

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

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

**AUDITED FINANCIAL STATEMENTS**

As of and for the years ended December 31, 2022 and 2021

DRAFT

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	4
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to the Financial Statements	10
<b>Report on Internal Control 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></b>	23
<b>Schedule of Findings and Responses</b>	25
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues and Expenditures – Budget and Actual	28

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Ulster County Economic Development Alliance, Inc., a blended component unit of Ulster County, New York, as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Ulster County Economic Development Alliance, Inc., as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, its cash flows thereof for the years 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 (GAAS) 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 Ulster County Economic Development Alliance, Inc. 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.

#### ***Emphasis of Matters***

##### Related Party Transactions

As discussed in Note 7, there were significant related party transactions entered into during the year in relation to the TechCity properties. Our opinion is not modified with respect to this matter.

##### Restatement

As discussed in Note 2, Ulster County Economic Development Alliance, Inc. restated its financial statements as of January 1, 2021, to properly reflect certain expenses incurred. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Ulster County Economic Development Alliance, Inc.'s 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 Ulster County Economic Development Alliance's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibility 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS 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 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 Ulster County Economic Development Alliance'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 Ulster County Economic Development Alliance'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4-6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our 2022 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November \_\_, 2023 on our consideration of Ulster County Economic Development Alliance, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ulster County Economic Development Alliance, Inc.'s internal control over financial reporting and compliance.

Kingston, New York  
November \_\_, 2023

# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**December 31, 2022 and 2021**

### **Introduction**

The management's discussion and analysis of the Ulster County Economic Development Alliance, Inc.'s (UCEDA or the Alliance) financial performance provides an overview of the Alliance's financial activities for the fiscal year ended December 31, 2022. Please read this report in conjunction with the Alliance's 2022 financial statements. UCEDA is a Local Development corporation which operates in Ulster County, New York and classified by the New York State Authority Budget Office as a public authority. This summary discussion and analysis includes only the financial and general business of the Alliance.

### **Financial Highlights**

The Alliance's net position increased by \$44,007 (or 2.6%) as a result of operations in 2022.

In 2022, revenues increased \$1,914,654 compared to 2021, or 278%.

In 2021, revenues increased \$376,723 compared to 2020, or 121%.

In 2022, expenses increased \$1,893,086 compared to 2021, or 285%.

In 2021, expenses increased \$313,026 compared to 2020, or 89%.

### **Organization Highlights**

2022 UCEDA highlights include:

- Maintained business attraction marketing campaign to acquire and nurture relocation leads.
- Continued to publish a monthly "Featured Properties" email.
- Facilitated transfer of former TechCity properties to National Resources/iPark87 through execution of Purchase & Sale Agreements and associated closing documents.
- Held custody of properties at former TechCity until completion of conditions prior to closing, subject to approved Purchase & Sale Agreements.
- Continued implementation of Ulster County's 2040 Plan contracting with local businesses throughout the County to perform a variety of services to move key initiatives forward.
- Launched the Ulster County Green Economy Network (UGREEN) to grow and cultivate the green economy through networking and awareness-raising events.
- Serviced active loans through the Ulster County Revolving Loan Fund, including visits to each site and preparation of required reporting documents for funders.
- Implemented the Ulster County CARES program with awarded State funding for small business relief.
- Developed and secured funding through County ARPA allocations for two new programs to be administered by UCEDA: CARES II Small Business Assistance Program (\$1M) and Boost for Main Streets Program (\$2M).

### **Using This Annual Report**

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

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

*See independent auditor's report.*

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

December 31, 2022 and 2021

### Condensed Comparative Financial Statements and Analysis

The Alliance's net position at the end of 2022 was \$1,704,265, an increase of \$44,007 over the net position of \$1,660,258 at the beginning of 2022. The Alliance's net position at the end of the 2021 was \$1,660,258, an increase of \$22,439 over the net position of \$1,637,819 at the beginning of 2021.

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

**Table 1 – Statement of Net Position**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Current assets	\$ 2,987,397	\$ 6,518,494	\$ 1,170,851
Other assets	4,190,240	322,195	652,306
Total Assets	<u>\$ 7,177,637</u>	<u>\$ 6,840,689</u>	<u>\$ 1,823,157</u>
<b>Liabilities</b>			
Current liabilities	\$ 1,421,605	\$ 5,179,673	\$ 184,089
Long-term liabilities	4,000,000	-	-
Total Liabilities	<u>\$ 5,421,605</u>	<u>\$ 5,179,673</u>	<u>\$ 184,089</u>
<b>Deferred InFlows of Resources</b>	<u>\$ 51,767</u>	<u>\$ 758</u>	<u>\$ 1,249</u>
<b>Net Position</b>			
Unrestricted	\$ 1,504,695	\$ 1,461,131	\$ 1,438,692
Restricted	199,570	199,127	199,127
Total Net Position	<u>\$ 1,704,265</u>	<u>\$ 1,660,258</u>	<u>\$ 1,637,819</u>

#### **Current Assets:**

Cash totals at the end 2022 were \$1,519,023 versus \$1,232,151 at the end of 2021. This increase in cash was a result of two loans being paid off in full early and administration fees earned for selling a property. Additionally, other assets increased because of increases to the fair value of TechCity West and transfer from Ulster County of TechCity Powerhouse Property.

Cash totals at the end 2021 were \$1,232,151 versus \$899,282 at the end of 2020. The increase in cash was a result of increased collections on loans receivable, and receipt of grants during 2021. Additionally, current assets increased as a result of the booking of the \$5,000,000 TechCity East property available for sale.

#### **Liabilities:**

Liabilities at the end of 2022 were \$5,421,605 versus \$5,179,673 and \$184,089 at the end of 2021 and 2020, respectively.

Liabilities increased for 2022 primarily due to accrued taxes (\$19,000) and grants payable (\$26,382).

Liabilities increased for 2021 primarily due to the booking of \$5,000,000 for the TechCity East property, which the future sale proceeds are to be turned over to the County once the sale is closed.

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

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

December 31, 2022 and 2021

**Table 2 – Change in Net Position**

	2022	2021 as restated	2020
<b>Revenues:</b>			
Interest on loans	\$ 14,218	\$ 24,142	\$ 25,081
Community Development Block Grant	947,057	-	-
Other income	1,641,141	663,620	285,958
Total Revenues	<u>2,602,416</u>	<u>687,762</u>	<u>311,039</u>
<b>Expenses:</b>			
Operating expenses	2,434,570	665,323	352,297
Non-operating expenses	123,839	-	-
Total Expenses	<u>2,558,409</u>	<u>665,323</u>	<u>352,297</u>
<b>Changes in Net Position:</b>	<u>\$ 44,007</u>	<u>\$ 22,439</u>	<u>\$ (41,258)</u>

The Agency's revenues in 2022 were \$2,602,416 versus \$687,762 and \$311,039 in 2021 and 2020, respectively. Expenses in 2022 were \$2,558,409 versus \$665,323 and \$352,297 in 2021 and 2020, respectively. Revenues and expenses increased in 2022 from 2021 due to the community development block grant (CDBG) revenue and related expenses in 2022 and interest on the TechEast property recorded and to be subsequently remitted to Ulster County.

### **Capital Assets and Long-Term Debt**

There were no capital asset additions in 2022 or 2021, and the Alliance did not take on any long-term debt in 2022 or 2021.

During the year ended December 31, 2021, Ulster County transferred two properties – TechCity East and Tech City West valued at \$5,000,000 and \$-, respectively, to the Alliance. A corresponding liability of \$5,000,000 due to Ulster County was also recorded during the year ended December 31, 2021.

In 2022, the Alliance sold a parcel of land on Enterprise Drive in Kingston, New York for \$5,000,000 and the proceeds from that sale will be received over 5 years and will be immediately transferred to Ulster County in accordance with the Alliance's agreement with Ulster County. In addition, during 2022, the County transferred one additional parcel to the Alliance recorded at a zero value.

### **Budget**

In October of 2021, the Alliance adopted 2022 budget projecting revenues to be \$1,186,000 and expenses to be \$1,186,000. Actual 2022 revenues totaled \$2,602,416 and actual 2022 expenses totaled \$2,558,409. Revenues were significantly over budget due to actual contract and administrative fees exceeding the budget and recognizing rental income not included in the budget. Expenses were over budget due to higher marketing and advertising expenses and unexpected repairs and maintenance costs related to one of the TechCity properties. Revenues and expenses also exceed the budget due to the interest on the TechEast property earned but granted to Ulster County.

### **Contacting UCEDA Financial Administrator**

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



**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.****(A component unit of Ulster County, New York)****STATEMENTS OF NET POSITION****December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,519,023	\$ 1,232,151
Accounts receivable	6,000	6,966
Accounts receivable - TechCity East property	-	135,325
Accounts receivable - TechCity West property	198,864	-
Loan receivable - TechCity East property, current portion	1,112,156	-
Loans receivable, current portion	62,970	115,552
Due from Ulster County	62,002	28,500
Grant receivable - CARES act	26,382	-
Asset available for sale - TechCity East property	-	5,000,000
Total current assets	<u>2,987,397</u>	<u>6,518,494</u>
<b>OTHER ASSETS</b>		
Loan receivable - TechCity East property, less current portion	4,000,000	-
Loans receivable, less current portion, net of an allowance of \$5,184 and \$29,808 as of December 31, 2022 and 2021, respectively	190,240	322,195
Total other assets	<u>4,190,240</u>	<u>322,195</u>
Total assets	<u>7,177,637</u>	<u>6,840,689</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	39,519	44,348
Accounts payable - TechCity East property	131,865	135,325
Grants payable - CARES act	26,382	-
Accrued taxes	11,683	-
Due to Ulster County - deposit from sale of TechCity East	100,000	-
Due to Ulster County	1,112,156	5,000,000
Total current liabilities	<u>1,421,605</u>	<u>5,179,673</u>
<b>LONG-TERM LIABILITIES</b>		
Due to Ulster County, less current portion	4,000,000	-
Total long-term liabilities	<u>4,000,000</u>	<u>-</u>
Total liabilities	<u>5,421,605</u>	<u>5,179,673</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	51,767	758
Total deferred inflows of resources	<u>51,767</u>	<u>758</u>
<b>NET POSITION</b>		
Unrestricted	1,504,695	1,461,131
Restricted	199,570	199,127
Total net position	<u>\$ 1,704,265</u>	<u>\$ 1,660,258</u>

See notes to financial statements.

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.****(A component unit of Ulster County, New York)****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION****For the years ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b> <b>(as restated)</b>
<b>OPERATING REVENUE</b>		
Contract and administrative fees	\$ 278,669	\$ 163,825
Community Development Block Grant (CDBG)	947,057	-
Contribution	400	23,500
Interest on loans	14,218	24,142
Rental income	87,512	14,234
Rental income - Ulster County	524,419	459,971
Contribution - Ulster County	633,591	-
Late fees collected	505	1,407
Miscellaneous income	1,000	499
Total operating revenues	<u>2,487,371</u>	<u>687,578</u>
<b>OPERATING EXPENSES</b>		
Contractual	26,002	44,000
Legal fees	152,577	142,736
Accounting fees	25,765	10,861
Appraisals	30,000	-
Insurance	13,534	2,781
Marketing and advertising	40,558	16,000
Grants - Community Development Block Grant (CDBG)	947,057	-
Repairs and maintenance	32,171	40,776
Office	21,169	14,353
Provision for loan losses	(4,326)	(25,379)
School taxes, property taxes and associated interest	897,556	329,369
Utilities	252,507	89,826
Total operating expenses	<u>2,434,570</u>	<u>665,323</u>
Operating income	<u>52,801</u>	<u>22,255</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest on TechEast property	112,156	-
Interest on TechEast property - granted to Ulster County	(112,156)	-
Interest on deposits	2,889	184
Unrelated business taxes	(11,683)	-
Total non-operating revenues (expenses)	<u>(8,794)</u>	<u>184</u>
<b>CHANGE IN NET POSITION</b>	<u>44,007</u>	<u>22,439</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,660,258</u>	<u>1,637,819</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,704,265</u>	<u>\$ 1,660,258</u>

*See notes to financial statements.*

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.****(A component unit of Ulster County, New York)****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION****For the years ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b> <b>(as restated)</b>
<b>OPERATING REVENUE</b>		
Contract and administrative fees	\$ 278,669	\$ 163,825
Community Development Block Grant (CDBG)	947,057	-
Contribution	400	23,500
Interest on loans	14,218	24,142
Rental income	87,512	14,234
Rental income - Ulster County	524,419	459,971
Contribution - Ulster County	633,591	-
Late fees collected	505	1,407
Miscellaneous income	1,000	499
Total operating revenues	<u>2,487,371</u>	<u>687,578</u>
<b>OPERATING EXPENSES</b>		
Contractual	26,002	44,000
Legal fees	152,577	142,736
Accounting fees	25,765	10,861
Appraisals	30,000	-
Insurance	13,534	2,781
Marketing and advertising	40,558	16,000
Grants - Community Development Block Grant (CDBG)	947,057	-
Repairs and maintenance	32,171	40,776
Office	21,169	14,353
Provision for loan losses	(4,326)	(25,379)
School taxes, property taxes and associated interest	897,556	329,369
Utilities	252,507	89,826
Total operating expenses	<u>2,434,570</u>	<u>665,323</u>
Operating income	<u>52,801</u>	<u>22,255</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest on TechEast property	112,156	-
Interest on TechEast property - granted to Ulster County	(112,156)	-
Interest on deposits	2,889	184
Unrelated business taxes	(11,683)	-
Total non-operating revenues (expenses)	<u>(8,794)</u>	<u>184</u>
<b>CHANGE IN NET POSITION</b>	<u>44,007</u>	<u>22,439</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,660,258</u>	<u>1,637,819</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,704,265</u>	<u>\$ 1,660,258</u>

*See notes to financial statements.*

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	2022	2021 as restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Administrative fees	\$ 283,099	\$ (5,329)
Grant - Ellenville Million	-	168,933
Contributions and grants	947,457	23,500
Interest on loans	14,218	24,142
Rental income	87,512	14,234
Miscellaneous revenue	1,000	499
Recovery of bad debt	-	43,392
Loans paid back	188,863	298,952
Payments to vendors	(1,238,166)	(235,638)
Net cash provided by operating activities	283,983	332,685
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,889	184
Net cash provided by investing activities	2,889	184
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	286,872	332,869
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	1,232,151	899,282
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 1,519,023</u>	<u>\$ 1,232,151</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 52,801	\$ 22,255
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for loan losses	(4,326)	(25,379)
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	966	(6,736)
Increase in TechCity properties accounts receivable	(63,539)	(135,325)
Decrease in loans receivable	188,863	342,344
Decrease in due from Ulster County	66,498	140,433
Increase in grant receivable - CARES act	(26,382)	-
Increase (decrease) in unearned revenue	51,009	(491)
Decrease in accounts payable	(4,829)	(139,741)
Increase in grants receivable - CARES act	26,382	-
(Decrease) increase in TechCity accounts payable	(3,460)	135,325
Net cash provided by operating activities	<u>\$ 283,983</u>	<u>\$ 332,685</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Non-cash activities:		
Transfer of TechCity East Property	\$ -	\$ 5,000,000
Reclassification of TechCity East from available for sale to loan receivable	\$ 5,000,000	\$ -
Accrued interest on TechCity East property	\$ 112,156	\$ -
Expenses paid by Ulster County on the Alliance's behalf	\$ 1,158,010	\$ 459,971
Rental income and contribution from Ulster County	\$ 1,158,010	\$ 459,971

See notes to financial statements.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 1 — NATURE OF ORGANIZATION

#### Financial Reporting Entity

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

#### Governance/Accountability

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

#### Programs of the Alliance

##### CDBG Loan Program

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

##### Section 108

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

##### Telecommunications Fund

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

##### Community Development Block Grant (CDGB)

The Ulster County Cares Small Business Assistance Program provided \$950,000 of direct assistance to qualified small businesses. Funding was awarded from New York State to Ulster County in July of 2021. Ulster County then created a sub-recipient agreement with UCEDA to administer the funding to ultimate awardees. Ulster County and UCEDA reimbursed businesses for nearly \$950,000 of eligible expenses made from December 23, 2021 - October 31, 2022. This represents approximately 98% of the total CDBG funding allocated for small business assistance. As a result of the program, 38 full-time and 27 part-time jobs were created in Ulster County for low-moderate income households, exceeding the 23 jobs originally estimated in Ulster County's application. Additionally, 67 full-time jobs and over 15 part-time positions were retained.

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

# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A component unit of Ulster County, New York)

## **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

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

#### **Deferred Outflows/Inflows of Resources**

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

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

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

#### **Budgetary Data**

The budget policies are as follows:

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

#### **Use of Estimates**

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

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

# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A component unit of Ulster County, New York)

## **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Use of Estimates (Continued)**

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

#### **Revenue Recognition**

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

#### **Income Taxes**

The Alliance is a not-for-profit organization, exempt from federal income taxes under sections 501(c)(3) and is not a "private foundation" within the meaning of section 509(a)(2) of the Internal Revenue Code. However, income from certain activities not directly related to the Alliance's tax-exempt purpose is subject to taxation as unrelated business income. As of December 31, 2022, the Alliance has recorded an accrual and tax expense of \$11,683 representing the unrelated business income tax expense paid on its 2022 990T and CT-13 tax returns related to taxable rental income.

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

#### **Cash and Cash Equivalents**

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

#### **Property and Equipment**

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

#### **Concentration of Credit and Market Risk**

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

# **ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.**

(A component unit of Ulster County, New York)

## **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Concentration of Credit and Market Risk (Continued)**

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

#### **Loans and Allowance for Loan Losses**

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

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

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

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

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

#### **Net Position Classifications**

Net position is classified and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on its use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – consists of net position without constraints.



# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Interest Income on Loans

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

#### Subsequent Events

Subsequent events have been evaluated through November \_\_, 2023, which is the date the financial statements were available to be issued.

### NOTE 3 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2022:

<b>Bank</b>	<b>Book Balance</b>	<b>Bank Balance</b>	<b>FDIC Coverage</b>	<b>Pledged Collateral</b>
M&T	\$ 1,519,023	\$ 1,552,759	\$ 500,000	\$ 1,073,814

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2021:

<b>Bank</b>	<b>Book Balance</b>	<b>Bank Balance</b>	<b>FDIC Coverage</b>	<b>Pledged Collateral</b>
M&T	\$ 1,232,151	\$ 1,232,151	\$ 500,000	\$ 758,866

At December 31, 2022 and 2021, deposits of the Alliance were fully covered by federal depository insurance (FDIC) and by collateral held by a Bank in the Alliance's name.

The following represents the cash balances at December 31, 2022 and 2021 by fund:

<b>Fund:</b>	<b>2022</b>	<b>2021</b>
Operating Fund	\$ 315,109	\$ 238,229
CDBG Loan Fund	936,706	727,258
Telecommunications Fund	199,570	199,162
Section 108	41,375	41,292
Revolving Loan Fund	26,263	26,210
Total	\$ 1,519,023	\$ 1,232,151

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of December 31, 2022 and 2021:

	Balance at 1/1/2022	Additions	Disposals	Balance at 12/31/2022
Equipment - grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Office equipment	59,025	-	-	59,025
	<u>411,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>411,510</u>
Accumulated depreciation	<u>(411,510)</u>			<u>(411,510)</u>
Total property and equipment	<u>\$ -</u>			<u>\$ -</u>

  

	Balance at 1/1/2021	Additions	Disposals	Balance at 12/31/2021
Equipment - grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Office equipment	59,025	-	-	59,025
	<u>411,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>411,510</u>
Accumulated depreciation	<u>(411,510)</u>			<u>(411,510)</u>
Total property and equipment	<u>\$ -</u>			<u>\$ -</u>

There was no depreciation expense during the years ended December 31, 2022 and 2021.

### NOTE 5 — LOANS RECEIVABLE

During the years ended December 31, 2022 and 2021, the Alliance did not disburse any new loans.

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

The total loan balance at December 31, 2022 and 2021 was comprised of 5 loans totaling \$258,394 and 8 loans totaling \$467,555, respectively. The loan balance at December 31, 2022 was comprised of 1 loan making up 57% of the loan balance and the loan balance at December 31, 2021 was comprised of 2 loans making up 59% of the loan balance.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 5 – LOANS RECEIVABLE (Continued)

A summary of changes to loan receivable balances for the year ended December 31, 2022 are as follows:

	Balance 1/1/22	New Loans	Payments	Write-offs	Balance 12/31/22	Balance due in one year
Bread Alone	\$ 177,883	\$ -	\$ 29,848	\$ -	\$ 148,035	
Fruition Chocolate	55,831	-	16,783	-	39,048	
The Farm Bridge	20,298	-	-	(20,298)	-	
GAMEX, LLC	20,354	-	20,354	-	-	
Pika's Farm Table	62,855	-	14,145	-	48,710	
Costas and Tate Insurance Agency, Inc.	7,121	-	2,824	-	4,297	
Mad Batters Pastries, LLC	23,213	-	4,909	-	18,304	
Arrowood Farms, LLC	100,000	-	100,000	-	-	
	<u>\$ 467,555</u>	<u>\$ -</u>	<u>\$ 188,863</u>	<u>\$ (20,298)</u>	<u>\$ 258,394</u>	<u>\$ 62,970</u>

The allowance for loan losses activity during the year ended December 31, 2022 and was as follows:

Balance, beginning of year	\$ 29,808
Provision	(4,326)
Write-offs	(20,298)
Recoveries	-
Balance, end of year	<u>\$ 5,184</u>

A summary of changes to loan receivable balances for the year ended December 31, 2021 are as follows:

	Balance 1/1/21	New Loans	Payments	Balance 12/31/21	Balance due in one year
Bread Alone	\$ 195,092	\$ -	\$ 17,209	\$ 177,883	
Fruition Chocolate	70,851	-	15,020	55,831	
Yoga Vida, LLC	150,000	-	150,000	-	
The Farm Bridge	89,059	-	68,761	20,298	
GAMEX, LLC	35,839	-	15,485	20,354	
Organic Nectars	11,138	-	11,138	-	
Pika's Farm Table	76,447	-	13,592	62,855	
Costas and Tate Insurance Agency, Inc.	10,328	-	3,207	7,121	
Mad Batters Pastries, LLC	27,753	-	4,540	23,213	
Arrowood Farms, LLC	100,000	-	-	100,000	
	<u>\$ 766,507</u>	<u>\$ -</u>	<u>\$ 298,952</u>	<u>\$ 467,555</u>	<u>\$ 115,552</u>

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 5 – LOANS RECEIVABLE (Continued)

The allowance for loan losses activity during the year ended December 31, 2021 and was as follows:

Balance, beginning of year	\$	11,795
Provision		(25,379)
Write-offs		-
Recoveries		43,392
Balance, end of year	\$	<u>29,808</u>

### NOTE 6 – UNEARNED REVENUE

Unearned revenue represents prepaid loan interest, prepaid administrative fees, and prepaid rent as of December 31, 2022.

The following is a summary of unearned revenue at December 31, 2022:

Project	Balance 1/1/22	Receipts	Revenue earned	Balance 12/31/22
Prepaid loan interest	\$ 25	\$ 1,367	\$ (25)	\$ 1,367
Prepaid administrative fee	-	50,000	-	50,000
Prepaid rent	733	400	(733)	400
	<u>\$ 758</u>	<u>\$ 51,767</u>	<u>\$ (758)</u>	<u>\$ 51,767</u>

Unearned revenue represents prepaid loan interest and prepaid rent as of December 31, 2021.

The following is a summary of unearned revenue at December 31, 2021:

Project	Balance 1/1/21	Receipts	Revenue earned	Balance 12/31/21
Prepaid loan interest	\$ 1,249	\$ 25	\$ (1,249)	\$ 25
Prepaid rent	-	733	-	733
	<u>\$ 1,249</u>	<u>\$ 758</u>	<u>\$ (1,249)</u>	<u>\$ 758</u>

### NOTE 7 – RELATED PARTIES

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

The Alliance had a balance due from Ulster County as of December 31, 2022 and 2021 of \$62,002 and \$28,500, respectively. During the years ended December 31, 2022 and 2021, the Alliance did not pay rent to Ulster County.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 7 – RELATED PARTIES (Continued)

#### Real Property

##### *TechCity West (Enterprise West)*

In March 2021, Ulster County (the “County”) legislature passed Resolution 112 of 2021 which authorized the County to transfer the west side of the former IBM campus (“TechCity West”) that had been acquired by foreclosure to the Alliance, so that the Alliance could market the properties for sale and manage the properties going forward.

The Resolution indicates that any proceeds from the future sale of the TechCity West properties are to be remitted to Ulster County.

Because of the relationship between Ulster County and the Alliance, this transfer of property was accounted for at the County’s net book value of zero dollars upon transfer. No liability has been recorded related to the future environmental obligation that could materialize or any obligation to remit the proceeds to Ulster County for a future sale.

In November 2021, Ulster County agreed to reimburse the Alliance for eligible costs related to property surveys, appraisals and legal counsel up to \$170,000 related to the development of the TechCity West properties through December 31, 2022. As of December 31, 2022, no amounts related to the contract have been recorded or incurred, and upon subsequent negotiation with the purchaser of the property, all such costs will be the obligations of the purchaser. As such, the Alliance has notified the County that the approved appropriation may be relinquished back to the County’s general fund.

In April of 2022, the Ulster County legislature passed Resolution No. 133, authorizing the County to enter into a lease for space at TechCity West. The County through this lease agreement with UCEDA agreed to pay utilities and expenses for TechCity West during the time it leased a portion of the space.

During the year ended December 31, 2021, Ulster County paid school taxes and associated interest of \$329,369 on UCEDA’s behalf. In addition, during the year ended December 31, 2021, Ulster County paid repairs and maintenance expenses of \$40,776 and utilities of \$89,826 on UCEDA’s behalf. Rental income of \$459,971 was recognized by UCEDA from Ulster County as a result.

During the year ended December 31, 2022, Ulster County paid school taxes and associated interest of \$263,965 on UCEDA’s behalf. In addition, during the year ended December 31, 2022, Ulster County paid repairs and maintenance expenses of \$7,947 and utilities of \$252,507 under the terms of its lease agreement. Rental income of \$524,419 was recognized by UCEDA from Ulster County as a result.

On July 1, 2022, a final appraisal report for the subject West properties was completed by Hilco Real Estate Appraisal, LLC, indicating a value conclusion of \$6,820,000.

In July 2022, the Board of Directors of the Alliance authorized the execution of a Purchase and Sale Agreement (“West PSA”) to sell the TechCity West properties to National Resources/iPark 87 West, LLC (“Purchaser”) for a negotiated price of \$6,800,000, payable by application of \$100,000 deposit at closing and the remaining \$6,700,000 in equal installments over 10 years at a daily interest rate of 4.00%, subject to duly executed note and mortgage. The Alliance subsequently issued notice to the New York State Authorities Budget Office as required by law, providing that office with a 90-day opportunity to comment on the transaction. No comments were received by the Alliance.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 7 – RELATED PARTIES (Continued)

#### Real Property (Continued)

##### *TechCity West (Enterprise West) (Continued)*

The West PSA includes the following provisions:

- The creation of a Purchaser-funded imprest account, to be paid by the Purchaser to the Alliance upon execution of the West PSA, in the amount of \$250,000, to be used by the Alliance to reimburse eligible transaction costs related to the sale;
- The payment of an annual Administrative Fee of \$125,000, which began January 1, 2023 and to continue until the earlier of “substantial completion” or the satisfaction of the Purchase Money Mortgage, at an annual escalation of 3% per year, to compensate the Alliance for monitoring and administration of the West PSA and associated Purchase Money Mortgage;
- The payment of a deposit of \$100,000 due upon execution of the PSA, to be held in escrow and released upon closing, which amount shall be credited toward the purchase price;
- Reimbursement to the County, at closing via UCEDA, of utilities paid at TechCity inclusive of January 1, 2022 through December 31, 2022; and
- The payment of the remaining balance of the purchase price in ten (10) equal annual installments, carrying an interest rate of 4% per year, to be subject to a Purchase Money Mortgage and Note, commencing January 1, 2024.

The final transaction to transfer title from the Alliance to National Resources/iPark 87 West, LLC occurred on April 6, 2023, following the satisfaction of several required pre-conditions of closing as outlined in the PSA.

In February 2023, National Resources/iPark 87 West, LLC completed a wire transfer to the Alliance for \$250,000 to fund the imprest account. Reimbursable costs primarily related to legal, appraisal and insurance fees incurred by the Alliance for the year ended December 31, 2022, were \$141,275. The reimbursable amount of \$198,864 expected to be satisfied from the imprest account was recorded as a receivable at December 31, 2022.

##### *TechCity East*

In July 2021, the County initiated in rem foreclosure proceedings on eighteen parcels located on the east side of the former IBM campus (“TechCity East”) in the Town of Ulster. Those proceedings were halted when the owner contested the foreclosure, forcing the County to delay taking the property while it argued its case in Ulster County Court.

On December 1, 2021, Ulster County Court judge Bryan Rounds signed a settlement order that provided a roadmap for the former owner to cede the properties to the County. Once implemented, the settlement would result in the sale of the remaining TechCity East parcels to National Resources, a real estate company that specializes in turning around complicated former industrial sites, such as the former IBM campus in East Fishkill.

On December 2, 2021, the Ulster County Legislature set a public hearing on the transfer of the TechCity East parcels to the Alliance.

On December 21, 2021, the Ulster County Legislature authorized the County to transfer the TechCity East parcels to the Alliance, so that the Alliance could in turn sell the properties to National Resources/iPark87, LLC. The agreement indicates that any proceeds from the future sale of the TechCity East properties are to be remitted to Ulster County.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 7 – RELATED PARTIES (Continued)

#### Real Property (Continued)

##### *TechCity East* (Continued)

Because of the relationship between Ulster County and the Alliance, this transfer of property was accounted for at the County's net book value of approximately \$5 million as an asset available for sale, and an associated liability due to the County, until closing of the sale was completed. The underlying property is subject to certain environmental cleanup. The obligation to satisfy this cleanup was transferred to the purchaser of the property and such cost was contemplated in the sales price.

On December 21, 2021, the Board of Directors of the Alliance authorized the execution of a Purchase and Sale Agreement ("East PSA") to sell the TechCity East properties to National Resources/iPark 87, LLC ("Purchaser") for a negotiated price of \$12,000,000, payable by application of a \$7,000,000 advance credit for costs to remediate asbestos-contamination in Building 1 and in piles of rubble on the former site of Building 25 (subject to a "true-up" to verify actual costs) and with the remaining balance to be paid by application of a \$100,000 deposit held in escrow until closing and a Purchase Money Mortgage Note for annual installment payments equal to \$1,000,000 plus 4% interest on the principal balance, commencing January 1, 2023. Interest accrues on the note beginning June 8, 2022. As of December 31, 2022, accrued interest of \$112,156 is recorded and included in the "loan receivable – TechCity East property, current portion" on the statement of net position.

The Alliance subsequently issued notice to the New York State Authorities Budget Office as required by law, providing that office with a 90-day opportunity to comment on the transaction. No comments were received by the Alliance.

On February 17, 2022, a final appraisal report for the subject East properties was completed by Hilco Real Estate Appraisal, LLC.

The East PSA included the following provisions:

- The creation of a Purchaser-funded imprest account, to be paid by Purchaser to the Alliance upon execution of the East PSA, in the amount of \$250,000, to be used by the Alliance to reimburse eligible transaction costs related to the sale;
- The payment of an annual Administrative Fee of \$50,000, commencing January 1, 2023 and continuing until the earlier of "substantial completion" or the satisfaction of the Purchase Money Mortgage, at an annual escalation of 3% per year, to compensate the Alliance for monitoring and administration of the East PSA and associated Purchase Money Mortgage;
- The payment of a deposit of \$100,000 due upon execution of the PSA, to be held in escrow and released upon closing, which amount shall be credited toward the purchase price; and
- The payment of the remaining balance of the purchase price in five (5) equal annual installments, carrying an interest rate of 4% per year, to be subject to a Purchase Money Mortgage and Note, commencing January 1, 2023.

On February 3, 2022, the Purchaser deposited \$227,234 to the Alliance's accounts. This amount included \$177,234 for the required imprest account and \$50,000 for the 2023 Administrative Fee. In addition, the Purchaser made a direct payment to the Alliance's legal counsel (Harris Beach) in the amount of \$72,766. These combined payments (\$300,000 in total) were deemed to satisfy the Purchaser's pre-closing financial contributions to the Alliance. Reimbursable costs primarily related to legal fees incurred by the Alliance for the year ended December 31, 2022 were \$53,892. As of December 31, 2022, the Alliance has an imprest liability balance of \$131,865.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 7 – RELATED PARTIES (Continued)

#### Real Property (Continued)

##### *TechCity East (Continued)*

During the year ended December 31, 2022, Ulster County paid on UCEDA's behalf \$633,591 of school and property taxes associated with the TechCity East properties. During the year ended December 31, 2022, a contribution from Ulster County of \$633,591 was recorded as a result.

The final transaction to transfer title from the Authority to National Resources/iPark 87, LLC was completed on June 8, 2022.

On January 19, 2023, the Alliance received a payment from the Purchaser in the amount of \$1,167,600, which represented payment of the required \$100,000 deposit, plus a \$1,000,000 payment of principal and \$67,600 in interest payments. This full amount was subsequently remitted to Ulster County via check on February 27, 2023.

##### *.600 Parcel/Powerhouse Property*

The County initiated in rem foreclosure proceedings on one additional parcel (.600 Parcel") located on the east side of the former IBM campus in October 2021. In 2022, the County was awarded a Summary Judgement motion and filed for the deed for the property, officially taking possession of the property. Given the property's landlocked location within the former IBM campus, its importance as a location of electric and water utility connections, and in consideration of the property's importance to the overall redevelopment of the campus, the Alliance's intent to negotiate a Purchase and Sale Agreement with the Purchaser for the .600 Parcel was memorialized in both the East and West PSAs.

On July 19, 2022, the Ulster County Legislature set a public hearing on the transfer of the parcels to the Alliance.

On August 16, 2022, the Ulster County Legislature authorized the County to transfer the parcels to the Alliance so that the Alliance could in turn sell the properties to National Resources/iPark 87, LLC.

Because of the relationship between Ulster County and the Alliance, this transfer of property is accounted for at the County's net book value of zero dollars as an asset available for sale, and an associated liability due to the County, until closing and the sale is completed. An appraisal completed in 2022 by the Alliance indicated an estimated market value of \$600,000, however, the appraisal did not consider implications of ownership by a third-party entity, which would likely incur substantial expense for both the Purchaser and the third-party entity to fully segregate the property from the rest of the campus. Therefore, the Alliance believes the parcel will sell for an estimated \$300,000.

The Alliance expects to finalize a Purchase and Sale Agreement for the .600 Parcel (.600 PSA") and to transfer the deed to the Purchaser prior to the year ending of December 31, 2023.

##### *Ulster 2040 Economic Development Strategy*

In June 2021, Ulster County engaged the Alliance to perform certain services related to Ulster County's 2040 Strategic Initiative for an amount not to exceed \$75,000. The contract originally expired on December 31, 2021, but in 2022 was extended to December 31, 2022. Expenses submitted to the County are subject to the County's approval for payment. During the years ended December 31, 2022 and 2021, \$26,002 and \$28,500, respectively of expenses were incurred and classified as contractual expense. During the years ended December 31, 2022 and 2021 revenue of \$33,502 and \$28,500, respectively, is recorded from Ulster County. As of December 31, 2022 and 2021, \$62,002 and \$28,500, respectively, is recorded as a receivable due from Ulster County.



# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(A component unit of Ulster County, New York)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

### NOTE 7 – RELATED PARTIES (Continued)

#### *Community Development Block Grant (CDBG) Grant*

During the year ended December 31, 2022, the Alliance entered into a professional services agreement with Ulster County to act as the sub-recipient of grant funds under a New York State Homes and Community Renewal Community Development Block Grant totaling \$1,000,000. During the year ended December 31, 2022, the Alliance recognized \$947,057 of revenue and expenses associated with this agreement. Ulster County determined it would retain the administrative portion of the grant (\$50,000) given Ulster County staff time primarily was devoted to the work performed. The Alliance did not receive any administrative revenue as a result of this grant.

### NOTE 8 – LEASES

The Alliance leases space at the TechCity West location for purposes of storage to 5 tenants. Lease terms cover an annual basis and may be terminated by either party. Rental income for the years ended December 31, 2022 and 2021 was \$87,512 and \$14,234, respectively.

### NOTE 9 – RESTRICTED NET POSITION

Restricted net position consists of the following at December 31, 2022 and 2021:

	2022	2021
Telecommunications Fund	\$ 199,570	\$ 199,127
Total Restricted Net Position	\$ 199,570	\$ 199,127

### NOTE 10 – RESTATEMENT

The following schedule summarizes the changes as a result of the restatement:

	Previously Reported December 31, 2021	Restatement Amount	As Restated December 31, 2021
<i>Statement of Revenues, Expenses and Changes in Net Position:</i>			
Rental income - Ulster County	\$ -	\$ 459,971	\$ 459,971
Repairs and maintenance	-	40,776	40,776
School taxes, property taxes and associated interest	-	329,369	329,369
Utilities	-	89,826	89,826
<i>Statement of Cash Flows:</i>			
Rental income - Ulster County	\$ -	\$ 459,971	\$ 459,971
Payments to vendors	(235,638)	(459,971)	(695,609)

The financial statements for the year ended December 31, 2021, were restated to reflect repairs and maintenance, utilities, school taxes, property taxes and associated interest at TechCity East and West properties paid by the County on the Alliance's behalf.

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Ulster County Economic Development Alliance, Inc. as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements, and have issued our report thereon dated November \_\_, 2023.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-01 and 2022-02 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-03 to be a significant deficiency.

## ***Report on Compliance and Other Matters***

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

## **Ulster County Economic Development Alliance, Inc.'s Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on Ulster County Economic Development Alliance, Inc.'s response to the findings identified in our engagement and described in the accompanying schedule of findings and responses. Ulster County Economic Development Alliance, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

Kingston, New York  
November \_\_, 2023

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(a component unit of Ulster County, New York)

## SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2022

### Finding 2022-01

#### Material Weakness in Internal Control over Financial Reporting – Accrual Basis Adjustments

##### Criteria:

The Alliance's financial statements are to be presented on the accrual basis in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

##### Condition:

Certain material adjustments were necessary to properly record transactions related to the Alliance's related party transactions with Ulster County for the sale of "Tech City" properties. In addition, other adjustments were necessary to properly record activity related to the Alliance's community development block grant in which the Alliance acted as an administrator for Ulster County.

##### Cause:

Management's review procedures are not sufficient to ensure all adjustments at year-end have been recorded completely and accurately.

##### Effect or Potential Effect:

The Alliance's financial statements could be presented with errors related to the accounting for the "Tech City" transactions and the community development block grant.

##### Recommendation:

Management should implement a procedure to ensure all necessary adjustments are made at year end to be compliant with the accrual basis of accounting prior to the start of the audit. This procedure should include a review by management for completion and accuracy.

##### Responsible Official's Response

Management will implement a procedure to ensure all accounts are reconciled and adjusted at year end in accordance with GAAP in 2023.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(a component unit of Ulster County, New York)

## SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2022

### Finding 2022-02

#### Material Weakness in Internal Control over Financial Reporting – Prior Period Adjustment

##### Criteria:

The Alliance's financial statements are to be presented on the accrual basis in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

##### Condition:

Certain material adjustments were necessary to properly record transactions related to the Alliance's related party transactions with Ulster County for the sale of "Tech City" properties during the year ended December 31, 2021 that were not properly recorded in the 2021 financial statements.

##### Cause:

Management's review procedures were not sufficient to ensure all transactions had been recorded completely and accurately in relation to the "Tech City" properties.

##### Effect or Potential Effect:

The Alliance's financial statements were presented with errors related to the accounting for the "Tech City" transactions during the year ended December 31, 2021.

##### Recommendation:

Management should implement a procedure to ensure all necessary adjustments are made at year end to be compliant with the accrual basis of accounting. This procedure should include a review by management for completion and accuracy.

##### Responsible Official's Response

Management will implement a procedure to ensure all adjustments, including adjustments related to unusual transactions, are recorded at year end in accordance with GAAP in 2023.

# ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

(a component unit of Ulster County, New York)

## SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2022

### Finding 2022-03

#### Significant Deficiency in Internal Control over Financial Reporting – Journal Entries and Fund Transfers

##### Criteria:

The Alliance does not have a procedure that requires journal entries or fund transfers be reviewed by an individual of management.

##### Condition:

The Alliance does not require journal entries or fund transfers be reviewed prior to posting or initiated by another member of management.

##### Cause:

The Alliance does not have a procedure requiring journal entries be reviewed and fund transfers to be approved prior to initiation.

##### Effect or Potential Effect:

An erroneous or fraudulent journal entry or fund transfer could be recorded or processed and not detected.

##### Recommendation:

The Alliance should implement a procedure requiring review of journal entries by another member of management than the individual proposing the journal entry. Fund transfers should be approved prior to initiation. Evidence of such review should be maintained.

##### Responsible Official's Response:

Management will implement a procedure requiring journal entry review and fund transfers be reviewed in 2023.

**SUPPLEMENTARY INFORMATION**

DRAFT

**ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.****(A component unit of Ulster County, New York)****SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL****For the year ended December 31, 2022**

	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Revenues:			
Contract and administrative fees	\$ 182,900	\$ 279,174	\$ 96,274
Community Development Block Grant (CDBG)	1,000,000	947,057	(52,943)
Contributions	-	400	400
Interest on deposits	100	2,889	2,789
Interest income - loans	-	14,218	14,218
Educational events	3,000	-	(3,000)
Rental income	-	87,512	87,512
Rental income - Ulster County	-	524,419	524,419
Interest on TechEast property	-	112,156	112,156
Contribution - Ulster County	-	633,591	633,591
Miscellaneous income	-	1,000	1,000
Total revenues	<u>1,186,000</u>	<u>2,602,416</u>	<u>1,416,416</u>
Expenditures:			
Contractual expense	14,000	26,002	(12,002)
Legal fees	175,000	152,577	22,423
Professional fees	38,500	25,765	12,735
Appraisals	-	30,000	(30,000)
Grants - Community Development Block Grant (CDBG)	950,000	947,057	2,943
Educational events	3,000	-	3,000
Insurance	5,000	13,534	(8,534)
Marketing and advertising	-	40,558	(40,558)
Repairs and maintenance	-	32,171	(32,171)
Office expense	500	21,169	(20,669)
Provision for loan losses	-	(4,326)	4,326
School taxes, property taxes and associated interest	-	897,556	(897,556)
Utilities	-	252,507	(252,507)
Interest on TechEast property - granted to Ulster County	-	112,156	(112,156)
Unrelated business taxes	-	11,683	(11,683)
Total expenditures	<u>1,186,000</u>	<u>2,558,409</u>	<u>(1,372,409)</u>
Total revenues in excess of expenditures	<u>\$ -</u>	<u>\$ 44,007</u>	<u>\$ 44,007</u>