

REPORT TO THE BOARD

June 2, 2020

The Board of Directors
Chemung County Property Development Corporation

Dear Board Members:

We have audited the financial statements of Chemung County Property Development Corporation (the Corporation) for the year ended December 31, 2019, and have issued our report thereon dated June 2, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in note 1 to the financial statements. As discussed in note 1(j) to the financial statements, for the year ended December 31, 2019, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, “Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made.” ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

For the year ended December 31, 2019, we have evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Sensitive Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most significant disclosure affecting the financial statements is the liquidity of the Corporation as disclosed in note 2.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and accounting personnel were very helpful in assisting us during our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC

CHEMUNG COUNTY PROPERTY
DEVELOPMENT CORPORATION

Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Chemung County Property Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Chemung County Property Development Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chemung County Property Development Corporation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 2, 2020

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION
 Statements of Financial Position
 December 31, 2019 and 2018

	<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:			
Cash		\$ 277,646	255,854
Receivables - other		41,210	12,500
Prepaid expenses		14,853	3,750
Total assets		\$ 333,709	272,104
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		40,768	18,834
Deferred revenue		-	195,790
Total current liabilities		40,768	214,624
Net assets:			
Without donor restrictions		236,589	57,480
With donor restrictions		56,352	-
Total net assets		292,941	57,480
Total liabilities and net assets		\$ 333,709	272,104

See accompanying notes to financial statements.

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION
 Statements of Activities
 Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue:		
Contributions	\$ 382,018	599,935
Donations	17,749	-
Interest income	244	188
Other revenue	14,900	13
Property sales	<u>389,133</u>	<u>53,500</u>
Total revenue	<u>804,044</u>	<u>653,636</u>
Expenses:		
Construction and demolition costs	459,056	437,002
Utilities	3,126	3,159
Administrative expenses	109,775	105,430
Professional services	17,685	23,785
General insurance	34,461	26,737
Travel and conferences	<u>832</u>	<u>71</u>
Total expenses	<u>624,935</u>	<u>596,184</u>
Change in net assets without donor restrictions	179,109	57,452
Change in net assets with donor restrictions - contributions	<u>56,352</u>	<u>-</u>
Change in net assets	235,461	57,452
Net assets at beginning of year	<u>57,480</u>	<u>28</u>
Net assets at end of year	<u>\$ 292,941</u>	<u>57,480</u>

See accompanying notes to financial statements.

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION
 Statements of Cash Flows
 Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 235,461	57,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in:		
Grant receivable	-	30,024
Other receivables	(28,710)	(12,500)
Prepaid expenses	(11,103)	(3,750)
Accounts payable	21,934	(11,190)
Deferred revenue	<u>(195,790)</u>	<u>195,790</u>
Net cash provided by operating activities	21,792	255,826
Cash at beginning of year	<u>255,854</u>	<u>28</u>
Cash at end of year	<u><u>\$ 277,646</u></u>	<u><u>255,854</u></u>

See accompanying notes to financial statements.

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2019 and 2018

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Chemung County Property Development Corporation (the Corporation) was established in December 2016 to combat the problem of vacant and abandoned properties in Chemung County, New York and the City of Elmira and facilitate the return of vacant, abandoned and tax-delinquent properties to productive use through the use of funds and powers granted under the New York State (NYS) Community Revitalization Initiative Program (CRI) administered by the New York State Office of the Attorney General. The Corporation was formed within the parameters of the New York Land Bank Act, under Section 402 of the New York Not-For-Profit Corporation Law. The Corporation was awarded initial funding from the Local Initiative Support Corporation in 2017.

(b) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Corporation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations and either expire by passage of time or can be fulfilled by actions of the Corporation.

(c) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Contributions Revenue

Revenue from restricted grants is recognized when the expenses are incurred under the terms of the grant. Amounts unspent are recorded in the statements of financial position as net assets with donor restrictions. Revenue from operating grants is generally recognized when a release from restriction occurs. These grants are subject to review and audit by various funding sources. Adjustments, if any, are recognized in the year they are known.

(e) Allocation of Costs

The Corporation charges costs using the direct identification method where possible. However, certain costs have been allocated using various methods.

(f) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Contributed Services and Grants

During the years ended December 31, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

The Corporation reports donor restricted contributions as unrestricted support provided the restrictions are met in the same year the contributions are received.

Unrestricted contributions are recognized when promises are made.

(h) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(i) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Recent Accounting Standards Issued

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, “Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made”. ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

(k) Reclassifications

Reclassifications have been made to certain 2018 balances in order to conform them to the 2019 presentation.

(2) Liquidity

The Corporation has \$318,856 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$277,646 of cash and \$41,210 of receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2019 statement of financial position.

(3) Net Assets With Donor Restrictions

The Corporation entered into an agreement with Enterprise Community Partners to obtain funding in the amount of \$750,000. The funding is to be used to carry out the activities of a specific work plan. Unspent proceeds of \$56,352 have been included as net assets with donor restrictions on the statements of financial position.

(4) Functional Expenses

The Corporation provides services to three governmental units related to foreclosed properties. All expenses related to providing these services have been allocated to program services with the exception of certain components within administrative expense. Administrative expenses include professional services, general insurance and travel and conferences. Program expenses include construction and demolition costs and utilities. The allocation of expenses on a functional basis at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Program services	\$ 462,181	440,161
Support services - management and general activities - administrative	<u>162,754</u>	<u>156,023</u>
	<u>\$ 624,935</u>	<u>596,184</u>

CHEMUNG COUNTY PROPERTY DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(5) Commitments and Contingencies

The Corporation is subject to audits and reviews of reimbursable costs by its various governmental agencies and other funding sources. The outcome of these audits and reviews may have the effect of retroactively increasing or decreasing revenue. In the event that a subsequent audit or review determines that an adjustment is required, the amount will be recognized in the period in which it becomes fixed and determinable. Management does not expect that such adjustments, if any, will be significant.

The Corporation may take ownership of properties in distress and, as a result, the potential exists for the commitment of substantial additional costs to be incurred in order to sell the related properties.