

YATES COUNTY
CAPITAL RESOURCE CORPORATION
(A Component Unit of Yates County, New York)
Basic Financial Statements, Required Supplementary Information and
Other Information for the Years Ended December 31, 2022
and 2021 and Independent Auditors' Reports

YATES COUNTY CAPITAL RESOURCE CORPORATION
(A COMPONENT UNIT OF YATES COUNTY, NEW YORK)

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Years Ended December 31, 2022 and 2021

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yates County Capital Resource Corporation:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Yates County Capital Resource Corporation (the "Corporation"), a component unit of Yates County, New York, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation, as of December 31, 2022 and 2021, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 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, 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Drescher + Maleki LLP

March 29, 2023

YATES COUNTY CAPITAL RESOURCE CORPORATION
(A COMPONENT UNIT OF YATES COUNTY, NEW YORK)
Management's Discussion and Analysis
Years Ended December 31, 2022 and 2021

As management of the Yates County Capital Resource Corporation (the "Corporation"), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the years ended December 31, 2022 and 2021. This document should be read in conjunction with additional information that we have furnished in the Corporation's financial statements which follow this narrative.

Financial Highlights

- The assets of the Corporation exceeded liabilities at December 31, 2022 and 2021 by \$68,602 and \$70,811, respectively. These amounts are considered *unrestricted net position* and may be used to fund the Corporation's ongoing operations.
- The Corporation's net position decreased by \$2,209 and \$2,543 during the years ended December 31, 2022 and 2021, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements comprise of two components: 1) the Corporation's financial statements and, 2) notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic financial statements—The financial statements are prepared using the accrual basis of accounting. The financial statements include:

The *statements of net position* present information on all of the Corporation's assets, liabilities, and deferred outflows/inflows of resources, with the differences reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *statements of revenues, expenses, and change in net position* present information showing how the Corporation's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *statements of cash flows* present the cash provided and used during 2022 and 2021 and how it affects the cash balances at December 31, 2022 and 2021.

The financial statements can be found on pages 8-10 of this report.

Notes to the Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11-13 of this report.

Financial Analysis

The *statements of net position* and the *statements of revenues, expenses, and changes in net position* can assist in determining whether the Corporation's financial position has improved or deteriorated from the prior year. The *statements of cash flows* provide information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing and capital financing activities of the Corporation during the year. These statements help users assess the Corporation's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. Condensed financial highlights of these statements are presented below.

Table 1—Condensed Statements of Net Position

	December 31,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current assets	\$ 68,602	\$ 53,436	\$ 43,753
Noncurrent assets	<u>-</u>	<u>17,375</u>	<u>29,601</u>
Total assets	<u>68,602</u>	<u>70,811</u>	<u>73,354</u>
Net position:			
Unrestricted	<u>\$ 68,602</u>	<u>\$ 70,811</u>	<u>\$ 73,354</u>

The largest portion of the Corporation's assets are cash and cash equivalents. These assets increased during the years ended December 31, 2022 and 2021 as a result of the collection of notes receivable. Noncurrent assets represent the long-term portion of notes receivable. At December 31, 2022, the Corporation reported no noncurrent assets.

The Corporation reported no liabilities for the years ended December 31, 2022, 2021, and 2020.

The Corporation's net position at December 31, 2022, 2021, and 2020 was primarily derived as a result of operating activities and there are no restrictions as to its use.

Corporation activities—Corporation activities decreased net position by \$2,209, \$2,543, and \$1,791 for the years ended December 31, 2022, 2021 and 2020. Condensed versions of the statements of revenues, expenses, and changes in net position are presented in Table 2 on the following page.

Table 2—Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31,		
	2022	2021	2020
Operating revenues	\$ 637	\$ 1,243	\$ 1,361
Operating expenses	<u>2,846</u>	<u>3,786</u>	<u>3,152</u>
Change in net position	(2,209)	(2,543)	(1,791)
Net position—beginning	<u>70,811</u>	<u>73,354</u>	<u>75,145</u>
Net position—ending	<u>\$ 68,602</u>	<u>\$ 70,811</u>	<u>\$ 73,354</u>

Operating revenues represent charges resulting from the administration of notes receivable including interest earned on the notes. The Corporation issued no new notes during the years ended December 31, 2022, 2021 or 2020.

Operating expenses primarily consist of the cost of administration. During the year ended December 31, 2022, operating expenses decreased by \$940.

Cash flows—Corporation cash and cash equivalents increased by \$19,541, \$9,354, and \$8,030 for the years ended December 31, 2022, 2021 and 2020, respectively. Key elements of these changes are presented below in Table 3:

Table 3—Condensed Statements of Cash Flows

	Year Ended December 31,		
	2022	2021	2020
Cash flows from:			
Operating activities	<u>\$ 19,541</u>	<u>\$ 9,354</u>	<u>\$ 8,030</u>
Net increase	19,541	9,354	8,030
Cash and cash equivalents—beginning	<u>41,157</u>	<u>31,803</u>	<u>23,773</u>
Cash and cash equivalents—ending	<u>\$ 60,698</u>	<u>\$ 41,157</u>	<u>\$ 31,803</u>

The increases in cash and cash equivalents primarily reflect the collection of principal on the outstanding notes receivable.

Capital Assets and Debt

The Corporation does not own any capital assets, nor has it issued any debt instruments.

Economic Factors

The Corporation was formed for the purpose of providing financing opportunities for not-for-profit organizations in Yates County. Due to its limited purpose, at this time, the Corporation does not expect to experience significant growth in the near future. As the credit market continues to tighten and as funding for not-for-profit organizations are affected by the New York State budget, the Corporation envisions a greater role in providing financing for projects of not-for-profit organizations in Yates County.

Requests for Information

Questions regarding this report or requests for additional information should be directed to the Chief Executive Officer of the Yates County Capital Resource Corporation, 1 Keuka Business Park Suite 100, Penn Yan, New York 14527.

BASIC FINANCIAL STATEMENTS

YATES COUNTY CAPITAL RESOURCE CORPORATION
(A COMPONENT UNIT OF YATES COUNTY, NEW YORK)
Statements of Net Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 60,698	\$ 41,157
Current portion of notes receivable	<u>7,904</u>	<u>12,279</u>
Total current assets	<u>68,602</u>	<u>53,436</u>
Noncurrent assets:		
Notes receivable, net of current portion	<u>-</u>	<u>17,375</u>
Total noncurrent assets	<u>-</u>	<u>17,375</u>
Total assets	<u>68,602</u>	<u>70,811</u>
NET POSITION		
Unrestricted	<u>\$ 68,602</u>	<u>\$ 70,811</u>

The notes to the financial statements are an integral part of these statements.

YATES COUNTY CAPITAL RESOURCE CORPORATION
(A COMPONENT UNIT OF YATES COUNTY, NEW YORK)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues:		
Administrative fees	\$ 637	\$ 1,243
Total operating revenues	637	1,243
Operating expenses:		
Accounting services	1,545	1,750
Administrative costs	1,301	2,036
Total operating expenses	2,846	3,786
Change in net position	(2,209)	(2,543)
Net position—beginning	70,811	73,354
Net position—ending	\$ 68,602	\$ 70,811

The notes to the financial statements are an integral part of these statements.

YATES COUNTY CAPITAL RESOURCE CORPORATION
(A COMPONENT UNIT OF YATES COUNTY, NEW YORK)
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from providing services	\$ 637	\$ 1,243
Payments for operating costs	(2,846)	(3,786)
Collection of notes receivable	21,750	11,897
Net cash provided by operating activities	19,541	9,354
Net increase in cash and cash equivalents	19,541	9,354
Cash and cash equivalents—beginning	41,157	31,803
Cash and cash equivalents—ending	\$ 60,698	\$ 41,157
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (2,209)	\$ (2,543)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Decrease in notes receivable	21,750	11,897
Total adjustments	21,750	11,897
Net cash provided by operating activities	\$ 19,541	\$ 9,354

The notes to the financial statements are an integral part of these statements.

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YATES COUNTY CAPITAL RESOURCE CORPORATION
(A COMPONENT UNIT OF YATES COUNTY, NEW YORK)
Notes to the Financial Statements
Years Ended December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Yates County Capital Resource Corporation (the “Corporation”) was formed under the New York State Not-for-Profit Corporation Law in 2010 for the purpose of encouraging economic growth in Yates County. The Corporation is a public benefit organization that is subject to the Public Authority Accountability Act of 2005.

Financial Reporting Entity

The Corporation is a blended component of Yates County (the “County”). The County is the sole member of the Corporation and four of the Corporation’s seven Board members are the officers of the Yates County Industrial Development Agency (“IDA”), who are appointed by the Yates County Legislature. The Corporation, however, is a separate entity and operates independently of the County and the IDA.

Basis of Presentation

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America. The basic financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Corporation’s accounting policies are described below.

Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting. As such, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash, Cash Equivalents and Investments—The Corporation’s cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days or less from the date of acquisition. The Corporation had no investments at December 31, 2022 and 2021; however, when the Corporation does have investments they are recorded at fair value in accordance with the Governmental Accounting Standards Board (“GASB”).

Notes Receivable—The Corporation operates a loan fund for the purpose of making operating and capital loans to existing and potential new not-for-profit organizations located or locating operations in the County. These loans are made to create and retain jobs.

Management records an allowance for doubtful accounts based on past collection experience and an analysis of outstanding amounts. Amounts for which no payments have been received for several years are considered in default and when customary collection efforts are exhausted, the account is written off. An allowance was not considered necessary at December 31, 2022 or 2021.

Net Position Flow Assumption—Sometimes the Corporation will fund outlays for a particular purpose from both restricted (e.g., restricted loan or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Revenues and Expenses

Revenues—The Corporation earns fee income from the issuance of tax-exempt and taxable revenue bonds. Fee income is recorded as revenue when the financing closes. The Corporation also earned income from interest on notes receivable, loan application fees related to the issuance of operating and capital loans to not-for-profit organizations located in the County, and late fees related to payments made on notes receivable balances.

Expenses—Expenses are recorded on the accrual basis of accounting. Operating expenses consist of program expenses incurred in connection with the Corporation’s programs.

Income Taxes—The Corporation is not subject to federal or state income taxes, nor is it required to file federal or state income tax returns, therefore, no provision for income taxes is reflected in the financial statements.

Other

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, deferred outflows/inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2022, the Corporation implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The implementation of GASB Statement No. 87 did not have a material impact on the Corporation’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Corporation has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*, effective for the year ending December 31, 2023, and the remaining portion of No. 99, *Omnibus 2022*; No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending December 31, 2024. The Corporation is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100 and 101 will have on its financial position and results of operations when such statements are adopted.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Corporation's investment policies are governed by New York State statutes. There were no investments at December 31, 2022 or 2021. All deposits are carried at fair value. Collateral is required for demand deposits and certificates of deposits for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits—All Deposits are carried at fair value and are classified by custodial credit risk at December 31, 2022 and 2021 as follows:

	December 31, 2022		December 31, 2021	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 60,698	\$ 60,698	\$ 41,861	\$ 41,157
Total deposits	\$ 60,698	\$ 60,698	\$ 41,861	\$ 41,157

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2022 and 2021, all of the Corporation's deposits were FDIC insured.

3. NOTES RECEIVABLE

Principal maturities of a note receivable from a Yates County business, bearing an interest rate of 2.8 percent and maturing March 1, 2023, were as follows as of December 31, 2022:

Year Ending December 31,	Amount
2023	\$ 7,904
Total	\$ 7,904

4. AFFILIATED AGENCIES

Yates County is the sole member of the Corporation and officers of the Yates County Industrial Development Agency (the "Agency") are members of the board of the Corporation. The Corporation was funded by the fees received from the issuance of a bond and their assets, liabilities, and activities are not included in the Agency's financial statements. The Corporation paid the Agency \$635 and \$1,420 in loan management fees during the years ending December 31, 2022 and 2021, respectively.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2023, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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Certified Public Accountants

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

To the Board of Directors
Yates County Capital Resource Corporation:

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 Yates County Capital Resource Corporation (the "Corporation"), a component unit of Yates County, New York, which comprise the statement of net position as of December 31, 2022, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Drescher + Maleki LLP

March 29, 2023