

**ECONOMIC DEVELOPMENT CORPORATION
FINANCIAL REPORT
DECEMBER 31, 2016**

ECONOMIC DEVELOPMENT CORPORATION

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Kevin J. McCoy, CPA

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Independent Auditor's Report

To the Board of Directors
Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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 Economic Development Corporation as of December 31, 2016, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017 on our consideration of Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Economic Development Corporation's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Queensbury, NY
March 13, 2017

**ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

Current Assets

Cash and cash equivalents	\$	755,429
Accounts receivable, net		83,972
Prepaid expenses		7,892
Total Current Assets		847,293

Property and Equipment

Land and land development		271,496
Furniture and equipment		79,699
Total		351,195
Less accumulated depreciation		67,534
Net Property and Equipment		283,661

Other Assets

Security deposits		1,807
		1,807

TOTAL ASSETS	\$	1,132,761
		1,132,761

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	30,707
Accrued expenses		99
Deferred revenue		6,000
Total Current Liabilities		36,806

Net Assets

Unrestricted		558,509
Unrestricted - Board Designated		537,446
Total Net Assets		1,095,955

TOTAL LIABILITIES AND NET ASSETS	\$	1,132,761
		1,132,761

**ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Unrestricted Support and Revenue	
Contract services	\$ 546,500
Contributions - investors	82,770
In-kind contributions	11,880
Grants	-
Annual meeting and other events	24,173
Interest income	901
Other income	5,663
Total Unrestricted Support and Revenue	<u>671,887</u>
Expenses	
Economic development	
Marketing and promotion	35,912
Consulting	4,875
Annual meeting	7,802
Business development	19,249
Holiday network event	2,943
Audit and accounting	6,275
Automotive and travel	1,364
Collateral materials	5,651
Computer and telephone expenses	9,414
Depreciation and amortization	9,872
Dues and subscriptions	7,064
Employee benefits	19,322
Equipment lease	5,219
Equipment maintenance	16,389
Insurance	8,311
Legal	17,458
Office expenses	16,232
Office space	17,909
Other operating expenses	1,390
Payroll taxes and fees	33,324
Pension expense	15,060
Property taxes	12,469
Salary and wages	310,896
Staff training	46,357
Loss on disposal of assets	7,893
Total Expenses	<u>638,650</u>
Change in Net Assets	33,237
Net Assets, Beginning of Year	<u>1,062,718</u>
Net Assets, End of Year	<u>\$ 1,095,955</u>

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows From Operating Activities	
Change in net assets from operating activities	\$ 33,237
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	9,872
Loss on disposal of assets	7,893
(Increase) decrease in assets:	
Accounts receivable	(15,454)
Prepaid expenses	(3,179)
Security deposit	(1,807)
Increase (decrease) in liabilities:	
Accounts payable	14,991
Accrued expenses	(4,967)
Deferred revenue	3,175
Net Cash Provided by Operating Activities	<u>43,761</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(85,997)</u>
Net Decrease in Cash and Cash Equivalents	(42,236)
Cash and Cash Equivalents, Beginning of Year	<u>797,665</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 755,429</u></u>

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Economic Development Corporation (EDC) was incorporated under the Not-For-Profit Corporation Law in New York State in November 1992. In May 2006, the Organization's name was changed from Warren County Economic Development Corporation to Economic Development Corporation (EDC). EDC was formed to plan and promote, and if necessary, to coordinate and execute programs in the Warren County region of New York aimed at improving the quality of life of its residents by enhancing and diversifying the economy of the region by attracting new industry and/or by encouraging the development of, or retention of, such businesses within the Warren County region.

EDC receives a substantial portion of its revenue through service contracts with various municipalities. The most significant revenue derived from these service contracts is one with Warren County through which it receives reimbursement of its operating expenses, not to exceed the contract amount. During the year ended December 31, 2016, approximately 61% of the Organization's service contract revenues were derived from the service contracts with Warren County.

Basis of Accounting

EDC prepares its financial statements on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of EDC and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by the actions of EDC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. EDC had no temporarily restricted net assets as of December 31, 2016.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by EDC. At December 31, 2016, EDC had no permanently restricted net assets.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and 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.

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are recorded at cost. For financial statement purposes, depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets involved.

Estimated useful lives of related assets are as follows:

	<u>Years</u>
Furniture and equipment	3 - 6

Expenditures for major renewals and betterments that extend the useful lives of property and equipment at a cost of \$2,500 or greater with a minimum useful life of 12 months or more are capitalized. Expenditures for maintenance and repairs or purchases with a cost of less than \$2,500 and a useful life of less than 12 months are charged to the appropriate expense as incurred.

For the year ended December 31, 2016 depreciation and amortization expense was \$9,872.

Land and Land Development Costs

Land and land development costs represent land and improvements held by EDC to further its mission of developing industrial parks and other real estate to attract new business and industry to Warren County. Land and land development costs are stated at cost.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are recorded net of an allowance for uncollectable accounts. The allowance is estimated based on management's estimates. The determination of accounts receivable that will be charged off is made by management and is evaluated on a case-by-case basis. Accounts receivable net of the allowance for uncollectable accounts consisted of the following at December 31, 2016:

	<u>2016</u>
Receivable from local governments	\$ 77,416
Other receivables	22,556
	<u>99,972</u>
Less: Allowance for uncollectible accounts	16,000
Total	<u>\$ 83,972</u>

For the year ended December 31, 2016, bad debt expense was \$-0-.

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

EDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided for in these financial statements. In addition, EDC qualifies for the charitable contribution deduction under Section 170(B)(1)(a)(6) and has been classified as an organization that is not a private foundation under Section 509(a).

The tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. EDC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on EDC's financial condition, results of operations or cash flows. Accordingly, EDC has not recorded any liabilities, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016.

EDC's information returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. There are currently no audits for any tax periods in progress. In general, the information returns have a three year statute of limitations.

Advertising

EDC expenses advertising costs as they are incurred. Marketing and promotion costs for the year ended December 31, 2016 were \$35,912.

Cash Equivalents

For purposes of the statement of cash flows, EDC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

2. CONCENTRATION OF CREDIT RISK

EDC maintains its cash balances with a single financial institution in Glens Falls, New York. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC). EDC maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in a high quality financial institution.

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

3. OPERATING LEASES

During 2016, EDC entered into a five year lease for the use of office space for the amount of \$1,807 per month. Payments made during 2016 totaled \$17,909.

EDC has entered into a non-cancellable operating leases for office equipment expiring in January 2018 and March 2019. Total equipment lease and related maintenance expense for these leases for the year ended December 31, 2016 was \$5,219.

The following is a schedule of future minimum rental payments under these leases for the years ending December 31:

2017	\$	24,315
2018		23,964
2019		23,847
2020		23,847
2021		16,266

4. RETIREMENT PLAN

EDC has a retirement plan in the form of a simplified employee pension (SEP) plan, to which EDC is required to make annual contributions on behalf of eligible employees. For the year ended December 31, 2016, EDC made a contribution for eligible employees in the amount of \$15,060.

5. CONTRIBUTED SERVICES

EDC records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not provided by donation.

The following contributed services have been reflected in the financial statements:

Marketing and promotional services	\$	3,500
Computer services		4,000
Alarm system		1,500
Janitorial services donated by a related party		2,880
Total	\$	11,880

6. CONTINGENCIES

EDC's contracts for services are subject to audit by the funding sources at their discretion. Such audits could result in claims against EDC for disallowed costs. EDC's management believes such claims, if any, which may arise, would be immaterial. As such, no provision for potential claims has been made in the financial statements.

7. OPTION AGREEMENT

EDC has an option agreement with Warren County for the purchase of four identified separate lots located in Warren County at a price of \$1,600 per acre plus an option price of \$36 per acre. The option agreement expires on November 15, 2019.

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

8. FUNCTIONAL EXPENSES

At December 31, 2016, EDC had the following functional expenses:

Program services	\$	429,567
Supporting services		200,749
Fundraising		8,334
Total	<u>\$</u>	<u>638,650</u>

9. BOARD DESIGNATED NET ASSETS

EDC's Board of Directors designated certain net assets be set aside for specific purposes. At December 31, 2016 these designated funds had balances as follows:

Operating Reserve	\$	240,383
Property Carrying Costs		110,165
Queensbury Project Fund		136,823
Regional Loan Fund		50,075
Total Designated Cash and Cash Equivalents	<u>\$</u>	<u>537,446</u>

The designated funds were established for the following purposes:

Operating Reserve was established to cover cash-flow shortfalls that may arise due to reliance on a majority of EDC's funding through local municipalities.

Property Carrying Costs was established to cover the carrying costs of real property.

Queensbury Project Fund was established to cover projects specific to the Town of Queensbury outside of the scope of the annual service contract.

Regional Loan Fund was established to cover EDC's portion of a loan loss reserve for the regional loan fund.

10. SUBSEQUENT EVENTS

Management has evaluated events subsequent to the statement of financial position date of December 31, 2016 through March 13, 2017, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recording or disclosure.

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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

Board of Directors
Economic Development Corporation

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 Economic Development Corporation which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Economic Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Development Corporation's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Marvin and Company, P.C.

Queensbury, NY
March 13, 2017