

**CORNELL COOPERATIVE EXTENSION
ASSOCIATION OF ERIE COUNTY**

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

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

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INDEPENDENT AUDITOR'S REPORT

July 29, 2020

To the Board of Directors of
Cornell Cooperative Extension Association of Erie County:

Report on the Financial Statements

We have audited the accompanying financial statements of Cornell Cooperative Extension Association of Erie County (a New York non-profit organization) (the Association), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited the Cornell Cooperative Extension Association of Erie County's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2020, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 248,392	\$ 59,469
Accounts receivable	660,984	624,544
Current portion of mortgage receivable	6,805	6,474
Prepaid expenses	<u>9,914</u>	<u>74</u>
Total current assets	926,095	690,561
INVESTMENTS	677,382	626,657
MORTGAGE RECEIVABLE, net of current portion	336,890	343,694
PROPERTY AND EQUIPMENT, net	50,215	43,828
DEPOSITS	<u>88,031</u>	<u>63,940</u>
Total assets	<u>\$ 2,078,613</u>	<u>\$ 1,768,680</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 330,433	\$ 310,135
Accounts payable - Cornell	111,965	75,701
Line of credit	65,000	11,000
Deferred revenue	<u>100,836</u>	<u>13,613</u>
Total current liabilities	608,234	410,449
NET ASSETS		
Without donor restrictions:		
Undesignated	148,477	149,868
Board designated	<u>1,302,942</u>	<u>1,195,941</u>
Total without donor restrictions	1,451,419	1,345,809
With donor restrictions	<u>18,960</u>	<u>12,422</u>
Total net assets	<u>1,470,379</u>	<u>1,358,231</u>
Total liabilities and net assets	<u>\$ 2,078,613</u>	<u>\$ 1,768,680</u>

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Support -				
Federal grants and contracts	\$ 933,328	\$ -	\$ 933,328	\$ 1,284,410
Contributions-in-kind	730,777	-	730,777	540,192
State grants and contracts	482,397	-	482,397	294,958
County contracts	342,322	-	342,322	404,831
Other grants and contracts	144,135	-	144,135	42,814
Smith/Lever grants and contracts	85,549	-	85,549	79,936
Contributions	37,913	14,000	51,913	84,095
Net assets released from restrictions	7,462	(7,462)	-	-
Total support	2,763,883	6,538	2,770,421	2,731,236
Revenue -				
Fundraising sales	314,125	-	314,125	279,320
Investment performance	54,664	-	54,664	(77)
Program participation fees	38,418	-	38,418	41,906
Interest income	15,905	-	15,905	19,278
Specialist contract support	10,374	-	10,374	10,925
Reimbursement of professional services	2,890	-	2,890	1,165
Enterprise sales	2,625	-	2,625	3,885
Other	968	-	968	1,947
Total revenue	439,969	-	439,969	358,349
Total support and revenue	3,203,852	6,538	3,210,390	3,089,585
EXPENSES:				
Program services	2,240,541	-	2,240,541	2,265,566
Management and general	569,257	-	569,257	432,029
Fundraising	288,444	-	288,444	271,366
Total expenses	3,098,242	-	3,098,242	2,968,961
CHANGE IN NET ASSETS	105,610	6,538	112,148	120,624
NET ASSETS - beginning of year	1,345,809	12,422	1,358,231	1,237,607
NET ASSETS - end of year	\$ 1,451,419	\$ 18,960	\$ 1,470,379	\$ 1,358,231

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

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

(With Comparative Totals for 2018)

	Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 928,238	\$ 239,484	\$ 1,089	\$ 1,168,811	\$ 899,944
Employee benefits	579,997	146,835	7,342	734,174	542,968
Consulting and contracted services	372,672	94,348	4,717	471,737	859,641
Cost of fundraising	-	-	265,833	265,833	245,890
Occupancy	57,504	9,153	1,557	68,214	66,326
Printing and publications	49,662	12,573	629	62,864	19,061
Travel	57,713	2,469	1,978	62,160	53,475
Supplies	44,184	10,645	2,232	57,061	127,118
Communications	15,118	8,817	13	23,948	23,215
Unemployment/Worker's Comp	14,292	3,618	181	18,091	12,388
Depreciation	13,714	3,472	174	17,360	15,254
Awards and prizes	16,784	-	-	16,784	12,565
Employee development	10,650	2,696	135	13,481	17,982
Insurance	9,485	2,401	120	12,006	15,449
Meetings and conferences	8,314	895	1,597	10,806	10,699
Legal fees	-	10,475	-	10,475	1,079
Accounting fees	3,132	7,318	-	10,450	8,150
Association services	6,238	1,579	79	7,896	6,100
Equipment rental and maintenance	2,821	30	161	3,012	2,137
Enterprise	2,239	-	-	2,239	3,549
Interest	-	316	-	316	25
Miscellaneous	47,784	12,133	607	60,524	25,946
Total expenses	\$ 2,240,541	\$ 569,257	\$ 288,444	\$ 3,098,242	\$ 2,968,961

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019 (With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 112,148	\$ 120,624
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	17,360	15,254
Investment performance	(54,664)	77
Changes in:		
Accounts receivable	(36,440)	(316,162)
Mortgage receivable	6,473	6,158
Prepaid expenses	(9,840)	(68)
Deposits	(24,091)	(7,531)
Accounts payable and accrued expenses	11,500	118,351
Accounts payable - Cornell	36,264	16,296
Deferred revenue	87,223	63
	<u>145,933</u>	<u>(46,938)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(14,949)	(27,812)
Sale of investments	3,939	3,623
	<u>(11,010)</u>	<u>(24,189)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings on line of credit	178,000	11,000
Payments on line of credit	(124,000)	-
	<u>54,000</u>	<u>11,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	188,923	(60,127)
CASH AND CASH EQUIVALENTS - beginning of year	<u>59,469</u>	<u>119,596</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 248,392</u>	<u>\$ 59,469</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 316</u>	<u>\$ 25</u>
Purchases of property and equipment in accounts payable at year end	<u>\$ 8,798</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. THE ASSOCIATION

Cornell Cooperative Extension Association of Erie County (the Association) is part of the Cornell Cooperative Extension land grant university system, a partnership among County, State and Federal governments.

Cornell Cooperative Extension was created as a state-wide system in 1911 as a Farm Bureau, and the Association was established in 1914, becoming an integral part of the land grant university system in the state of New York. The historic purpose of the Association is to provide continuing informal education to the people and communities of Erie County. The basic mission of Cornell Cooperative Extension is to disseminate and encourage the application of research-generated knowledge to individuals, families, businesses and communities.

Beginning in 2018, the Association contracted with the New York State Department of Agriculture and Markets to operate the Taste NY store. The store is located within the WNY Welcome Center in Grand Island, New York. Taste NY is a New York State initiative to promote and showcase local and regional farm products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Changes in Accounting Principles

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes all prior guidance, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Association adopted the requirements of FASB ASC 606 as of January 1, 2019 utilizing the modified retrospective approach. Adoption of the new guidance had no material effect on the financial position or results of operations of the Association.

The Organization adopted Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of January 1, 2019 utilizing the modified prospective basis. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or an exchange transaction subject to other guidance. Changes resulting from the adoption of ASU 2018-08 had no material effect on the financial position or results of operations of the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting

The Association categorizes net assets as net assets with donor restrictions and net assets without donor restrictions. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit their use to a specific time period or purpose. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restriction. The Association's net assets consisted of the following:

- **Without Donor Restrictions**

Net assets without donor restrictions include operating net assets, which are not subject to donor-imposed stipulations, and are generally available for support of the Association's operations. Net assets without donor restrictions may also include amounts designated by the Board of Directors for specific program purposes.

- **With Donor Restrictions**

Net assets with donor restrictions include resources resulting from contributions of assets whose use by the Association is limited by donor imposed restrictions. Such restrictions either expire by passage of time, will be fulfilled by future actions of the Association, or require net assets to be held in perpetuity. Restrictions on gifts to acquire long-lived assets are considered met in the period in which assets are acquired or placed in service. Earnings on net assets with donor restrictions that are to be held in perpetuity are classified as net assets with donor restrictions until appropriated for expenditure by the Board or spent in accordance with the donor's specifications. In the absence of donor specification, the income and gains from assets with donor restrictions are considered without donor restriction as to its use.

Revenue Recognition

Program participation fees consist of amounts that families and individuals pay to participate in educational programs related to agriculture & natural resources, consumer horticulture, nutrition and 4-H youth development. Participants generally pay a onetime fee in advance which is initially recognized as a liability (deferred revenue) and is only recognized in the statements of activities and change in net assets after delivery of the program has occurred. All the Associations' revenue from contracts with customers are from performance obligations satisfied over time. Program participation fees are recognized ratably over the period the educational services are provided on a straight-line basis in an amount that reflects the consideration the Association expects to be entitled to and collect in exchange for those educational services. Fees are specific to a distinct performance obligation and do not consist of multiple transactions. Due to the timing and relatively short nature of the educational programs, there are no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period. Amounts billed but unpaid are contract assets and are recorded as accounts receivables. Amounts received before programs commences are contract liabilities and are recorded as deferred revenue.

Contributions and Government and Foundation Grants

Unconditional promises to give are recorded as revenue when the promise is made. Contributions are recognized when the donor makes an unconditional promise to give to the Association. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Association also receives grants from governmental agencies and other sources which is recognized as support when such revenue becomes unconditional. The Association receives grants from governmental agencies and other sources that are recognized as revenue when they become unconditional.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the Association's net assets.

Fair Value Measurements

The Association uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Association. Unobservable inputs are inputs that reflect the Association's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The valuation methodology used for the Association's investments is discussed in Note 7.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposit and time deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. As of December 31, 2019 and 2018, management believes that a valuation allowance is not required as all accounts are considered collectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Receivable

Mortgage receivable represents amounts due to the Association in connection with the sale of its building. The mortgage note is stated at its unpaid principal balance. Monthly payments of \$1,986 include interest at 5% per annum. The mortgage note matures on July 1, 2045.

An allowance for loan losses will be maintained at a level that, in management's judgment, is adequate to absorb losses on the mortgage note. The amount of the allowance is based on management's evaluation of the collectability of the mortgage note, including the nature of the mortgage note, economic conditions and other risks inherent with the mortgage note. Management has determined that no allowance is necessary at December 31, 2019 and 2018.

Property and Equipment

The Association follows the practice of capitalizing expenditures for property and equipment in excess of \$1,000. Purchased assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 39 years. When property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities and change in net assets.

Deposits

Annually, the Association and Cornell University (the University) enter into an agreement that includes a statement on the part of the Association that it will adhere to financial policies established by the University. The University administers the payroll function for the Association and requires a cash deposit to fund the disbursements of payroll. This deposit is reported as an asset on the statement of financial position. The associated payroll liability is reported as a current liability on the statement of financial position titled Accounts payable – Cornell.

Fringe Benefits

As required by the Cornell Cooperative Extension Financial Operations Resource Manual Code Section 706, with the exception of Workers' Compensation and Unemployment Insurance, fringe benefits for the Association's employees are provided by New York State through the University at no cost to the Association. The estimated value of this support to the Association for the year ending December 31, 2019 and 2018 was \$730,777 and \$540,192 respectively, and is reported as employee benefits on the statement of functional expenses.

Income Taxes

The Association is a subordinate organization group under group exemption 0645, under section 501(c)(3) of the Internal Revenue Code, and therefore exempt from federal income tax. The Association is covered by an IRS group ruling of Cornell Cooperative Extension in the State of New York. The Association has also been determined by the Internal Revenue Service as an entity that is not a private foundation.

Donated Services

Volunteers have donated significant amounts of time in support of the Association's activities. The value of these services is not reflected in the accompanying statements, as these services do not meet the criteria for recognition as set forth under GAAP.

Allocation of Certain Expenses

The financial statements report certain categories of expenses that are attributable to programing or supporting functions. Payroll and benefits are allocated based on time spent between the functions in accordance with time and effort reported by employees. Other expenses are charged directly to their related program. Any expenses not directly related to a specific program are allocated based on a percentage consistent with the payroll and benefits allocation, as estimated by management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by functional expense category or net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

3. LIQUIDITY

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Association has a goal to maintain financial assets to meet 60 days of normal budgeted operating expenses. The following reflects the Association's financial assets as of the financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date. The accounts receivable are expected to be collected within one year.

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 248,392	\$ 59,469
Accounts receivable	<u>660,984</u>	<u>624,544</u>
Total current financial assets at year end	909,376	684,013
Less: Funds held in custody for New York State	(78,489)	(40,414)
Net assets with donor restrictions	<u>(18,960)</u>	<u>(12,422)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 811,927</u>	<u>\$ 631,177</u>

As more fully described in Note 9, the Association has a line of credit in the amount of \$400,000, which it could draw upon in the event of an unanticipated liquidity need.

4. BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions designated by the Board of Directors are as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Long term capital projects	\$ 1,024,658	\$ 975,000
Initial payment to Cornell University	86,981	62,890
Plant	50,214	43,827
Employee benefits	25,000	25,000
4-H alumni	17,952	18,183
Other	<u>98,137</u>	<u>71,041</u>
	<u>\$ 1,302,942</u>	<u>\$ 1,195,941</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Held in perpetuity – scholarship program	\$ 5,000	\$ 5,000
Time restricted	<u>13,960</u>	<u>7,422</u>
	<u>\$ 18,960</u>	<u>\$ 12,422</u>

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Supplemental Nutrition Assistance Program	\$ 413,847	\$ 345,953
NYS Agriculture & Markets	183,602	195,610
United Way of Buffalo & Erie County	35,246	14,038
Cornell University	15,624	29,004
City of Buffalo	-	13,301
Other	<u>12,665</u>	<u>26,638</u>
	<u>\$ 660,984</u>	<u>\$ 624,544</u>

7. INVESTMENTS

Investments consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ <u>677,382</u>	\$ <u>626,657</u>

Fair Value

The Association's investments are measured at fair value on a recurring basis using the following input levels at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019</u>
Investments:				
Mutual funds -				
Cash and cash equivalents	\$ 44,497	\$ -	\$ -	\$ 44,497
Domestic equity	79,349	-	-	79,349
Domestic bond fund	<u>553,536</u>	-	-	<u>553,536</u>
	<u>\$ 677,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,382</u>

The Association's investments are measured at fair value on a recurring basis using the following input levels at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2018</u>
Investments:				
Mutual funds -				
Cash and cash equivalents	\$ 24,505	\$ -	\$ -	\$ 24,505
Domestic equity	74,138	-	-	74,138
Domestic bond fund	<u>528,014</u>	-	-	<u>528,014</u>
	<u>\$ 626,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626,657</u>

The valuation methodology used for the Association's assets measured at fair value, which consists of investments in mutual funds, is to value at quoted market prices of the investments on the last business day of the fiscal year.

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 46,372	\$ 35,525
Computers and equipment	<u>79,282</u>	<u>66,382</u>
	125,654	101,907
Less: Accumulated depreciation	<u>(75,439)</u>	<u>(58,079)</u>
	<u>\$ 50,215</u>	<u>\$ 43,828</u>

Depreciation expense on the Association's property and equipment was \$17,360 and \$15,254 during the years ended December 31, 2019 and 2018, respectively.

9. LINE OF CREDIT

The Association has an unsecured line of credit that provided for borrowings up to \$400,000 through M&T Wilmington Trust. Amounts borrowed under the terms of the agreements bear interest at 5.75% and 6.50% as of December 31, 2019 and 2018, respectively. There was an outstanding balance of \$65,000 and \$11,000 as of December 31, 2019 and 2018.

10. COMMITMENTS

The Association leases office equipment and office space under various non-cancelable operating leases. Lease expense was approximately \$69,000 and \$67,500 for the years ended December 31, 2019 and 2018.

Future minimum lease payments are as follows:

2020	\$	65,502
2021		27,083
2022		4,131
2023		2,718
Thereafter		<u>854</u>
	\$	<u>100,288</u>

11. RETIREMENT PLANS

Through the University, employees of the Association participate in the New York State and Local Employees' Retirement System (NYSERS). The Association has incurred no expense for retirement benefits under the plan for the years ended December 31, 2019 and 2018, as the estimated value of this support to the Association is reported as contributions-in-kind on the statement of activities and change in net assets and employee benefits on the statement of functional expenses.

12. RELATED PARTY TRANSACTIONS

The Association receives certain grant funding from the University to fund various programs throughout the year. The University also administers the payroll function and provides certain fringe benefits for the Association, as referenced in Note 2. The Association recognized professional services revenue of \$10,374 and \$10,925 during the years ending December 31, 2019 and 2018, respectively, related to grants that were funded by the University. The amount owed by the University to the Association that is included in accounts receivable on the statement of financial position as of December 31, 2019 and 2018 amounted to \$15,624 and \$29,004, respectively.

13. TRANSACTIONS WITH AFFILIATES

The Association has agreements in place with the Cooperative Extension Association of Wyoming County (CCE Wyoming) to provide support services related to administrative leadership, finance, human resources, and information technology through the Cooperative Extension Shared Business Network (the SBN), along with seven other county cooperative extensions. Expenses related to the SBN agreements are included in consulting and contracted services expenses on the statement of functional expenses in the amount of \$18,885 and \$18,451 for the years ended December 31, 2019 and 2018, respectively.

In addition, the Association had various memorandums of understanding in place with other affiliates related to grants that they work in conjunction on. The expenses related to these grants are included in consulting and contracted services expenses on the statement of functional expenses.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through July 29, 2020, the date these financial statements were available to be issued.

Novel Coronavirus

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

The Association has had to substantially revise the way it delivers its programs to its participants. The majority of the Association's programs have moved to a virtual platform and the Associations fundraising sales are being revised to respond to COVID-19. The impact of this situation on the Association and its future results and financial position is not presently determinable.

Subsequent Borrowing

In April 2020, the Association entered into an unsecured promissory note payable to a bank in the amount of \$244,000. This note was entered into by the Association as part of the U.S. Small Business Administration's Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP provides for this borrowing, or a portion of the borrowing, to be forgiven to the extent the Association meets defined requirements related to expenditure of the funds and management of the Association's personnel complement. Through the date the financial statements were available to be issued, the Association is unable to determine the amount of potential loan forgiveness. If no forgiveness is granted, the terms of this agreement require the Association to make monthly principal payments with interest at 1% for a two year period.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 29, 2020

To the Board of Directors of
Cornell Cooperative Extension Association of Erie County:

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 Cornell Cooperative Extension Association of Erie County (a not-for-profit corporation) (the Association), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and have issued our report thereon dated July 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

July 29, 2020

To the Board of Directors of
Cornell Cooperative Extension Association of Erie County:

Report on Compliance for Each Major Federal Program

We have audited Cornell Cooperative Extension Association of Erie County's (a not-for-profit corporation) (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2019. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass-Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-Through Contract/Grantor Number	Pass through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Passed through the New York State Office of Temporary and Disability Assistance -				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Education	10.561	C021777	\$ 290,537	\$ 726,585
Supplemental Nutrition Assistance Program Education	10.561	C00565GG	<u> -</u>	<u> 149,793</u>
Passed through Cornell University -				
Agriculture and Food Research Initiative	10.310	73280-10318	<u> 6,765</u>	<u> 40,139</u>
Total U.S. Department of Agriculture			<u> 297,302</u>	<u> 916,517</u>
U.S. Department of Housing and Urban Development:				
Passed through the City of Buffalo -				
Community Development Block Grant	14.218	H0000547	<u> -</u>	<u> 14,061</u>
Total U.S. Department of Housing and Urban Development			<u> -</u>	<u> 14,061</u>
U.S. Department of Health and Human Services:				
Passed through Journey's End Refugee Services, Inc. -				
Refugee and Entrant Assistance Discretionary Grants	93.576	HHS-2016-ACF-ORR-ZR-1141	<u> 2,648</u>	<u> 2,750</u>
Total U.S. Department of Health and Human Services			<u> 2,648</u>	<u> 2,750</u>
Total Expenditures of Federal Awards			<u>\$ 299,950</u>	<u>\$ 933,328</u>

The accompanying notes are an integral part of this schedule.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Cornell Cooperative Extension Association of Erie County (the Association). The schedule includes expenditures of federal programs passed through to other organizations.

2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Association under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Association.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Association does not allocate indirect costs to federal programs. The Association has not elected to use the 10% de minimis rate permitted by the Uniform Guidance.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on whether the financial statements of Cornell Cooperative Extension Association of Erie County (the Association) were prepared in accordance with U.S. generally accepted accounting principles.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Association which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The Independent Auditor's Report on Compliance For Each Major Federal Program for the Association expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program which are required to be reported in accordance with 2CFR Section 200.516(a) in this schedule.
7. The program tested as a major program was the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Education, CFDA number 10.561.
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The Association was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None