

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION**

ANNUAL REPORT

DECEMBER 31, 2022

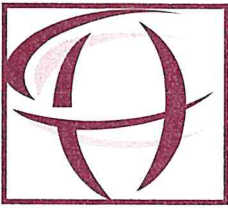
TABLE OF CONTENTS

Financial Statements

Independent Auditors' Report	1-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flow	7
Notes to Financial Statements	8-18

Supplemental Information

Schedules of Economic Development Zone Revenues and Expenses	19
<u>Independent Auditors' Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></u>	20-21



Crowley & Halloran, CPAs, P.C.
Certified Public Accountants, Auditors, and Consultants
215 Washington Street, Suite 100, Watertown, NY 13601
Phone: (315) 788-3140 Fax: (315) 782-5321
www.crowleyhalloran.com

Michael W. Crowley, CPA*
Pamela J. Halloran, CPA*

* Licensed in NY & PA

Members of:
AICPA
NYSSCPA
Government Audit Quality Center
Employee Benefit Plan Audit Quality Center

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Franklin County Economic Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Franklin County Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin County Economic Development Corporation as of December 31, 2022, and the changes in net assets and its 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. 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 Franklin County Economic Development Corporation 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



INDEPENDENT AUDITORS' REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Franklin County Economic Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Franklin County Economic Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Franklin County Economic Development Corporation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



INDEPENDENT AUDITORS' REPORT (continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Economic Development Zone Revenue and Expense as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 8, 2023, on our consideration of Franklin County Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Franklin County Economic Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County Economic Development Corporation's internal control over financial reporting and compliance.

Crowley & Halloran, CPAs, P.C.
March 8, 2023

FRANKLIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>Restated 2021</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,216,231	\$ 2,266,877
Accounts and Accrued Interest Receivable	-	-
Grants and Contributions Receivable	364,864	211,601
Prepaid Expenses	3,846	4,102
Loans Receivable - Current Portion	162,028	218,477
Total Current Assets	<u>1,746,969</u>	<u>2,701,057</u>
Other Assets		
Loans Receivable - Long Term Portion	1,459,167	1,524,725
Reserve for Uncollectible Loans Receivable	(530,215)	(411,188)
Capital Assets, Net	36,737	43,577
Total Other Assets	<u>965,689</u>	<u>1,157,114</u>
Total Assets	<u><u>\$ 2,712,658</u></u>	<u><u>\$ 3,858,171</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable & Accrued Expenses	\$ 141,543	\$ 51,337
Current Portion of Operating Lease Liability	16,478	9,060
Total Current Liabilities	<u>158,021</u>	<u>60,397</u>
Other Liabilities		
Unearned Revenue	-	52,788
Due to County of Franklin	-	741,601
Long-term Operating Lease Liability	11,134	27,612
Total Other Liabilities	<u>11,134</u>	<u>822,001</u>
Total Liabilities	<u>169,155</u>	<u>882,398</u>
Net Assets		
Net Assets without Donor Restrictions	2,543,503	2,975,773
Net Assets with Donor Restrictions	-	-
Total Net Assets	<u>2,543,503</u>	<u>2,975,773</u>
Total Liabilities and Net Assets	<u><u>\$ 2,712,658</u></u>	<u><u>\$ 3,858,171</u></u>

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

**FRANKLIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022 with Summarized Totals for 2021

	2022	Restated 2021
Changes in Net Assets without Donor Restrictions:		
Revenues and Support:		
Local Government Funding	\$ -	\$ -
Grant and Contract Income	802,612	306,857
Fee Income	8,753	6,810
Loan Interest Income	63,171	54,538
Interest Income	304	792
Program Income	-	-
Other Income	13,999	7,413
Total Revenues and Support without Donor Restrictions	888,839	376,410
 Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	-	227,958
Total Net Assets Released from Restrictions	-	227,958
 Total Revenues and Support without Donor Restrictions	888,839	604,368
 Expenses and Losses		
Programs	1,277,277	853,913
Management and General	43,832	49,225
Total Expenses and Losses	1,321,109	903,138
 Decrease in Net Assets without Donor Restrictions	(432,270)	(298,770)
 Changes in Net Assets with Donor Restrictions		
Net Assets Released from Restrictions	-	(227,958)
Program Income with Donor Restrictions	-	-
Grant and Contract Income with Donor Restrictions	-	-
 Decrease in Net Assets with Donor Restrictions	-	(227,958)
 Decrease in Net Assets	(432,270)	(526,728)
 Net Assets at Beginning of Year	2,975,773	3,502,501
 Net Assets at End of Year	\$ 2,543,503	\$ 2,975,773

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

FRANKLIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022 with Summarized Totals for 2021

	<u>Programs</u>	<u>Management & General</u>	<u>Total 2022</u>	<u>Summary Total 2021</u>
Salaries & Wages	\$ 168,581	\$ 18,731	\$ 187,312	\$ 179,417
Fringe Benefits	42,331	6,443	48,774	38,558
Consultant Services	36,957	-	36,957	166,784
Professional Services	2,931	2,931	5,862	7,120
Marketing	49,123	-	49,123	80,895
Legal Fees	3,392	3,392	6,784	18,432
Miscellaneous	11,992	-	11,992	11,249
Internet and Telephone	90	90	180	-
Office Expenses	20,677	3,117	23,794	27,345
Occupancy	450	450	900	3,700
Conferences, Travel & Training	5,387	-	5,387	3,204
Bank Service Fees	194	194	388	72
Insurance	567	567	1,134	2,074
Interest Expense	-	540	540	358
Grants Paid to Others	808,201	-	808,201	261,836
Bad Debt Expense	119,027	-	119,027	91,526
Depreciation and Amortization	7,377	7,377	14,754	10,568
	<u>7,377</u>	<u>7,377</u>	<u>14,754</u>	<u>10,568</u>
Total Functional Expenses	<u><u>\$ 1,277,277</u></u>	<u><u>\$ 43,832</u></u>	<u><u>\$ 1,321,109</u></u>	<u><u>\$ 903,138</u></u>

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

FRANKLIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022 with Summarized Totals for 2021

	2022	Restated 2021
Cash Flows from Operating Activities:		
Cash Received from Others	\$ 619,313	\$ 1,235,799
Interest Received	182,502	149,437
Interest Paid	(540)	(359)
Cash Paid to Suppliers	(1,956,954)	(887,174)
Net Cash Provided (Used) by Operating Activities	(1,155,679)	497,703
Cash Flows from Investing Activities:		
Purchases of Capital Assets	(7,914)	(43,162)
Loans Advanced	-	(945,085)
Loan Payments Received	122,007	282,089
Net Cash Provided (Used) by in Investing Activities	114,093	(706,158)
Cash Flows from Financing Activities:		
Principal Payments of Debt	(9,060)	(3,641)
Proceeds from Issuance of Debt	-	40,313
Net Cash Provided (Used) by Financing Activities	(9,060)	36,672
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(1,050,646)	(171,783)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	2,266,877	2,438,660
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 1,216,231	\$ 2,266,877
Reconciliation of Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in Net Assets	\$ (432,270)	\$ (526,728)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) in Operating Activities		
Bad Debt Expense	119,027	91,526
Depreciation and Amortization	14,754	10,567
Change in Operating Assets - (Increase) Decrease		
Accounts and Accrued Interest Receivable	-	-
Grant and Contributions Receivable	(153,263)	120,330
Prepaid Expenses	256	2,581
Change in Operating Liabilities - Increase (Decrease)		
Accounts Payable & Accrued Expenses	90,206	5,038
Other Liabilities	(741,601)	52,788
Unearned Revenue	(52,788)	741,601
Net Cash Provided (Used) by Operating Activities	\$ (1,155,679)	\$ 497,703

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

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The County of Franklin Industrial Development Agency (IDA) created a Local Development Corporation known as the Franklin County Local Development Corporation (LDC) (the Organization) in 1989. In December 2021, the name was changed to Franklin County Economic Development Corporation (EDC). The County of Franklin Industrial Development Agency assigned all of the loan repayments from the County Community Development Block Grant (CDBG) Projects to the Agency for the purpose of establishing a county wide revolving loan fund. Upon the formation of the Corporation, the County of Franklin IDA assigned all its rights in the CDBG program to the Corporation for collection and administration. The Corporation is committed to serving new and existing businesses and industries, and to assist with the creation and retention of quality jobs through direct and collaborative funding of projects for the economic well-being of Franklin County.

REVOLVING LOAN FUND

The Organization maintains the Revolving Loan Fund which was created by the County of Franklin IDA to stimulate the growth of private sector industrial employment in Franklin County, New York. The revolving loan fund provides financial assistance to: (1) small industries who wish to expand or to build new facilities; (2) small industries who must modernize their physical plant or equipment and machinery to maintain their competitive position; and (3) Canadian industrial firms who seek to locate new plants or facilities in the County.

BASIS OF ACCOUNTING

The accrual method is used for both financial reporting and income tax purposes. Expenses are recorded when incurred and revenues are recorded when realized in accordance with the accrual basis of accounting.

NET ASSETS

Net assets, revenues, gains, and losses are based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increased in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net asset released from restriction.

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GRANTS AND CONTRACTS

Support received under grants and contracts is recorded as public support when the related amounts are determined to be due from the grantor agencies. Management considers all contracts receivable at December 31, 2022 and 2021 to be collectible.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,216,231	\$ 2,266,877
Restricted cash	<u>-</u>	<u>-</u>
	<u>\$ 1,216,231</u>	<u>\$ 2,266,877</u>

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advanced are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Grants and contracts through the Destination Development and Marketing Program, the Franklin County Microenterprise Grant Program, the New York Main Street Grant, the Center for Business in Transition, the Saranac Lake Energize Downtown Program, and the CARES Small Business Assistance Program are conditioned upon certain performance requirements and the incurrence of qualifying expenses, and are not recognized until the conditions on which they depend have been substantially met.

Membership fees, for use of the Carry, a community of entrepreneurs with downtown workspace, which can be rented by the day, week or month and also houses workshops, coaching sessions, and other business development program are non-refundable and billed monthly.

The Organization recognizes funds from the County of Franklin to provide tourism promotion services, and annual fees to provide economic development services as non-conditional contractual income.

No significant contributions of goods or services were received during the years ended December 31, 2022 and 2021.

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

The Organization capitalizes all expenditures in excess of \$2,500 for property and equipment at cost. Equipment is stated at cost or, if donated, at approximate fair market value at date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Routine repairs and maintenance are expensed as incurred.

BAD DEBT LOSS AND RECOVERIES

A reserve method for bad debts has been reflected in these financial statements based upon management's specific identification of outstanding loan receivables that have a potential for collection issues based on historical payment status of the borrowers.

The reserve for uncollectible accounts is \$530,215 and \$411,188 at December 31, 2022 and 2021, respectively and represents approximately 33% and 24% of loans outstanding at December 31, 2022 and 2021, respectively. No loans were written off in 2022 or 2021.

COMPENSATED ABSENCES

The Organization allows employees to accumulate annual leave according to employment agreements. This amount is included as an accrued liability in the statement of financial position. Compensated absences were \$5,362 and \$11,976 at December 31, 2022 and 2021, respectively.

FUNCTIONAL EXPENSES

The cost of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

TAX STATUS

The Internal Revenue Service has determined that Franklin County Economic Development Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization other than a private foundation under Section 509(a)(2).

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

IN-KIND CONTRIBUTIONS

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. Donated gifts-in-kind are not sold. In addition to contributed nonfinancial assets, volunteers contribute time to program services, administration, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of good or services were received during the years ended December 31, 2022 and 2021.

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGE IN ACCOUNTING PRINCIPLES

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance in *Topic 840, Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the balance sheet for operating leases.

The Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach and electing the comparative method with January 1, 2021 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-to-use asset impairment. As of January 1, 2022, adoption of Topic 842 resulted in an increase in operating lease ROU assets of \$32,232 (net of accumulated amortization), an increase in operating lease liabilities of \$36,672. The comparative financial information for the year ended December 31, 2021 has been restated to reflect the implementation of the leasing standards.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents - Unrestricted	\$ 1,216,231	\$ 2,266,877
Accounts Receivable	-	-
Loans Receivable – Current Portion	162,028	218,477
Grants Receivable – Current Portion	364,864	211,601
	<u>\$ 1,743,123</u>	<u>\$ 2,696,955</u>

The Organization has certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above.

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in Malone, New York and certificates of deposit at a financial institution in Willsboro, New York. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the bank that were over the FDIC limit. However, the Organization has a collateralized pledge account to cover all deposits that exceed the FDIC limit. Therefore, at December 31, 2022 and 2021, the Organization had no uninsured cash balances.

NOTE 4 - LOANS ADVANCED

The Organization advanced loans in the amount of \$0 and \$945,085 during 2022 and 2021 respectively. These loans are to provide financial assistance to local eligible businesses.

NOTE 5 - LOANS RECEIVABLE

Details of the Organization's loans receivable at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Consolidated, restructured loan to Cherie Whitten dba the Hub, and the purchase of a mortgage assumed totaling \$190,406 made November 9, 2020, interest rate at 6.00%, payments of principal and interest June-November and interest only payments from December-May each year until June 1, 2022 commencing with monthly payments of \$2,299.08 through maturity at November 2030, see Note 9	\$ 173,635	\$ 183,458
Loan to Asept Pak, Inc., original balance \$250,000, made September 21, 2009, monthly payment of \$2,349.28, interest rate at 5.25%, maturity date was September 2019, loan is still active	44,066	73,391
Loan to 2 Soup Gurus, LLC dba JC Soups, original balance \$75,000, made August 24, 2018, monthly payments \$900.00, interest rate at 6.75%, maturing August 2028	48,187	55,466
Loan to MCM Development Malone, LLC, original balance \$250,000, made in three installments, \$125,000 on January 19, 2018, \$62,500 on April 2, 2018, and \$62,500 on May 18, 2018. Interest only payments at a rate of 6.50% until 12 months after completion of construction at which time payments of \$2,838.70 will be due, maturing August 2030, see Note 9	237,896	239,123

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 5 - LOANS RECEIVABLE (continued)

Loan to Bowe & Arrow, LLC, original balance \$100,000, made July 25, 2019, interest only payments for 12 months, with principal and interest payments of \$1,729.01 for six years, interest rate at 7.5%, maturity date July 2026, see Note 9	91,033	91,526
Loan to Brett Hazen and Joanne Hazen, dba BMJ Midway Market, original balance \$155,000, made December 19, 2019, monthly payments \$1,733.75, interest rate at 5.75%, maturing November 2029	121,996	135,366
Loan to Anthony Pryce dba AP Cleaners, original balance \$15,000, made May 7, 2020, interest only payments through February 2021, with regular monthly payments of \$322.00 commencing March 2021, interest rate at 4.25%, maturing May 2025	8,569	12,266
Loan to Holser's Family Restaurant, original balance \$10,100, made April 15, 2020, interest only payments through January 1, 2021, with regular monthly payments of \$650.42 commencing February 2021, interest rate at 4.25%, maturing May 2022	-	3,217
Loan to KKR Food Service LLC dba Amado, original balance \$25,000, made June 15, 2020, interest only payments through March 1, 2021, with regular monthly payments of \$536.66 commencing April 2021, interest rate at 4.25%, maturing June 2025	14,766	20,913
Loan to KKR Food Service, dba Amado, original balance \$154,000, made April 14, 2021, monthly payments of \$2,105.00 commencing June 2021, interest rate at 4.00%, maturing June 2028	122,834	142,747
Loan to ADK ArtRise LLC, original balance \$25,550, made February 19, 2021, with regular monthly payments of \$473.42 commencing April 2021, interest rate at 4.25%, maturing March 2026	16,820	22,067
Loan to Small Town Entertainment a/k/a Little Town Lanes, original balance \$90,000, made June 29, 2021, monthly payments of \$1,216.06, interest rate at 3.75%, maturing July 2028	79,555	88,127

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 5 - LOANS RECEIVABLE (continued)

Loan to Small Town Entertainment a/k/a Little Town Lanes, original balance \$125,000, made December 13, 2021, with regular monthly payments of \$909.03 commencing February 2022, interest rate at 3.75%, maturing January 2037	121,338	125,000
Loan to OWD LLC, original balance \$350,000, made April 14, 2021, interest only monthly payments of \$1,239.58, interest rate at 4.25%, until full maturity which is the earlier of a closing on construction financing, or April 1, 2024	350,000	350,000
Loan to Happy Camping RV, original balance of \$200,535 (first of two disbursements), made December 6, 2021, with regular monthly payments of \$1,483.33 commencing February 2022, interest rate at 4.00%, maturing January 2037	<u>190,500</u>	<u>200,535</u>
Total	<u>\$ 1,621,195</u>	<u>\$ 1,743,202</u>

NOTE 6 - CAPITAL ASSETS

The details of the capital assets, as recorded on the books at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Equipment:		
Office Equipment	\$ 32,387	\$ 24,474
Computer Equipment	<u>12,744</u>	<u>12,744</u>
Total Equipment	45,131	37,218
Less: Accumulated Depreciation	<u>(28,530)</u>	<u>(25,883)</u>
Equipment, Net	<u>16,601</u>	<u>11,335</u>
Right-of-Use Lease Asset	40,313	40,313
Less: Accumulated Amortization	<u>(20,177)</u>	<u>(8,071)</u>
Right-of-Use Lease Asset, Net	<u>20,136</u>	<u>32,242</u>
Total Capital Assets, Net	<u>\$ 36,737</u>	<u>\$ 43,577</u>

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets with donor restrictions at December 31, 2022 and 2021 consist of County funds received by the Franklin County Economic Development Corporation to administer the Tourism Program, grant funds with donor imposed restrictions, and program income with donor restrictions:

	<u>2022</u>	<u>2021</u>
Program Income with Donor Restrictions	\$ -	\$ -
Grant and Contract Income with Donor Restrictions	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of Program Restrictions – Loan Funds	\$ -	\$ -
Grant and Contract Income with Donor Restrictions	-	227,958
Total	<u>\$ -</u>	<u>\$ 227,958</u>

NOTE 8 - LEASES

In May 2021, the Organization entered into a commercial operating lease agreement with a term of one year with the right to renew for a subsequent one year term at monthly payments of \$500. In September of 2022 the lease was amended for additional square footage for a one year term with a right to renew the lease for a subsequent additional term of one year at payments of \$1,400. The Organization has elected to use the risk-free rate election of 1.6% at the commencement of the lease.

Total right-of-use assets and lease liabilities at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<u>Lease Assets – Classification in Statement of Financial Position</u>		
Right of Use Lease Asset – Space	\$ 40,313	\$ 40,313
Accumulated Amortization	<u>(20,177)</u>	<u>(8,071)</u>
Total leased right-of-use assets	<u>\$ 20,136</u>	<u>\$ 32,242</u>

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 8 - LEASES (continued)

**Lease Liabilities – Classification in
Statement of Financial Position**

Current Lease Liability	\$ 16,478	\$ 9,060
Non-current Lease Liability	<u>11,134</u>	<u>27,612</u>
Total lease liabilities	<u>\$ 27,612</u>	<u>\$ 36,672</u>

Interest expense paid and expensed related to the operating lease under the Lease standard was \$540 and \$359, for the years ended December 31, 2022 and 2021. Future interest is \$388 through the maturity of the operating lease.

Maturities of operating lease liabilities as of December 31, 2022 are as follows:

2023	\$ 16,478
2024	<u>11,134</u>
Total future operating lease payments	<u>\$27,612</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Organization has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowance and a request for a return of funds.

Franklin County Economic Development Corporation appears to be concerned with regards to the following receivables, and their potential for loss:

The HUB – The Company had two loans and fell behind on payments. During 2019, the Organization consolidated the two loans into a single loan and restructured payments. The HUB paid principal and interest July 2019 through October 2019, with no payments following. In November 2020, the loan was restructured and consolidated with a mortgage the Organization purchased. Beginning December 2020 and continuing through May 2021, interest only payments are due. Beginning in June 2021 continuing through November 2021, principal and interest are due. Beginning in December 2021 and continuing through May 2022, interest only is due. Beginning in June 2022 and continuing for the remainder of the loan, principal and interest is due. Management has assessed an approximate allowance at 35% of the outstanding balance at December 31, 2022.

Bowe and Arrow and MCM – Business is currently not operational. During the year ended December 31, 2022, the Organization did not make payments on each of their two loans. Management has assessed an allowance at 100% of the outstanding balance.

FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021

NOTE 10 - UNEARNED REVENUE

The Organization's unearned revenue consists of occupancy tax receipts from the County of Franklin and grant funds received that were not yet expended at year end. Unearned revenue was \$0 and \$52,788 at December 31, 2022 and 2021, respectively.

NOTE 11 - CONCENTRATION

The Organization's loan portfolio totaling \$1,621,195 has one obligor with outstanding loans totaling \$359,233 or 20.3% and another obligor with outstanding loans totaling \$350,000 or 21.6% of the portfolio at December 31, 2022. The Organization's loan portfolio totaling \$1,743,202 had one obligor with outstanding loans totaling \$364,123 or 20.1% of the portfolio at December 31, 2021.

NOTE 12 - RELATED PARTY TRANSACTIONS

The County of Franklin Industrial Development Agency (the "IDA") is a public benefit corporation that was created in 1970 by the Franklin County Board of Legislators under the provisions of Article 18A of the General Municipal Law to encourage economic growth and prosperity in Franklin County, New York. The Franklin County Economic Development Corporation (the "EDC") was started in 1989 to develop and cultivate a strong economic environment, which supports business and nurtures growth and new investment in the County. The Franklin County Civic Development Corporation (the "CDC") is a corporation established in 2010 to meet the civic bonding needs of colleges, medical and research facilities, libraries, and other not-for-profit corporations to assist with financing needs. The respective Boards of the IDA, EDC, and CDC are substantially the same and activities are closely related.

NOTE 13 - ECONOMIC DEVELOPMENT MERGER AGREEMENT

In November 2018, the Organization entered into a four year merger agreement with the Franklin County Legislature Office of Economic Development to provide economic development services for an annual fee of \$77,700. This is reflected on the statement of activities in grants and contract income.

NOTE 14 - TOURISM PROMOTION SERVICES

In December 2019, the Organization entered into a two year, with the possibility of three one-year extensions, agreement with the Franklin County Legislature to provide tourism promotion services for 90% of all occupancy tax revenues collected during each year of the agreement. At no time the total payment will be less than \$473,000 regardless of the total amount of occupancy tax revenues collected for that time period. On April 10, 2020, the contract was suspended due to the Covid-19 pandemic and resumed effective August 3, 2020. In December 2020, the agreement was extended through 2021. The contract was not renewed for 2022 and the Organization was required to return unspent occupancy tax to the County of Franklin in the amount of \$741,601. This is reflected in the statement of financial position in other liabilities, due to County of Franklin at December 31, 2021 and was paid in full in 2022.

**FRANKLIN COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 with Comparative Totals for 2021**

NOTE 15 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly certain expenses, such as professional services, telephone, insurance, fees, and legal expenses are allocated between programs and management and general on the basis of estimates of time and effort.

NOTE 16 - TAX UNCERTAINTIES

FASB ASC 740, "*Income Taxes*," requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including 2019 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. Franklin County Economic Development Corporation does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

Franklin County Economic Development Corporation is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

NOTE 17 - RECLASSIFICATIONS

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications had no effect on previously reported net assets

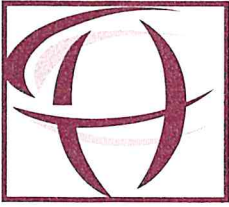
NOTE 18 - SUBSEQUENT EVENTS

Franklin County Economic Development Corporation has evaluated events and transactions that occurred between December 31, 2022 and March 8, 2023, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

FRANKLIN COUNTY ECONOMIC DEVELOPMENT CORPORATION
SCHEDULES OF ECONOMIC DEVELOPMENT ZONE REVENUES AND EXPENSES
For the Year Ended December 31, 2022 with Summarized Totals for 2021

	Total 2022	Total 2021
Revenues		
Franklin County	\$ -	\$ -
New York State	-	-
Miscellaneous	-	-
Total Income	-	-
Expenses		
Consulting	-	-
Professional Services	-	-
Marketing	-	-
Grants to Others	-	43,240
Miscellaneous	-	-
Total Expenses	-	43,240
Net Income	\$ -	\$ (43,240)

See paragraph on supplemental information included in the independent auditors' report.



Crowley & Halloran, CPAs, P.C.

Certified Public Accountants, Auditors, and Consultants

215 Washington Street, Suite 100, Watertown, NY 13601

Phone: (315) 788-3140 Fax: (315) 782-5321

www.crowleyhalloran.com

Michael W. Crowley, CPA*

Pamela J. Halloran, CPA*

Members of:

AICPA

NYSSCPA

Government Audit Quality Center

Employee Benefit Plan Audit Quality Center

* Licensed in NY & PA

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

To the Board of Directors of
Franklin County Economic 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 Franklin County Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement 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 8, 2023.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. Given these limitations during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Crowley & Halloran, CPAs, P.C.
Certified Public Accountants, Auditors, and Consultants

**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
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County Economic Development 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*.

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.

Crowley & Halloran CPAs P.C.

March 8, 2023