

**OPERATION OSWEGO COUNTY, INC.
AND
OPERATION OSWEGO COUNTY FOUNDATION, INC.**

FINANCIAL STATEMENTS

December 31, 2022 and 2021



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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Oswego County, Inc. and Operation Oswego County Foundation, Inc.
Oswego, New York

Report on the Financial Statements

Opinion

We have audited the financial statements of Operation Oswego County, Inc. and Operation Oswego County Foundation, Inc. (the Organizations), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of support and revenue, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organizations' financial statements. The Schedules of Supplementary Information (Statements of Functional Expenses, Consolidating Statements of Net Position and Consolidating Statements of Support and Revenue, Expenses and Changes in Net Position on pages 19-24) are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedules of Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 Schedules of Supplementary Information are 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 20, 2023, on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organizations' internal control over financial reporting and compliance.



Syracuse, New York
March 20, 2023

**OPERATION OSWEGO COUNTY, INC. AND
OPERATION OSWEGO COUNTY FOUNDATION, INC.**

Management's Discussion and Analysis (unaudited)

As management of the Operation Oswego County, Inc. (OOC) and the Operation Oswego County Foundation, Inc. (the "Foundation") (the "Organizations"), we offer readers of the Organizations' financial statements this narrative overview and analysis of the financial activities of the Organizations for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

OOC is a local authority as defined by the New York State Public Authorities Law (PAL). As such, OOC is subject to the reporting requirements contained in the PAL and the Public Authorities Reporting Information System. The Foundation is a not-for-profit organization with a primary mission of assisting and supporting OOC. The financial statements of the two affiliated organizations are consolidated and transactions between the two Organizations have been eliminated.

FINANCIAL HIGHLIGHTS

- The Organizations' assets exceeded its liabilities by \$3,812,031 (net position) for the fiscal year reported. This represents a decrease in assets in excess of liabilities of \$198,189, a 4.94% decrease.
- Total liabilities and deferred outflows of resources of the Organizations decreased by \$171,489 to \$1,090,987 during the fiscal year, a decrease of 13.6% primarily from the repayment of debt obligations.
- The Organizations' long-term debt, which is primarily associated with the development of buildings, industrial parks and assistance to business, decreased by \$301,308 to \$789,869, net of related allowance. This represents a decrease of 27.6% from the prior fiscal year.
- Operating Expenses exceeded Support and Revenues by \$198,189 and generated a decrease in net position of \$198,189.
- Rental revenue was \$159,043 for the fiscal year, representing 15.1% of the Organizations' revenue, a reduction from the previous fiscal year of \$5,295.
- In December 2022, OOC sold 17 acres of land from the Town of Schroepfel Industrial Park for \$177,000. OOC recognized on gain of approximately \$750 on the sale.
- In December 2022, OOC entered into a severance agreement approximating \$170,900 for severance pay to a retiring employee. The costs are accrued at December 31, 2022 and expected to be paid out during 2023 and 2024. In addition, in 2023 OOC received funding of approximately 50% of these costs and other succession related costs through a cost-sharing agreement with the County of Oswego Industrial Development Agency. At December 31, 2022, OOC recognized a receivable and associated reimbursement of expenses of approximately \$103,000.

**OPERATION OSWEGO COUNTY, INC. AND
OPERATION OSWEGO COUNTY FOUNDATION, INC.**

Management's Discussion and Analysis (unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Organizations' financial statements. The Organizations' financial statements are comprised of fund financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Organizations' finances, in a manner similar to a private-sector business. The statements of net position presents information on all of the Organizations' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organizations are improving or deteriorating.

The statements of support and revenue, expenses and changes in net position present information showing how the Organizations' net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Both of the government-wide financial statements report only business-type (proprietary) activities, since none of the Organizations' activities are considered to be governmental activities supported primarily by County grants and contracts.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 11 through 18 of this report.

Other information – In addition to the financial statements and accompanying notes, this report also includes certain supplemental information, which includes information concerning the allocation of expenses on a functional basis, consolidation of assets, liabilities and net position and the consolidation of revenue and expenses. This supplementary information can be found on pages 19 through 24 of this report.

**OPERATION OSWEGO COUNTY, INC. AND
OPERATION OSWEGO COUNTY FOUNDATION, INC.**

Management's Discussion and Analysis (unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Organizations' financial position. In the case of the Organizations, assets exceeded liabilities by \$3,812,031 and \$4,010,220 as of December 31, 2022 and 2021, respectively. This net position balance primarily represents cash and cash equivalents of \$1,299,824 and \$1,258,012, respectively, which may be used by the Organizations for future economic development needs as more fully described in the Organizations' mission statements. The Organizations' only fund is treated as a proprietary (business-type) fund. The following are summarized versions of the government-wide financial statements for the 2022 and 2021 fiscal years:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Net Position | | |
| Cash and cash equivalents | \$ 1,299,824 | \$ 1,258,012 |
| Accounts receivable and prepaid expenses | 216,825 | 10,102 |
| Deposit in loan fund | 44,305 | 44,305 |
| Loans receivable, net | 967,287 | 1,421,429 |
| Capital assets, net | 613,101 | 623,182 |
| Land for development | 1,740,137 | 1,915,666 |
| Deferred outflow of resources | 21,539 | - |
| Total assets | \$ 4,903,018 | \$ 5,272,696 |
| Accounts payable accrued expenses | \$ 244,484 | \$ 113,268 |
| Security deposits | 700 | 635 |
| Debt obligations, net | 789,869 | 1,091,177 |
| Total liabilities | 1,035,053 | 1,205,080 |
| Deferred inflow of resources | 55,934 | 57,396 |
| Net position | \$ 3,812,031 | \$ 4,010,220 |
| Change in Net Position | | |
| | 2022 | 2021 |
| Support and revenue: | | |
| Local governments | \$ 778,100 | \$ 822,108 |
| State and other grants | 21,264 | 11,264 |
| Rental revenue | 159,043 | 164,338 |
| Service charges- loans | 35,512 | 59,716 |
| Interest income | 22,364 | 34,049 |
| Event income | 27,501 | 25,181 |
| Sponsorship income | 2,000 | 43,000 |
| Paycheck protection loan forgiveness | - | 126,698 |
| Miscellaneous | 5,758 | 2,090 |
| Total support and revenue | 1,051,542 | 1,288,444 |
| Operating expenses: | | |
| Program expenses | 1,062,244 | 989,284 |
| Rental depreciation expense | 52,534 | 61,738 |
| Management and general | 126,397 | 104,501 |
| Management and general depreciation expense | 8,556 | 7,799 |
| Total operating expenses | 1,249,731 | 1,163,322 |
| Change in net position | (198,189) | 125,122 |
| Net position at beginning of year | 4,010,220 | 3,885,098 |
| Net position at end of year | \$ 3,812,031 | \$ 4,010,220 |

**OPERATION OSWEGO COUNTY, INC. &
OPERATION OSWEGO COUNTY FOUNDATION, INC.**

Management's Discussion and Analysis (unaudited)

REQUEST FOR INFORMATION

This financial report is designed to provide readers with a general overview of the Organizations' finances. If you have questions about this report or need additional information, contact the Organizations' boards at 44 West Bridge Street, Oswego, NY 13126.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Statements of Net Position

| | December 31, | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets: | | |
| Cash and cash equivalents | \$ 1,299,824 | \$ 1,258,012 |
| Accounts receivable | 216,825 | 10,102 |
| Deposit in loan fund | 44,305 | 44,305 |
| Loans receivable, net | 967,287 | 1,421,429 |
| Property and improvements, net | 613,101 | 623,182 |
| Land for development | 1,740,137 | 1,915,666 |
| Total assets | 4,881,479 | 5,272,696 |
| Deferred outflow of resources | 21,539 | - |
| | <u>\$ 4,903,018</u> | <u>\$ 5,272,696</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 244,484 | \$ 113,268 |
| Security deposits | 700 | 635 |
| Debt obligations, net | 789,869 | 1,091,177 |
| Total liabilities | 1,035,053 | 1,205,080 |
| Deferred inflow of resources | 55,934 | 57,396 |
| Net investment in capital assets | 613,101 | 623,182 |
| Restricted net position | 44,793 | 63,212 |
| Unrestricted net position | 3,154,137 | 3,323,826 |
| Net position | <u>3,812,031</u> | <u>4,010,220</u> |
| | <u>\$ 4,903,018</u> | <u>\$ 5,272,696</u> |

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

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Statements of Support and Revenue, Expenses and Changes in Net Position

| | Years Ended December 31, | |
|---|---------------------------------|----------------------------|
| | 2022 | 2021 |
| Support and revenue: | | |
| Local governments | \$ 778,100 | \$ 822,108 |
| State and other grants | 21,264 | 11,264 |
| Rental revenue | 159,043 | 164,338 |
| Service charges- loans | 35,512 | 59,716 |
| Interest income | 22,364 | 34,049 |
| Event income | 27,501 | 25,181 |
| Sponsorship income | 2,000 | 43,000 |
| Paycheck protection loan forgiveness | - | 126,698 |
| Miscellaneous | 5,758 | 2,090 |
| Total support and revenue | <u>1,051,542</u> | <u>1,288,444</u> |
| Operating expenses: | | |
| Program expenses | 1,062,244 | 989,284 |
| Rental depreciation expense | 52,534 | 61,738 |
| Management and general | 126,397 | 104,501 |
| Management and general depreciation expense | 8,556 | 7,799 |
| Total operating expenses | <u>1,249,731</u> | <u>1,163,322</u> |
| Change in net position | <u>(198,189)</u> | <u>125,122</u> |
| Net position at beginning of year | <u>4,010,220</u> | <u>3,885,098</u> |
| Net position at end of year | <u><u>\$ 3,812,031</u></u> | <u><u>\$ 4,010,220</u></u> |

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

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Statements of Cash Flows

| | Years Ended December 31, | |
|--|---------------------------------|---------------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Cash received for economic development | \$ 569,915 | \$ 766,179 |
| Cash received for other development incentives | 56,051 | 81,535 |
| Cash received for interest and loan service charges | 57,941 | 93,398 |
| Cash received for rent | 159,043 | 164,338 |
| Cash received for paycheck protection loan | - | 126,698 |
| Cash received for loan repayments | 472,323 | 423,284 |
| Cash paid for loans issued | (21,700) | (20,000) |
| Cash paid for administration | (21,600) | (54,389) |
| Cash paid for development and promotion expenses | (1,026,726) | (942,740) |
| Cash paid for professional fees | (30,638) | (42,119) |
| Net cash provided by operating activities | <u>214,609</u> | <u>596,184</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of land | 176,287 | - |
| Cash paid for the purchase of property and improvements | (51,295) | (27,220) |
| Net cash provided by (used in) investing activities | <u>124,992</u> | <u>(27,220)</u> |
| Cash flows from financing activities: | | |
| Cash paid for loan repayments | (297,789) | (322,536) |
| Net cash used in financing activities | <u>(297,789)</u> | <u>(322,536)</u> |
| Net change in cash | 41,812 | 246,428 |
| Cash, beginning of year | 1,258,012 | 1,011,584 |
| Cash, end of year | <u>\$ 1,299,824</u> | <u>\$ 1,258,012</u> |
| Reconciliation of changes in net position to net cash provided by operating activities: | | |
| Change in net position | \$ (198,189) | \$ 125,122 |
| Adjustments to reconcile change in net position to net cash provided by operating activities: | | |
| Depreciation | 61,090 | 69,537 |
| Gain on sale of land | (758) | - |
| Loss on disposal of property and equipment | 286 | - |
| Net change in accounts receivable | (206,723) | (10,535) |
| Net change in loans receivable | 450,623 | 403,284 |
| Net change in deferred outflow of resources | (21,539) | - |
| Net change in deferred inflows of resources | (1,462) | (45,394) |
| Net change in security deposits | 65 | (367) |
| Net change in accounts payable and accrued expenses | 131,216 | 54,537 |
| Net cash provided by in operating activities | <u>\$ 214,609</u> | <u>\$ 596,184</u> |

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

1. Summary of Significant Accounting Policies

Nature of Operations

Operation Oswego County, Inc., (OOC) is a 501(c)(6) not-for-profit corporation subject to the reporting requirements contained in the New York State Public Authorities Law. OOC contracts with the Oswego County, State, and local governments to provide economic development, promotion, advertising, technical assistance, financial planning and related services. The Governmental Accounting Standards Board (GASB) permits certain governmental not-for-profit organizations to report as special-purpose governments engaged only in business-type activities under GASB Statement No. 34, which was amended by GASB Statement No. 62, allowing OOC to follow GASB pronouncements. Accordingly, OOC operates as a special-purpose government accounted for as a proprietary fund.

Operation Oswego County Foundation, Inc. (the Foundation) is a 501(c)(3) not-for-profit corporation which was established to assist and support OOC's promotional efforts. The Foundation is controlled by OOC in that OOC's board officers serve as trustees of the Foundation's board. Accordingly, OOC has consolidated its financial statements with the financial statements of the Foundation in a blended approach.

Basis of Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units and are presented on the accrual basis of accounting utilizing an "economic resources" measurement focus.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net position and revenues, expenses, gains and losses are classified based on the existence, or absence of restrictions.

Governance

OOC is managed by a Board of Directors, which establish the general policies governing OOC. The Board of Directors as of December 31, 2022 was comprised of 22 voting directors, respectively, and 5 non-voting ex-officio members in accordance with the by-laws of the organization. The Foundation is managed by a 4 member Board of Directors comprised of the OOC officers.

Annual Budgets

OOC is required to provide to the New York State Authorities Budget Office (ABO) an annual budget on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year. This budget is submitted to the ABO and can be found on OOC's website at <https://www.oswegocounty.org>.

1. **Summary of Significant Accounting Policies** (continued)

Revenue Recognition

Support is recognized by the Organizations when the associated specific projects take place and/or expenditures are incurred for the intended purposes. The Organizations have the following significant streams of revenue:

Rental revenue for OOC is recognized as rents become due in accordance with the lease terms. Rental payments received in advance are deferred until earned.

Local government, state and other grant revenue is deemed to be earned and reported as revenue when the Organizations have incurred expenditures in compliance with the terms of the applicable grant agreement. Amounts due from governments and other agencies are recorded as receivables. The Organizations consider the associated accounts receivables to be fully collectible based on management's review; accordingly, no allowance for doubtful accounts is required.

The Foundation performs the Next Great Idea Oswego County Business Plan Competition and obtains sponsorship and grant funding for the event. The event is scheduled every two years and sponsorship revenue is deferred until the event occurs. Grant funding is recognized as stated in the local government, state and other grant revenue section above.

Leases

Effective January 1, 2022, the Organizations adopted GASB Statement No. 87, Leases. The Organizations do not currently have any lease agreements in which the Organizations are the lessee. OOC leases certain properties to tenants with lease terms in most cases of 12 months or less. All leases between OOC and the tenants of the spaces are operating leases. Adoption of the new standard did not have an impact on the timing of lease revenue recognition. See Note 5 for specific lessee details and future minimum rental income expected.

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- A. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. At December 31, 2022 and 2021, the Organizations had net investment in capital assets of approximately \$613,100 and \$623,200, respectively.
- B. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. At December 31 2022 and 2021, the Organizations had restricted net assets of approximately \$44,800 and \$63,200, respectively, relating to the transactions of the Foundation.
- C. Unrestricted net position - all other assets that do not meet the definition of net investment in capital assets or restricted net position.

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

It is the Organizations' policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2022 and 2021, the Organizations had unrestricted net assets of approximately \$3,154,100 and \$3,323,800, respectively.

Property and Improvements

Property and improvements consist of buildings or improvements, which are stated at cost at the date the property was placed in service or acquired, less accumulated depreciation. It is the policy of the Organizations to provide for depreciation of these assets over their estimated useful lives using the straight-line method. Depreciation of fixed assets amounted to approximately \$61,100 and \$69,500 at December 31, 2022 and 2021, respectively.

Maintenance and repairs are expensed as incurred and major renewals and betterments over \$3,000 are capitalized. At the time of the sale or retirement, the costs and accumulated depreciation of such assets are removed from the respective accounts, and the gain or loss is reflected in support and revenues.

Land Held for Development

Various parcels of land have been purchased by, or contributed to, the OOC for use in business development. Land is stated at cost or its fair market value at the date of acquisition. Development costs for these projects have been added to the land costs. Over the years, OOC has purchased 182 acres of land to be developed into the Oswego County Industrial Park. In 2022, OOC sold 17 acres for approximately \$177,000 recognizing a gain on the sale of land of approximately \$750. The remaining undeveloped acreage as of December 31, 2022 is 118 acres. OOC has previously purchased land to form the Oswego County Airport Industrial Park, of which 139 acres remain available for development.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

OOC and the Foundation are exempt from Federal income taxes under section 501(c)(6) and section 501(c)(3), respectively, of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organizations' do not believe the financial statements include any uncertain tax positions. It is the Organization's policy to recognize any interest and penalties as expenses. The Organizations' returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the accompanying statement of support and revenue, expenses and changes in net position. Costs have been summarized as either program service expenses or management and general expenses. Program service expenses consist of costs related to providing programs or services in line with the Organizations' missions. Management and general expenses consist of costs associated with the overall administrative function and management of the Organizations. Certain costs have been allocated based on management's estimate of time spent, occupancy or usage. Costs specifically related to a program are charged directly to that program.

Economic Dependency and Concentration of Credit Risk

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash balances may exceed Federal Deposit Insurance (FDIC) limits of \$250,000 at various points throughout the year.

The Organizations' derived approximately 73% and 60% of its revenues from the County of Oswego and County of Oswego Industrial Development Agency for the years ended December 31, 2022 and 2021, respectively. The loss of such funding would have a significant impact on the Organizations.

Pension Plan

OOC has a defined contribution plan, which covers all eligible employees. Pension costs approximated \$58,100 and \$59,100 for 2022 and 2021, respectively.

2. Loans Receivable, net

OOC held the following loans receivable at December 31:

| | 2022 | 2021 |
|--|-------------------|---------------------|
| K&N Foods USA | \$ 449,999 | \$ 458,332 |
| Town of Schroepfel | 100,000 | 120,000 |
| Holiday Inn Express | 75,702 | 96,520 |
| Universal Metal Works | 64,568 | 87,188 |
| Minetto Associates, LP | - | 16,202 |
| Northland Filter International, LLC | 463,822 | 556,685 |
| Design Concepts and Enterprises | - | 178,140 |
| COVID-19 Emergency Relief Loans | 84,837 | 176,484 |
| | <u>1,238,928</u> | <u>1,689,551</u> |
| Less: allowance for uncollectable loans receivable (see Note 3) | <u>(271,641)</u> | <u>(268,122)</u> |
| | <u>\$ 967,287</u> | <u>\$ 1,421,429</u> |

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Notes to Financial Statements

2. Loans Receivable, net (continued)

These loans receivable primarily relate to corresponding notes payable described in Note 6 in which OOC received funds from the County of Oswego IDA (the IDA) and U.S. Department of HUD, respectively, and subsequently loaned the funds to the respective borrowers. Repayment of the loans is consistent with the terms described in Note 6. The Design Concepts and Enterprises' loan receivable was funded in 2019 through the proceeds of a grant from the IDA, repayment took place in full during 2022.

3. Allowance for Uncollectable Loans Receivable and Unpaid Debt Obligations

Management evaluates the allowance for uncollectible loans based on review of delinquent outstanding loans along with other known client factors to estimate uncollectible amounts. Additionally, management has agreements with the IDA, of which any funds that are lent, and not subsequently repaid, will reduce the amount of funds repayable to the IDA. There was no bad debt expense recognized in 2022 and 2021. Management recognized a reduction in loans receivable and corresponding unpaid debt obligations of approximately \$271,600 and \$268,100 in 2022 and 2021, respectively, to reflect these potentially uncollectible amounts.

4. Property and Improvements

Property and improvements consist of the following at December 31:

| | 2022 | 2021 |
|--------------------------------|-------------------|-------------------|
| Land | \$ 23,795 | \$ 23,961 |
| Property and improvements | 2,481,064 | 2,477,193 |
| Construction in process | - | 17,220 |
| Furniture and equipment | 73,446 | 73,444 |
| | 2,578,305 | \$ 2,591,818 |
| Less: accumulated depreciation | (1,965,204) | (1,968,636) |
| | <u>\$ 613,101</u> | <u>\$ 623,182</u> |

5. Lease Agreements

OOC leases property to several organizations with lease terms as follows:

- Oswego County Opportunities, Inc.: Lease through January 31, 2025, payments of \$3,114.58 due monthly.
- Center for Instruction, Technology & Innovation: payments of \$5,958.33 due monthly through June 30, 2023.
- Wellhouse Ministries, Inc.: payments of \$225 due monthly through December 31, 2022, and a new lease beginning January 1, 2023 through December 31, 2023 with payments of \$225 due monthly.
- OCBM: payments of \$820 due monthly through January 31, 2023. This lease was extended through January 31, 2024.
- Stress Bioanalytics, LLC: Lease beginning in June 2022 through June 2023, due in monthly payments of \$120.
- Equanimity Counseling: payments of \$466.67 due monthly through October 2023.
- County of Oswego: payments of \$7,975 due quarterly through December 31, 2023.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Notes to Financial Statements

5. Lease Agreements (continued)

Rental income from the above organizations and other minor leasing arrangements for the years ended December 31, 2022 and 2021 approximated \$159,000 and \$164,300, respectively. Expected rental income based on current leases over the next five years as of December 31, 2022 are as follows:

| | |
|---------------|-------------------|
| 2023 | \$ 80,888 |
| 2024 | 39,399 |
| 2025 | 5,140 |
| Rental income | <u>\$ 125,427</u> |

6. Long-Term Debt

Long-term debt consists of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|---------------------|
| Note payable to the County of Oswego IDA for construction of a day care center in the Oswego County Industrial Park, interest free, payable solely from 60% of annual rental income, secured by land and building. | \$ 264,250 | \$ 284,994 |
| Note payable to the County of Oswego IDA for construction of the 2001 SPEC building in the Lake Ontario Industrial Park, interest free, with payments made from 60% of prior year rent payments. Effective in August of 2019, this note became unsecured as the building was sold to Northland Filter International, LLC. Future payments will be made from a combination of 60% of rent and principal mortgage payments. | 175,460 | 259,415 |
| Note payable to the County of Oswego IDA for industrial loan for equipment and construction at K & N Foods USA, interest free, repayable solely from payments received on note from K & N Foods USA in 180 equal payments of \$2,777.78 beginning on June 30, 2019. | 458,332 | 458,332 |
| Note payable to the County of Oswego for construction of a senior housing project, repayable solely from payments received on note from Minetto Associates, L.P. in monthly installments of \$2,322, including interest at 1%, through July 2022. secured by the building. | - | 16,202 |
| Note payable to the County of Oswego IDA for use in providing funding to applicants seeking financial assistance through the COVID-19 Emergency Relief Loan Program, interest free, repayable from principal payments received on notes from borrowers on or before December 31st of 2021, 2022 and 2023. In addition, any unlent principal will be returned at December 31, 2023. | 163,468 | 340,356 |
| Less: allowance for potentially uncollectible debt obligations | <u>(271,641)</u> | <u>(268,122)</u> |
| | <u>\$ 789,869</u> | <u>\$ 1,091,177</u> |

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Notes to Financial Statements

6. Long-Term Debt (continued)

Aggregate maturities of debt are as follows as of December 31:

| | | |
|--|----|-----------|
| 2023 | \$ | 233,201 |
| 2024 | | 69,733 |
| 2025 | | 69,733 |
| 2026 | | 69,733 |
| 2027 | | 69,733 |
| 2028-2032 | | 312,875 |
| 2033-2038 | | 201,378 |
| 2039-2041 | | 35,124 |
| Total long-term debt | | 1,061,510 |
| Less: allowance for potentially uncollectable debt obligations | | (271,641) |
| | \$ | 789,869 |

7. Related Parties and Commitments

The Organizations' Executive Director also serves as the Chief Executive Officer for the IDA, a public benefit corporation. In addition, the IDA contracts with OOC for office space and administrative services. The IDA paid \$350,000 for the years ended December 31, 2022 and 2021 to OOC for space and administrative services.

In previous years, the IDA provided OOC approximately \$2,831,000 of interest free funding to construct the Education, Day Care and SPEC buildings held by OOC. In 2013, the IDA provided OOC \$500,000 of interest free financing to support the re-use of the Birds Eye plant located in the City of Fulton by K&N Foods. OOC acted as a conduit lender for this financing and K&N Foods is responsible for repayment of the debt to OOC. In 2020, the IDA provided OOC \$500,000 of interest free funding to create the COVID-19 Emergency Relief Program. Current loan balances payable to the IDA as described in Note 6 approximate \$1,062,000 and \$1,343,000 for the years ended December 31, 2022 and 2021, respectively.

In December 2022, OOC entered into a severance agreement approximating \$178,900 of salary and benefits with a retiring employee. The costs are accrued within accounts payable and accrued expenses on the statement of net position at December 31, 2022 and are expected to be paid out during 2023 and 2024. In addition, in 2023 OOC received funding of approximately 50% of these costs from a cost-sharing agreement with the IDA. At December 31, 2022, OOC recognized a receivable and associated reimbursement of expenses of approximately \$89,400 for this agreement and approximately an additional \$13,600 for succession related costs.

OOC has a loan receivable from a company whose executive leadership includes a member of the board.

Notes to Financial Statements

8. Deferred Inflows of Resources

The IDA advances funds annually to OOC. At December 31, 2022 and 2021, advances were not fully expended for committed projects from the Economic Development Initiative Fund (EDIF). It is anticipated that the majority of funds will be expended during 2023 for ongoing projects and other identified needs. Revenue will be recognized annually. Additionally, rental tenants make payments to OOC in advance. Rental payments received in advance are deferred until earned. The Foundation may also receive grants in advance of events that are deferred until the event takes place. Total deferred inflows of resources for the Organizations at December 31, 2022 and 2021 approximated \$55,900 and \$57,400, respectively.

9. Deferred Outflows of Resources

At times, the Organizations may pay for service with contract terms that extend into future years. Any expenses incurred on these contracts relating to those future years are reported as deferred outflow of resources to be recognized as an expense in the future period incurred. Total Organizations' deferred outflow of resources at December 31, 2022 approximated \$21,500. There were no deferred outflows of resources at December 31, 2021.

10. Subsequent Events

Management has evaluated subsequent events through March 20, 2023, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Statement of Functional Expenses

Year Ended December 31, 2022

| | Program Services | Management and General | Total Expenses |
|---------------------------------|-----------------------------|-----------------------------------|-----------------------|
| Salaries | \$ 432,116 | \$ 58,925 | \$ 491,041 |
| Pension plan | 51,119 | 6,971 | 58,090 |
| Employee benefits | 154,669 | 21,091 | 175,760 |
| Accounting and legal | 24,949 | 3,402 | 28,351 |
| Payroll taxes | 35,800 | 4,882 | 40,682 |
| Supplies | 23,511 | 3,206 | 26,717 |
| Telephone | 7,393 | 1,008 | 8,401 |
| Occupancy | 3,993 | 544 | 4,537 |
| Maintenance and repairs | 35,490 | 4,839 | 40,329 |
| Printing and publications | 1,869 | 255 | 2,124 |
| Travel | 15,118 | 2,061 | 17,179 |
| Insurance | 27,647 | 3,770 | 31,417 |
| Land taxes | 6,934 | 946 | 7,880 |
| Advertising | 47,754 | - | 47,754 |
| Professional services | 2,013 | 274 | 2,287 |
| REDI expense | 20,000 | - | 20,000 |
| Community relations | 8,787 | 1,198 | 9,985 |
| Miscellaneous | 26,603 | 3,627 | 30,230 |
| Dues and subscriptions | 76,503 | 1,219 | 77,722 |
| Rental and development expenses | 59,976 | 8,179 | 68,155 |
| Depreciation | 52,534 | 8,556 | 61,090 |
| | <u>\$ 1,114,778</u> | <u>\$ 134,953</u> | <u>\$ 1,249,731</u> |

The accompanying schedules are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Statement of Functional Expenses

Year Ended December 31, 2021

| | Program Services | Management and General | Total Expenses |
|---------------------------------|-----------------------------|-----------------------------------|-----------------------|
| Salaries | \$ 443,367 | \$ 60,459 | \$ 503,826 |
| Pension plan | 52,048 | 7,098 | 59,146 |
| Employee benefits | 96,373 | 13,142 | 109,515 |
| Accounting and legal | 19,099 | 2,604 | 21,703 |
| Payroll taxes | 33,196 | 4,527 | 37,723 |
| Supplies | 19,199 | 2,618 | 21,817 |
| Telephone | 7,736 | 1,055 | 8,791 |
| Occupancy | 4,071 | 555 | 4,626 |
| Maintenance and repairs | 48,972 | 6,678 | 55,650 |
| Printing and publications | 16,478 | 65 | 16,543 |
| Travel | 23,705 | - | 23,705 |
| Insurance | 10,388 | 1,417 | 11,805 |
| Land taxes | 8,903 | - | 8,903 |
| Advertising | 23,006 | - | 23,006 |
| Professional services | 19,646 | 770 | 20,416 |
| Next Great Idea expense | 52,542 | - | 52,542 |
| Community relations | 18,350 | 129 | 18,479 |
| Miscellaneous | 23,041 | 3,142 | 26,183 |
| Dues and subscriptions | 9,372 | 242 | 9,614 |
| Rental and development expenses | 59,792 | - | 59,792 |
| Depreciation | 61,738 | 7,799 | 69,537 |
| | <u>\$ 1,051,022</u> | <u>\$ 112,300</u> | <u>\$ 1,163,322</u> |

The accompanying schedules are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Consolidating Statement of Net Position

December 31, 2022

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

| | Operation Oswego County, Inc. | Operation Oswego County Foundation, Inc. | Consolidating Entries | Consolidated Total |
|--------------------------------|-------------------------------------|--|--------------------------|-------------------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,214,252 | \$ 85,572 | \$ - | \$ 1,299,824 |
| Accounts receivable | 216,825 | - | - | 216,825 |
| Deposit in loan fund | 44,305 | - | - | 44,305 |
| Loans receivable, net | <u>967,287</u> | <u>-</u> | <u>-</u> | <u>967,287</u> |
| Total current assets | 2,442,669 | 85,572 | - | 2,528,241 |
| Property and improvements, net | 613,101 | - | - | 613,101 |
| Land for development | <u>1,740,137</u> | <u>-</u> | <u>-</u> | <u>1,740,137</u> |
| Total assets | <u>4,795,907</u> | <u>85,572</u> | <u>-</u> | <u>4,881,479</u> |
| Deferred outflow of resources | <u>21,539</u> | <u>-</u> | <u>-</u> | <u>21,539</u> |
| | <u><u>\$ 4,817,446</u></u> | <u><u>\$ 85,572</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,903,018</u></u> |

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

| | | | | |
|---------------------------------------|----------------------------|-------------------------|--------------------|----------------------------|
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 223,705 | \$ 20,779 | \$ - | \$ 244,484 |
| Security deposits | 700 | - | - | 700 |
| Debt obligations, net | <u>789,869</u> | <u>-</u> | <u>-</u> | <u>789,869</u> |
| Total liabilities | 1,014,274 | 20,779 | - | 1,035,053 |
| Deferred inflow of resources | <u>35,934</u> | <u>20,000</u> | <u>-</u> | <u>55,934</u> |
| Net investment in capital assets | 613,101 | - | - | 613,101 |
| Restricted net position | - | 44,793 | - | 44,793 |
| Unrestricted net position | <u>3,154,137</u> | <u>-</u> | <u>-</u> | <u>3,154,137</u> |
| Net position | <u>3,767,238</u> | <u>44,793</u> | <u>-</u> | <u>3,812,031</u> |
| | <u><u>\$ 4,817,446</u></u> | <u><u>\$ 85,572</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,903,018</u></u> |

The accompanying schedules are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Consolidating Statement of Net Position

December 31, 2021

| ASSETS | | | | |
|---|-------------------------------------|--|--------------------------|----------------------------|
| | Operation Oswego County, Inc. | Operation Oswego County Foundation, Inc. | Consolidating Entries | Consolidated Total |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,129,800 | \$ 128,212 | \$ - | \$ 1,258,012 |
| Accounts receivable | 10,102 | - | - | 10,102 |
| Deposit in loan fund | 44,305 | - | - | 44,305 |
| Loans receivable, net | <u>1,421,429</u> | <u>-</u> | <u>-</u> | <u>1,421,429</u> |
| Total current assets | 2,605,636 | 128,212 | - | 2,733,848 |
| Property and improvements, net | 623,182 | - | - | 623,182 |
| Land for development | <u>1,915,666</u> | <u>-</u> | <u>-</u> | <u>1,915,666</u> |
| | <u><u>\$ 5,144,484</u></u> | <u><u>\$ 128,212</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 5,272,696</u></u> |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 48,268 | \$ 65,000 | \$ - | \$ 113,268 |
| Security deposits | 635 | - | - | 635 |
| Debt obligations, net | <u>1,091,177</u> | <u>-</u> | <u>-</u> | <u>1,091,177</u> |
| Total liabilities | 1,140,080 | 65,000 | - | 1,205,080 |
| Deferred inflow of resources | <u>57,396</u> | <u>-</u> | <u>-</u> | <u>57,396</u> |
| Net investment in capital assets | 623,182 | - | - | 623,182 |
| Restricted net position | - | 63,212 | - | 63,212 |
| Unrestricted net position | <u>3,323,826</u> | <u>-</u> | <u>-</u> | <u>3,323,826</u> |
| Net position | <u><u>3,947,008</u></u> | <u><u>63,212</u></u> | <u><u>-</u></u> | <u><u>4,010,220</u></u> |
| | <u><u>\$ 5,144,484</u></u> | <u><u>\$ 128,212</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 5,272,696</u></u> |

The accompanying schedules are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Consolidating Statement of Support and Revenue, Expenses and Changes in Net Position

Year Ended December 31, 2022

| | Operation Oswego County, Inc. | Operation Oswego County Foundation, Inc. | Consolidating Entries | Consolidated Total |
|---|----------------------------------|--|--------------------------|-------------------------------|
| Support and revenue: | | | | |
| Local governments | \$ 778,100 | \$ - | \$ - | \$ 778,100 |
| State and other grants | 21,264 | - | - | 21,264 |
| Rental revenue | 159,043 | - | - | 159,043 |
| Service charges- loans | 35,512 | - | - | 35,512 |
| Interest income | 22,342 | 22 | - | 22,364 |
| Event income | - | 27,501 | - | 27,501 |
| Sponsorship income | - | 2,000 | - | 2,000 |
| Miscellaneous | 5,758 | - | - | 5,758 |
| Total support and revenue | <u>1,022,019</u> | <u>29,523</u> | <u>-</u> | <u>1,051,542</u> |
| Expenses: | | | | |
| Program expenses | 1,014,332 | 47,912 | - | 1,062,244 |
| Rental depreciation expense | 52,534 | - | - | 52,534 |
| Management and general | 126,367 | 30 | - | 126,397 |
| Management and general depreciation expense | 8,556 | - | - | 8,556 |
| Total operating expenses | <u>1,201,789</u> | <u>47,942</u> | <u>-</u> | <u>1,249,731</u> |
| Change in net position | (179,770) | (18,419) | - | (198,189) |
| Net position at beginning of year | <u>3,947,008</u> | <u>63,212</u> | <u>-</u> | <u>4,010,220</u> |
| Net position at end of year | <u><u>\$ 3,767,238</u></u> | <u><u>\$ 44,793</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,812,031</u></u> |

The accompanying schedules are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC. AND OPERATION OSWEGO COUNTY FOUNDATION, INC.

Consolidating Statement of Support and Revenue, Expenses and Changes in Position

Year Ended December 31, 2021

| | Operation Oswego County, Inc. | Operation Oswego County Foundation, Inc. | Consolidating Entries | Consolidated Total |
|---|----------------------------------|--|--------------------------|-------------------------------|
| Support and revenue: | | | | |
| Local governments | \$ 822,108 | \$ - | \$ - | \$ 822,108 |
| State and other grants | 1,264 | 10,000 | - | 11,264 |
| Rental revenue | 164,338 | - | - | 164,338 |
| Service charges- loans | 59,716 | - | - | 59,716 |
| Interest income | 34,016 | 33 | - | 34,049 |
| Event income | - | 25,181 | - | 25,181 |
| Sponsorship income | - | 43,000 | - | 43,000 |
| Paycheck protection loan forgiveness | 126,698 | - | - | 126,698 |
| Miscellaneous | - | 2,090 | - | 2,090 |
| Total support and revenue | <u>1,208,140</u> | <u>80,304</u> | <u>-</u> | <u>1,288,444</u> |
| Expenses: | | | | |
| Program expenses | 917,697 | 71,587 | - | 989,284 |
| Rental depreciation expense | 61,738 | - | - | 61,738 |
| Management and general | 101,904 | 2,597 | - | 104,501 |
| Management and general depreciation expense | 7,799 | - | - | 7,799 |
| Total operating expenses | <u>1,089,138</u> | <u>74,184</u> | <u>-</u> | <u>1,163,322</u> |
| Change in net position | 119,002 | 6,120 | - | 125,122 |
| Net position at beginning of year | <u>3,828,006</u> | <u>57,092</u> | <u>-</u> | <u>3,885,098</u> |
| Net position at end of year | <u>\$ 3,947,008</u> | <u>\$ 63,212</u> | <u>\$ -</u> | <u>\$ 4,010,220</u> |

The accompanying schedules are an integral part of the financial statements.



**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Operation Oswego County, Inc. and Operation Oswego County Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Operation Oswego County, Inc. and Operation Oswego County Foundation, Inc. (the Organizations) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Organizations' basic financial statements, and have issued our report thereon dated March 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organizations' internal control over financial reporting (internal control) as a basis for designing 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 Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

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 and therefore, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of deficiencies, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies described as item 2022-001 in the accompanying schedule of deficiencies to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests identified an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of deficiencies as item 2022-002.

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 Organizations' 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.

Grossman St Amour CPAs

Syracuse, New York
March 20, 2023

Schedule of Deficiencies

2022-001 Segregation of Duties and Oversight Functions

Due to the size of the Organizations, there are a limited number of staff available to establish an optimal internal control system with proper segregations of duties. In the cash disbursement cycle, there is an overall lack of segregation. Segregating duties amongst personnel and building in regular oversight procedures would enhance internal controls. We recommend that another employee or a financially experienced member of the Board perform the bank reconciliations.

Within the cash receipt process, we noted that receipts are opened at the front desk and a log is made of the daily cash receipt activity. Another staff then prepares the bank deposit and makes the deposit, also recording the activity in QuickBooks. While a comparison of these log and bank deposits is taking place we recommend that this also include QuickBooks and be performed by an independent person on a regular basis allowing timely identification and resolution of any differences. Additionally, electronic cash receipts do not follow these cash receipt processes and controls. It is recommended that the Organizations implement the appropriate controls over such electronic receipts.

Approximately \$21,500 of expenses were reclassified from expense to deferred outflow of resources based on evaluation of contract service period. Funds expended for contract terms that extend into future periods should be classified as deferred outflows of resources and expensed in the period to which the service pertains. We recommend management review expense contract terms to ensure proper classification and recognition of expenses as part of the financial oversight process.

2022-002 Non-Compliance of Reporting Requirements

OOC is subject to the reporting requirements contained in the New York State Public Authorities Law and is required to file the required Public Authorities Reporting Information System (PARIS) reporting within 90 days of year-end. It is noted that the prior year PARIS reporting was not filed within the required timeframe. We recommend that Management and the Board diligently work to meet required deadlines to remain in compliance with such requirements.