LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS
LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY** (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lewis County Development Corporation and Subsidiary as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Lewis County Development Corporation and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lewis County Development Corporation and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Lewis County Development Corporation and Subsidiary'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lewis County Development Corporation and Subsidiary'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.

Report on Summarized Comparative Information

We have previously audited the Lewis County Development Corporation and Subsidiary's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024, on our consideration of Lewis County Development Corporation and Subsidiary'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 Lewis County Development Corporation and Subsidiary'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 Lewis County Development Corporation and Subsidiary's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
March 7, 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023 with Comparative Totals for 2022

ASSETS

	2023	2022
Cash	$ 1,517,681	$ 152,473
Grant Receivable	31,385	31,385
Loans Receivable, Net	10,000	-
Property and Equipment, Net	97,342	107,241
TOTAL ASSETS	$ 1,656,408	$ 291,099

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Unearned Revenue	$ 902,448	$ -
Notes Payable	168,032	180,084
Total Liabilities	1,070,480	180,084
NET ASSETS		
Net Assets Without Donor Restrictions		
Board Designated	434,277	-
Undesignated	151,651	111,015
Total Net Assets Without Donor Restrictions	585,928	111,015
Total Net Assets	585,928	111,015
TOTAL LIABILITIES AND NET ASSETS	$ 1,656,408	$ 291,099

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2023 with Comparative Totals for 2022

	2023	2022
SUPPORT AND REVENUE		
Contributions	$ -	$ 540
Grant Revenue	682,886	35,242
Interest	7,229	6
Gain on Sale of Property	-	90,096
Rent	10,443	26,489
Total Support and Revenue	700,558	152,373
EXPENSES		
Program Service		
Economic Development	203,579	39,335
Supporting Service		
Management and General	22,066	12,684
Total Expenses	225,645	52,019
CHANGE IN NET ASSETS	474,913	100,354
NET ASSETS, BEGINNING OF YEAR	111,015	10,661
NET ASSETS, END OF YEAR	$ 585,928	$ 111,015

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023 with Summarized Totals for December 31, 2022

	Program Service Economic Development	Management and General	Totals 2023	Totals 2022 (Summarized)
Grants Paid	$ 63,759	$ -	$ 63,759	$ 12,015
Credit Losses	90,000	-	90,000	-
Fees and Permits	786	-	786	3,429
Insurance	343	856	1,199	4,049
Interest	1,802	-	1,802	6,884
Contract Services	36,525	12,175	48,700	1,600
Miscellaneous	-	-	-	208
Professional Fees	-	9,023	9,023	9,970
Repairs and Maintenance	465	-	465	500
Supplies	-	12	12	-
Depreciation	9,899	-	9,899	13,364
TOTAL EXPENSES	$ 203,579	$ 22,066	$ 225,645	$ 52,019

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2023 with Comparative Totals for 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 474,913	$ 100,354
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation Expense	9,899	13,364
Credit Losses	90,000	-
Gain on Sale of Property	-	(90,096)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	-	14,097
Increase (Decrease) in Operating Liabilities:		
Unearned Revenue	902,448	-
Net Cash Provided By Operating Activities	1,477,260	37,719
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property	-	169,233
Loan Originations	(100,000)	-
Net Cash Provided By (Used In) Investing Activities	(100,000)	169,233
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(12,052)	(111,933)
Repayment of Line of Credit	-	(35,643)
Net Cash Used In Financing Activities	(12,052)	(147,576)
Net Increase in Cash	1,365,208	59,376
Cash, Beginning of Year	152,473	93,097
Cash, End of Year	$ 1,517,681	$ 152,473

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 1 – NATURE OF ACTIVITIES

Lewis County Development Corporation (the LCDC) was established in 2003 under the Not-for-Profit Corporation Law of the State of New York for the following purposes:

- To identify, research, fund, develop and manage projects, programs and business opportunities that will increase economic opportunities for Lewis County, New York (the "County") and its residents;
- To revitalize and enhance business areas in the County;
- To stabilize and enhance the infrastructure of the County to include the utilization of new technologies;
- To recruit enterprises and businesses to the County;
- To provide education and research on the best practices for the economic development of the County;
- To preserve the cultural, historical, and natural resources of the County; and
- To expand economic development potential through collaboration and partnerships.

LCDC's wholly owned subsidiary, Black Moose Development, LLC, was established in 2011 for the purpose of owning property in the Village of Lyons Falls, New York.

LCDC and Black Moose Development, LLC's significant sources of operating revenues are from grant and contract revenue, rental revenue, interest received on loans issued, and contributions received.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the LCDC and its wholly owned subsidiary, Black Moose Development, LLC. All significant intercompany transactions and balances have been eliminated. The LCDC and its Subsidiary are collectively referred to herein as the "Organization".

Basis of Accounting

The Organization's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to one class of net assets: net assets without donor restrictions.

Net Assets Without Donor Restrictions– Net assets that are not subject to or are no longer subject to donor-imposed stipulations. They are currently available for operating purposes subject only to the broad limits resulting from the nature of the Organization. Net assets without donor restrictions generally result from Lewis County support, grant revenue, and interest, less expenses incurred in providing program-related services and performing administrative functions. Net assets without donor restrictions may be designated for specific purpose by action of the Board of Directors.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash

For purposes of the Consolidated Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of December 31, 2023 and 2022, the Organization held no cash equivalents.

Grant Receivable

Grant receivable balance represents amounts due from the Village of Lyons Falls for the Phase 4 demolition of the Lyons Falls Pulp & Paper Mill project. The receivable is deemed to be fully collectible.

Loans Receivable and Allowance for Credit Losses

Loans receivable are stated at unpaid principal balances, less an allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Loans Receivable and Allowance for Credit Losses - Continued

Loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a provision for credit losses and an adjustment to an allowance for credit losses based on its assessment of the current status of individual accounts. A considerable amount of judgement is required when determining expected credit losses. Estimates of such losses are recorded when management believes a customer, or group of customers, may not be able to meet their financial obligations due to deterioration in financial condition or credit rating. Factors relevant to the assessment include prior collection history with customers, the related aging of past due balances, projections of credit losses based on historical trends in credit quality indicators or past events, and forecasts of future economic conditions.

Property and Equipment

The Organization capitalizes all expenditures in excess of $2,000 for the acquisition and betterment of property and equipment having a useful life of one year or more.

Property and equipment are capitalized at cost and depreciated using the straight-line method over their estimated useful lives of seven to thirty-nine years.

Unearned Revenue

The Organization is the recipient of grants that require expenditure for specified activities before the Organization is reimbursed by the grantor for the costs incurred. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as unearned revenue.

Advertising

Advertising costs are expensed as incurred.

Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Status

The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision has been made for Federal or State taxes.

The Organization has adopted the provisions of Financial Accounting Standards Board Codification, *"Income Taxes."* In determining the recognition of uncertain tax positions, the Organization applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities.

The Organization recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense. The Organization analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2020, 2021, and 2022. Based on this analysis, the Organization determined that there were no uncertain tax positions and that the Organization should prevail upon examination by the taxing authorities.

Functional Allocation of Expenses

Expenses consist of costs related to economic development and administrative functions. The Organization's operating costs have been allocated based on direct identification when possible and allocated if a single expenditure benefits more than one function. For the years ended December 31, 2023 and 2022, all costs have been allocated based on direct identification.

Revenue Recognition

In accordance with ASU 2018-08, "*Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*" (Topic 958), the Organization has revenue sources that are accounted for and recognized as nonreciprocal transactions at the time of the transaction.

<u>Lewis County Support</u>

The Organization receives contract monies from the Lewis County, New York. The contract revenue is deemed a nonreciprocal transaction to be used for the general mission of the Organization and, accordingly, recognized as revenue in the year the funds are received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - Continued

Grant Revenue

The Organization receives revenue from cost-reimbursable grants and contracts with state/local agencies and other private grantors, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

A portion of the Organization's revenue stream is normally generated from rent income which is outside the scope of Topic 606. Rent income is recognized at the time it is received by the Organization.

Donated Services

No amounts have been reflected in the consolidated financial statements for donated services. The Organization generally pays for services requiring specific expertise.

Recently Adopted Accounting Pronouncements

Effective January 1, 2023, the Organization adopted ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Organization that are subject to ASU 2016-13 include loans receivable. The adoption of this ASU did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Review

Management has evaluated subsequent events and transactions that occurred between December 31, 2023 and March 7, 2024, which is the date the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures necessary.

NOTE 3 – GRANT RECEIVABLE

Grant receivables are amounts due from the Village of Lyons Falls for the Phase 4 abatement and demolition of the former Lyons Falls Pulp and Paper Mill as follows:

	2023	2022
Village of Lyons Falls	$ 31,385	$ 31,385

NOTE 4 – LOANS RECEIVABLE, NET

Loans receivable consisted of the following at December 31:

	2023	2022
Building Business Development Loans	$ 100,000	$ -
Less, Allowance for Credit Losses	(90,000)	-
Total Loans Receivable, Net	$ 10,000	$ -

The following is a schedule of the outstanding Building Business Development Loan Program loans receivable at December 31:

	2023	2022
Red Barn Meats	$ 40,000	$ -
Tug Hill Estate	20,000	-
Other	40,000	-
Total Building Business Development Program	$ 100,000	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 4 – LOANS RECEIVABLE, NET – Continued

Activity in the allowance for credit losses for the year ended December 31st are as follows:

	2023	2022
Balance - January 1st	$ -	$ -
Provision for Credit Losses	90,000	-
Balance - December 31st	$ 90,000	$ -

Building Business Fund Forgivable Loan Program

During 2023, the Organization disbursed 6 Building Business Forgivable loans through the Community Economic Development Program (CEDP), four loans in the amount of $10,000 each while two other loans were issued in the amounts of $40,000 and $20,000. The loan terms defer accrual of interest and loan payments for 24 months beginning the month subsequent to the contract issuance. The loan terms call for 24 monthly principal and interest payments starting in 2026, at an interest rate of 6.00%. Once the project for which the loan was granted has been completed, the loan recipient may request that the loan remaining balance is forgiven and recorded as an expense by the Organization. During the year ended December 31, 2023, the Organization incurred $90,000 of credit losses expense related to the loan program by recording an allowance for credit losses of $90,000 on the outstanding loans expected to be forgiven in future years.

The aging of the loan receivables portfolio by classes as of December 31, 2023 is summarized as follows:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 days	Current	Total Loans Receivable
Building Business Development Loans	$ -	$ -	$ -	$ 100,000	$ 100,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 5 – PROPERTY AND EQUIPMENT, NET

On January 10, 2011, Black Moose Development, LLC purchased property with a building on its premises on Center Street in the Village of Lyons Falls, New York. During the year ended December 31, 2012, the Organization began work to rehabilitate this property. This property was purchased using Lewis County Shovel Ready Industrial Development Program (Shovel Ready Program) grant funds. As a result, the County has a security interest in this property. The County has the right to reimbursement for the proceeds of the sale of any property purchased with Shovel Ready Program funds until such time as the grant program closes and all program requirements are satisfied. On November 3, 2022, the Organization sold the building and a portion of the property to the County of Lewis Industrial Development Agency.

Property and equipment consist of the following at December 31:

	2023	2022
Land and Improvements	$ 148,487	$ 148,487
Less: Accumulated Depreciation	51,145	41,246
Property and Equipment, Net	$ 97,342	$ 107,241

For the years ended December 31, 2023 and 2022, depreciation expense was $9,899 and $13,364, respectively.

NOTE 6 – LINE OF CREDIT

The Organization has a $200,000 line of credit with Community Bank. The interest rate is 9.25%, which is the prime rate plus .75% at December 31, 2023, with a floor of 4%. The line is secured by various assets of the Organization. The total amount outstanding for both years ended December 31, 2023 and 2022 was $0. The line of credit was set to expire on December 31, 2049.

The Organization had a $750,000 line of credit with the Development Authority of the North Country. The interest rate was 1.5%. The line was secured by assignment of payments from grant sources to include National Grid, Restore NY, and Empire State Development. The total amount outstanding for both years ended at December 31, 2023 and 2022 was $0. The line of credit was closed September 5, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 7 – UNEARNED REVENUE

The following table provides information about unearned revenue as of December 31:

	2023	2022
Unearned Revenues, Beginning of the Year	$ -	$ -
Cash Received in Advance		
County of Lewis - Vacant Property Revitalization	902,448	-
Unearned Revenues, End of the Year	$ 902,448	$ -

The balances will be recognized as revenue beginning January 1, 2024 as specified costs are incurred.

NOTE 8 – NOTES PAYABLE

The Organization had a note payable as follows at December 31:

	2023	2022
A note dated August 25, 2016 in the amount of $250,000 from the Development Authority of the North Country. The note is secured by a guarantee from the County of Lewis Industrial Development Agency. Interest accrues annually at 1.00%. Repayment began on April 16, 2018.	$ 168,032	$ 180,084
Total	$ 168,032	$ 180,084

Maturities of long-term debt over the next five years and thereafter are estimated as follows:

2024	$ 12,173
2025	12,295
2026	12,417
2027	12,542
2028	12,667
Thereafter	105,938
Total	$ 168,032

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 9 – BOARD DESIGNATED NET ASSETS

Certain amounts of the net assets without donor restrictions have been set aside by the Organization's Board of Directors for specific purposes. The amounts of these Board commitments are as follows:

	2023	2022
Balance - January 1st	$ -	$ -
Provision for Credit Losses	(90,000)	-
Grant Payments	(15,057)	-
Community Economic Development Grant	539,334	-
Balance - December 31st	$ 434,277	$ -

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Organization typically maintains cash deposits in local federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. As of December 31, 2023 and 2022, the Organization's deposits in excess of FDIC limits totaled $1,282,741 and $0, respectively.

NOTE 11 – GRANT REVENUE

Grant Revenue consisted of the following as of December 31:

	2023	2022
Number 3 Wind LLC - Community Economic Development	$ 554,234	$ -
County of Lewis - Vacant Property Revitalization	97,552	-
County of Lewis - Economic Development	30,000	30,000
Other	1,100	5,242
	$ 682,886	$ 35,242

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 11 – GRANT REVENUE– Continued

Number 3 Wind LLC signed a Host Community Benefit Agreement with the Organization dated December 1, 2021 in which they agreed to make certain payments following the commencement of commercial operations through 2052. The Organization has designated these funds to initiate the Community Economic Development Program ("CEDP") which includes the Small Things, Big Impacts grant, the Community Connections grant, and the Building Business Fund Forgivable Loan program. During the year ended December 31, 2023, the Organization received the initial commencement of operations payment of $202,117, as well as the annual scheduled payment of $352,117.

In an agreement dated November 13, 2022, the Organization became a subrecipient of funding of United States Coronavirus State and Local Fiscal Recovery Funds (ARPA grant) in the amount of $1,000,000 from the County of Lewis. The grant program is for the development and administration the Vacant Property Revitalization (VPR) program for the rehabilitation of vacant commercial buildings. For the year ended December 31, 2023, the Organization recognized grant revenues for $97,552 for the grant development and administration as well as grant disbursements of $47,552. Remaining grant balances of $902,448 are reported as unearned revenues as of December 31, 2023.

NOTE 12 – CASH FLOW INFORMATION

There were no noncash investing or financing activities during 2023 and 2022.

Cash paid for interest was as follows for the years ended December 31:

	2023	2022
Interest	$ 1,802	$ 6,884

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 13 – RELATED PARTY TRANSACTIONS

On January 1, 2023, the County of Lewis Industrial Development Agency (CLIDA) and the LCDC entered into a management services agreement whereby the CLIDA provides certain management, administrative, accounting, and economic development services to the Organization. Pursuant to such agreement, the Organization pays the CLIDA a fee, currently $1,600 per year, for such services. The agreement has a term of one year.

On November 3, 2022, the CLIDA purchased a building and land from the Organization with a reported value of $79,137, as well as outstanding lease receivable balances owed to the Organization of $30,767, for the amount of $200,000.

During the year ended December 31, 2022, the Organization repaid mortgage balances of $100,000 with interest of $4,473 to the CLIDA.

On October 2, 2023, the Naturally Lewis, Inc. and the LCDC entered into a management services agreement whereby Naturally Lewis, Inc. provides certain management, administrative, accounting, and economic development services to the Organization. Pursuant to such agreement, the Organization pays Naturally Lewis, Inc. 50% of administration fees relating to programming and property development, currently $47,500 during 2023, for such services. The agreement ended December 31, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 with Comparative Totals for 2022

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization operates collecting sufficient revenue to cover general expenditures. The following table reflects the Organization’s financial assets as of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the Consolidated Statement of Financial Position date because the assets are not convertible to cash within one year.

	2023	2022
Financial Assets:		
Cash	$ 1,517,681	$ 152,473
Grant Receivable	31,385	31,385
Loans Receivable, Net	10,000	-
Financial Assets, End of Year	1,559,066	183,858
Less those Unavailable for General Expenditures Within One Year, due to:		
Cash Held for Designated Grants	(902,448)	-
Board Designated for CEDP Grants	(434,277)	-
Grant Receivable Used to Pay the Note Payable	(31,385)	(31,385)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 190,956	$ 152,473

Additionally, the amounts disclosed above as “board designated for CEDP” may be released for use in operations by the approval of the Board of Directors.

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

BOARD OF DIRECTORS
LEWIS COUNTY DEVELOPMENT CORPORATION AND SUBSIDIARY

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 consolidated financial statements of Lewis County Development Corporation and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 7, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lewis County Development Corporation and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lewis County Development Corporation and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewis County Development Corporation and Subsidiary'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 consolidated 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 Lewis County Development Corporation and Subsidiary's consolidated 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 consolidated 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bowers & Company

Watertown, New York
March 7, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 2925(3)(F) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

TO THE BOARD OF DIRECTORS
LEWIS COUNTY DEVELOPMENT CORPORATION

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 consolidated financial statements of Lewis County Development Corporation, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements and have issued our report thereon dated March 7, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the Organization failed to comply with the Organization's Investment Policy, The New York State Comptroller's Investment Guidelines, and Section 2925(3)(F) of the NYS Public Authorities Law during the year ended December 31, 2023. However, our audit was not directed primarily toward obtaining knowledge of noncompliance with such investment guidelines. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization's noncompliance with the above rules and regulations.

This report is intended solely for the information and use of management of the Organization, the Board of Directors, and the Office of the State Comptroller of the State of New York. It is not intended to be, and should not be, used by anyone other than these specified parties.

Bowers & Company

Watertown, New York
March 7, 2024

BOWERS | CPAs & ADVISORS

March 7, 2024

Board of Directors and Management
Lewis County Development Corporation

We have audited the consolidated financial statements of Lewis County Development Corporation and Subsidiary for the year ended December 31, 2023, and have issued our report thereon dated March 7, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 15, 2023. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lewis County Development Corporation and Subsidiary are described in Note 2 to the consolidated financial statements. As described in Note 2, the Organization changed accounting policies related to loans receivable by adopting FASB Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (ASC Topic 326)* in 2023. Accordingly, the accounting change utilized the modified retrospective approach with no change to beginning net assets. We noted no transactions entered into by Lewis County Development Corporation and Subsidiary during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

> Management's estimate of whether an allowance for credit losses is necessary is based on an analysis of the collectability of the loan portfolio at year-end. We evaluated the current loan portfolio and assumptions used by management to determine the adequacy of the allowance for credit losses and whether it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation is based on the straight-line method over the capital asset's useful life. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the functional expense allocation is based on time and effort. We evaluated the methods, assumptions, and data used to develop the expense allocations in determining that it is reasonable in relation to the financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following schedule of material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a consolidated financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Lewis County Development Corporation and Subsidiary and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Lewis County Development Corporation

Adjusting Journal Entries JE # 1			
To report balances for VPR revenue, expenditure and deferment based on activity.			
4014-1	VPR Grant Fund	902,448	
2020	VPR Grants Committed		259,036
8014	VPR Grants		643,412
Total		**902,448**	**902,448**

Adjusting Journal Entries JE # 2			
To reclassify grant disbursements as loans receivables per grant terms.			
1206	Forgivable Loans Receivable	100,000	
8013	CEDP Grants		100,000
Total		**100,000**	**100,000**

Adjusting Journal Entries JE # 3			
To report management estimated Allowance for Credit Losses			
6501	Credit Loss	90,000	
1207	Allowance for Credit Losses		90,000
Total		**90,000**	**90,000**

To the Board of Directors
Lewis County Development Corporation and Subsidiary

In planning and performing our audit of the consolidated financial statements of Lewis County Development Corporation and Subsidiary as of and for the year ended December 31, 2023, 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, we considered Lewis County Development Corporation and Subsidiary's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 7, 2024, on the consolidated financial statements of Lewis County Development Corporation and Subsidiary.

Measurement of Credit Losses

The FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which changed the method for recognizing credit impairments of financial assets during the year ended December 31, 2023. The current expected credit loss (CECL) model added by ASU 2016-13 expands the information organizations are required to consider when estimating credit losses and lowers the threshold for recognized losses. Under the new model, expected credit losses are to be measured based on historical experience, current conditions, and reasonable and supportable forecasts. The Organization does not have a written lending policy and procedure to determine loan segments based on certain risks and characteristics including a documented methodology for the use of the percentages of various percentages in the current year to support their calculation of expected credit losses, or allowance for credit losses on loans receivable.

Recommendation

We recommend that the Organization implement a lending policy which includes the methodology for calculating the expected credit loss on loans receivable in accordance with ASU 2016-13. The assumptions used to calculate the allowance should be documented on a regular basis and should include calculations of historical experiences, data on current conditions, and further estimates based on reasonable and supportable future forecasts. The assumptions and measurements should then be used to calculate an allowance for credit losses on a regular basis, specifically at year-end, which should be submitted to the Board for approval.

Annual Investment Report

Section 2925 of Public Authorities Law (PAL) requires public authorities to adopt comprehensive investment guidelines including a policy for the Organization's investments and to prepare an annual investment report, which includes the results of the annual independent audit of all investments. The annual investment report must include the investment guidelines, the result of annual independent audit of all investment practices, a record of the Organization's investments, and a detailed list of the total fees or commissions paid to each banker or agent that has provided investment services. It was found that while the Organization does not hold external investments and has an investment policy, an annual investment report in accordance with Section 2925 of PAL is not being prepared.

Recommendation

We recommend the Organization prepare an annual investment report in accordance with Section 2925 of PAL going forward and that the report be approved by the board and submitted to the Public Authorities Reporting Information System (PARIS) within 90 days of the Organization's year-end. The report should also be posted with the independent auditor's report on your website.

Uncollateralized Deposits at Financial Institutions

During our testing of cash, we identified that Community Bank deposits of $1,282,741 exceeded FDIC insurance and were uncollateralized as of December 31, 2023.

Recommendation

We recommend the Organization adhere to the investment policy to ensure that deposits are adequately secured.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Corporation personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bowers & Company

Watertown, New York
March 7, 2024