

WHEATFIELD LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wheatfield Local Development Corporation

We have audited the accompanying balance sheets of Wheatfield Local Development Corporation (the Corporation), a nonprofit organization, 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 auditors' 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 the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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, 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 the Corporation's internal control over financial reporting and compliance.

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March 29, 2021

WHEATFIELD LOCAL DEVELOPMENT CORPORATION

Balance Sheets

December 31,	2020	2019
Assets		
Cash	\$ 15,737	\$ 6,678
Grants receivable	-	8,297
Loans receivable, net (Note 2)	<u>86,826</u>	<u>97,686</u>
	<u>\$ 102,563</u>	<u>\$ 112,661</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ -	\$ 8,297
Net assets without donor restrictions	<u>102,563</u>	<u>104,364</u>
	<u>\$ 102,563</u>	<u>\$ 112,661</u>

WHEATFIELD LOCAL DEVELOPMENT CORPORATION

Statements of Activities

For the years ended December 31,

2020

2019

Changes in net assets without donor restrictions:

Revenues and support:

Grants	\$ 10,170	\$ 266,991
Interest from loans	2,682	1,262
Total revenues and support	<u>12,852</u>	<u>268,253</u>

Expenses:

Program services		
Grant expense	-	175,000
Consulting fees	10,170	13,571
Legal fees	325	3,420
	<u>10,495</u>	<u>191,991</u>

General and administrative

Legal and professional fees	2,700	1,401
Insurance and other	1,458	1,513
	<u>4,158</u>	<u>2,914</u>
Total expenses	<u>14,653</u>	<u>194,905</u>

Change in net assets (1,801) 73,348

Net assets - beginning 104,364 31,016

Net assets - ending \$ 102,563 \$ 104,364

WHEATFIELD LOCAL DEVELOPMENT CORPORATION

Statements of Cash Flows

For the years ended December 31,	2020	2019
Operating activities:		
Change in net assets	\$ (1,801)	\$ 73,348
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Changes in assets and liabilities:		
Grants receivable	8,297	(8,297)
Accounts payable and accrued expenses	(8,297)	5,931
Net operating activities	<u>(1,801)</u>	<u>70,982</u>
Investing activities:		
Payments on loans receivable	10,860	4,675
Increase in loans receivable	-	(75,000)
Net investing activities	<u>10,860</u>	<u>(70,325)</u>
Net change in cash	9,059	657
Cash - beginning	<u>6,678</u>	<u>6,021</u>
Cash - ending	\$ 15,737	\$ 6,678

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization

Wheatfield Local Development Corporation (the Corporation) is a not-for-profit corporation which fosters the creation, retention, and expansion of jobs and economic opportunities for the benefit of the Town of Wheatfield, New York (the Town) and local economies. The Corporation administers loan programs to create favorable conditions for Town enterprises to expand or locate businesses. Further, it provides for the financing of capital improvements, equipment, or working capital, where such financing will relieve and reduce unemployment, promote, and provide for additional and maximum employment, and improve and maintain job opportunities in the Town.

The Corporation's funding was established through grants awarded by the United States Community Development Block Grant for Small Cities (CDBG) program. The Corporation has the right to re-use principal repayments and interest income for furtherance of its mission.

Net Assets

The Corporation is required to report information regarding financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors for a specific time period, purpose, or to be maintained by the Corporation in perpetuity. The Corporation does not currently maintain any net assets with donor restrictions.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 29, 2021, the date the financial statements were available to be issued.

Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

At various times, cash in financial institutions may exceed federally insured limits and subject the Corporation to concentrations of credit risk.

Loans Receivable

Loans receivable are stated at the principal amount outstanding, net of an allowance for doubtful loans that includes loan forgiveness.

Determination of the balance of the allowance for doubtful loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses after evaluating current economic conditions, historical collections, and current collection efforts, and the financial condition of each loan recipient. Loans are charged off when, in management's judgment, no legal recourse is available to collect the amount owed.

The allowance also includes loans that may be forgiven in accordance with the terms of the loan agreement if the borrower meets certain criteria relative to grant terms. The forgiveness is recorded as grant expense at the inception of the loan.

Interest on loans receivable is accrued when required by the terms of the agreement and management considers that collection is probable based on the current economic condition of the borrower. Interest accrual stops when a loan becomes more than three months past due and does not commence again until the loan is current.

Contributions

Contributions, including government grants, are reported at fair value at the date the contribution is made. Contributions in the form of grants received from governmental agencies generally consist of conditional contributions, and the revenue is recognized as the Corporation meets required conditions. Any funding received before required conditions are met is reported as a refundable advance on the accompanying balance sheets.

Loan Repayments

CDBG loan repayments, including interest thereon, are classified as income that is no longer restricted for program purposes and, accordingly, can be used by the Corporation to finance other eligible activities.

Functional Expense Allocation

The Corporation's costs of providing its services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, all costs are specifically identified and charged to the functions to which they benefit.

Income Taxes

The Corporation is a §501(c)(4) organization exempt from income taxes under §501(a) of the Internal Revenue Code.

2. Loans Receivable:

Loans are granted directly by the Corporation to local businesses to facilitate economic development in the Town. Such loans bear interest at rates ranging from 3.56% to 5% and mature through March 2027. All loans are classified as small business loans and are summarized as follows:

	2020	2019
Current status	\$ 86,826	\$ 97,686
Non-accrual status	175,000	175,000
	<u>261,826</u>	272,686
Less: allowance for loan forgiveness	175,000	175,000
	<u>\$ 86,826</u>	<u>\$ 97,686</u>

The allowance for loan forgiveness was increased by \$175,000 in 2019 in conjunction with a deferred loan of the same amount. If the borrower repays its other loan with the Corporation and meets certain additional criteria, this loan will be forgiven and considered a grant.

3. Financial Resources Available for Operations:

The Corporation funds its operations primarily from government grants and monthly principal and interest payments on loans receivable. The financial assets are acquired throughout the year to meet the Corporation's cash needs for general expenditures and consist of the following at December 31, 2020 and 2019:

	2020	2019
Cash	\$ 15,737	\$ 6,678
Grants receivable	-	8,297
Loans receivable	86,826	97,686
	<u>\$ 102,563</u>	<u>\$ 112,661</u>

4. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. Financial markets also experienced significant fluctuations in value.

In response, the Corporation deferred three months' payments on loans receivable from one business, extending the repayment term by the same period. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on small businesses, employees, and vendors, none of which can be predicted.

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*

The Board of Directors
Wheatfield Local Development Corporation

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 Wheatfield Local Development Corporation (the Corporation), a nonprofit organization, which comprise the balance sheet 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 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency.

Segregation of duties

Because of the lack of staff at the Corporation, it is difficult to achieve an adequate segregation of duties. The risk that material errors, whether intentional or unintentional, may occur and go undetected is increased given the small staff size. We encourage the Board to remain committed to its involvement in the financial operations of the Corporation by thoroughly reviewing monthly financial data, requesting support for all payments when checks are signed, asking questions about unusual transactions, and reviewing monthly reconciliations for all major balance sheet accounts. In addition, we suggest the monthly bank statements be opened and reviewed by someone outside of the normal reconciliation process.

Management's response

In order to eliminate this condition, the Corporation would need to hire part-time individuals to segregate incompatible accounting responsibilities. Based on an evaluation of resources and cost/benefit scenarios, we do not believe this is practical for the Corporation. The Board will continue to monitor controls and provide guidance as necessary.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Management's Response to Findings

The Corporation's response to the finding identified in our audit is described above. It was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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March 29, 2021

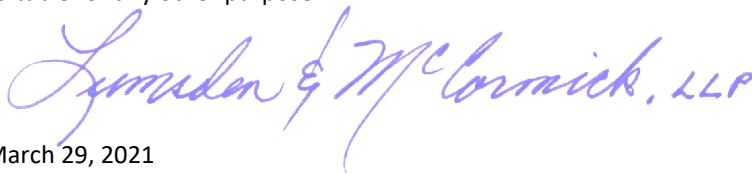
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Wheatfield Local Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Wheatfield Local Development Corporation (the Corporation), which comprise the balance sheet 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 we have issued our report thereon dated March 29, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2020. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.



March 29, 2021