

WAYNE ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017

WAYNE ECONOMIC DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wayne Economic Development Corporation
Lyons, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne Economic Development Corporation (a nonprofit local development corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne Economic Development Corporation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on pages 3 - 7, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by the *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, on our consideration of Wayne Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne Economic Development Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 27, 2018

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016

As management of the Wayne Economic Development Corporation (the "Corporation") we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the years ended December 31, 2017 and 2016. This narrative should be read in conjunction with the Corporation's audited financial statements.

Financial Highlights

- The assets of the Corporation exceed its liabilities (net assets) at December 31, 2017 and 2016 by \$3,802,467 and \$1,389,445, respectively. Of this amount in 2017, \$450,533 is *unrestricted cash*, meaning that this amount is available for use in furthering the Corporation's mission of providing general economic development and technical services for the benefit of existing and potential businesses within Wayne County.
- The primary asset of the Corporation is property currently leased through June 2029 to Wayne-Finger Lakes Board of Cooperative Educational Services.
- In 2017 the Corporation completed a Certificate of Merger with Wayne Industrial Sustainability Development Corporation (ISDC) resulting in a transfer of assets amounting to \$1,950,365.
- During 2013 the Corporation entered into an agreement with Wayne County to receive grants of Community Development Block Grant (CDBG) assets to be used to capitalize and implement an Economic Development Loan Fund and to undertake other CDBG eligible community and economic development activities that will provide benefits to Wayne County and its residents. One loan in the amount of \$92,312 was funded under this agreement in 2017. Three loans in the amount of \$97,000 in 2016 were funded under this agreement.
- During 2017, the Corporation received a grant in the amount of \$324,000 for the GAIN program.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. This report includes the independent auditors' report, financial statements and notes to financial statements that will enhance the reader's understanding of the financial condition of the Corporation.

Required Financial Statements - The financial statements are prepared using the accrual basis of accounting. The financial statements include:

- **Statements of Financial Position** - Present all assets, liabilities and net assets of the Corporation at December 31, 2017 and 2016. The statements provide information about the amounts and investments in resources (assets) and the obligations to creditors (liabilities).
- **Statements of Activities** - Present the financial activity for the years ended December 31, 2017 and 2016 and displays how this activity changed the Corporation's net assets. The statements provide information on the Corporation's operations and can be used to determine if the Corporation has recovered all of its costs through grants, user fees and other charges.
- **Statements of Cash Flows** - Present the cash provided and used in operations, investments and financing activities during 2017 and 2016 and how it affects the cash balances at December 31, 2017 and 2016.
- **Notes to Financial Statements** - Provide information regarding the Corporation and explain in more detail information included in the financial statements.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016

Financial Analysis

The Corporation is a local development corporation operated exclusively for the charitable or public purpose of relieving and reducing unemployment through the process of providing general economic and technical assistance to businesses moving to or expanding in Wayne County where job and capital creation will help improve the economic climate of the County. The Corporation's net assets may serve over time as a useful indicator of its financial position. In the case of the Corporation, assets exceeded liabilities by \$3,802,467 and \$1,389,445 at December 31, 2017 and 2016, respectively.

The Corporation's largest asset type is its property and equipment. A condensed version of the Corporation's statements of financial position follows:

Table 1
Condensed Statements of Financial Position
(In Thousands of Dollars)

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>% Change</u>	<u>2015</u>	<u>Dollar Change</u>	<u>% Change</u>
Assets							
Cash and cash equivalents	\$ 450.5	\$ 370.6	\$ 79.9	21.6	\$ 268.9	\$ 101.7	37.8
Property and equipment - net	2,718.4	801.1	1,917.3	239.3	829.7	(28.6)	(3.4)
Other assets	<u>1,272.2</u>	<u>907.1</u>	<u>365.1</u>	<u>40.2</u>	<u>562.8</u>	<u>344.3</u>	<u>61.2</u>
Total assets	<u>4,441.1</u>	<u>2,078.8</u>	<u>2,362.3</u>	<u>113.6</u>	<u>1,661.4</u>	<u>417.4</u>	<u>25.1</u>
Liabilities							
Line of credit	165.9	214.5	(48.6)	(22.7)	256.7	(42.2)	(16.4)
Contract advances	464.6	473.6	(9.0)	(1.9)	196.0	277.6	141.6
Due to related parties	1.0	1.0	-	-	1.0	-	-
Accounts payable	<u>7.1</u>	<u>0.2</u>	<u>6.9</u>	<u>3,450.0</u>	<u>-</u>	<u>0.2</u>	<u>100.0</u>
Total liabilities	<u>638.6</u>	<u>689.3</u>	<u>(50.7)</u>	<u>(7.4)</u>	<u>453.7</u>	<u>235.6</u>	<u>51.9</u>
Net Assets							
Net assets - unrestricted	<u>3,802.5</u>	<u>1,389.5</u>	<u>2,413.0</u>	<u>173.7</u>	<u>1,207.7</u>	<u>181.8</u>	<u>15.1</u>
Total net assets	<u>\$ 3,802.5</u>	<u>\$ 1,389.5</u>	<u>\$ 2,413.0</u>	<u>173.7</u>	<u>\$ 1,207.7</u>	<u>\$ 181.8</u>	<u>15.1</u>

Significant changes in the statement of net assets from 2016 to 2017 include:

- Cash and cash equivalents increased as operating income exceeded cash expenses.
- Property and equipment increased as a result of the current year's transfer of assets from ISDC totaling \$1,950,365.
- Other assets primarily includes prepaid amounts for capital repairs and loans receivable. The increase is attributed to the amendment of the BOCES agreement.
- During 2014, a \$1,000,000 line of credit was established to support the growth in the revolving loan portfolio. At year end, \$165,947 was outstanding.
- Contract advances represent lease payments received in advance from the tenant of the real property. Increase is due to the increased payments per the amended agreement.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2017 and 2016

A condensed version of the Corporation's statements of activities follows:

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(In Thousands of Dollars)

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>% Change</u>	<u>2015</u>	<u>Dollar Change</u>	<u>% Change</u>
Revenues							
Rental income	\$ 892.0	\$ 892.0	\$ -	-	\$ 392.0	\$ 500.0	127.6
Interest - banks	17.0	14.4	2.6	18.1	13.9	0.5	3.6
Grant income	417.1	157.0	260.1	165.7	-	157.0	-
Other income	<u>12.8</u>	<u>3.5</u>	<u>9.3</u>	<u>265.7</u>	<u>3.7</u>	<u>(0.2)</u>	<u>(5.4)</u>
Total revenues	<u>1,338.9</u>	<u>1,066.9</u>	<u>272.0</u>	<u>25.5</u>	<u>409.6</u>	<u>657.3</u>	<u>160.5</u>
Expenses							
Program expenses	842.7	859.4	(16.7)	(1.9)	381.4	478.0	125.3
Management and general expenses	<u>33.6</u>	<u>25.7</u>	<u>7.9</u>	<u>30.7</u>	<u>20.8</u>	<u>4.9</u>	<u>23.6</u>
Total expenses	<u>876.3</u>	<u>885.1</u>	<u>(8.8)</u>	<u>(1.0)</u>	<u>402.2</u>	<u>482.9</u>	<u>120.1</u>
Other Income (Expense)							
Transfer - ISDC	<u>1,950.4</u>	<u>-</u>	<u>1,950.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	2,413.0	181.8	2,231.2	1,327.3	7.4	174.4	2,356.8
Net Assets - Beginning	<u>1,389.5</u>	<u>1,207.7</u>	<u>181.8</u>	<u>15.1</u>	<u>1,200.3</u>	<u>7.4</u>	<u>0.6</u>
Net Assets - Ending	<u>\$ 3,802.5</u>	<u>\$ 1,389.5</u>	<u>\$ 2,413.0</u>	<u>173.7</u>	<u>\$ 1,207.7</u>	<u>\$ 181.8</u>	<u>15.1</u>

Significant activity in the statements of revenues and expenses from 2016 to 2017 include:

- Rental income is from the lease of the real property to Wayne-Finger Lakes Board of Cooperative Educational Services.
- Grant income increased as four new loans were funded during the year.
- Program expenses represent amounts for ordinary or capital repairs on the real property as well as amounts related to providing program services, particularly costs associated with funding the revolving loan program.
- During 2017, the net assets of ISDC were transferred to the Corporation, totaling \$1,950,365.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016

Another important factor in the consideration of fiscal condition is the Corporation's cash position and statement of cash flows. A condensed version of the Corporation's statements of cash flows follows:

Table 3
Condensed Statements of Cash Flows
(In Thousands of Dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash Flow from Operating Activities			
Change in net assets	\$ 2,413.0	\$ 181.8	\$ 7.4
Adjustments			
Depreciation	28.7	28.7	28.7
Bad debt expense	11.3	2.9	-
Transfer - ISDC	(1,950.4)	-	-
Change in assets and liabilities			
Grants receivable	(0.2)	(0.2)	(0.1)
Loans receivable	(375.0)	(121.9)	25.2
Prepaid expenses	1.1	(225.2)	-
Deferred income	(9.0)	277.6	-
Accounts payable	6.9	0.2	(0.4)
Net cash flows from operating activities	<u>126.4</u>	<u>143.9</u>	<u>60.8</u>
Cash Flow from Investing Activities			
Cash transfer - ISDC	<u>2.1</u>	<u>-</u>	<u>-</u>
Cash Flow from Financing Activities			
Line of credit	<u>(48.6)</u>	<u>(42.2)</u>	<u>(34.3)</u>
Net Change in Cash and Cash Equivalents	79.9	101.7	26.5
Cash and Cash Equivalents - Beginning	<u>370.6</u>	<u>268.9</u>	<u>242.4</u>
Cash and Cash Equivalents - Ending	<u>\$ 450.5</u>	<u>\$ 370.6</u>	<u>\$ 268.9</u>

Significant activity in the statements of cash flows include:

- Changes in net assets resulting from operating results from year to year.
- Loans receivable represent the increase in loans receivable as a result of new loans.
- Line of credit is the outstanding balance on the \$1,000,000 line of credit established during the year to fund loans receivable not otherwise funded by CDBG assets granted by the County of Wayne.

Capital Assets

The Corporation's capital assets consist primarily of land and buildings leased to the Wayne-Finger Lakes Board of Cooperative Educational Services.

Long-Term Debt

The Corporation has no direct long-term debt.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016

Economic Factors

The Corporation was formed to promote Wayne County using appropriate resources to help create and retain jobs by attracting new businesses and through expansion of existing businesses. The national economic downturn that started in 2008 has continued to lessen and the outlook is for modest economic expansion. While the business and economic climate in the County have been relatively steady over the past two years modest growth may now be expected.

Contacting the Corporation

This financial report is designed to provide a general overview of the Corporation's finances for interested individuals. Questions regarding this report or requests for additional information should be directed to the Wayne Economic Development Corporation, 9 Pearl Street, Lyons, New York 14489 - Attention: Executive Director.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 450,533	\$ 370,607
Other receivables	1,505	1,331
Loans receivable - current	88,101	45,080
Prepaid expenses	<u>404,079</u>	<u>402,774</u>
Total current assets	944,218	819,792
Property and Equipment - Net	2,718,368	801,121
Other Assets		
Loans receivable - net	<u>778,553</u>	<u>457,873</u>
Total Assets	<u>\$ 4,441,139</u>	<u>\$ 2,078,786</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	\$ 165,947	\$ 214,547
Contract advances	464,594	473,594
Due to related parties	1,000	1,000
Accounts payable	<u>7,131</u>	<u>200</u>
Total current liabilities	638,672	689,341
Net Assets - Unrestricted	<u>3,802,467</u>	<u>1,389,445</u>
Total Liabilities and Net Assets	<u>\$ 4,441,139</u>	<u>\$ 2,078,786</u>

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

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Rental income	\$ 892,000	\$ 892,000
Interest income	17,001	14,396
Grant income	417,111	157,000
Other income	<u>12,827</u>	<u>3,465</u>
Total revenues	<u>1,338,939</u>	<u>1,066,861</u>
Expenses		
Program expenses	842,724	859,360
Management and general expenses	<u>33,558</u>	<u>25,721</u>
Total expenses	<u>876,282</u>	<u>885,081</u>
Other Income (Expense)		
Transfer - ISDC	<u>1,950,365</u>	<u>-</u>
Changes in Net Assets	2,413,022	181,780
Net Assets - Beginning	<u>1,389,445</u>	<u>1,207,665</u>
Net Assets - Ending	<u>\$ 3,802,467</u>	<u>\$ 1,389,445</u>

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

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,413,022	\$ 181,780
Adjustments		
Depreciation	28,627	28,626
Bad debt expense	11,297	2,933
Transfer - ISDC	(1,950,365)	-
Change in assets and liabilities		
Other receivables	(174)	(169)
Loans receivable	(374,998)	(121,919)
Prepaid expenses	1,060	(225,153)
Contract advances	(9,000)	277,594
Accounts payable	<u>6,931</u>	<u>178</u>
Net cash flows from operating activities	<u>126,400</u>	<u>143,870</u>
Cash Flows from Investing Activities		
Cash transfer - ISDC	<u>2,126</u>	<u>-</u>
Cash Flows from Financing Activities		
Line of credit	<u>(48,600)</u>	<u>(42,200)</u>
Net Change in Cash and Cash Equivalents	79,926	101,670
Cash and Cash Equivalents - Beginning	<u>370,607</u>	<u>268,937</u>
Cash and Cash Equivalents - Ending	<u>\$ 450,533</u>	<u>\$ 370,607</u>

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

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Organization

Nature of Organization - The Wayne Economic Development Corporation (the Corporation) was incorporated on October 1, 1968 as a local development corporation under Article 14 of Membership Corporation Law of the State of New York. The Corporation was formed to promote Wayne County using appropriate resources to help create and retain jobs by attracting new businesses and through the expansion of existing businesses.

On May 19, 2009, pursuant to Section 904 of the Not-for-Profit Corporation Law, the Plan of Merger of Wayne Economic Development Corporation, the Second Wayne Economic Development Corporation, the Third Wayne Economic Development Corporation, the Fourth Wayne Economic Development Corporation, the Fifth Wayne Economic Development Corporation, and the Sixth Wayne Economic Development Corporation into Wayne Economic Development Corporation was approved. At that time, the New York Department of State was authorized to file the Certificate of Merger of the Petitioners of Wayne Economic Development Corporation under Section 904 of the Not-for-Profit Corporation Law, which was certified by the New York Secretary of State on June 18, 2009 and considered effective as of that date.

On May 17, 2017, pursuant to Section 904 of the Not-for-Profit Corporation Law, the Plan of Merger of Wayne Economic Development Corporation and Wayne Industrial Sustainability Development Corporation was approved. At that time, the New York Department of State was authorized to file the Certificate of Merger of the Petitioners of Wayne Economic Development Corporation and Wayne Industrial Sustainability Development Corporation under Section 904 of the Not-for-Profit Corporation Law, which was certified by the New York Secretary of State on June 9, 2017 and considered effective as of that date.

Basis of Accounting - The Corporation's financial statements have been prepared on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - The Corporation prepares its financial statements in accordance with Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. These classes are established in accordance with their nature and purpose, in observation of any third party limitations or restrictions placed on the use of these resources. Any donor-restricted contribution whose restrictions are met in the same reporting period or any gifts of long-lived assets are reported as unrestricted support. At December 31, 2017 and 2016, the Corporation did not have any temporarily restricted net assets or permanently restricted net assets.

Unrestricted Net Assets - Unrestricted net assets represent net assets that are not subject to donor imposed stipulations and are generally available for support of the Corporation's activities. The Board of Directors has discretionary control over these resources to carry out the operations of the Corporation in accordance with its by-laws.

Significant Programs - The Corporation is a local development corporation operating exclusively for the charitable or public purpose of relieving and reducing unemployment through the process of creating and retaining jobs by attracting new business and through the expansion of existing business. The Corporation also owns a building which it leases to Wayne-Finger Lakes Board of Cooperative Educational Services (the tenant).

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Cash and Cash Equivalents - For the purposes of the statements of financial position and cash flows, cash and cash equivalents include deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Company maintains cash and cash equivalents at financial institutions which periodically may exceed insured limits.

Allowance for Loan Losses - The allowance for loan losses consists of the provision for loan losses charged to operations based upon management's evaluation of the loan portfolio considering such factors as review of specific loans, current economic conditions and such other factors as management considers appropriate to estimate loan losses. Loan losses and the recovery of loans previously charged off are charged or credited to the allowance as incurred or realized, respectively. The allowance for loan losses is maintained at a level believed by management to be adequate to provide for the inherent risk of loss in the current loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

Property and Equipment - Property and equipment is stated at cost. Donated items are stated at fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of 5 years for computers and 35 years for buildings. Land is not depreciated. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. The Corporation capitalizes assets which cost \$2,500 or more and have a useful life of at least two years. When items of property or equipment are sold, the related cost and accumulated depreciation are removed from the accounts. Depreciation expense was \$28,627 and \$28,626 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes - The Corporation is a not-for-profit corporation and is exempt from income tax under IRC 501(c)(3) and New York State Article 14 as a local development corporation. Accordingly, no provision for taxes has been made.

In accordance with ASC 740-10-50, *Accounting for Uncertainty in Income Taxes*, the Corporation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Corporation is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Corporation's financial statements.

Related Parties - The Corporation is related through common management and Board of Directors membership with the Wayne County Industrial Development Agency (IDA) and Wayne County Industrial Sustainability Development Corporation (ISDC), and through common management with Wayne County Civic Facility Development Center (CFDC), which also promote economic development in the County. In 2017 and 2016, the IDA contributed \$92,312 and \$97,000 to the Corporation which is shown as grant income in the accompanying statement of activities.

In 2017 the Corporation acquired ISDC in accordance with ASC 958-805, *Not-for-Profit Entities: Mergers and Acquisitions*. Assets transferred included cash, prepaid expenses and land. No liabilities were included. ISDC was formed to enhance economic development located in pods of sustainable industrial communities throughout Wayne County.

Subsequent Events - Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 2. Loans Receivable

The WEDC issued loans for the purpose of fostering economic development. The defederalization process was utilized to release funds from grants to support the local community. Whether the loan funds are restricted by a grant agreement or funded from the Corporation monies, they are established directly from net assets and reported as a reservation of net assets. There were no funds restricted as of December 31, 2017.

Loans to commercial enterprises and principal repayments are not recorded through revenue and expenses. Any interest income is restricted to making future loans and is credited to revenues and closed to net assets.

Loans receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Receivable from Lazzaro Performance, Inc., monthly payments of \$518, including interest at 4.5%. Loan was established September 2013 and due November 2023.	\$ 32,248	\$ 36,901
Receivable from Calvin & Decker, Inc., monthly payments of \$1,066, including interest at 3.25%. Loan was established February 2014 and due September 2021.	46,050	56,239
Receivable from DNT Express Realty, LLC, monthly payments of \$1,702, including interest at 3.25%. Loan established September 2014 and due November 2024.	260,149	271,905
Receivable from Community Coffee, LLC, interest only payments at 3%, then due in full at maturity. Loan established January 2016 and due November 2020.	10,000	10,000
Receivable from Headwater Foods, Inc., monthly payments of \$1,079, including interest at 3.50%. Loan established July 2016 and due August 2023.	66,166	76,602
Receivable from Headwater Foods, Inc., monthly payments of \$526, including interest at 1.00%. Loan established November 2016 and due December 2022.	54,266	60,000
Receivable from Michael Gile, monthly payments of \$123, including interest at 2.00%. Loan established October 2016 and due November 2021.	5,538	6,889
Receivable from CELK Distilling, LLC, monthly payments of \$809, including interest at 1.00%. Loan established September 2017 and due October 2027.	92,312	-
Receivable from Ten Decade Enterprise, LLC, monthly payments of \$1,638, including interest at 1.00%. Loan established July 2017 and due August 2027.	187,612	-

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Receivable from CELK Distilling, LLC, monthly payments of \$1,197, including interest at 1.00%. Loan established September 2017 and due October 2027.	136,687	-
Receivable from Tina Palladino, monthly payments of \$126, including interest at 1.00%. Loan established May 2017 and due June 2018.	753	-
Receivable from John Tardibone, Sr., monthly payments of \$126, including interest at 1.00%. Loan established May 2017 and due June 2018.	877	-
Receivable from Alison McGee, monthly payments of \$126, including interest at 1.00%. Loan established June 2017 and due June 2018.	<u>877</u>	<u>-</u>
Sub-total	893,535	518,536
Less, allowance for loan loss	<u>(26,881)</u>	<u>(15,583)</u>
Total	866,654	502,953
Less, current portion	<u>(88,101)</u>	<u>(45,080)</u>
Long-term portion	<u>\$ 778,553</u>	<u>\$ 457,873</u>

Note 3. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,995,874	\$ 50,000
Building	950,000	950,000
Equipment	<u>10,388</u>	<u>10,388</u>
Sub-total	2,956,262	1,010,388
Less - accumulated depreciation	<u>(237,894)</u>	<u>(209,267)</u>
Total	<u>\$ 2,718,368</u>	<u>\$ 801,121</u>

Note 4. Line of Credit

In August 2014, a line of credit was transferred in from the IDA. The WEDC maintains a \$1,000,000 line with Lyons National Bank that bears interest at the prime rate minus 1%, or 3.50% and 2.75% for 2017 and 2016, respectively. The balance was \$165,947 and \$214,547 as of December 31, 2017 and 2016, respectively. The line of credit is collateralized by the loans receivable generated, and guaranteed by the IDA.

WAYNE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 5. Lease Agreement

The Corporation has a lease agreement through June 24, 2029 requiring annual lease payments due on June 25th of each year in the amount of \$892,000. By agreement with the tenant, the Corporation returns 90% of the lease payment, amounting to \$802,800, to the tenant for ordinary or capital repairs, structural additions, modifications or improvements to the premises. The lease has a ten year option term with the lease payment amount and return to the tenant amounting to \$200,000. The future lease payment schedule below assumes the anticipated renewal of the lease.

Future lease payments and return to the tenant are as follows for the years ending December 31:

	<u>Lease Amount</u>	<u>Return to Tenant</u>
2018	\$ 892,000	\$ 802,800
2019	892,000	802,800
2020	892,000	802,800
2021	892,000	802,800
2022	892,000	802,800
Thereafter	<u>10,258,000</u>	<u>9,232,200</u>
Total	<u>\$ 14,718,000</u>	<u>\$ 13,246,200</u>

Note 6. Supplemental Cash Flow Information

	<u>2017</u>	<u>2016</u>
Non-cash investing and financing activities:		
Transfer of assets - ISDC	<u>\$ 1,948,239</u>	<u>\$ -</u>

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

To the Board of Directors
Wayne Economic Development Corporation
Lyons, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Wayne Economic Development Corporation (a nonprofit local development corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 27, 2018