

ULSTER COUNTY ECONOMIC
DEVELOPMENT ALLIANCE, INC.

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

Financial Statements

December 31, 2023 and 2022

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
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. (the Alliance), a blended component unit of Ulster County, New York, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the Alliance'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 financial position of the Alliance as of December 31, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance 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.

Prior Period Financial Statements

The financial statements of the Alliance as of December 1, 2022, were audited by other auditor's whose report dated November 14, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 the 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 the 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 requires that management's discussion and analysis 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Alliance's basic financial statements. The accompanying schedule of revenue and expenses - budget and actual and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the other supplementary information and schedule of expenditures of federal awards are 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 September 17, 2024, on our consideration of the Alliance'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 the Alliance's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 17, 2024

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Management Discussion and Analysis

December 31, 2023 and 2022

Introduction

Management's discussion and analysis of Ulster County Economic Development Alliance, Inc. (the Alliance) financial performance provides an overview of the Alliance's financial activities for the year ended December 31, 2023 and 2022. The Alliance is a Local Development Corporation which operates in Ulster County, New York (the County) 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 decreased by (\$57,160) (or 3%) as a result of operations in 2023.

In 2023, revenue decreased \$1,586,567 compared to 2022, or 63%. In 2022, revenue increased \$1,914,654 compared to 2021, or 278%.

In 2023, expenses decreased \$1,437,160 compared to 2022, or 59%. In 2022, expenses increased \$1,893,086 compared to 2021, or 89%.

Organization Highlights

2023 Alliance 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.
- Continued 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 County Revolving Loan Fund, including visits to each site and preparation of required reporting documents for funders.
- Implemented the County CARES II Small Business Assistance Program with awarded State funding for relief for small businesses and nonprofit organizations.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Management Discussion and Analysis, Continued

2022 Alliance 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 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 (\$1 M) and Boost for Main Streets Program (\$2M).

Using This Annual Report

This Annual Report consists primarily of the statements of net position, statements of revenue, expenses and changes in net position, and statements of cash flows, which provide information about the activities of the Alliance.

These statements include all assets, liabilities and deferred outflows and inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue 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, liabilities and deferred inflows of resources.

Condensed Comparative Financial Statements and Analysis

The Alliance's net position for the year ended December 31, 2023, decreased \$57,160 to \$1,647,105. The Alliance's net position for the year ended December 31, 2022, increased \$44,077 to \$1,704,625.

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

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Management Discussion and Analysis, Continued

Table 1 - Summary Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 1,753,564	2,987,397	6,518,494
Other assets	<u>10,723,214</u>	<u>4,190,240</u>	<u>322,195</u>
Total assets	<u>12,476,778</u>	<u>7,177,637</u>	<u>6,840,689</u>
Liabilities			
Current liabilities	223,917	1,421,605	5,179,673
Other liabilities	<u>10,605,756</u>	<u>4,000,000</u>	<u>-</u>
Total liabilities	<u>10,829,673</u>	<u>5,421,605</u>	<u>5,179,673</u>
Deferred Inflows of Resources	<u>-</u>	<u>51,767</u>	<u>758</u>
Net Position:			
Unrestricted	169,461	280,277	249,560
Restricted	<u>1,477,644</u>	<u>1,423,988</u>	<u>1,410,698</u>
Total net position	<u>\$ 1,647,105</u>	<u>1,704,265</u>	<u>1,660,258</u>

At December 31, 2023, total assets were \$12,476,778, which was an increase of \$5,299,141 from the prior year. This increase is primarily a result of recording a loan receivable for \$6,700,000 from the sale of TechCity West. This was offset by the receipt of \$1,00,000 from the first installment of the TechCity East loan.

At December 31, 2022, total assets were \$7,177,637, which was an increase of \$336,948 from the prior year. This increase was primarily from administration fees earned for selling a property, an increase in the fair value of TechCity West and transfer from the County of the TechCity Powerhouse property.

At December 31, 2023, total liabilities were \$10,829,673, an increase of \$5,408,068 from the prior year. This increase is primarily from recording \$6,700,000 due to the County for amounts to be received from the sale of TechCity West, proceeds of which are to be turned over to the County. This was offset by payment of \$1,000,000 to the County from the first installment of the TechCity East loan.

At December 31, 2022, total liabilities were \$5,421,605, an increase of \$241,932 from the prior year. This increase was primarily from recording amounts due to the County of \$212,156 for amounts related to TechCity East.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Management Discussion and Analysis, Continued

Table 2 - Summary Statements of Revenue, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue:			
Interest on loans	\$ 13,549	14,218	24,142
Community Development Block Grant	-	947,057	-
Coronavirus State and Local Fiscal Recovery Funds	816,526	-	-
Other income	<u>121,031</u>	<u>1,645,467</u>	<u>663,620</u>
Total revenue	<u>951,106</u>	<u>2,606,742</u>	<u>687,762</u>
Expenses:			
Operating expenses	\$ 1,002,822	2,439,982	665,323
Nonoperating expenses	<u>5,444</u>	<u>122,753</u>	<u>-</u>
Total expenses	<u>1,008,266</u>	<u>2,562,735</u>	<u>665,323</u>
Changes in Net Position	\$ <u>(57,160)</u>	<u>44,007</u>	<u>22,439</u>

The Alliance's total revenue for the year ended December 31, 2023 was \$951,106, a decrease of \$1,655,636 from the prior year. This decrease is primarily a result of a decrease in rental income and contributions from the County for amounts related to TechCity West. Total expenses were \$1,008,266, a decrease of \$1,554,469 from the prior year. This decrease is primarily due to a decrease in school and property taxes as well as utilities related to TechCity West.

The Alliance's total revenue for the year ended December 31, 2022 was \$2,606,742, an increase of \$1,914,654 over the prior year. This increase was related to Community Development Block Grant (CDBG) revenue and accrued interest related to the TechCity East loan. Total expenses were \$2,558,409, an increase of \$1,893,086 from the prior year. This increase was due to CDBG program expenses and accrued interest due the County related to the TechCity East loan.

Capital Assets and Long-Term Debt

There were no capital asset additions in 2023 or 2022, and the Alliance did not take on any long-term debt in 2023 or 2022.

In 2023, the Alliance sold a parcel of land on Enterprise Drive in Kingston, New York for \$6,800,000 and proceeds from that sale will be received over 10 years and will be immediately transferred to the County.

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 the County in accordance with the Alliance's agreement with the County. In addition, during 2022, the County transferred one additional parcel to the Alliance recorded at a zero value.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Management Discussion and Analysis, Continued

Budget

In November 2022, the Alliance adopted the 2023 budget projecting revenue to be \$2,188,500 and expenses to be \$2,141,500. Actual 2023 revenue totaled \$951,106 and actual 2023 expenses totaled \$1,008,266. Revenue was significantly under budget due to anticipated revenue from a Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program that was not executed with the County. Expenses were significantly under budget due SLFRF programmatic expenses lower than anticipated from a program that was not executed.

Contacting the Alliance 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 blended component unit of Ulster County, New York)
Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and equivalents:		
Unrestricted	\$ 294,215	315,109
Restricted	1,327,884	1,203,914
Accounts receivable	6,521	6,000
Accounts receivable - TechCity West property	-	198,864
Loan receivable - TechCity East property, current portion	-	1,112,156
Loans receivable, current portion	56,794	62,970
Due from Ulster County	-	62,002
Grants receivable	<u>68,150</u>	<u>26,382</u>
Total current assets	1,753,564	2,987,397
Loan receivable - TechCity East property, less current portion	3,900,000	4,000,000
Loan receivable - TechCity West property, less current portion	6,700,000	-
Loans receivable, less current portion, net of an allowance of \$5,184 in 2023 and 2022	<u>123,214</u>	<u>190,240</u>
Total assets	<u>12,476,778</u>	<u>7,177,637</u>
Current Liabilities:		
Accounts payable	12,868	40,605
Accounts payable - TechCity East property	121,237	131,865
Accounts payable - TechCity West property	21,192	-
Grants payable	68,150	26,382
Accrued taxes	470	10,597
Due to Ulster County - deposit from sale of TechCity East	-	100,000
Due to Ulster County, current portion	<u>-</u>	<u>1,112,156</u>
Total current liabilities	223,917	1,421,605
Due to Ulster County, less current portion	<u>10,605,756</u>	<u>4,000,000</u>
Total liabilities	<u>10,829,673</u>	<u>5,421,605</u>
Deferred Inflows of Resources - unearned revenue	<u>-</u>	<u>51,767</u>
Net Position:		
Unrestricted	169,461	280,277
Restricted	<u>1,477,644</u>	<u>1,423,988</u>
Total net position	<u>\$ 1,647,105</u>	<u>1,704,265</u>

See accompanying notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue:		
Contract and administrative fees	\$ 50,000	278,669
Community Development Block Grant	-	947,057
Coronavirus State and Local Fiscal Recovery Funds	816,526	-
Contributions	250	400
Interest on loans	13,549	14,218
Rental income	13,035	87,512
Rental income - Ulster County	-	524,419
Contribution - Ulster County	-	633,591
Late fees collected	555	505
Recovery of loan losses	-	4,326
Miscellaneous income	<u>29,215</u>	<u>1,000</u>
Total revenue	<u>923,130</u>	<u>2,491,697</u>
Expenses:		
Contractual	80,357	26,002
Legal fees	35,692	152,577
Professional fees	41,813	25,765
Appraisals	-	30,000
Insurance	-	13,534
Marketing and advertising	19,091	40,558
Grants - Community Development Block Grant	-	947,057
Grants - Coronavirus State and Local Fiscal Recovery Funds	816,526	-
Repairs and maintenance	-	32,171
Office	9,343	22,255
School taxes, property taxes and associated interest	-	897,556
Utilities	<u>-</u>	<u>252,507</u>
Total expenses	<u>1,002,822</u>	<u>2,439,982</u>
Operating income (loss)	<u>(79,692)</u>	<u>51,715</u>
Nonoperating revenue (expenses):		
Interest on TechEast property	5,444	112,156
Interest on TechEast property - granted to Ulster County	(5,444)	(112,156)
Interest on deposits	22,532	2,889
Unrelated business taxes	<u>-</u>	<u>(10,597)</u>
Total nonoperating revenue (expenses)	<u>22,532</u>	<u>(7,708)</u>
Change in net position	(57,160)	44,007
Net position at beginning of year	<u>1,704,265</u>	<u>1,660,258</u>
Net position at end of year	<u>\$ 1,647,105</u>	<u>1,704,265</u>

See accompanying notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.

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

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Administrative fees	\$ 50,000	283,099
Contributions and grants	816,776	947,457
Interest on loans	13,549	14,218
Rental income	13,035	87,512
Miscellaneous revenue	29,215	1,000
Loans paid back	73,202	188,863
Payments to vendors	<u>(910,862)</u>	<u>(1,238,166)</u>
Net cash provided by operating activities	84,915	283,983
Cash flows from investing activities - interest received	<u>18,161</u>	<u>2,889</u>
Net increase in cash and equivalents	103,076	286,872
Cash and equivalents at beginning of year	<u>1,519,023</u>	<u>1,232,151</u>
Cash and equivalents at end of year	<u>\$ 1,622,099</u>	<u>1,519,023</u>
Cash flows from operating activities:		
Operating income (loss)	(79,692)	51,715
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Recovery of loan losses	-	(4,326)
Changes in:		
Accounts receivable	(521)	966
TechCity properties accounts receivable	198,864	(63,539)
Loans receivable	73,202	188,863
Due from Ulster County	62,002	(33,502)
Grants receivable	(41,768)	(26,382)
Accounts payable	(27,737)	(3,743)
TechCity properties accounts payable	10,564	(3,460)
Grants payable	41,768	26,382
Due to Ulster County - deposit from sale of TechCity East	(100,000)	100,000
Unearned revenue	<u>(51,767)</u>	<u>51,009</u>
Net cash provided by operating activities	<u>\$ 84,915</u>	<u>283,983</u>
Supplemental cash flow information:		
Reclassification of TechCity East from available for sale to loan receivable	<u>\$ -</u>	<u>5,000,000</u>
Accrued interest on TechCity East property	<u>\$ -</u>	<u>112,156</u>
Expenses paid by Ulster County on the Alliance's behalf	<u>\$ -</u>	<u>1,158,010</u>
Rental income and contribution from Ulster County	<u>\$ -</u>	<u>1,158,010</u>

See accompanying notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements

December 31, 2023 and 2022

(1) Nature of Organization

(a) Financial Reporting Entity

The Ulster County Economic Development Alliance, Inc. (the Alliance) (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.

(b) 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.

(c) 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 the 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 the County, which provide loans within the range of \$75,000 to \$750,000 to businesses for development and job creation in the County.

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

Community Development Block Grant (CDGB) - The County CARES Small Business Assistance Program provided \$950,000 of direct assistance to qualified small businesses. Funding was awarded from New York State to the County in July of 2021. The County then created a sub-recipient agreement with the Alliance to administer the funding to ultimate awardees. The County and the Alliance reimbursed businesses for \$947,057 of eligible expenses during the year ended December 23, 2022.

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

Coronavirus State and Local Fiscal Recovery Funds - The County CARES II Small Business Grant Award Program provided \$950,000 of direct assistance to qualified small businesses and nonprofit organizations. Funding was awarded from New York State to the County in May of 2021. The County then created a sub-recipient agreement with the Alliance to administer the funding to ultimate awardees. The County and the Alliance reimbursed businesses and nonprofit organizations for \$816,526 of eligible expenses during the year ended December 23, 2023.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies

(a) 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. Revenue is recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America (GAAP), the Alliance applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

(b) Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of net assets that applies to future periods, 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 periods, and as such, will not be recognized as an inflow of resources (revenue) until that time.

(c) Budgetary Data

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

(d) Use of Estimates

The preparation of financial statements in conformity with GAAP requires 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.

(e) 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 revenue includes revenue generated from ongoing operating activities. Nonoperating revenue includes investing, financing and other non-recurring activities.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) 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.

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. 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.

(g) Cash and Equivalents

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

(h) 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.

(i) 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 equivalents and loans receivable. Cash and 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.

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.

(j) 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%.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Loans and Allowance for Loan Losses, Continued

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the statement of financial position 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.

(k) Net Position Classifications

Net position is classified and displayed in three components:

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.

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.

Unrestricted net position - consists of net position without constraints.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(l) 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.

(m) 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.

(3) Cash and Equivalents

The following is a summary of cash and equivalents as included in the statement of net position at December 31, 2023:

<u>Bank</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Pledged Collateral</u>
M&T	\$ <u>1,622,099</u>	<u>1,624,515</u>	<u>500,000</u>	<u>1,147,006</u>

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

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

At December 31, 2023 and 2022, 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 and equivalents balances at December 31, 2023 and 2022 by fund:

	<u>2023</u>	<u>2022</u>
Unrestricted - operating fund	\$ <u>294,215</u>	<u>315,109</u>
Restricted:		
CDBG loan fund	\$ 1,043,483	936,706
Telecommunications fund	202,615	199,570
Section 108	42,002	41,375
Revolving loan fund	<u>39,784</u>	<u>26,263</u>
Total restricted	\$ <u>1,327,884</u>	<u>1,203,914</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(4) Capital Assets

A summary of capital assets is as follows as of December 31, 2023 and 2022:

	Balance at January 1, <u>2023</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2023</u>
Equipment - grant related	\$ 352,485	-	-	352,485
Office equipment	<u>59,025</u>	<u>-</u>	<u>-</u>	<u>59,025</u>
	411,510	-	-	411,510
Accumulated depreciation	<u>(411,510)</u>	<u>-</u>	<u>-</u>	<u>(411,510)</u>
Total property and equipment	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Balance at January 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2022</u>
Equipment - grant related	\$ 352,485	-	-	352,485
Office equipment	<u>59,025</u>	<u>-</u>	<u>-</u>	<u>59,025</u>
	411,510	-	-	411,510
Accumulated depreciation	<u>(411,510)</u>	<u>-</u>	<u>-</u>	<u>(411,510)</u>
Total property and equipment	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no depreciation expense during the years ended December 31, 2023 and 2022.

(5) Loans Receivable

During the years ended December 31, 2023 and 2022, 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 receivable balance at December 31, 2023 and 2022 was comprised of three loans totaling \$185,192 and five loans totaling \$258,394, respectively. The loan receivable balance at December 31, 2023 was comprised of one loan making up 68% of the loan receivable balance and the loan receivable balance at December 31, 2022 was comprised of one loan making up 57% of the loan receivable balance.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(5) Loans Receivable, Continued

A summary of changes to loan receivable balances for the year ended December 31, 2023 are as follows:

	Balance January 1, <u>2023</u>	New <u>Loans</u>	<u>Payments</u>	<u>Write-offs</u>	Balance December 31, <u>2023</u>	Balance due in <u>one year</u>
Bread Alone	\$ 148,035	-	(24,933)	-	123,102	25,911
Fruition Chocolate	39,048	-	(12,336)	-	26,712	15,618
Pika's Farm Table	48,710	-	(13,332)	-	35,378	15,265
Costas and Tate Insurance Agency, Inc.	4,297	-	(4,297)	-	-	-
Mad Batters Pastries, LLC	18,304	-	(18,304)	-	-	-
	<u>\$ 258,394</u>	<u>-</u>	<u>(73,202)</u>	<u>-</u>	<u>185,192</u>	<u>56,794</u>

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

	Balance January 1, <u>2022</u>	New <u>Loans</u>	<u>Payments</u>	<u>Write-offs</u>	Balance December 31, <u>2022</u>	Balance due in <u>one year</u>
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 at December 31, 2023 and 2022 was \$5,184.

(6) Unearned Revenue

Unearned revenue represents prepaid loan interest, administrative fees and rent.

The following is a summary of unearned revenue at December 31, 2023:

<u>Project</u>	Balance January 1, <u>2022</u>	<u>Receipts</u>	Revenue <u>earned</u>	Balance December 31, <u>2023</u>
Prepaid loan interest	\$ 1,367	-	1,367	-
Prepaid administrative fee	50,000	-	50,000	-
Prepaid rent	400	-	400	-
	<u>\$ 51,767</u>	<u>-</u>	<u>5,1676</u>	<u>-</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(6) Unearned Revenue, Continued

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

<u>Project</u>	<u>Balance</u> <u>January 1,</u> <u>2022</u>	<u>Receipts</u>	<u>Revenue</u> <u>earned</u>	<u>Balance</u> <u>December 31,</u> <u>2022</u>
Prepaid loan interest	\$ 25	1,367	(25)	1,367
Prepaid administrative fee	-	50,000	-	50,000
Prepaid rent	<u>733</u>	<u>400</u>	<u>(733)</u>	<u>400</u>
	\$ <u>758</u>	<u>51,767</u>	<u>(758)</u>	<u>51,767</u>

(7) Related Parties

The Alliance does not have its own employees and recognizes no payroll expenses. The 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 the County as of December 31, 2022 of \$62,002. During the years ended December 31, 2023 and 2022, the Alliance did not pay rent to the County.

Real Property

TechCity West (Enterprise West)

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

The Resolution indicated that any proceeds from the future sale of the TechCity West properties are to be remitted to the County. Because of the relationship between the 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 the County for a future sale.

In November 2021, the 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, 2023 and 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.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(7) Related Parties, Continued

Real Property, Continued

TechCity West (Enterprise West), Continued

In April of 2022, the 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 the Alliance 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, 2022, the County paid school taxes and associated interest of \$263,965 on the Alliance's behalf. In addition, during the year ended December 31, 2022, the 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 the Alliance from the 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 an 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.

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, 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 the Alliance, 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 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.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(7) Related Parties, Continued

Real Property, Continued

TechCity West (Enterprise West), Continued

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 fees incurred by the Alliance for the year ended December 31, 2023 were \$34,596. Reimbursable costs primarily related to legal, appraisal and insurance fees incurred by the Alliance for the year ended December 31, 2022, were \$141,275. A reimbursable amount of \$198,864 to be satisfied from the imprest account was recorded as a receivable at December 31, 2022. As of December 31, 2023, the imprest liability was \$21,192.

National Resources/iPark 87 West, LLC. requested a payment deferral during 2023 and is currently in revised contract negotiations with the Alliance. As such, the \$6,700,000 loan receivable has been classified as a long-term receivable on the statements of net position until contract negotiations have been concluded.

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 the County Court.

On December 1, 2021, the 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 County Legislature set a public hearing on the transfer of the TechCity East parcels to the Alliance.

On December 21, 2021, the 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 the County.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(7) Related Parties, Continued

Real Property, Continued

TechCity East, Continued

Because of the relationship between the 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. At December 31, 2022, accrued interest of \$112,156 was recorded and included in the "loan receivable - TechCity East property, current portion" on the statements 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;

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(7) Related Parties, Continued

Real Property, Continued

TechCity East, Continued

- 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 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 in the amount of \$72,766. These combined payments 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 years ended December 31, 2023 and 2022 were \$10,628 and \$53,892, respectively. As of December 31, 2023 and 2022, the imprest liability balance was \$121,237 and \$131,865, respectively.

During the year ended December 31, 2022, the County paid on the Alliance'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 the 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 the County on February 27, 2023.

National Resources/iPark 87, LLC. requested a payment deferral during 2023 and is currently in revised contract negotiations with the Alliance. As such, the loan has been classified as a long-term receivable on the statements of net position until contract negotiations have been concluded.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(7) Related Parties, Continued

Real Property, Continued

.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 County Legislature set a public hearing on the transfer of the parcels to the Alliance.

On August 16, 2022, the 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 the 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, 2024.

Community Development Block Grant

During the year ended December 31, 2022, the Alliance entered into a professional services agreement with the 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. The County determined it would retain the administrative portion of the grant (\$50,000) given the County staff time primarily was devoted to the work performed. The Alliance did not receive any administrative revenue as a result of this grant.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Financial Statements, Continued

(7) Related Parties, Continued

Real Property, Continued

Coronavirus State and Local Fiscal Recovery Funds

During the year ended December 31, 2023, the Alliance entered into a professional services agreement with the County to act as the sub-recipient of grant funds under a New York State Coronavirus State and Local Fiscal Recovery Funds grant totaling \$1,000,000. During the year ended December 31, 2023, the Alliance recognized \$816,526 of revenue and expenses associated with this agreement. The County determined it would retain the administrative portion of the grant (\$50,000) given the County staff time primarily was devoted to the work performed. The Alliance did not receive any administrative revenue as a result of this grant.

(8) Leases

The Alliance leased space at the TechCity West location for purposes of storage to five tenants. Lease terms cover an annual basis and may be terminated by either party. Rental income for the years ended December 31, 2023 and 2022 was \$13,305 and \$87,512, respectively.

(9) Restricted Net Position

Restricted net position consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
CDBG loan fund	\$ 1,193,243	1,156,780
Telecommunications fund	202,615	199,570
Section 108	42,002	41,375
Revolving loan fund	<u>39,784</u>	<u>26,263</u>
	<u>\$ 1,477,644</u>	<u>1,423,988</u>

SUPPLEMENTARY INFORMATION

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Supplementary Information
Schedule of Revenue and Expenses - Budget And Actual
Year ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Contract and administrative fees	\$ 185,400	50,000	(135,400)
Coronavirus State and Local Fiscal Recovery Funds	2,000,000	816,526	(1,183,474)
Contributions	-	250	250
Interest on deposits	100	22,532	22,432
Interest on loans	-	13,549	13,549
Educational events	3,000	-	(3,000)
Rental income	-	13,035	13,035
Interest on TechEast property	-	5,444	5,444
Late fees collected	-	555	555
Miscellaneous income	-	29,215	29,215
Total revenue	<u>2,188,500</u>	<u>951,106</u>	<u>(1,237,394)</u>
Expenses:			
Contractual expense	25,000	80,357	(55,357)
Legal fees	5,000	35,692	(30,692)
Professional fees	120,000	41,813	78,187
Grants - Coronavirus State and Local Fiscal Recovery Funds	1,900,000	816,526	1,083,474
Educational events	10,000	-	10,000
Insurance	6,000	-	6,000
Marketing and advertising	75,000	19,091	55,909
Office	500	9,343	(8,843)
Interest on TechEast property - granted to Ulster County	-	5,444	(5,444)
Total expenses	<u>2,141,500</u>	<u>1,008,266</u>	<u>1,133,234</u>
Excess (deficit) of revenue over expenses	<u>\$ 47,000</u>	<u>(57,160)</u>	<u>(104,160)</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**

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 Ulster County Economic Development Alliance, Inc. (the Alliance) as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the Alliance's basic financial statements, and have issued our report thereon dated September 17, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alliance's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance'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 a material weakness 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2023-01 to be a material weakness.

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 questioned costs as item 2023-02 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliance'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.

The Alliance's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Alliance's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The Alliance'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.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 17, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Ulster County Economic Development Alliance, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ulster County Economic Development Alliance, Inc.'s (the Alliance) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Alliance's major federal program for the year ended December 31, 2023. The Alliance's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Alliance complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Alliance and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Alliance's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations rules and provisions of contracts or grant agreements applicable to the Alliance's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Alliance's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Alliance's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Alliance's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Alliance's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance,

such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 17, 2024

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Schedule of Expenditures of Federal Awards
Year ended December 31, 2023

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Assistance Listing Number</u>	<u>Agency or pass-through number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Treasury - passed through County of Ulster, New York - COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2022-00000303	\$ <u>816,526</u>	<u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Notes to Schedule of Expenditures of Federal Awards

December 31, 2023

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) has been prepared as required under the Office of Management and Budget (OMB) Uniform Guidance. The purpose of the schedule is to present a summary of those activities of Ulster County Economic Development Alliance, Inc. (the Alliance) for the year ended December 31, 2023 using the accrual basis of accounting. For purposes of this schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct appropriations, loans and loan guarantees, and other noncash assistance. Because the schedule presents only a selected portion of the activities of the Alliance, it is not intended to, and does not, present either the financial position, or statement of activities and other changes in net assets of the Alliance.

(2) Indirect Costs

Indirect costs are charged to federal grants and contracts when applicable at a predetermined rate and the Alliance has elected to use the 2.5% de-minimis indirect cost rate as per the subrecipient agreement.

(3) Sub-Recipients

None of the federal awards presented in the accompanying schedule of expenditures of federal awards were provided to sub-recipients for the year ended December 31, 2023.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Schedule of Findings and Questioned Costs
Year ended December 31, 2023

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
1. Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> None reported
3. Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
5. Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7. The District's major programs audited were:	

Name of Federal Programs

COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Assistance Listing Number 21.027
8. Dollar threshold used to distinguish between Type A and Type B programs.	\$ 750,000
9. Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

See pages 35 and 36.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Schedule of Findings and Questioned Costs, Continued

Part II - FINANCIAL STATEMENT FINDINGS SECTION

Finding 2023-01 - 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 of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Condition - Certain material adjustments were necessary to properly record activity related to the Alliance's CARES II grant in which the Alliance acted as an administrator for Ulster County.

Effect - The Alliance's financial statements could be presented with errors related to improperly recorded activity.

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.

Management's Response - See accompanying corrective action plan on page 38.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)
Schedule of Findings and Questioned Costs, Continued

Finding 2023-02 - 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 and approved by management.

Cause - Journal entries and fund transfers are not being reviewed and approved by management prior to initiation or posting.

Condition - The Alliance does not require journal entries or fund transfers be reviewed prior to posting or initiated by management.

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 management other than the individual proposing the journal entry. Fund transfers should be approved prior to initiation. Evidence of such review should be maintained.

Management's Response - See accompanying corrective action plan on page 38.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Status of Prior Audit Findings

Year ended December 31, 2023

Finding 2022-01 - Material Weakness in Internal Control over
Financial Reporting - Accrual Basis Adjustments

Condition - In 2022, 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 CARES act grant in which the Alliance acted as an administrator for Ulster County.

Status - Repeated in 2023 as finding 2023-001.

Finding 2022-02 - Material Weakness in Internal Control
over Financial Reporting - Prior Period Adjustment

Condition - In 2022, 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.

Status - Resolved.

Finding 2022-03 - Significant Deficiency in Internal Control
over Financial Reporting - Journal Entries and Fund Transfers

Condition - In 2022, the Alliance did not require journal entries or fund transfers be reviewed prior to posting or initiated by another member of management.

Status - Repeated in 2023 as finding 2023-002.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A blended component unit of Ulster County, New York)

Corrective Action Plan

Year ended December 31, 2023

Name of Auditee: Ulster County Economic Development Alliance, Inc.

Name of Audit Firm: EFPR Group, CPAs, PLLC

Period Covered by the Audit: Year ended December 31, 2023

CAP Prepared by: Amanda LaValle, President and CEO

Phone: (845) 340-3556

(A) Current Finding on the Schedule of Findings and Questioned Costs

(1) Finding 2023-001 - Material Weakness in Internal Control over Financial Reporting -
Accrual Basis Adjustments

Planned Corrective Action - Management will develop written policies and procedures and perform reconciliations regularly to ensure all accounts are reconciled and adjusted at year-end in accordance with accounting principles generally accepted in the United States of America.

Planned Implementation Date of Correction Action - Year Ending December 31, 2024

Name of Contact Person - Amanda LaValle, President and CEO

(2) Finding 2023-002 - Significant Deficiency in Internal Control over Financial Reporting -
Journal Entries and Fund Transfers

Planned Corrective Action - Management will develop written policies and procedures requiring review and approval of journal entries and fund transfers.

Planned Implementation Date of Correction Action - October 1, 2024

Name of Contact Person - Amanda LaValle, President and CEO