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March 8, 2018

To the Board of Directors
North Country Alliance Local Development Corporation

We have audited the financial statements of North Country Alliance Local Development Corporation for the year ended December 31, 2017, and have issued our report thereon dated March 8, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 2, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Country Alliance Local Development Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies has not change during 2017. We noted no transactions entered into by the Organization during the year for which a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimates of the allowance for bad debt on the collectability of loans receivable.

Management's estimate of the allowance for bad debt is based on management's knowledge of the historical collection rate as well as identification of specific accounts that are potentially problematic.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues


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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,





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**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
COMMUNICATION LETTER
DECEMBER 31, 2017**

March 8, 2018

To the Board of Directors
North Country Alliance Local Development Corporation

In planning and performing our audit of the financial statements of North Country Alliance Local Development Corporation as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered North Country Alliance Local Development Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

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

We appreciate the opportunity to present these comments for your consideration. We wish to convey our thanks and appreciation to the management and staff of North Country Alliance Local Development Corporation for the courtesy and cooperation extended to us during our audit.

Very truly yours,

Crowley & Halloran, CPAs, P.C.

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION**

ANNUAL REPORT

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Country Alliance Local Development Corporation

We have audited the accompanying financial statements of North Country Alliance Local Development Corporation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017, and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Country Alliance Local Development Corporation as of December 31, 2017, and 2016, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The United States Department of Agriculture – Income and Expenses and Details of Loans Receivable as listed in the table of contents are presented for purposes of additional analysis and are 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.

A handwritten signature in dark ink that reads "Crowley & Halloran, CPAs P.C." is written over a horizontal line.
March 8, 2018

NORTH COUNTRY ALLIANCE LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash	\$ 26,789	\$ 22,373
Loans Receivable - Current Portion	395,426	597,074
Total Current Assets	422,215	619,447
Other Assets		
Restricted Cash	2,017,548	2,075,244
Funds Held by Trustee	704,485	268,978
Loans Receivable - Long Term Portion	1,738,445	2,347,125
Reserve for Uncollectible Loans Receivable	(221,138)	(112,356)
Total Other Assets	4,239,340	4,578,991
Total Assets	\$ 4,661,555	\$ 5,198,438
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 12,319	\$ 925
Other Current Liabilities	800	3,415
Current Portion of Long Term Debt	146,283	144,835
Total Current Liabilities	159,402	149,175
Long Term Debt, net of Current Portion	3,426,421	3,572,704
Total Liabilities	3,585,823	3,721,879
Net Assets		
Unrestricted	21,586	23,845
Temporarily Restricted	1,054,146	1,452,714
Total Net Assets	1,075,732	1,476,559
Total Liabilities and Net Assets	\$ 4,661,555	\$ 5,198,438

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

NORTH COUNTRY ALLIANCE LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Changes in Unrestricted Net Assets:		
Revenues and Support:		
Memberships	\$ 7,325	\$ 7,025
Application/Commitment Fees	6,980	8,038
Bank Interest	3,294	1,253
Other Income	21,829	14,321
Late Fees	1,130	922
Total Unrestricted Revenues and Support	40,558	31,559
 Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions Interest Income	66,459	81,110
Satisfaction of Program Restrictions Loan Funds	19,675	21,110
Total Net Assets Released from Restrictions	86,134	102,220
 Total Unrestricted Revenues and Support	126,692	133,779
 General & Administrative Expenditures:		
Audit	5,005	5,000
Legal Fees	4,099	741
Bank Charges	-	-
Interest	37,175	38,609
Loan Fees	255	240
Meetings	3,846	4,410
Portfolio Management	59,909	58,521
Conference Calls	589	481
Miscellaneous	18,073	13,132
Web Site Maintenance	-	-
Total General & Administrative Expenditures	128,951	121,134
 Increase (Decrease) in Unrestricted Net Assets	(2,259)	12,645
 Changes in Temporarily Restricted Net Assets:		
Net Assets Released from Restrictions	(86,134)	(102,220)
Temporarily Restricted Loan Interest Income	91,317	130,962
Change in Provision for Bad Debt	(403,751)	(66,089)
 Increase (Decrease) in Temporarily Restricted Net Assets	(398,568)	(37,347)
 Increase (Decrease) in Net Assets	(400,827)	(24,702)
 Net Assets at Beginning of Year	1,476,559	1,501,261
 Net Assets at End of Year	\$ 1,075,732	\$ 1,476,559

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

NORTH COUNTRY ALLIANCE LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Cash Received from Members and Applicants	\$ 15,435	\$ 15,985
Cash Received from Other Sources	21,829	14,321
Interest Received	94,508	130,122
Interest Paid	(37,175)	(38,609)
Cash Paid to Suppliers	(82,997)	(104,212)
Recovery of Bad Debt	38,022	869
	49,622	18,476
Cash Flows from Investing Activities:		
Loans Advanced	(268,000)	(615,000)
Loan Payments Received	745,440	607,232
	477,440	(7,768)
Cash Flows from Financing Activities:		
Principal Payments of Debt	(144,835)	(143,401)
Proceeds from Issuance of Debt	-	-
	(144,835)	(143,401)
Net Increase (Decrease) in Cash	382,227	(132,693)
Cash at Beginning of Year	2,366,595	2,499,288
Cash at End of Year	\$ 2,748,822	\$ 2,366,595
Reconciliation of Changes in Net Assets		
to Net Cash Provided (Used) by Operating Activities:		
Change in Net Assets	\$ (400,827)	\$ (24,702)
Provision for Bad Debt	441,773	66,958
Capitalized Interest	(103)	(2,093)
Change in Operating Liabilities - Increase (Decrease)		
Accounts Payable	11,394	(13,664)
Other Current Liabilities	(2,615)	(8,023)
	\$ 49,622	\$ 18,476

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

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The North Country Alliance Local Development Corporation (Organization) is a non-profit corporation organized under the laws of the State of New York to promote economic development in upstate New York. The organization makes financial assistance available to area businesses and projects in order to create and retain jobs in upstate New York.

BASIS OF ACCOUNTING

The accrual method is used for both financial reporting and income tax purposes. Expenses are recorded when incurred and revenues are recorded when realized in accordance with the accrual basis of accounting.

FINANCIAL STATEMENT PRESENTATION

Financial Statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC Section 958-205, *Presentation of Financial Statements*. FASB ASC Section 958-205 requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received the Organization reports the support as unrestricted. The Organization had no permanently restricted net assets in 2017 and 2016.

BAD DEBT LOSS AND RECOVERIES

A reserve method for bad debts has been reflected in these financial statements based upon management's specific identification of outstanding loan receivables that have a potential for collection issues based on historical payment status of the borrowers.

During 2017, the loans receivable of St. Lawrence Brewing Company in the amount of \$91,936; BICC Brothers of NNY in the amount of \$20,420; and Carthage Specialty Paperboard in the amount of \$220,635 were written off as uncollectible. In addition, \$38,022 and \$869 was recovered from Florelle in 2017 and 2016, respectively associated with the sale of some collateral. Management continues to pursue collections subsequent to writing off as uncollectable.

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TAX STATUS

The Internal Revenue Service has determined that North Country Alliance Local Development Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization other than a private foundation under Section 509(a)(2).

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution located in Watertown, New York. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the bank that were over the FDIC limit. However, the Organization has a collateralized pledge account with Watertown Savings Bank to cover all deposits that exceed the FDIC limit. Therefore, at December 31, 2017 and 2016, the Organization had no uninsured cash balances.

North Country Alliance Local Development Corporation received a grant from the New York State Urban Development Corporation (NYSUDC) in the amount of \$555,000 during 1989. An additional \$200,000 was allocated from the Regional Economic Development Strategy Partnership Program during 1992. Of the total grant amount of \$755,000, \$704,485 and \$268,978 was held, as of December 31, 2017 and 2016, respectively, for the purpose of making additional loans, and covering related general and administrative costs in the NYSUDC's Trust Fund account in New York. These funds are collateralized with securities held by Banco Popular. The Organization is required to remit principal and interest collected on working capital loans to the Trust Fund on a quarterly basis.

NOTE 3 - RESTRICTED CASH

The Organization is required to deposit the principal and interest payments into separate accounts for each loan fund. These funds are restricted for the purpose of making new loans to local business and for the repayment of outstanding debt. There are also amounts allowed for administrative expenses of the organization. Total restricted cash was \$2,722,033 and \$2,344,222 at December 31, 2017 and 2016, respectively. The United States Department of Agriculture requires a 6% reserve of funds based on the receivable balance at year end and the next year's principal and interest due on the loans payable. For the years ending December 31, 2017 and 2016 these amounts are \$23,840 and \$269,647, respectively.

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 4 - LOANS ADVANCED

The Organization advanced loans in the amount of \$268,000 and \$615,000 during 2017 and 2016 respectively. These loans are to provide financial assistance to local eligible businesses in order to significantly impact economic conditions in seven upstate New York counties.

The following schedule summarizes loans receivable:

	2017	2016
Loans Advanced:		
Regional Revolving Loan Fund	\$ -	\$ 75,000
Rural Business Enterprise Grant	43,000	-
ESD Small Business RLF	112,500	332,500
Intermediary Re-lending Program	112,500	207,500
Total	\$ 268,000	\$ 615,000
	2017	2016
Loans Receivable:		
Regional Revolving Loan Fund	\$ 193,360	\$ 215,106
Rural Business Enterprise Grant	65,925	40,708
ESD Small Business RLF	752,415	936,111
Intermediary Re-lending Program	1,122,171	1,752,274
Total	\$ 2,133,871	\$ 2,944,199

Included in the loans advanced were \$0 and \$0 of refinancing fees at December 31, 2017 and 2016, respectively. Other increases to loans receivable balances were \$103 and \$2,093 of capitalized interest at December 31, 2017 and 2016, respectively.

NOTE 5 - LONG TERM DEBT

Details of the Organization's notes payable at December 31, 2017 and 2016 are as follows:

	2017	2016
United States Department of Agriculture – IRP I Original Balance \$1,000,000, annual payment of \$41,124, bearing interest at 1.00%, maturing March 4, 2022. Secured by bank accounts established by the loan fund and any collateral taken on loans made to borrowers.	\$ 197,055	\$ 235,822
United States Department of Agriculture – IRP II Original Balance \$1,000,000, annual payment of \$41,124, bearing interest at 1.00%, maturing September 19, 2024. Secured by bank accounts established by the loan fund and any collateral taken on loans made to borrowers.	272,089	310,112

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5 - LONG TERM DEBT (continued)

<p>United States Department of Agriculture – IRP III Original Balance \$500,000, annual payment of \$20,595, bearing interest at 1.00%, maturing December 11, 2030. Secured by bank accounts established by the loan fund and any collateral taken on loans made to borrowers.</p>	246,933	264,850
<p>United States Department of Agriculture – IRP IV Original Balance \$750,000, annual payment of \$30,848, bearing interest at 1.00%, maturing August 16, 2034. Secured by bank accounts established by the loan fund and any collateral taken on loans made to borrowers.</p>	478,710	504,513
<p>United States Department of Agriculture – IRP VI Original Balance \$750,000, interest only due years one and two, annual payment of \$30,848, bearing interest at 1.00%, maturing June 4, 2040. Secured by bank accounts established by the loan fund and any collateral taken on loans made to borrowers.</p>	627,917	652,242
<p>ESD Small Business Revolving Loan Fund Original Balance \$1,750,000, interest only due years one through eight, principal and interest due years nine through eleven, maturing February 15, 2022. Secured by bank accounts established by the loan fund and any collateral taken on loans made to borrowers.</p>	<u>1,750,000</u>	<u>1,750,000</u>
Total	<u>\$ 3,572,704</u>	<u>\$ 3,717,539</u>

Future maturities of notes payable are as follows:

2018	\$	146,284
2019		147,746
2020		732,557
2021		734,049
2022		732,888
2023-2027		444,639
2028-2032		342,894
2033-2037		204,709
2038-2041		86,938
		<u>\$ 3,572,704</u>

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 consist of loans received that will be utilized for financial assistance. The following schedule summarizes temporarily restricted net assets:

	<u>2017</u>	<u>2016</u>
Regional Revolving Loan Fund	\$ 917,508	\$ 909,155
Rural Business Enterprise Grant	127,608	124,931
Intermediary Re-lending Program	338,556	565,289
ESD Small Business RLF	<u>(329,526)</u>	<u>(146,661)</u>
Total	<u>\$ 1,054,146</u>	<u>\$ 1,452,714</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The following assets are of concern to the Organization.

North Country Alliance Local Development Corporation (NCA) appears to be concerned with regards to the following receivables, and their potential for loss:

BICC Brothers of NNY: The borrower made no payments in 2017 and three payments totaling \$2,215 in 2016. NCA has a second lien position on all equipment owned by BICC, LLC., a second co-equal lien with the Jefferson County Industrial Development Agency on all machinery, equipment, furniture, fixtures, accounts receivable, inventory, and general intangibles of BICC Brothers of NNY, LLC., and a second mortgage position on property located at 921 Bronson St., Watertown, NY, and Assignment of Rents and Leases. The entire balance of the loan receivable was included in the allowance for bad debt at December 31, 2017 and subsequently written off at December 31, 2017.

St. Lawrence Brewing Company: The borrower made no payments in 2017 and no payments in 2016. A moratorium was extended until March 2016 to allow the borrower to use available funds to purchase canning equipment to get their operation back on track. In 2016, the owner declared bankruptcy, and the St. Lawrence County IDA, the lead lender is pursuing action to secure the equipment on behalf of all entities involved. NCA has lien position on all equipment, furniture, inventory, and accounts receivable. The entire balance of the loan receivable was included in the allowance for bad debt at December 31, 2016 and subsequently written off at December 31, 2017.

Adirondack Meat Company Inc.: The borrower made payments of \$2,349 in 2017 and payments of \$2,349 in 2016. A work out plan was extended for interest only payments from July – December 2017 with contingencies that mirror the Essex County IDA. This workout proposal was rejected by the owners, the sale of the business and property fell through and Glens Falls National Bank is now proceeding with the foreclosure process. NCA has co-proportional lien with Essex County IDA on all equipment, furniture, inventory, accounts receivable, and general intangibles purchased with NCA funds and a 2nd co-proportional lien on all existing machinery and equipment, furniture and fixtures, inventory, accounts receivable, and general intangibles purchased with funds other than the NCA. The entire balance of the loan receivable is included in the allowance for bad debt at December 31, 2017.

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 7 - COMMITMENTS AND CONTINGENCIES (continued)

Carthage Specialty Paperboard: The borrower made no payments in 2017 and 2016. The company filed for Chapter 11 bankruptcy on March 2, 2018. NCA has 3rd lien position on all equipment, furniture, inventory, and accounts receivable. NCA is not likely to collect any funds in bankruptcy. The entire balance of the loan receivable was written off against bad debt at December 31, 2017.

At December 31, 2017, North Country Alliance Local Development Corporation (NCA) has committed the following loans:

- Homes for Humanity Holdings in the amount of \$90,000
- Small Town Supply, Inc. in the amount of \$225,000
- Johnson Lumber Company in the amount of \$225,000
- Taste of Design in the amount of \$75,000
- SBSP Real Estate in the amount of \$225,000

NOTE 8 - RELATED PARTY TRANSACTIONS

The Development Authority of the North Country and CITEC have agreements with North Country Alliance Local Development Corporation to provide portfolio management services as identified by the scope of services in their respective agreements. The Development Authority and CITEC are members of North Country Alliance Local Development Corporation. Expenses for portfolio management services for the Development Authority of the North Country were \$48,709 and \$47,754 for the years ending December 31, 2017 and 2016, respectively. Portfolio Management fees paid to CITEC for the years ending December 31, 2017 and 2016 were \$11,200 and \$10,767, respectively.

NOTE 9 - TAX UNCERTAINTIES

FASB ASC 740, “*Income Taxes*,” requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including 2014 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. North Country Alliance Local Development Corporation does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

North Country Alliance Local Development Corporation is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

**NORTH COUNTRY ALLIANCE
LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10 - SUBSEQUENT EVENTS

North Country Alliance Local Development Corporation has evaluated events and transactions that occurred between December 31, 2017 and March 8, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 11 - RECLASSIFICATIONS

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NORTH COUNTRY ALLIANCE LOCAL DEVELOPMENT CORPORATION
UNITED STATES DEPARTMENT OF AGRICULTURE - INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>USDA RBEG</u>	<u>USDA IRP</u>	<u>Total 2017</u>	<u>Total 2016</u>
Income				
Application and Late Fees	\$ 100	\$ 1,157	\$ 1,257	\$ 1,150
Commitment Fees	430	2,863	3,293	2,425
Bank Interest Income	84	1,497	1,581	119
Loan Interest Income	2,677	53,828	56,505	84,982
Total Income	<u>3,291</u>	<u>59,345</u>	<u>62,636</u>	<u>88,676</u>
Expenses				
Audit	-	3,003	3,003	3,000
Bad Debt Expense	-	220,886	220,886	-
Conference Calls	-	351	351	289
Dues	-	-	-	450
General and Administrative	-	2,399	2,399	1,106
Insurance	-	2,500	2,500	2,500
Interest Paid to United States				
Department of Agriculture	-	19,675	19,675	21,110
Portfolio Management	-	35,946	35,946	35,113
Meeting Expense	-	-	-	-
Total Expenses	<u>-</u>	<u>284,760</u>	<u>284,760</u>	<u>63,568</u>
Net Income (Loss)	<u>\$ 3,291</u>	<u>\$ (225,415)</u>	<u>\$ (222,124)</u>	<u>\$ 25,108</u>

See paragraph on supplemental information included in the independent auditors' report.

NORTH COUNTRY ALLIANCE LOCAL DEVELOPMENT CORPORATION
DETAILS OF LOANS RECEIVABLE
DECEMBER 31, 2017 AND 2016

<u>Borrower</u>	<u>Interest</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance 12/31/2017</u>	<u>Balance 12/31/2016</u>
Adams Capital Partners	5.000%	Feb 18	\$ 27,800	\$ -	\$ 6,625
Adirondack Meat Company, Inc.	5.000%	Feb 19	225,000	221,137	223,486
Asept Pak, Inc.	5.000%	Jun 24	225,000	121,573	137,020
Atlantic Testing Laboratories	2.625%	Nov 17	200,000	-	21,667
BICC Brothers	5.000%	Dec 17	40,000 *	-	20,420
Branch Commercial Development	5.000%	Jul 21	225,000	95,760	118,976
Carthage Specialty Paper Board	5.000%	May 16	225,000 *	-	220,635
Clifton-Fine Hospital	5.000%	Jun 26	150,000	98,402	107,469
Compass II (Victory Promotions)	3.250%	Feb 21	50,000	32,602	42,220
Dinesh Patel (Days Inn)	5.000%	Nov 17	133,717	-	15,767
Equipment Rentals	5.000%	Mar 25	225,000	-	142,917
French Point (dba Midas)	5.000%	Feb 18	72,000	44,435	48,558
Hi-Lite Markings	5.000%	Oct 17	225,000	-	45,565
Hole Brothers	5.000%	Jul 16	68,000	28,008	34,718
Jai Gulab, Inc.	4.250%	Jan 33	225,000	225,000	-
JCP Groceries	5.000%	Nov 17	125,000	-	17,269
John P. Coakley Sons	5.000%	Aug 19	200,000	-	28,164
Jproulx, Inc.	5.000%	Feb 16	150,000	95,512	115,628
Katkesh Holding Company, LLC	5.000%	Mar 25	80,000	61,815	68,156
Lake Placid Pub & Brewery	5.000%	Jun 23	225,000	-	158,644
LCO Destiny #2	1.250%	Feb 23	225,000	89,259	105,946
LKR Enterprises	3.500%	Aug 31	100,000	94,688	100,000
Lyric Bistro, Inc.	5.000%	Apr 19	40,000	6,683	11,412
Mace Chasm Farm	5.000%	May 16	70,261	9,448	9,448
Maui North	5.000%	Nov 20	140,000	64,318	84,302
McKinney Gen.2, LLC.	3.500%	Apr 23	225,000	173,801	205,864
N. Wilson Holdings, LLC	5.000%	Dec 23	88,000	57,956	65,379
North American Tapes #2	4.000%	Oct 18	122,000	-	26,624
North American Tapes #3	5.000%	Jun 17	91,000	-	9,708
North Raquette Greenery	5.000%	Dec 17	25,000	1,877	8,221
PG Sample Holdings, LLC	5.000%	Jan 25	100,000	74,976	83,716
Pizza Palace	5.000%	Jun 17	60,000	-	7,795
Plante Animal Kingdom, LLC	6.500%	Jun 17	132,500	-	7,171
Pro-Tech Restoration, Inc.	3.250%	Jan 16	80,000	66,608	73,117
Rivendell Equine Hospital	3.500%	Nov 16	40,000	31,916	39,389
Romalato's Deli	5.000%	Apr 19	50,000	9,264	11,156
Roth Industries	3.500%	Dec 21	200,000	189,678	200,000
Saranac County Store	5.000%	Jan 21	115,951	43,038	56,305
Sci-tech Center of NNY	5.000%	Jan 28	45,000	27,563	29,988
St. Lawrence Brewing Company	5.000%	Mar 18	125,000 *	-	91,936
Swift Labs, LLC.	3.500%	May 22	65,000	38,362	-
Toddler Town Daycare	5.000%	Jul 17	53,000	-	5,719
Transitional Living Services	5.000%	Mar 16	150,000	130,192	137,099
			<u>\$ 5,439,229</u>	<u>\$ 2,133,871</u>	<u>\$ 2,944,199</u>

* Written off as Uncollectible

See paragraph on supplemental information included in the independent auditors' report.