

**TIOGA COUNTY PROPERTY DEVELOPMENT
CORPORATION**

**Financial Statements as of
December 31, 2020 and 2019
Together with Independent
Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

March 3, 2021

To the Board of Directors of the
Tioga County Property Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Tioga County Property Development Corporation (the Corporation) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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 3, 2021 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.

Bonadio & Co., LLP

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Management's Discussion and Analysis (Unaudited)

This section of the Tioga County Property Development Corporation (the Corporation) annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2020 and 2019. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

This Corporation was incorporated in March 2017 but activity began in 2019. The mission was to foster economic and community development by acquiring, holding, managing, developing and marketing distressed, vacant, abandoned, tax foreclosed and under-utilized residential and commercial properties.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: this section, the Management's Discussion and Analysis (MD&A) and the basic financial statements. The Corporation is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activity statements offer short-term and long-term financial information about the activities and operations of the Corporation. This annual report consists of the financial statements and notes to those statements. The Statement of Net Position, Statement of Revenue, Expenses and Change in Net Position, the Statement of Cash Flows and related notes provide a detailed look at the specific financial activities of the Corporation and generally provide an indication of the Company's financial health. The Statement of Net Position includes all of the Corporation's assets and liabilities, using the accrual basis of accounting. The Statement of Revenue, Expenses and Change in Net Position reports all of the revenues and expenses during the time period indicated. The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

FINANCIAL HIGHLIGHTS

- The Corporation's total net position at December 31, 2020 is \$55,067 compared to \$64,564 at December 31, 2019.
- Total current assets at December 31, 2020 are \$301,446 and \$113,308 at December 31, 2019. It is comprised of cash on hand, inventory, and accounts receivable.
- Total current liabilities at December 31, 2020 are \$246,379 and \$48,744 at December 31, 2019. The liabilities are comprised of a grant advance.
- Operating revenues in 2020 were \$85,710 and \$338,685 in 2019 as a result of grant and government subsidy revenue and property sales. Operating expenses of \$95,207 in 2020 included primarily cost of sales and professional services. Operating expenses of \$274,121 in 2019 included primarily cost of sales and unrealized loss on inventory.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE CORPORATION

Below is an analysis of the assets, liabilities, revenues and expenses of the Corporation.

Summary of Assets, Liabilities, and Net Position

| | <u>2020</u> | <u>2019</u> |
|---------------------|------------------|------------------|
| Current assets | \$ 301,446 | \$ 113,308 |
| Current liabilities | <u>246,379</u> | <u>48,744</u> |
| Total net position | <u>\$ 55,067</u> | <u>\$ 64,564</u> |

CURRENT ASSETS

Current assets at December 31, 2020 were comprised of cash, inventory and accounts receivable. Current assets at December 31, 2019 were comprised of cash and inventory.

INVENTORY

Properties held for sale comprise inventory. At December 31, 2020 and 2019 the Corporation owned 5 and 12 properties, respectively.

CAPITAL ASSETS

At this moment, the Corporation does not possess any capital assets.

CURRENT LIABILITIES

Current liabilities at December 31, 2020 and 2019 are comprised of a grant advance. The grant advance is part of a grant awarded from the Enterprise Community Partners, Inc. This \$1,060,000 grant agreement stipulates that each disbursement of grant proceeds shall be based on the Land Bank's projections, as submitted to Enterprise Community Partners, Inc., of its use of grant proceeds over the coming reporting period. These projections consist of periodic written reports submitted by the Land Bank before the agreed upon submission deadlines contained in the agreement.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Management's Discussion and Analysis (Unaudited)

Summary of Revenues, Expenses, and Change in Net Position

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|------------------|------------------|
| OPERATING REVENUES: | | |
| Grant and government subsidy revenue | \$ 50,910 | \$ 338,685 |
| Property sales | 34,750 | - |
| Other revenue | 50 | - |
| | <u>85,710</u> | <u>338,685</u> |
| | | |
| OPERATING EXPENSES: | | |
| Cost of sales | 45,088 | 5,210 |
| Unrealized loss on inventory | - | 228,342 |
| General and administrative expenses | 2,015 | 2,704 |
| Professional services | 45,544 | 33,326 |
| Insurance | 2,560 | 4,294 |
| Travel | - | 245 |
| | <u>95,207</u> | <u>274,121</u> |
| | | |
| OPERATING INCOME (LOSS) | <u>(9,497)</u> | <u>64,564</u> |
| | | |
| CHANGE IN NET POSITION | (9,497) | 64,564 |
| | | |
| NET POSITION - beginning of year | <u>64,564</u> | <u>-</u> |
| | | |
| NET POSITION - end of year | <u>\$ 55,067</u> | <u>\$ 64,564</u> |

OPERATING REVENUES

Operating revenues include grant revenue and in-kind revenues. The Corporation began selling properties in 2020 and 8 were sold.

OPERATING EXPENSES

Operating expenses decreased in 2020 from 2019 as the Corporation acquired more properties in the prior year, particularly in unrealized loss on inventory.

OPERATING RESULTS

The Corporation had operating loss of \$9,497 for the year ended December 31, 2020 and an operating income of \$64,564 for the year ended December 31, 2019. The decrease was the result of reduced inventory acquisitions paid for through grant funds.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Management's Discussion and Analysis (Unaudited)

FUTURE FACTORS

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it 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.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Tioga County Property Development Corporation, 56 Main Street #203, Owego, NY 13827.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

**Statement of Net Position
December 31, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash - restricted | \$ 246,379 | \$ 48,744 |
| Cash - unrestricted | 31,852 | - |
| Accounts receivable | 2,998 | - |
| Inventory | <u>20,217</u> | <u>64,564</u> |
| | | |
| Total current assets | <u>301,446</u> | <u>113,308</u> |
| | | |
| Total assets | <u>301,446</u> | <u>113,308</u> |
| | | |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Grant and government subsidy revenue advance | <u>246,379</u> | <u>48,744</u> |
| | | |
| Total current liabilities | <u>246,379</u> | <u>48,744</u> |
| | | |
| Total liabilities | <u>246,379</u> | <u>48,744</u> |
| | | |
| NET POSITION | | |
| Unrestricted | <u>55,067</u> | <u>64,564</u> |
| | | |
| Total net position | <u>\$ 55,067</u> | <u>\$ 64,564</u> |

The accompanying notes are an integral part of these statements.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

**Statement of Revenues, Expenses and Change in Net Position
For the years ended December 31, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|------------------|------------------|
| OPERATING REVENUES: | | |
| Grant and government subsidy revenue | \$ 50,910 | \$ 338,685 |
| Property sales | 34,750 | - |
| Other revenue | <u>50</u> | <u>-</u> |
| Total operating revenues | <u>85,710</u> | <u>338,685</u> |
| OPERATING EXPENSES: | | |
| Cost of sales | 45,088 | 5,210 |
| Unrealized loss on inventory | - | 228,342 |
| General and administrative expenses | 2,015 | 2,704 |
| Professional services | 45,544 | 33,326 |
| Insurance | 2,560 | 4,294 |
| Travel | <u>-</u> | <u>245</u> |
| Total operating expenses | <u>95,207</u> | <u>274,121</u> |
| OPERATING INCOME (LOSS) | <u>(9,497)</u> | <u>64,564</u> |
| CHANGE IN NET POSITION | (9,497) | 64,564 |
| NET POSITION - beginning of year | <u>64,564</u> | <u>-</u> |
| NET POSITION - end of year | <u>\$ 55,067</u> | <u>\$ 64,564</u> |

The accompanying notes are an integral part of these statements.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Statement of Cash Flows

For the years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from grant and government subsidies | \$ 251,543 | \$ 387,429 |
| Cash received from sale of property | 34,750 | - |
| Cash received from other revenue | 50 | - |
| Cash paid for inventory | (741) | (298,116) |
| Cash paid for general and administrative expenses | (2,015) | (2,704) |
| Cash paid for professional services | (51,540) | (33,326) |
| Cash paid for insurance | (2,560) | (4,294) |
| Cash paid for travel | - | (245) |
| | <u>229,487</u> | <u>48,744</u> |
| Net cash from operating activities | <u>229,487</u> | <u>48,744</u> |
| | | |
| CHANGE IN CASH | 229,487 | 48,744 |
| | | |
| CASH - beginning of year | <u>48,744</u> | <u>-</u> |
| | | |
| CASH - end of year | <u>\$ 278,231</u> | <u>\$ 48,744</u> |
| | | |
| RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (9,497) | \$ 64,564 |
| Adjustments to reconcile operating income to net cash flow from operating activities: | | |
| Unrealized loss on inventory | - | 228,342 |
| Changes in: | | |
| Inventory | 44,347 | (292,906) |
| Accounts receivable | (2,998) | - |
| Grant and government subsidy revenue advance | <u>197,635</u> | <u>48,744</u> |
| | <u>\$ 229,487</u> | <u>\$ 48,744</u> |

The accompanying notes are an integral part of these statements.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Notes to Basic Financial Statements December 31, 2020 and 2019

1. ORGANIZATION

The Tioga County Property Development Corporation (the Corporation), was formed in 2017 to address the problems of vacant, abandoned, or tax delinquent property in the County of Tioga, New York (the County), in a coordinated manner through the acquisition of real property. Operations did not commence until 2019. The mission of the Corporation is to return that property to productive use in order to strengthen the economy, improve the quality of life, and improve the financial condition of the municipalities, through the use of the powers and tools granted to land banks by New York State (NYS).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

Measurement Focus and Basis of Accounting

The Corporation operates as a proprietary fund. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant.

Income Tax Status

The Corporation was organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

Restricted Cash

Certain amounts of cash are classified as restricted because their use is restricted by grant agreements. Restricted cash balances have been offset by grant and government subsidy revenue advances at December 31, 2020 and 2019.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Notes to Basic Financial Statements December 31, 2020 and 2019

Inventory

Inventory consists of vacant, abandoned, or tax delinquent property in the County purchased by the Corporation. Inventory is valued at the lower of cost or market. Market value is defined as estimated selling price and is based on third-party appraisals. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Grant and Government Subsidy Revenue Advance

Grant advances consist of amounts of received grant and government subsidy revenue for which the definition of earned has not been met. Such amounts are reflected as a liability until the amounts are deemed earned and then recognized as revenue.

Operating and Non-Operating Revenues and Expenses

As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant and government subsidy revenue resulting from exchange transactions, in-kind services, and sale of properties associated with the principal activities of the Corporation. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. There were no non-operating revenues and expenses for the years ended December 31, 2020 and 2019.

Cost of Sales

At the time of sale of inventory, the book value of inventory is recognized as expense under cost of sales. Cost of sales also include expenses incurred to maintain properties held in inventory that do not meet the definition to be treated as inventory. These include, but are not limited to, property taxes, mowing, and other property maintenance costs.

Unrealized Loss on Inventory

Deterioration, damage, changing prices and other factors have caused certain inventory's cost to exceed its market value. In accordance with GAAP, inventory is stated at market value as of December 31, 2020 and 2019. Any reduction to market value is recognized as unrealized loss on inventory.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Notes to Basic Financial Statements

December 31, 2020 and 2019

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Corporation did not have net investment in capital assets at December 31, 2020 and 2019.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation did not have restricted net position at December 31, 2020 and 2019.
- c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

It is the Corporation's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State (NYS). Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in NYS General Municipal Law, Section 10 and outlined in the NYS Comptroller's Financial Management Guide.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Notes to Basic Financial Statements December 31, 2020 and 2019

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Corporation restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by an agency of the United States of America;
- Obligations issued or fully insured or guaranteed by NYS;
- Obligations issued by a municipal corporation, school district or district corporation of NYS;
- Obligations issued by states (other than NYS) of the United States of America rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

The Corporation maintained cash balances with a financial institution insured by the FDIC up to \$250,000, for demand and non demand accounts. At December 31, 2020 and 2019, the Corporation's deposits consisted of \$278,231 and \$56,796 in cash, respectively. At December 31, 2020, deposits of \$250,000 were insured by the FDIC and \$28,231 was uncollateralized. At December 31, 2019, deposits of \$56,796 were fully insured by the FDIC.

4. CONCENTRATIONS OF CREDIT RISK

The Corporation receives significant support from certain governmental entities. The primary source of funding is through a grant award from Enterprise Community Partners, Inc. Funding from Enterprise Community Partners, Inc. comprised 59% and 100% of revenue for the years ended December 31, 2020 and 2019.

5. AGREEMENT WITH COUNTY OF TIOGA, NEW YORK

The Corporation entered into an agreement with the County for the period of January 1, 2019 through December 31, 2020, under which to operate. The Corporation is to pay an administrative fee of up to \$65,065 annually for the term of the agreement. For each of the years ended December 31, 2020 and 2019, \$32,532 was paid to the County for these expenses.

6. COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it 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.

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

March 3, 2021

To the Board of Directors of
Tioga County Property Development 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 the Tioga County Property Development Corporation (the Corporation) as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2021.

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 have not been identified.

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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.

Bonadio & Co., LLP