



**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT**

To the Board of Directors
Development Chenango Corporation
Norwich, New York

We have audited the financial statements of Development Chenango Corporation (the Corporation), a component unit of the County of Chenango, New York, for the year ended December 31, 2020, and issued our report thereon dated March 26, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 29, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. There were no changes to the accounting policies of the Corporation in 2020. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures.

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 26, 2021.

Management Consultations With Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 26, 2021

DEVELOPMENT CHENANGO CORPORATION

FINANCIAL REPORT

**For the Years Ended
December 31, 2020 and 2019**



DEVELOPMENT CHENANGO CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Development Chenango Corporation
Norwich, New York

Report on Financial Statements

We have audited the accompanying financial statements of Development Chenango Corporation (the Corporation), a nonprofit corporation, a component unit of the County of Chenango, New York, which comprise the Statement of Financial Position as of December 31, 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Chenango Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of the Development Chenango Corporation as of December 31, 2019 and for the year then ended were audited by other auditors whose report dated March 23, 2020 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021 on our consideration of the Development Chenango 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 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 the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 26, 2021

DEVELOPMENT CHENANGO CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents - Unrestricted	\$ 582,773	\$ 438,404
Cash and Cash Equivalents - Restricted	<u>3,129</u>	<u>8,994</u>
Total Cash and Cash Equivalents	585,902	447,398
Accounts Receivable	6,475	8,295
Current Portion of Loans Receivable	177,314	148,042
Prepaid Expenses	<u>2,302</u>	<u>1,297</u>
Total Current Assets	<u>771,993</u>	<u>605,032</u>
Non-Current Assets		
Other Assets:		
Investments in Marketable Securities	1,950,450	2,070,581
Loans Receivable, Net	<u>479,359</u>	<u>383,732</u>
Total Other Assets	<u>2,429,809</u>	<u>2,454,313</u>
Fixed Assets:		
Office Equipment	7,079	7,079
Leasehold Improvements	116,072	116,072
Land and Buildings, Net	509,464	509,464
Less: Accumulated Depreciation	<u>(110,428)</u>	<u>(94,790)</u>
Total Fixed Assets, Net	<u>522,187</u>	<u>537,825</u>
Total Non-Current Assets	<u>2,951,996</u>	<u>2,992,138</u>
Total Assets	<u>\$ 3,723,989</u>	<u>\$ 3,597,170</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 1,527	\$ 3,335
Accrued Liabilities	4,629	10,494
Mortgage Payable, Current Portion	<u>10,644</u>	<u>10,442</u>
Total Current Liabilities	16,800	24,271
Long-Term Liabilities		
Mortgage Payable, Net of Current Portion	<u>161,800</u>	<u>165,374</u>
Total Liabilities	178,600	189,645
Net Assets		
Without Donor Restrictions	<u>3,545,389</u>	<u>3,407,525</u>
Total Net Assets	<u>3,545,389</u>	<u>3,407,525</u>
Total Liabilities and Net Assets	<u>\$ 3,723,989</u>	<u>\$ 3,597,170</u>

See Notes to Financial Statements

DEVELOPMENT CHENANGO CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>
Program, Revenues, Gains, and Other Support		
Contributions From:		
Local Governments	\$ 189,000	\$ 187,200
Businesses and General Public	-	1,500
Interest and Fees Earned on Loan Portfolio	33,839	24,323
Investment Earnings	158,869	226,883
Rental Income	14,000	18,000
Other	3,321	-
Total Program, Revenues, Gains, and Other Support	<u>399,029</u>	<u>457,906</u>
Functional Expenses		
Program Services:		
Economic Development	121,643	223,199
Business Grants	10,385	9,768
Loan Portfolio	27,369	23,464
Total Program Services	<u>159,397</u>	<u>256,431</u>
Supporting Services:		
Management and General	<u>101,768</u>	<u>100,562</u>
Total Operating Expenses	<u>261,165</u>	<u>356,993</u>
Changes in Net Assets	137,864	100,913
Net Assets, January 1,	<u>3,407,525</u>	<u>3,306,612</u>
Net Assets, December 31,	<u>\$ 3,545,389</u>	<u>\$ 3,407,525</u>

See Notes to Financial Statements

DEVELOPMENT CHENANGO CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Total Programs	Supporting Services	Total
	Economic Development	Business Grants	Loan Portfolio		Management and General	
Management Fees	\$ 51,200	\$ 7,313	\$ 7,313	\$ 65,826	\$ 80,455	\$ 146,281
Special Projects	2,375			2,375		2,375
Program Recipient and Administration	9,638			9,638		9,638
Professional Fees	13,342	1,866	13,789	28,997	8,788	37,785
Advertising	9,992			9,992		9,992
Office Expenses	1,781	255	255	2,290	2,797	5,087
Occupancy Expenses	6,012		6,012	12,025	5,157	17,182
Interest Expenses	3,787			3,787		3,787
Rental Property Expenses	8,086			8,086		8,086
Travel and Training	1,713	951		2,664	1,142	3,806
Insurance	981			981	527	1,508
Bad Debts						-
	<u>108,907</u>	<u>10,385</u>	<u>27,369</u>	<u>146,661</u>	<u>98,866</u>	<u>245,527</u>
Depreciation	<u>12,736</u>			<u>12,736</u>	<u>2,902</u>	<u>15,638</u>
Total Expenses	<u>\$ 121,643</u>	<u>\$ 10,385</u>	<u>\$ 27,369</u>	<u>\$ 159,397</u>	<u>\$ 101,768</u>	<u>\$ 261,165</u>

See Notes to Financial Statements

DEVELOPMENT CHENANGO CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Total Programs	Supporting Services	Total
	Economic Development	Business Grants	Loan Portfolio		Management and General	
Management Fees	\$ 50,660	\$ 7,236	\$ 7,236	\$ 65,132	\$ 79,607	\$ 144,739
Special Projects	106,943			106,943		106,943
Program Recipient and Administration	8,439			8,439		8,439
Professional Fees	9,717	1,359	10,042	21,118	6,400	27,518
Advertising	8,852			8,852		8,852
Office Expenses	2,949	422	422	3,793	4,632	8,425
Occupancy Expenses	5,764		5,764	11,528	4,944	16,472
Interest Expenses	1,835			1,835		1,835
Rental Property Expenses	11,768			11,768		11,768
Travel and Training	1,353	751		2,104	902	3,006
Insurance	2,182			2,182	1,175	3,357
Bad Debt				-		-
	<u>210,462</u>	<u>9,768</u>	<u>23,464</u>	<u>243,694</u>	<u>97,660</u>	<u>341,354</u>
Depreciation	<u>12,737</u>			<u>12,737</u>	<u>2,902</u>	<u>15,639</u>
Total Expenses	<u>\$ 223,199</u>	<u>\$ 9,768</u>	<u>\$ 23,464</u>	<u>\$ 256,431</u>	<u>\$ 100,562</u>	<u>\$ 356,993</u>

See Notes to Financial Statements

DEVELOPMENT CHENANGO CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 137,864	\$ 100,913
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	15,638	15,639
Net Realized Gain on Sale of Investments	(10,720)	(33,947)
Net Unrealized (Gain) Loss on Investment Transactions	(123,469)	(156,854)
(Increase) Decrease in Accounts Receivable	1,820	3,403
(Increase) Decrease in Prepaid Expenses	(1,005)	808
(Increase) Decrease Loans Receivable	(124,899)	176,236
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(7,673)	(1,709)
Net Cash Provided (Used) by Operating Activities	<u>(112,444)</u>	<u>104,489</u>
Cash Flows From Investing Activities		
Proceeds from Sales of Investments	642,032	460,252
Purchases of Investments	(387,712)	(396,335)
Net Cash Provided (Used) by Investing Activities	<u>254,320</u>	<u>63,917</u>
Cash Flows From Financing Activities		
Repayments of Mortgage	(3,372)	(10,434)
Net Cash Provided (Used) by Financing Activities	<u>(3,372)</u>	<u>(10,434)</u>
Net Increase (Decrease) in Cash	138,504	157,972
Cash, Restricted Cash, and Cash Equivalents, January 1,	<u>447,398</u>	<u>289,426</u>
Cash, Restricted Cash, and Cash Equivalents, December 31,	<u><u>\$ 585,902</u></u>	<u><u>\$ 447,398</u></u>

See Notes to Financial Statements

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

***Note 1* Summary of Significant Accounting Policies**

Nature of Activities

Development Chenango Corporation (the Corporation) is a local development corporation of the State of New York as defined in §1411 and §201 of the Not-for-Profit Corporation Law. The Corporation was established in 1966.

The Corporation focuses on the retention and creation of jobs in the county through business growth by providing start-up assistance, business planning and technical assistance, access to low-interest financing, assistance navigating government programs and funding sources.

Accounting Method

The financial statements of the Corporation have been prepared on the accrual basis.

Financial Reporting Entity

The Corporation was established in 1966 and is governed by its Articles of Incorporation, bylaws, and general laws of New York State. The Corporation is a blended component unit of Chenango County's basic financial statements because the County is the sole corporate member of the Corporation. The Corporation's Board of Directors is comprised of individuals appointed by county management.

Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Corporation to report information regarding its financial position and activities according to the following net asset classification.

- **Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Corporation's management and the Board of Directors. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

- **Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

At December 31, 2020 and 2019, the Corporation did not have any net assets with donor restrictions.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Loans Receivable

The Corporation accounts for loans receivable and the related interest income under the accrual method of accounting. Loans receivable are carried at unpaid principal balances, less an allowance for loan losses and net of any deferred loan fees. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectable due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

When management believes, considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful, the interest accrual is removed. Any uncollected interest if previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Loan fees are recognized as income when received. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets. The Corporation capitalizes all assets, excluding land, greater than \$500 and with useful lives greater than one year.

Related Party

The Corporation is related through common management and Board of Directors membership with the Chenango County Industrial Development Agency (IDA), which also promotes economic development in the County. The Corporation is related through common management with Commerce Chenango, Inc.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Income Taxes

The Corporation is recognized as exempt from federal taxation under §501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Natural and Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis which is consistently applied. The expenses allocated include project costs and professional fees, both of which are allocated on the basis of estimates of time and effort, or other reasonable bases.

Evaluation of Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 26, 2021, the date on which the financial statements were available to be issued.

Reclassification

Certain amounts presented for the year ended December 31, 2019 have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the December 31, 2019 ending net assets.

***Note 2* Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits**

The Corporation maintains cash balances and certificates of deposit at one financial institution. From time to time, the Corporation may have bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. The FDIC insures total accounts at each institution for up to \$250,000 for each account ownership category.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 3 **Liquidity and Availability of Resources**

The Corporation's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Years Ended December 31,		
Cash and Equivalents	\$ 585,902	\$ 447,398
Accounts Receivable	6,475	8,295
Loans Receivable	656,673	531,774
Investments	<u>1,950,450</u>	<u>2,070,581</u>
Total Financial Assets		
Available Within One Year	<u>3,199,500</u>	<u>3,058,048</u>
Less: Amounts Unavailable Within One Year:		
Cash Restricted for Escrow	(3,129)	(8,994)
Noncurrent Loans Receivable	(479,359)	(383,732)
Net Assets Designated for Future Loans	<u>(975,225)</u>	<u>(1,034,928)</u>
Total Amounts Unavailable Within One Year	<u>(1,457,713)</u>	<u>(1,427,654)</u>
Total Financial Assets Available To		
Management Within One Year	<u>\$ 1,741,787</u>	<u>\$ 1,630,394</u>

The Corporation manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

Note 4 **Investments**

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures," established a framework for measuring fair value. That framework established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 4 Investments - Continued

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs derived principally from or corroborated observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Corporation does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

The Corporation had the following investments at December 31,:

	2020			
	Level 1	Level 2	Level 3	Total
Investments in Marketable Securities	\$ 1,873,397	\$ 77,053	\$	\$ 1,950,450
Loans Receivables, Net			656,673	656,673
Total	\$ 1,873,397	\$ 77,053	\$ 656,673	\$ 2,607,123

	2019			
	Level 1	Level 2	Level 3	Total
Investments in Marketable Securities	\$ 1,970,189	\$ 100,392	\$	\$ 2,070,581
Loans Receivables, Net			531,774	531,774
Total	\$ 1,970,189	\$ 100,392	\$ 531,774	\$ 2,602,355

Investments in marketable securities are valued at readily determinable fair values and all investments in debt securities are reported at their values in the Statement of Financial Position. Unrealized gains and losses are included in the Change in Net Assets.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 4 Investments - Continued

Investments in Marketable Securities are summarized below as of December 31,:

	2020		
	Market	Cost	Unrealized Gain (Loss)
Money Funds	\$ 83,332	\$ 83,332	\$
Equity Mutual Funds	749,892	581,159	168,733
Real Asset Funds	77,053	68,126	8,927
Fixed Income Mutual Funds	1,040,173	999,923	40,250
Total	\$ 1,950,450	\$ 1,732,540	\$ 217,910
	2019		
	Market	Cost	Unrealized Gain (Loss)
Money Funds	\$ 66,860	\$ 66,860	\$
Equity Mutual Funds	655,151	590,571	64,580
Real Asset Funds	100,392	87,863	12,529
Fixed Income Mutual Funds	1,248,178	1,230,846	17,332
Total	\$ 2,070,581	\$ 1,976,140	\$ 94,441

Investment return is as follows:

	2020	2019
Interest and Dividends	\$ 35,546	\$ 47,519
Realized Gains (Losses)	10,720	33,947
Unrealized Gains (Losses)	123,469	156,854
Investment Fees	(10,866)	(11,437)
Total	\$ 158,869	\$ 226,883

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 5 Loans Receivable

Loans receivable, net of allowance, is summarized as follows:

	2020	2019
Business Assistance Loan Fund	\$ 201,968	\$ 347,713
Dairy Revolving Loan Fund	424,870	185,544
Micro Enterprise Fund	27,869	27,869
COVID-19 Loan Fund	26,250	
	680,957	561,126
Less: Allowance for Estimated Losses	(24,284)	(29,352)
Total	\$ 656,673	\$ 531,774

Note 6 Property and Equipment

The Corporation's property and equipment consisted of the following at December 31,:

2020			
Asset	Cost	Accumulated Depreciation	Book Value
Buildings and Land	\$ 509,464	\$ (70,299)	\$ 439,165
Leasehold Improvements	116,072	(33,050)	83,022
Equipment and Furniture	7,079	(7,079)	
Total	\$ 632,615	\$ (110,428)	\$ 522,187
2019			
Asset	Cost	Accumulated Depreciation	Book Value
Buildings and Land	\$ 509,464	\$ (67,397)	\$ 442,067
Leasehold Improvements	116,072	(20,314)	95,758
Equipment and Furniture	7,079	(7,079)	
Total	\$ 632,615	\$ (94,790)	\$ 537,825

Depreciation expense amounted to \$15,639 for each of the years ended December 31, 2020 and 2019.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 7 **Mortgage Payable**

On July 1, 2014, DCC obtained a \$200,000 construction mortgage loan from a nonprofit organization that administers funds from a governmental agency. The proceeds of the loan were used to finance the construction and renovation of 17-19 South Broad Street, which is the security for the loan. The loan is for 20 years at an interest rate of 1%. There are no payments required for the first 12 months of the loan. The first twelve payments were interest only, beginning August 2016. The regular payments began in August 2017 in the amount of \$1,022. The final payment is in July 2035. Based on the market rates for similar loans, the fair value of the note approximates the carrying value.

	<u>2020</u>	<u>2019</u>
Mortgage Payable	\$ 172,444	\$ 175,816
Less: Current Portion	<u>(10,644)</u>	<u>(10,442)</u>
Total	<u>\$ 161,800</u>	<u>\$ 165,374</u>

The following is a schedule of future principal and interest mortgage payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 10,644	\$ 1,624	\$ 12,268
2022	10,751	1,517	12,268
2023	10,859	1,409	12,268
2024	10,968	1,300	12,268
2025	11,079	1,190	12,269
2026-2030	57,084	4,258	61,342
2031-2035	<u>61,059</u>	<u>1,337</u>	<u>62,396</u>
Total Mortgage Payable	<u>\$ 172,444</u>	<u>\$ 12,635</u>	<u>\$ 185,079</u>

DEVELOPMENT CHENANGO CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

***Note 8* Related Party Transactions**

Several transactions have occurred between DCC and certain governing board members, a board member's business, or another business in which a board member is a director or employee. The transactions can be summarized as follows:

Certain governing board members of DCC are governing board members and/or employees of the financial institution that DCC maintains its cash accounts and investments. At December 31, 2020, and 2019, DCC paid investment fees to the financial institution in the amount of \$10,866 and \$11,437, respectively.

Certain governing board members of DCC are employees of Chenango County and/or members of the Chenango County Board of Supervisors. In 2020 and 2019, DCC received direct funding from Chenango County in the amount of \$114,000 and \$112,200, respectively.

The president of Commerce Chenango, Inc. is also the Executive Director and a board member of DCC. In 2020 and 2019, DCC paid Commerce Chenango for management fees in the amount of \$146,281 and \$144,739, respectively.

***Note 9* Economic Uncertainty - COVID-19**

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the area in which the Corporation exists. While it is unknown how long these conditions will last and what the complete financial effect will be, the Corporation expects disruptions to businesses and residents, which could negatively impact operating results in future periods.

**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
Development Chenango Corporation
Norwich, 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 financial statements of Development Chenango Corporation (the Corporation), which comprise the Statement of Financial Position as of December 31, 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 26, 2021



MANAGEMENT COMMENT LETTER

Board of Directors
Development Chenango Corporation
Norwich, New York

In planning and performing our audit of the financial statements of the Development Chenango Corporation (the Corporation), a component unit of the County of Chenango, New York, as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing auditing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

We would like to thank you and your staff for their cooperation and support given to us during the course of the audit. We appreciate the opportunity to be of service to you and look forward to our continued involvement.

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

Respectfully submitted,

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 26, 2021

INSERO & Co. CPAs, LLP

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