

GENESEE GATEWAY LOCAL
DEVELOPMENT CORPORATION

AUDITED BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2019

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

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4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Genesee Gateway Local Development Corporation
Batavia, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Genesee Gateway Local Development Corporation ("GGLDC") and its wholly owned subsidiary, Genesee Agri-Business, LLC ("GAB, LLC") as of and for the year ended December 31, 2019, and the related notes to the consolidated financial statements for the year then ended, which collectively comprise GGLDC's 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 consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated financial position of the Genesee Gateway Local Development Corporation as of December 31, 2019, and the respective changes in financial position and cash flows for the year 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 Discussion and Analysis on pages 4 – 9 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, and 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 Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the GGLDC's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information as listed in the table of contents is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 on our consideration of GGLDC'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 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 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 entity's internal control over financial reporting and compliance.

Other Reporting Required by New York State Public Authorities law

In accordance with New York State Public Authorities Law, we have also issued our report dated March 26, 2020, on our consideration of GGLDC's compliance Section 2925 of New York State Public Authorities Law. The purpose of that report is to determine whether GGLDC obtained and managed its investments in compliance with its own policies and relevant sections of the New York State Public Authorities Law.

A handwritten signature in black ink that reads "Mostert, Manzanero & Scott, LLP". The signature is written in a cursive style and is positioned to the right of the typed text.

Oneonta, New York
March 26, 2020

Genesee Gateway Local Development Corporation
Management's Discussion and Analysis
Year Ended December 31, 2019

This section of the Genesee Gateway Local Development Corporation's (GGLDC) annual financial report presents our discussion and analysis of the GGLDC's financial performance during the fiscal year that ended on December 31, 2019 and should be read in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

This annual financial report is made of two parts: first, management's discussion and analysis and secondly, the basic financial statements. The GGLDC is a 501(c)3 non-profit organization whose mission is to assist local economic development efforts by making real estate development investments to bolster shovel-ready tech and industrial park development and to provide tax and other related financial assistance to commercially viable projects in Genesee County thereby enabling the continued development of a sustainable long-term economy.

GGLDC follows enterprise fund reporting. These statements are presented in a manner similar to a private business, such as a property management company. While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that the GGLDC is meeting its contractual obligations.

The financial reporting entity includes organizations, functions and activities over which appointed officials exercise oversight responsibility. The Genesee Agri-Business, LLC (GABLLC) has been included in the reporting entity. The GABLLC is a single member LLC whose only member is the GGLDC. The GABLLC owns the 250-acre Genesee Valley Agri-Business Park (GVAB) located in the Town of Batavia. The GVAB is a shovel ready park dedicated to food processing companies. This park is home to Upstate Niagara Cooperative's food processing facility, a food processing support company, Markttec Products, Inc., and a dairy processing plant, HP Hood.

Affiliated Entities

The Genesee County Industrial Development Agency D/B/A Genesee County Economic Development Center (GCEDC), was established by the Genesee County Legislature in 1970 under New York State's General Municipal Law. The GCEDC is a component unit of Genesee County (the County). The GCEDC's mission is to be the driving force in fostering community economic success by providing comprehensive support, technical assistance and access to financial resources to businesses thereby enabling growth, expansion and retention of our existing business base and to market our community as "business friendly" facilitating new business attraction in order to build a sustainable long-term economy.

Financial Analysis of the Corporation

	2019	2018	Higher/ (Lower) Prior Year	% Increase (Decrease)
Cash & Cash Equivalents	\$ 2,663,576	\$ 2,581,920	\$ 81,656	3%
Total Current Assets	\$ 3,028,037	\$ 3,734,804	\$ (706,767)	(19%)
Land Held for Development & Sale	\$ 6,611,365	\$ 6,678,296	\$ (66,931)	(1%)
Capital Assets, Net	\$ 5,485,476	\$ 5,627,011	\$ (141,535)	(3%)
Total Current Liabilities	\$ 366,426	\$ 1,130,719	\$ (764,293)	(68%)
Total Noncurrent Liabilities	\$ 5,191,797	\$ 5,393,039	\$ (201,242)	(4%)
Total Net Position	\$ 10,414,100	\$ 9,845,631	\$ 568,469	6%
Operating Revenues	\$ 1,583,657	\$ 2,150,037	\$ (566,380)	(26%)
Operating Expenses	\$ 774,562	\$ 2,069,897	\$ (1,295,334)	(63%)
Net Operating Income	\$ 809,095	\$ 80,140	\$ 728,954	910%

Total current assets decreased by \$706,767 (-19%) which is mostly attributable to a decrease in grants receivable. 2018 grants receivable includes a \$1M grant from the Office of Community Renewal (OCR) related to a project with HP Hood. HP Hood acquired the Muller Quaker Dairy processing plant at the Genesee Valley Agri-Business Park and renovated and expanded the facility. 50% of this OCR grant was loaned and the other 50% was granted to HP Hood.

Land held for development and sale decreased by \$66,931 (-1%) which is attributable to a land sale at Gateway II Corporate Park in 2019.

Net Capital Assets decreased by \$141,535 (-3%) due to depreciation expense for the year.

Total current liabilities decreased by \$764,293 (-68%) mostly attributed to:

- Disbursement of a \$500K grant to HP Hood related to an OCR grant project.
- Final payment made on a bond that supported improvements at the Genesee Valley Agri-Business Park.

The following table summarizes GGLDC's results of operations for the fiscal years ended December 31, 2019 and 2018 and changes between the years:

	2019	2018	% Increase / (Decrease)
OPERATING REVENUES			
Grant Income	\$ 812,775	\$ 1,385,286	(41%)
Gain on Land Held for Development & Sale	\$ 43,921	\$ 51,439	(15%)
Fees	\$ 14,981	\$ 8,261	81%
Interest Income on Loans	\$ 29,710	\$ 30,565	(3%)
Miscellaneous Income	\$ 1,617	\$ 265	510%
Rent	\$ 680,653	\$ 674,221	1%
Total Operating Revenues	\$ 1,583,657	\$ 2,150,037	(26%)
OPERATING EXPENSES			
General & Administrative	\$ 11,013	\$ 1,138	868%
Property Related Expenses	\$ 304,071	\$ 452,693	(33%)
Grant Expense	\$ 300,000	\$ 1,244,089	(76%)
Utilities	\$ 16,791	\$ 19,397	(13%)
Professional Fees	\$ 142,687	\$ 144,156	(1%)
Land and Infrastructure Dedication	\$ 0	\$ 208,424	N/A
Total Operating Expenses	\$ 774,562	\$ 2,069,897	(63%)
Net Operating Revenue	\$ 809,095	\$ 80,140	910%
NON-OPERATING REVENUES/(EXPENSES)			
Other Interest Income	\$ 24,106	\$ 9,646	150%
Interest Expense	\$ (264,732)	\$ (284,077)	(7%)
Total Non-Operating Expense	\$ (240,626)	\$ (274,431)	(12%)
Change in Net Position	\$ 568,469	\$ (194,291)	

Decrease in revenue from grants of \$572,511 (-41%):

- 2018 Grant Revenue included a \$1,000,000 CDBG grant that supported HP Hood.
- See Grant Revenue section for details of grant revenue recorded in 2019.

Decrease in gain on land held for development & sale of \$7,518 (-15%):

- 6.458 acres of land sold at Gateway II Corporate Park in 2018.

Increase in fees of \$6,720 (81%) is due to reclassification of 2019 common area maintenance fees at corporate parks.

Increase in General & Administrative expenses of \$9,875 (868%) is attributable to workforce development initiatives undertaken in 2019.

Decrease in property related expenses \$148,621 (-33%):

- Site development expense of \$160K in 2018 related to improvements at Gateway II Corporate Park.

Decrease in grant expense of \$944,089 (-76%) is attributable to the following 2018 activity:

- \$500K grant to HP Hood related to an OCR grant project.
- \$367K loan receivable forgiven upon determination that the company was in full compliance with all requirements related to its OCR project.
- Pass-through of NYS Department of Transportation Rail Grant funds (\$77K), supporting Depew Lancaster & Western Railroad rail improvements.

Land and infrastructure dedication expense of \$208,424 in 2018 is related to the dedication of the Gateway II Sewer Pump Station at Gateway II Corporate Park to the Town of Batavia.

Grant Revenue

Grant revenue in support of corporate park and other development initiatives totaled \$812,775 in 2019. The various funding sources for the major grant revenue recognized during the year are described below:

- \$93,000 Annual Community Benefit Agreement payment committed by CNL Income Darien Lake to support infrastructure development in Western Genesee County. Payments occur over 20 years (2008-2027).
- \$205,125 Community Benefit Agreement payment, flowing through the GCEDC to support development of the GVAB.
- \$227,801 OCR Grant to support Freightliner & Western Star of Batavia project.
- \$50,000 Pearl Solar I & Pearl Solar II funding to support Workforce Development Initiatives and the overall Economic Development Program.
- \$233,764 Grant per GGLDC/Genesee County agreement to defederalize CDBG funds; funds were loaned to Yancey's Fancy.

Activities

The activities of the GGLDC are organized on the basis of nine divisions, each of which are internally considered a separate accounting entity. A brief overview of the separate divisions of the GGLDC follows:

The Operating Fund accounts for general administration of the GGLDC.

Gateway II Fund - Gateway II Corporate Park, located in the Town of Batavia, is a 57-acre site that is ideal for distribution, warehouse, light manufacturing, office and the construction equipment industries needing quick access to the NYS Thruway. This shovel-ready park is home to Ashley Furniture's distribution center and is nearby the Western New York Branch of Milton Caterpillar. All utilities, municipal sewer, water, gas and electric are installed in the park. In 2018, Gateway GS, LLC constructed the first of five flex space facilities that will be leased out to tenants. The remaining acreage in this park is currently under purchase and sale agreements with closing anticipated to take place in 2020.

Buffalo East Fund - Buffalo East Tech Park (BETP) is a 67-acre site located directly off the Pembroke Exit of the New York State Thruway in the Town of Pembroke. Strategic advantages of the park include access to workforce from both the Buffalo and Rochester regions and low-cost hydro-power options for occupants. The park is fully shovel-ready, and marketing promotional efforts continued in 2018. Construction on the expansion of the existing Corfu wastewater treatment facility to enable more capacity for manufacturing facilities has begun in 2020.

Ag Park Fund - The Genesee Valley Agri-Business Park is a 250-acre agri-business park and food processing park focused on attracting food processing and related companies to the site. This park is home to Upstate Niagara Cooperative's food processing facility, a food processing support company, Marktec Products, Inc., and a dairy processing plant, HP Hood. This park is fully shovel-ready. The park has seen numerous site visits in the past year for companies who are looking to construct new production and manufacturing facilities. In 2020, the GGLDC plans on continuing to utilize an existing rail grant to attract a new tenant to the Genesee Valley Agri-Business Park.

MedTech Park Fund - MedTech Park, 34-acre shovel-ready park located in the Town of Batavia, is home to the Dr. Bruce A. Holm MedTech Centre. The park is equipped with electric, gas and broadband and is dedicated to life science and medical device companies. Marketing the shovel-ready acreage available at the MedTech Park continued in 2019.

WNY STAMP Fund - WNY STAMP (Science and Technology Advanced Manufacturing Park) is a 1,250-acre advanced manufacturing park located 5 miles north of I-90 Exit 48A in the Town of Alabama. The GGLDC currently owns 53 acres within the STAMP site. Most of the WNY STAMP site is owned by the GCEDC and development activities are currently being undertaken by the GCEDC.

MedTech Centre Fund - MedTech Centre is a 43,000 square foot building known as the Dr. Bruce A. Holm Upstate MedTech Centre and is located within the 34-acre MedTech Park near Genesee Community College (GCC). GCC's School of Nursing occupies the entire second floor. UMMC's Summit Physical and Occupational Therapy Center is located on the first floor of the building and serves residents of Genesee and surrounding counties. GCEDC and GGLDC offices are also located on the first floor. The facility also offers 1,300 sq. ft. of commercialization space to support emerging medical device and young technology firms. A medical device company, First Wave Technologies, is currently occupying a portion of the accelerator space within MedTech Centre and expanded the amount of space they are renting in 2014 with buildout of some of the existing vacant space. This also enabled the GGLDC to build the new Innovation Zone space that is available to companies in the community offering office space and video teleconferencing abilities at a low cost. It also creates a welcoming environment for young entrepreneurs to get together, share their ideas and cultivate new business opportunities.

During 2019, the GGLDC was marketing the space available at the Centre as a lifecycle solution for young entrepreneurial firms as they grow and develop in our community and to companies seeking additional office space for growth. The Innovation Zone continues to be rented by local groups as a place to meet and work on their organizations progress and growth as well as being utilized by local companies as a training room. The Innovation Zone also is the meeting space for the GCEDC and the GGLDC Board of Directors.

Economic Development Loan Fund – This fund accounts for activity related to a subrecipient agreement between the GCEDC and Genesee County, along with a grant agreement between the GGLDC and Genesee County. GCEDC revolving loan funds are directed to the GGLDC by Genesee County for the disbursement and administration of approved loans.

Batavia Micropolitan Area Redevelopment Fund - This is a low interest loan fund established to foster investments in business districts across the Batavia Micropolitan area which facilitates redevelopment of underutilized buildings and sites.

Capital Assets

The following table summarizes the changes in GGLDC capital assets between fiscal years 2019 and 2018:

Changes in Capital Assets between Fiscal Years 2019 and 2018

Financial Highlights

	2019	2018	Increase / (Decrease)
Furniture & Equipment	\$ 43,600	\$ 43,600	\$ 0
Building and Improvements	\$ 7,202,120	\$ 7,143,986	\$ 58,134
Less Accumulated Depreciation	\$ 1,760,244	\$ 1,560,575	\$ 199,669
Net Capital Assets	\$ 5,485,476	\$ 5,627,011	\$ (141,535)
Land Held for Development & Sale	\$ 6,611,365	\$ 6,678,296	\$ (66,931)

Contacting GGLDC's Financial Management

This financial report is designed to provide our clients and the public with a general overview of the GGLDC's finances and to demonstrate accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Genesee Gateway Local Development Corporation, 99 MedTech Drive, Batavia, New York, 14020.

FINANCIAL SECTION

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF NET POSITION

December 31, 2019

ASSETS:

Current assets:

Cash & cash equivalents	\$	2,663,576
Accounts receivable		69
Grants receivable		4,646
Prepaid items		872
Loans receivable - current portion		358,874
Total current assets		<u>3,028,037</u>

Noncurrent assets:

Loans receivable - noncurrent portion (net of \$202,125 allowance for bad debts)		847,445
Land held for development & sale		6,611,365
Capital assets, net		5,485,476
Total noncurrent assets		<u>12,944,286</u>

Total assets 15,972,323

LIABILITIES:

Current liabilities:

Accounts payable		20,135
Security deposits payable		108,680
Unearned revenue		45,657
Bond payable - current portion		115,205
Loan payable - current portion		76,749
Total current liabilities		<u>366,426</u>

Noncurrent liabilities:

Bond payable - noncurrent portion		2,850,337
Loan payable - noncurrent portion		2,341,460
Total noncurrent liabilities		<u>5,191,797</u>

Total liabilities 5,558,223

NET POSITION:

Net investment in capital assets		101,725
Restricted		934,626
Unrestricted		9,377,749

Total net position \$ 10,414,100

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

Year Ended December 31, 2019

OPERATING REVENUES:

Fees	\$	14,981
Grant income		812,775
Interest income on loans		29,710
Miscellaneous income		1,617
Rent		680,653
Gain on sale of land held for development & sale		43,921
Total operating revenues		<u>1,583,657</u>

OPERATING EXPENSES:

Depreciation		199,669
Fees & permits		475
Grant expense		300,000
Insurance		23,720
Miscellaneous		9,506
Professional fees		142,687
Site maintenance		56,107
Site development		2,289
Special district fees		20,907
Supplies		1,032
Telecommunications		1,379
Utilities		16,791
Total operating expenses		<u>774,562</u>

Net operating income 809,095

NON-OPERATING REVENUES (EXPENSES):

Interest expense		(264,732)
Other interest income		24,106
Total non-operating expenses		<u>(240,626)</u>

Change in net position 568,469

Net position - beginning 9,845,631

Net position - ending \$ 10,414,100

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Fees	\$	14,981
Grant income		1,822,740
Interest income on loans		30,430
Miscellaneous income		1,617
Rental income		687,611
Issuance/repayments of loans (net)		(740,455)
Cost of sales/closing costs		114,803
Fees & permits		(475)
Grant expense		(877,089)
Insurance		(23,720)
Miscellaneous expense		(9,575)
Professional fees		(133,484)
Site development		(2,289)
Site maintenance		(61,052)
Special district fees		(20,907)
Supplies		(1,032)
Telecommunications		(1,379)
Utilities		(16,791)
Purchase/improvements of land held for development & sale		(13,091)
Net cash provided by operating activities		<u>770,843</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:

Principal payments on bonds & loans		(390,427)
Interest paid on bonds & loans		(264,732)
Purchase/improvements of capital assets		(58,134)
Net cash used by capital & related financing activities		<u>(713,293)</u>

CASH FROM INVESTING ACTIVITIES:

Interest income		<u>24,106</u>
Net cash provided by investing activities		<u>24,106</u>

Net increase in cash and cash equivalents 81,656

Cash and cash equivalents - beginning of year 2,581,920

Cash and cash equivalents - end of year \$ 2,663,576

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year Ended December 31, 2019

**RECONCILIATION OF NET OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Net operating income	\$	809,095
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation expense		199,669
Decrease in accounts receivable		746
Decrease in grants receivable		1,009,965
Increase in loans receivable		(740,455)
Decrease in land held for development & sale		66,931
Decrease in operating accounts payable		(582,786)
Increase in unearned revenue		7,678
Total adjustments		<u>(38,252)</u>
Net cash provided by operating activities, page 10	\$	<u><u>770,843</u></u>

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Genesee Gateway Local Development Corporation (the GGLDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 GGLDC's accounting policies are described below.

A. REPORTING ENTITY

The GGLDC was created in 2004 with a focus on economic development opportunities related to real estate and corporate park development. The corporation is a public instrumentality formed exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Genesee County Industrial Development Agency D/B/A Genesee County Economic Development Center (GCEDC) is the sole member of the corporation.

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing agency, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Genesee Agri-Business, LLC has been included in the reporting entity.

The financial reporting entity consists of (a) the primary entity which is the Genesee Gateway Local Development Corporation, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary entity is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14 as amended by GASB Statement No. 39. The decision to include a potential unit in the GGLDC's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, including legal standing, fiscal dependency, and financial accountability.

Management has evaluated the provisions of GASB Statement No. 14 - *The Financial Reporting Entity* and GASB Statement No. 39 - *Determining Whether Certain Organizations Are Component Units* - an amendment of GASB Statement No. 14. Based on the provisions of these standards management has determined that the GGLDC is not a component unit of the Genesee County Industrial Development Agency D/B/A Genesee County Economic Development Center (the GCEDC).

B. BASIS OF PRESENTATION

The GGLDC's basic financial statements consist of three statements that provide information about the GGLDC's activities. The first statement is the consolidated statement of net position which lists all of the GGLDC's assets and liabilities, with the difference reported as net position. The second statement is the consolidated statement of revenues, expenses and changes in net position which details how the GGLDC's net position changed during the current year based on the reporting of the revenues and expenses recognized by the GGLDC. The third statement is the consolidated statement of cash flows which reports the activities that provide or use the cash and cash equivalents of the GGLDC.

The accounts of the GGLDC are organized on the basis of sub-funds or account groups. A separate sub-fund is used to account for each development project and an operating fund is used for all resources over which the board of directors has discretionary control to carry out the operations of the GGLDC. The following sub-funds are used: Operating fund, Gateway II fund, Buffalo East fund, Ag Park fund, Med Tech Park fund, WNY STAMP fund, Med Tech Centre fund, Economic Development Loan fund, and Batavia Micropolitan Area Redevelopment Loan fund.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of the GGLDC and the Genesee Agri-Business, LLC. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The GGLDC's financial statements are prepared in conformity with accounting principles generally accepted in the United States as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements of the GGLDC are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the GGLDC gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

E. NET POSITION

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and related debt.
- b. Restricted - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

F. INCOME TAXES

The GGLDC is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made on the accompanying financial statements.

G. CASH AND CASH EQUIVALENTS

The GGLDC's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

H. ACCOUNTS RECEIVABLE

Accounts receivable are reported at their net realizable value. Generally accepted accounting principles require the establishment of an allowance for doubtful accounts. No allowance for uncollectible accounts receivable has been provided since management believes that such allowance would not be necessary.

I. EQUITY INVESTMENT IN GENESEE AGRIBUSINESS, LLC (GAB, LLC)

Equity Investment in GAB, LLC represents the GGLDC's investment in Genesee Agri-Business, LLC. The GGLDC utilizes the equity method of accounting for its investment in GAB, LLC which results in the Equity Investment balance being increased or decreased by GGLDC's share of GAB, LLC's change in net position plus any contributions made by GGLDC.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J. UNEARNED REVENUE

The GGLDC reports unearned revenue on its statement of net position. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the GGLDC before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the GGLDC has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

K. CAPITAL ASSETS

Capital assets are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The cost of repairs, maintenance and minor replacements is expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the GGLDC are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$1,000	straight-line	5-7 years
Buildings and improvements	\$1,000	straight-line	30-40 years

L. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows the GGLDC considers cash and cash equivalents to be all unrestricted and restricted cash accounts including demand accounts and short-term investments with original maturities of three months or less from the date of acquisition.

M. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2019, the GGLDC has evaluated the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, Statement 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which became effective for the fiscal year ended December 31, 2019, and determined that they have no significant impact on the GGLDC's financial statements.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the GGLDC, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2021.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2021.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

N. USE OF 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 the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

O. SUBSEQUENT EVENTS

Subsequent to year end the world has been impacted by the Covid-19 virus. Management has discussed the Corporation's operations and impact of this event. They have determined that the Corporation's loan portfolio could be impacted but they believe the allowance for bad debts is sufficient to cover any potential loan losses.

These financial statements have not been updated for subsequent events occurring after March 26, 2020 which is the date these financial statements were available to be issued.

NOTE 2. CASH AND INVESTMENTS

The GGLDC's investment policies are governed by State statutes. In addition, the GGLDC has its own written investment policy. GGLDC monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State. The GGLDC is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its agencies, repurchase agreements and obligations of the State and its localities.

Investment and Deposit Policy

The GGLDC follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the GGLDC's Treasurer.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The GGLDC's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The GGLDC'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. The GGLDC's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of the State of New York and its localities.

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 GGLDC's investment and deposit policy, all deposits of the GGLDC including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The GGLDC restricts the securities to the following eligible items:

Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.

- Obligations issued or fully insured or guaranteed by New York State and its localities. As of December 31, 2019, cash balances of \$11,501 in the GAB,LLC were not fully collateralized or covered by FDIC insurance.

NOTE 3. LOANS RECEIVABLE

The GGLDC provides low interest loans to businesses located in Genesee County in order to encourage economic development. Loans receivable consisted of the following at December 31, 2019:

	<u>Operating Fund Terms</u>	<u>Current</u>	<u>Noncurrent</u>
First Wave Technologies	Interest only through January 2015, thereafter monthly payments for 6 years at 5.25% interest, maturing February 2021.	\$ 83,756	\$ 14,724
HP Hood, LLC	Annual payments for 5 years at 0% interest, maturing March 2024.	100,000	400,000
Freightliner & Western Star of Batavia, LLC	Monthly payments for 5 years at 2% interest, maturing July 2024.	39,894	163,152
Freightliner & Western Star of Batavia, LLC (Deferred Loan)	No interest shall accrue on the outstanding principal; matures June 2024.	-	3,301
7-S Cycle Supply*	Monthly payments for 5 years at 2.25% interest, maturing February 2020.	528	-
Barone Welding*	Monthly payments for 5 years at 4.25% interest, maturing September 2024.	1,065	2,600
Caccamise Auto Transport*	Monthly payments for 5 years at 2.25% interest, maturing May 2020. The GGLDC is currently working on collecting this loan.	10,297	-
Frank the Brush, Inc.*	Monthly payments for 4 years at 4.75% interest, maturing April 2021.	3,926	1,470
Northwoods Alpacas*	Monthly payments for 5 years at 5.25% interest, maturing September 2022.	2,021	3,801
Philly's Barber Shop*	Monthly payments for 5 years at 3.5% interest, maturing September 2021.	3,756	2,905
Kanaley Painting*	Monthly payments for 5 years at 2.25% interest, matured April 2015. The GGLDC is currently working on collecting this loan.	<u>9,260</u>	<u>-</u>
Subtotal – Operating Fund		<u>254,503</u>	<u>591,953</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		<u>Economic Development Loan Fund</u>	<u>Current</u>	<u>Noncurrent</u>
Liberti, Valvo & Associates, LLC	Monthly payments for 7 years at 3.4% interest, maturing July 2024.		6,987	27,076
R&R Float Center	Monthly payments for 10 years at 4.2% interest, maturing December 2028.		8,573	83,218
Yancey's Fancy, Inc.	Monthly payments for 5 years at 3% interest, maturing February 2024.		<u>61,856</u>	<u>208,563</u>
Subtotal – Economic Development Loan Fund			<u>77,416</u>	<u>318,857</u>
		<u>Batavia Micropolitan Area Redevelopment Loan Fund</u>	<u>Current</u>	<u>Noncurrent</u>
13 Jackson Square, LLC	Payments of interest only for 12 months, thereafter monthly payments for 9 years at 3% interest, maturing July 2024.		11,875	20,798
Batavia Brewing Company, LLC	Payments of interest only for 12 months, thereafter monthly payments for 9 years at 3.4% interest, maturing October 2027.		<u>15,080</u>	<u>117,962</u>
Subtotal – Batavia Micropolitan Area Redevelopment Loan Fund			<u>26,955</u>	<u>138,760</u>
Total Loans Receivable			<u>\$ 358,874</u>	<u>\$1,049,570</u>

*Loans acquired from Genesee County Chamber of Commerce in March 2019.

The GGLDC estimated an allowance for bad debts in the Operating Fund of \$202,125, which is considered by management to be sufficient for any losses.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4. CAPITAL ASSETS**

Capital asset activity for the GGLDC for the year ended December 31, 2019 was as follows:

	<u>Balance</u> <u>01/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/19</u>
Capital assets being depreciated				
Building and improvements	\$ 7,143,986	\$ 58,134	\$ -	\$ 7,202,120
Furniture and equipment	<u>43,600</u>	<u>-</u>	<u>-</u>	<u>43,600</u>
Total capital assets being depreciated	<u>7,187,586</u>	<u>58,134</u>	<u>-</u>	<u>7,245,720</u>
Less accumulated depreciation:				
Building and improvements	1,538,196	192,231	-	1,730,427
Furniture and equipment	<u>22,379</u>	<u>7,438</u>	<u>-</u>	<u>29,817</u>
Total accumulated depreciation	<u>1,560,575</u>	<u>199,669</u>	<u>-</u>	<u>1,760,244</u>
Total capital assets being depreciated, net	<u>\$ 5,627,011</u>	<u>\$ (141,535)</u>	<u>\$ -</u>	<u>\$ 5,485,476</u>

NOTE 5. LAND HELD FOR DEVELOPMENT AND SALE

Land held for development and sale activity for the year ended December 31, 2019 was as follows:

	<u>Balance</u> <u>01/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/19</u>
Land held for development and sale:				
GGLDC	\$ 3,556,785	\$ 13,091	\$ 80,022	\$ 3,489,854
GAB, LLC	<u>3,121,511</u>	<u>-</u>	<u>-</u>	<u>3,121,511</u>
Total land held for development and sale	<u>\$ 6,678,296</u>	<u>\$ 13,091</u>	<u>\$ 80,022</u>	<u>\$ 6,611,365</u>

NOTE 6. UNEARNED REVENUE

The GGLDC leases space in the Med Tech Centre building to the GCEDC, Genesee Community College, United Memorial Medical Center and First Wave Technologies, Inc. At December 31, 2019, rent received in advance totaled \$39,436.

In 2015, the GGLDC received grants of \$35,000 from Frontier ABC, LLC, \$15,000 from the Town of LeRoy and \$15,000 from American Express in support of the GGLDC's participation in an America's Best Communities competition. As of December 31, 2019, \$63,035 of these funds were expended. The balance of \$1,965 will be recognized when qualifying expenditures are made.

The GAB, LLC entered into a Telecommunications Site Lease Agreement with FirstLight Fiber, Inc. in 2019. At December 31, 2019, rent received in advance totaled \$1,200.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The GGLDC leases land at Gateway II Corporate Park to Gateway GS, LLC. At December 31, 2019, rents received in advance totaled \$2,226.

Interest received in advance related to loans receivable totaled \$830 at December, 31, 2019.

NOTE 7. LINE OF CREDIT

In February 2011, the GGLDC obtained a revolving line of credit from Five Star Bank for \$700,000. The line carries an interest rate equal to prime rate, with a floor of 4%. Collateral consists of a first lien position General Security Agreement on all business assets of the GGLDC and a second lien position General Security Agreement on all business assets of GCEDC, a related entity.

At December 31, 2019, there was a zero balance drawn against the line of credit.

NOTE 8. LOANS PAYABLE

Upon completion of construction of the MedTech Centre building in 2010, the GGLDC converted a construction loan into permanent financing. Permanent financing consists of a loan payable to the United States Department of Agriculture and two bonds payable to Five Star Bank (See Note 9). The debt is secured by the MedTech Centre building, along with any fixtures within.

The loan payable to the United States Department of Agriculture, with an original amount of \$3,000,000, is due in monthly installments of \$14,340 with an interest rate of 4%, maturing September 2040, or until paid in full. At December 31, 2019, there was a balance of \$2,418,209.

Current maturities of loans payable are as follows for the years ending December 31:

	<u>GGLDC</u>	
	Principal	Interest
2020	\$ 76,749	\$ 95,331
2021	79,875	92,205
2022	83,130	88,950
2023	86,516	85,564
2024	90,041	82,039
2025-2029	508,315	352,085
2030-2034	620,650	239,749
2035-2039	757,812	102,588
2040	<u>115,121</u>	<u>1,766</u>
Total	\$ <u>2,418,209</u>	\$ <u>1,140,277</u>

NOTE 9. BONDS PAYABLE

In September 2010, the GGLDC closed on two bonds with Five Star Bank providing permanent financing related to construction of the MedTech Centre building.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of bonds with a corresponding maturity schedule:

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Date of Final Maturity</u>	<u>Balance</u>
MedTech Centre – Taxable	09/10	\$1,078,095	6.64%	09/35	\$ 859,005
MedTech Centre – Tax Exempt	09/10	\$2,821,905	4.44%	09/35	<u>2,106,537</u>
					<u>\$ 2,965,542</u>

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 115,205	\$ 139,587
2021	134,234	143,717
2022	141,214	136,737
2023	148,572	129,380
2024	155,974	121,977
2025-2029	913,197	476,563
2030-3034	1,181,489	208,269
2035	<u>175,657</u>	<u>3,316</u>
Totals	<u>\$ 2,965,542</u>	<u>\$ 1,359,546</u>

NOTE 10. RELATED PARTY TRANSACTIONS

The GGLDC has related party relationships with the Genesee County Industrial Development Agency D/B/A Genesee County Economic Development Center (GCEDC), and the Genesee Agri-Business, LLC (GAB, LLC).

The GAB, LLC was formed in December 2007 to engage in business that furthers the development of the Genesee Valley Agri-Business Park. The GGLDC is the sole member of the GAB, LLC.

The GCEDC leases office space from the GGLDC. A lease agreement was entered into in July 2009 to occupy 3,100 square feet of office space at the Med Tech Centre building. The term of the lease is for 15 years commencing in June 2010, upon substantial completion of the building. This lease was amended in October 2015 to include an additional 1,400 square feet space. As of September 2018, the monthly rent rate was \$1,492. Effective January 2020, the monthly rent rate is \$1,520. At December 31, 2019, the GGLDC held a \$2,832 security deposit from the GCEDC as required by the lease agreement.

The GGLDC granted \$300,000 to the GCEDC in 2019 to support the continuing economic development program.

The GCEDC is a co-borrower on a \$3,000,000 loan to the GGLDC from the United States Department of Agriculture received on September 3, 2010. The loan has an interest rate of 4% and a term of 30 years. There was an outstanding balance of \$2,418,209 at December 31, 2019.

The GCEDC is a co-borrower on a \$700,000 line of credit that the GGLDC obtained from Five Star Bank in 2011. The line carries an interest rate equal to prime rate, with a floor of 4%. At December 31, 2019, there were no funds drawn against this line.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The GGLDC is a guarantor on four loans totaling \$5,196,487 to the GCEDC from Empire State Development. The loans have a 0% interest rate with no principal payment due for the first five years. At the end of the fifth year, Empire State Development could make a determination as to whether to (1) require a full principal balloon payment; (2) waive the obligation to repay the loans; or (3) extend the loans for another five year term with payment terms to be determined. These loans have been extended with a new maturity date of May 2026.

NOTE 11. DARIEN LAKE PROJECT

In consideration of significant economic incentives and community support provided by Genesee County to the owners/operators of Darien Lake theme park, in February 2008, Darien Lake committed to funding a Community Benefit Agreement (“CBA”) totaling \$1,832,000 over twenty years to the GGLDC in support of infrastructure development and deployment for the public benefit. The CBA commenced October 1, 2008. A \$93,000 payment was received in 2019. Payments of \$93,000 will be received annually from 2020 through 2027.

NOTE 12. EQUITY INVESTMENT

The GGLDC owns 100% interest in the GAB, LLC. The GGLDC’s equity investment in the GAB, LLC as of December 31, 2019 is as follows:

Balance at the beginning of year	\$ 3,220,240
Net contributions	<u>-</u>
Total equity investment at end of year	<u>\$ 3,220,240</u>

SUPPLEMENTARY INFORMATION

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF NET POSITION
December 31, 2019

	Genesee Gateway Local Development Corporation	Genesee Agri- Business LLC	Eliminations	Total
ASSETS:				
Current assets:				
Cash & cash equivalents	\$ 2,396,325	\$ 267,251	\$ -	\$ 2,663,576
Accounts receivable	69	-	-	69
Grants receivable	4,646	-	-	4,646
Prepaid items	872	-	-	872
Loans receivable - current portion	358,874	-	-	358,874
Total current assets	<u>2,760,786</u>	<u>267,251</u>	<u>-</u>	<u>3,028,037</u>
Noncurrent assets:				
Loans receivable- noncurrent portion (net of \$202,125 allowance for bad debts)	847,445	-	-	847,445
Land held for development & sale	3,489,854	3,121,511	-	6,611,365
Capital assets, net	5,485,476	-	-	5,485,476
Equity investment in GAB, LLC	3,220,240	-	(3,220,240)	-
Total noncurrent assets	<u>13,043,015</u>	<u>3,121,511</u>	<u>(3,220,240)</u>	<u>12,944,286</u>
Total assets	<u>15,803,801</u>	<u>3,388,762</u>	<u>(3,220,240)</u>	<u>15,972,323</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	16,915	3,220	-	20,135
Security deposits payable	108,680	-	-	108,680
Unearned revenue	44,457	1,200	-	45,657
Bond payable - current portion	115,205	-	-	115,205
Loan payable - current portion	76,749	-	-	76,749
Total current liabilities	<u>362,006</u>	<u>4,420</u>	<u>-</u>	<u>366,426</u>
Noncurrent liabilities:				
Bond payable - noncurrent portion	2,850,337	-	-	2,850,337
Loan payable - noncurrent portion	2,341,460	-	-	2,341,460
Total noncurrent liabilities	<u>5,191,797</u>	<u>-</u>	<u>-</u>	<u>5,191,797</u>
Total liabilities	<u>5,553,803</u>	<u>4,420</u>	<u>-</u>	<u>5,558,223</u>
NET POSITION:				
Net investment in capital assets	101,725	-	-	101,725
Restricted	934,626	-	-	934,626
Unrestricted	9,213,647	3,384,342	(3,220,240)	9,377,749
Total net position	<u>\$ 10,249,998</u>	<u>\$ 3,384,342</u>	<u>\$ (3,220,240)</u>	<u>\$ 10,414,100</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2019**

	Genesee Gateway Local Development Corporation	Genesee Agri- Business LLC	Eliminations	Total
OPERATING REVENUES:				
Fees	\$ 9,981	\$ 5,000	\$ -	\$ 14,981
Grant income	812,775	-	-	812,775
Interest income on loans	29,710	-	-	29,710
Miscellaneous income	1,617	-	-	1,617
Rent	680,653	-	-	680,653
Gain on sale of land held for development & sale	43,921	-	-	43,921
Total operating revenues	<u>1,578,657</u>	<u>5,000</u>	<u>-</u>	<u>1,583,657</u>
OPERATING EXPENSES:				
Depreciation	199,669	-	-	199,669
Fees & permits	450	25	-	475
Grant expense	300,000	-	-	300,000
Insurance	23,720	-	-	23,720
Miscellaneous	9,460	46	-	9,506
Professional fees	139,467	3,220	-	142,687
Site maintenance	56,107	-	-	56,107
Site development	2,289	-	-	2,289
Special district fees	9,583	11,324	-	20,907
Supplies	1,032	-	-	1,032
Telecommunications	1,379	-	-	1,379
Utilities	16,791	-	-	16,791
Total operating expenses	<u>759,947</u>	<u>14,615</u>	<u>-</u>	<u>774,562</u>
Net operating income (loss)	<u>818,710</u>	<u>(9,615)</u>	<u>-</u>	<u>809,095</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(264,732)	-	-	(264,732)
Other interest income	23,067	1,039	-	24,106
Total non-operating revenues (expenses)	<u>(241,665)</u>	<u>1,039</u>	<u>-</u>	<u>(240,626)</u>
Change in net position	577,045	(8,576)	-	568,469
Net position - beginning	<u>9,672,953</u>	<u>3,392,918</u>	<u>(3,220,240)</u>	<u>9,845,631</u>
Net position - ending	<u>\$ 10,249,998</u>	<u>\$ 3,384,342</u>	<u>\$ (3,220,240)</u>	<u>\$ 10,414,100</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION
 December 31, 2019

	Operating Fund	Gateway II Fund	Buffalo East Fund	Ag Park Fund	Med Tech Park Fund	WNY STAMP Fund	Med Tech Centre Fund	Economic Development Loan Fund	Batavia Micropolitan Area Redevelopment Loan Fund	Total
ASSETS:										
Current assets:										
Cash & cash equivalents	\$ 430,767	\$ -	\$ 647,223	\$ -	\$ -	\$ -	\$ 578,016	\$ 378,701	\$ 361,618	\$ 2,396,325
Accounts receivable	69	-	-	-	-	-	-	-	-	69
Grants receivable	4,646	-	-	-	-	-	-	-	-	4,646
Prepaid items	872	-	-	-	-	-	-	-	-	872
Due to/from other funds	14,883	-	(130,237)	187,102	-	(71,748)	-	-	-	-
Loans receivable - current portion	254,503	-	-	-	-	-	-	77,416	26,955	358,874
Total current assets	<u>705,740</u>	<u>-</u>	<u>516,986</u>	<u>187,102</u>	<u>-</u>	<u>(71,748)</u>	<u>578,016</u>	<u>456,117</u>	<u>388,573</u>	<u>2,760,786</u>
Noncurrent assets:										
Loans receivable - noncurrent portion (net of \$202,125 allowance for bad debts)	389,828	-	-	-	-	-	-	318,857	138,760	847,445
Land held for development & sale	-	1,125,517	1,664,290	4,050	214,166	161,281	320,550	-	-	3,489,854
Furniture & equipment	-	-	-	3,742	-	-	39,858	-	-	43,600
Buildings & improvements	-	-	-	-	-	-	7,202,120	-	-	7,202,120
Less: accumulated depreciation	-	-	-	(535)	-	-	(1,759,709)	-	-	(1,760,244)
Equity investment in GAB, LLC	-	-	-	3,220,240	-	-	-	-	-	3,220,240
Total noncurrent assets	<u>389,828</u>	<u>1,125,517</u>	<u>1,664,290</u>	<u>3,227,497</u>	<u>214,166</u>	<u>161,281</u>	<u>5,802,819</u>	<u>318,857</u>	<u>138,760</u>	<u>13,043,015</u>
Total assets	<u>1,095,568</u>	<u>1,125,517</u>	<u>2,181,276</u>	<u>3,414,599</u>	<u>214,166</u>	<u>89,533</u>	<u>6,380,835</u>	<u>774,974</u>	<u>527,333</u>	<u>15,803,801</u>
LIABILITIES:										
Current liabilities:										
Accounts payable	10,031	-	1,015	-	5,148	-	721	-	-	16,915
Security deposits payable	-	-	-	-	-	-	108,680	-	-	108,680
Unearned revenue	2,795	2,226	-	-	-	-	39,436	-	-	44,457
Bond payable - current portion	-	-	-	-	-	-	115,205	-	-	115,205
Loan payable - current portion	-	-	-	-	-	-	76,749	-	-	76,749
Total current liabilities	<u>12,826</u>	<u>2,226</u>	<u>1,015</u>	<u>-</u>	<u>5,148</u>	<u>-</u>	<u>340,791</u>	<u>-</u>	<u>-</u>	<u>362,006</u>
Noncurrent Liabilities										
Bond payable - noncurrent portion	-	-	-	-	-	-	2,850,337	-	-	2,850,337
Loan payable - noncurrent portion	-	-	-	-	-	-	2,341,460	-	-	2,341,460
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,191,797</u>	<u>-</u>	<u>-</u>	<u>5,191,797</u>
Total liabilities	<u>12,826</u>	<u>2,226</u>	<u>1,015</u>	<u>-</u>	<u>5,148</u>	<u>-</u>	<u>5,532,588</u>	<u>-</u>	<u>-</u>	<u>5,553,803</u>
NET POSITION:										
Net investment in capital assets	-	-	-	3,207	-	-	98,518	-	-	101,725
Restricted	-	-	647,223	-	-	-	287,403	-	-	934,626
Unrestricted	1,082,742	1,123,291	1,533,038	3,411,392	209,018	89,533	462,326	774,974	527,333	9,213,647
Total net position	<u>\$ 1,082,742</u>	<u>\$ 1,123,291</u>	<u>\$ 2,180,261</u>	<u>\$ 3,414,599</u>	<u>\$ 209,018</u>	<u>\$ 89,533</u>	<u>\$ 848,247</u>	<u>\$ 774,974</u>	<u>\$ 527,333</u>	<u>\$ 10,249,998</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Year Ended December 31, 2019

	Operating Fund	Gateway II Fund	Buffalo East Fund	Ag Park Fund	Med Tech Park Fund	WNY STAMP Fund	Med Tech Centre Fund	Economic Development Loan Fund	Batavia Metropolitan Area Redevelopment Loan Fund	Total
OPERATING REVENUES:										
Fees	\$ 9,481	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,981
Grant income	275,586	-	93,000	205,125	-	-	5,300	233,764	-	812,775
Interest income on loans	10,977	-	-	-	-	-	-	12,771	5,962	29,710
Miscellaneous income	69	-	-	-	-	-	1,528	20	-	1,617
Rent	-	2,800	-	4,690	2,470	-	670,693	-	-	680,653
Gain on sale of land held for development & sale	-	43,921	-	-	-	-	-	-	-	43,921
Total operating revenues	<u>296,113</u>	<u>46,721</u>	<u>93,500</u>	<u>209,815</u>	<u>2,470</u>	<u>-</u>	<u>677,521</u>	<u>246,555</u>	<u>5,962</u>	<u>1,578,657</u>
OPERATING EXPENSES:										
Depreciation	-	-	-	535	-	-	199,134	-	-	199,669
Fees & permits	-	200	250	-	-	-	-	-	-	450
Grant expense	300,000	-	-	-	-	-	-	-	-	300,000
Insurance	5,230	573	748	1,851	-	114	15,204	-	-	23,720
Miscellaneous	9,319	-	141	-	-	-	-	-	-	9,460
Professional fees	52,921	-	1,015	-	5,148	-	80,383	-	-	139,467
Site maintenance	-	4,119	1,000	4,954	2,591	-	43,443	-	-	56,107
Site development	-	2,289	-	-	-	-	-	-	-	2,289
Special district fees	-	590	1,243	-	817	146	6,787	-	-	9,583
Supplies	-	-	-	-	-	-	1,032	-	-	1,032
Telecommunications	-	-	-	-	-	-	1,379	-	-	1,379
Utilities	-	-	-	-	-	-	16,791	-	-	16,791
Total operating expenses	<u>367,470</u>	<u>7,771</u>	<u>4,397</u>	<u>7,340</u>	<u>8,556</u>	<u>260</u>	<u>364,153</u>	<u>-</u>	<u>-</u>	<u>759,947</u>
Net operating income (loss)	(71,357)	38,950	89,103	202,475	(6,086)	(260)	313,368	246,555	5,962	818,710
NON-OPERATING REVENUES (EXPENSES):										
Interfund revenue	124,401	7,166	3,132	8,904	3,408	260	-	-	-	147,271
Interfund expenditure	(22,729)	(115,460)	(1,922)	(4,690)	(2,470)	-	-	-	-	(147,271)
Interest expense	-	-	-	(10,353)	-	-	(254,379)	-	-	(264,732)
Other interest income	5,187	-	5,613	-	-	-	5,627	3,286	3,354	23,067
Total non-operating revenues (expenses)	<u>106,859</u>	<u>(108,294)</u>	<u>6,823</u>	<u>(6,139)</u>	<u>938</u>	<u>260</u>	<u>(248,752)</u>	<u>3,286</u>	<u>3,354</u>	<u>(241,665)</u>
Change in net position	35,502	(69,344)	95,926	196,336	(5,148)	-	64,616	249,841	9,316	577,045
Net position - beginning	<u>1,047,240</u>	<u>1,192,635</u>	<u>2,084,335</u>	<u>3,218,263</u>	<u>214,166</u>	<u>89,533</u>	<u>783,631</u>	<u>525,133</u>	<u>518,017</u>	<u>9,672,953</u>
Net position - ending	<u>\$ 1,082,742</u>	<u>\$ 1,123,291</u>	<u>\$ 2,180,261</u>	<u>\$ 3,414,599</u>	<u>\$ 209,018</u>	<u>\$ 89,533</u>	<u>\$ 848,247</u>	<u>\$ 774,974</u>	<u>\$ 527,333</u>	<u>\$ 10,249,998</u>

INTERNAL CONTROL AND COMPLIANCE

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

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
Genesee Gateway Local Development Corporation
Batavia, New York

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 consolidated financial statements of Genesee Gateway Local Development Corporation ("GGLDC") and its wholly owned subsidiary, Genesee Agri-Business, LLC ("GAB, LLC") as of and for the year ended December 31, 2019, and the related notes to the consolidated financial statements, which collectively comprise GGLDC's basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered GGLDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of GGLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of GGLDC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GGLDC's consolidated 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 consolidated 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 GGLDC'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.

A handwritten signature in black ink that reads "Mistert, Manzanero & Scott, LLP". The signature is written in a cursive style and is positioned on a light blue rectangular background.

Oneonta, New York
March 26, 2020

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmsepas.com



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES**

To the Board of Directors
Genesee Gateway Local Development Corporation
Batavia, New York

We have examined the Genesee Gateway Local Development Corporation's (GGLDC) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the year ended December 31, 2019. Management of GGLDC is responsible for the GGLDC's compliance with the specified requirements. Our responsibility is to express an opinion on GGLDC's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether GGLDC complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether GGLDC complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of GGLDC's compliance with specified requirements.

In our opinion, GGLDC complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2019.

This report is intended solely for the information and use of the Board of Directors, management and others within GGLDC and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
March 26, 2020

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners