

**HORNELL AREA INDUSTRIAL DEVELOPMENT
CORPORATION**

HORNELL, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2023 AND 2022



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hornell Area IDC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hornell Area Industrial Development Corporation which comprise the statements of financial position as of December 31, 2023, and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hornell Area Industrial Development Corporation as of December 31, 2023, and 2022, 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.

Basis for Opinion

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hornell Area Industrial Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2023 the entity adopted new accounting guidance related to accounting for credit losses. Our opinion is not modified with respect to this matter.

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 Hornell Area Industrial Development Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 Hornell Area Industrial Development 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2024 on our consideration of Hornell Area Industrial Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Hornell Area Industrial Development Corporation's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
March 8, 2024

HORNELL AREA IDC

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31,	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 307,967	\$ 277,709
Loans Receivable, net of allowance for credit losses	32,421	77,689
TOTAL CURRENT ASSETS	<u>\$ 340,388</u>	<u>\$ 355,398</u>
<u>OTHER NON-CURRENT ASSETS</u>		
Loans receivable	<u>\$ 6,037</u>	<u>\$ 10,000</u>
TOTAL ASSETS	<u>\$ 346,425</u>	<u>\$ 365,398</u>
 <u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Without donor restrictions	<u>\$ 346,425</u>	<u>\$ 365,398</u>
TOTAL NET ASSETS	<u>\$ 346,425</u>	<u>\$ 365,398</u>

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

HORNELL AREA IDC
STATEMENTS OF ACTIVITIES

		Year Ended December 31,	
		2023	2022
<u>REVENUES</u>			
Donated services		\$ 524	\$ 1,716
	TOTAL REVENUES	\$ 524	\$ 1,716
 <u>EXPENSES</u>			
Program services - promotions and credit losses provision		\$ 14,582	\$ 5,728
Support services - management and general		4,988	5,818
	TOTAL EXPENSES	\$ 19,570	\$ 11,546
	OPERATING (LOSS)	\$ (19,046)	\$ (9,830)
Interest income, other		73	1,543
	CHANGE IN NET ASSETS	\$ (18,973)	\$ (8,287)
Net assets at beginning of year		365,398	373,685
	NET ASSETS AT END OF YEAR	\$ 346,425	\$ 365,398

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

HORNELL AREA IDC

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

(With Comparative Totals for 2022)

	<u>2023</u>			<u>2022</u>		
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Program Services</u>	<u>Supporting Services</u>	
		<u>Management and general</u>	<u>Total 2023</u>		<u>Management and general</u>	<u>Total 2022</u>
	<u>Promotions</u>			<u>Promotions</u>		
Professional fees	\$ 7,106	\$ 4,874	\$ 11,980	\$ 5,728	\$ 5,766	\$ 11,494
Credit losses provision	7,476	-	7,476	-	-	-
Office expense	-	114	114	-	52	52
	<u>\$ 14,582</u>	<u>\$ 4,988</u>	<u>\$ 19,570</u>	<u>\$ 5,728</u>	<u>\$ 5,818</u>	<u>\$ 11,546</u>

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

HORNELL AREA IDC

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Cash payments management and general expenses	\$ (4,988)	\$ (5,818)
Cash payments contractual expenses	<u>(6,582)</u>	<u>(4,012)</u>
NET CASH (USED FOR) OPERATING ACTIVITIES	<u>\$ (11,570)</u>	<u>\$ (9,830)</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Interest received	\$ 73	\$ 1,543
Loans issued to small businesses	-	(10,000)
Principal payments received on loans	<u>41,755</u>	<u>81,333</u>
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>\$ 41,828</u>	<u>\$ 72,876</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 30,258	\$ 63,046
Cash and cash equivalents at beginning of year	<u>277,709</u>	<u>214,663</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 307,967</u></u>	<u><u>\$ 277,709</u></u>

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

HORNELL AREA IDC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE A: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hornell Area Industrial Development Corporation, (the “Corporation”) was created in 1962 under the provisions of the New York, Not-For-Profit Corporation Law for the purpose of stimulating reinvestment in the residential, commercial and industrial areas within Steuben County, New York.

The Corporation has established a Small Business Loan program from contributions obtained from the city of Hornell Industrial Development Agency. The Corporation offers low interest rate loans to local small businesses that are experiencing financial difficulty as a result of the COVID-19 pandemic. Loans are approved by the governing board after consideration of various criteria.

Basis of accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States. Revenues are recognized when earned and expenses are recognized when incurred.

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.

These classes of net assets are defined as follows:

Net assets without donor restrictions - The net assets over which the Board of Directors has discretionary control to use in carrying on the Corporation’s operations in accordance with the guidelines established for the Corporation. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Net assets with donor restrictions - Net assets that are subject to donor (or certain grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Corporation had no net assets with donor restrictions at December 31, 2023 and 2022.

Cash and cash equivalents

For purposes of presenting the Statement of Cash Flows, the Corporation considers all highly liquid cash accounts and other temporary investments of twelve months or less as cash equivalents.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HORNELL AREA IDC

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2023 AND 2022

Income taxes

The Corporation was organized under Article XIX of the New York State Membership Corporation's Law exclusively for public, charitable, and educational purposes, as are within the meaning of Internal Revenue Code Section 501(c)(3). As such the Corporation is exempt from federal and state taxes. All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2022. The tax years ending December 31, 2022, 2021, 2020 and 2019 are still open to audit for federal and state purposes.

Allocation of expenses

The costs of providing the program and supporting services have been summarized on the functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Loans Receivable and allowance for credit losses

Loans receivable are stated at principal balances, less an allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The allowance for credit losses is derived from a review of the Corporation's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Corporation.

Revenues

The Corporation recognizes interest revenue on its loans monthly as earned.

Adoption of new accounting standard – Credit losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were loans receivable.

The Corporation adopted the standard effective January 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

HORNELL AREA IDC

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2023 AND 2022

NOTE B: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. While the Corporation does not have a specific policy for custodial credit risk, New York State statutes govern the Corporation's investment policies, as discussed previously in these notes. Deposits at December 31, 2023 and 2022 were fully covered by FDIC insurance.

Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 307,967	\$ 277,709
Current portion of loans receivable	32,421	77,689
TOTAL	<u>\$ 340,388</u>	<u>\$ 355,398</u>

Loans Receivable

The Corporation has 8 outstanding loans receivable from the Small Business Loan Program that have interest rates of 0%-2.5% with maturities in years 2024 through 2026. As of December 31, 2023 and 2022, the Corporation had the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Loans Receivable	\$ 38,458	\$ 87,689
Less: Current Portion net of allowance for credit losses	(32,421)	(77,689)
Total Long-Term Loans Receivable	<u>\$ 6,037</u>	<u>\$ 10,000</u>

Allowance for Credit Losses:

The allowance for credit losses for loans receivable are as follows:

	<u>December 31,</u>
	<u>2023</u>
Beginning balance	\$ -
Provision for expected credit losses	7,476
Ending balance	<u>\$ 7,476</u>

NOTE C: NET ASSETS

Net assets without donor restrictions - operating

Represents funds available for operations.

HORNELL AREA IDC

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2023 AND 2022

NOTE D: COMMITMENT AND CONTINGENCIES

As of the date of this report management is not aware of any pending litigation.

NOTE E: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to the program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

NOTE F: RELATED ENTITY

The City of Hornell Industrial Development Agency (CHIDA) is a public benefit corporation and was created in 1974 under the Title I Article 18-A of New York State General Municipal law for the purpose of encouraging financially sound companies to locate and expand in the City of Hornell, New York. The CHIDA is considered a related entity since its members are also directors of the Corporation. The Corporation directors have complete responsibility and accountability for their fiscal matters. The CHIDA was created under the Laws of New York State and its functions or activities are not included in the Corporation's financial statements.

In accordance with the Financial Accounting Standards Board Accounting Standard 958, Not-for-Profit Entities, during the years ended December 31, 2023 and 2022, the Corporation recognized \$524 and \$1,716 of donated services from the CHIDA, respectively. There are no amounts due from or due to the CHIDA as of December 31, 2023 and 2022.

NOTE G: RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, the Corporation spent approximately \$5,200 for an event at a venue owned by a current member of the Board.

NOTE H: SUBSEQUENT EVENTS

Events and transactions which have occurred between December 31, 2023 and March 8, 2024, the date of these financials, have been evaluated by the Corporation's management for the purpose of determining whether there were any events that might require disclosure in these financial statements. No such events or transactions were noted.



BUSINESS
ADVISORS
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INDEPENDENT AUDITOR'S 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 Members
Hornell Area IDC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hornell Area Industrial Development Corporation, Hornell, New York (the Corporation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 8, 2024.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rochester, New York
March 8, 2024

Mengel, Metzger, Barw & Co. LLP

HORNELL AREA IDC
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

I. Summary of the Auditors' Results

Financial Statements

a) Type of auditor's report issued	Unmodified
b) Internal control over financial reporting	
1. Material weaknesses identified	No
2. Significant deficiency(ies) identified	No
c) Noncompliance material to financial statements noted	No

II. Financial Statement Findings

There were no current year findings and there were no prior year findings.