Receipts	Project revenue	
			earned	Balance 12/31/20
Prepaid loan interest	\$ 108	\$ 1,249	\$ (108)	\$ 1,249
Ellenville Million Project	114,774	-	(114,774)	-
	<u>\$ 114,882</u>	<u>\$ 1,249</u>	<u>\$ (114,882)</u>	<u>\$ 1,249</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 – UNEARNED REVENUE (Continued)

The following is a summary of unearned revenue at December 31, 2019:

Project	Balance 12/31/18	Project Receipts	Project revenue earned	Balance 12/31/19
Ready2Go Fund	\$ 66,576	\$ -	\$ (66,576)	\$ -
Prepaid loan interest	99	108	(99)	108
Ellenville Million Project	114,079	124,428	(123,733)	114,774
	<u>\$ 180,754</u>	<u>\$ 124,536</u>	<u>\$ (190,408)</u>	<u>\$ 114,882</u>

NOTE 8 — RELATED PARTIES

Ulster County Economic Development Alliance, Inc. does not have its own employees and recognizes no payroll expenses. Ulster County's finance department has assumed the accounting responsibilities and the County's Office of Economic Development has assumed the administration of the Alliance. Donated services have not been reflected in these financial statements.

For the year ended December 31, 2020, the Alliance had a balance due from Ulster County of \$168,933. During the years ended December 31, 2020 and 2019, the Alliance did not pay rent to Ulster County.

The Ellenville Million Project as described in Note 7 is funded by a contract with Ulster County.

Real Property

Ulster County transferred the deeds to three properties to the Alliance during 2015 for the purpose of selling the properties at the highest potential value. When the Alliance sells the properties, the net proceeds will be transferred to Ulster County in accordance with the respective resolutions that granted the properties to the Alliance. Because of the relationship between Ulster County and the Alliance, this transfer of properties (which are fully depreciated at the County level) are not recorded as an asset of the Alliance in accordance with GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

On May 28, 2019, the Alliance entered into a contract with Richard P. Boice for the sale of a parcel of land on Oneil Street in Kingston, NY for the price of \$19,100. In accordance with the Alliance's agreement with Ulster County, the proceeds from the sale were paid to Ulster County immediately.

NOTE 9 — RESTRICTED NET POSITION

Restricted net position consists of the following at December 31, 2020 and 2019:

	2020	2019
Telecommunications Fund	\$ 199,127	\$ 199,015
Total Restricted Net Position	<u>\$ 199,127</u>	<u>\$ 199,015</u>

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ulster County Economic Development Alliance, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Ulster County Economic Development Alliance, Inc. as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ulster County Economic Development Alliance, Inc.'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 Ulster County Economic Development Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Ulster County Economic Development Alliance, Inc.'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 over financial reporting 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 Ulster County Economic Development Alliance, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Kingston, New York
March 31, 2021

SUPPLEMENTARY INFORMATION

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A component unit of Ulster County, New York)
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Year ended December 31, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Contract and administrative fees	\$ 16,500	\$ 1,770	\$ (14,730)
Contract fees - Ellenville Million	332,000	283,708	(48,292)
Contract with Ulster County	150,000	-	(150,000)
Interest on deposits	100	480	380
Interest income - loans	-	25,081	25,081
Educational events	3,000	-	(3,000)
Total revenues	501,600	311,039	(190,561)
Expenditures:			
Contractual expense	32,100	40	32,060
Professional fees	18,000	13,449	4,551
Educational events	3,000	-	3,000
Dues and subscriptions	10,000	-	10,000
Insurance	5,000	4,223	777
Marketing and advertising	100,000	49,600	50,400
Contracts for services - Ellenville Million	332,000	283,707	48,293
Office expense	1,500	324	1,176
Provision for loan losses	-	954	(954)
Total expenditures	501,600	352,297	149,303
Total revenues in deficiency of expenditures	\$ -	\$ (41,258)	\$ (41,258)