

**CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION**

Cortland, New York

FINANCIAL REPORT

December 31, 2013 and 2012

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
DECEMBER 31, 2013 and 2012

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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cortland County Business
Development Corporation
Cortland, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Cortland County Business Development Corporation (the Corporation), a non-profit corporation, which comprise the Statement of Financial Position as of December 31, 2013 and 2012, 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.

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. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cortland County Business Development Corporation as of December 31, 2013 and 2012, and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Niblick & Company, CPA". The signature is written in a cursive style.

February 19, 2014
Ithaca, New York

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

<u>ASSETS</u>	2013		
	Operating	Revolving Loan	Total
Current Assets:			
Cash and cash equivalents:			
Unrestricted	\$ 270,362	\$	\$ 270,362
Restricted		390,291	390,291
Accounts receivable	92,445		92,445
Grants receivable			-0-
Loans receivable - Current portion, net of allowance (\$8,036 and \$8,086, respectively)		64,091	64,091
Prepaid expenses	5,675		5,675
Total Current Assets	368,482	454,382	822,864
Furniture and fixtures, net of accumulated depreciation (\$41,903 and \$41,035, respectively)	4,225		4,225
Loans receivable - Long-term portion, net of allowance		231,325	231,325
Total Assets	\$ 372,707	\$ 685,707	\$ 1,058,414
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 5,790	\$ 22	\$ 5,812
Accrued payroll liabilities	315		315
Deferred revenue			-0-
Total Current Liabilities	6,105	22	6,127
<u>NET ASSETS</u>			
Unrestricted	116,602		116,602
Board designated	250,000		250,000
Restricted		685,685	685,685
Total Net Assets	366,602	685,685	1,052,287
Total Liabilities and Net Assets	\$ 372,707	\$ 685,707	\$ 1,058,414

See Independent Auditor's Report and Notes to Financial Statements

2012

<u>Operating</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 277,775	\$	\$ 277,775
	314,535	314,535
80,032		80,032
10,000		10,000
2,045	63,185	63,185
<u>369,852</u>	<u>377,720</u>	<u>747,572</u>
1,976		1,976
<u>1,976</u>	<u>289,112</u>	<u>289,112</u>
<u>\$ 371,828</u>	<u>\$ 666,832</u>	<u>\$ 1,038,660</u>
\$ 31,841	\$	\$ 31,841
396		396
<u>16,367</u>		<u>16,367</u>
48,604	-0-	48,604
73,224		73,224
250,000		250,000
<u>323,224</u>	<u>666,832</u>	<u>666,832</u>
<u>323,224</u>	<u>666,832</u>	<u>990,056</u>
<u>\$ 371,828</u>	<u>\$ 666,832</u>	<u>\$ 1,038,660</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31,

	2013		
<u>Changes in Net Assets</u>	<u>Operating</u>	<u>Revolving Loan</u>	<u>Total</u>
Operating Revenues:			
Contracts and support	\$ 410,632	\$ 18,454	\$ 410,632
Interest income	318	18,454	18,772
Grants			-0-
Application fees		200	200
Other revenue	2,932	966	3,898
Total Operating Revenues	413,882	19,620	433,502
Operating Expenses:			
Payroll	208,000		208,000
Payroll taxes	17,713		17,713
Employee benefits	55,624		55,624
Conferences and meetings	7,388		7,388
Legal and professional fees	13,693	752	14,445
Marketing	13,546		13,546
Special projects			-0-
Dues	1,455		1,455
Occupancy	19,650		19,650
Telephone, fax, and internet	3,847		3,847
Postage	553		553
Supplies	2,695		2,695
Equipment rental and maintenance	6,885		6,885
Accounting and payroll services	7,100		7,100
Insurance	2,672		2,672
Travel	4,000		4,000
Automobile expense	4,414		4,414
NY nonprofit filing fee	125		125
Depreciation	868		868
Bad debt expense			-0-
Miscellaneous	276	15	291
Total Operating Expenses	370,504	767	371,271
Change in Net Assets	43,378	18,853	62,231
Net Assets, January 1,	323,224	666,832	990,056
Net Assets, December 31,	\$ 366,602	\$ 685,685	\$ 1,052,287

See Independent Auditor's Report and Notes to Financial Statements

2012

Operating	Revolving Loan	Total
\$ 398,873	\$	\$ 398,873
806	22,205	23,011
70,000		70,000
	200	200
341		341
470,020	22,405	492,425
203,000		203,000
17,327		17,327
41,213		41,213
2,457		2,457
12,835	448	13,283
18,782		18,782
73,427		73,427
1,174		1,174
19,651		19,651
4,170		4,170
1,174		1,174
3,977		3,977
6,795		6,795
7,375		7,375
2,656		2,656
4,000		4,000
4,498		4,498
125		125
2,258		2,258
	64,450	64,450
228	12	240
427,122	64,910	492,032
42,898	(42,505)	393
280,326	709,337	989,663
\$ 323,224	\$ 666,832	\$ 990,056

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31,

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	\$ 62,231	\$ 393
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	868	2,258
Bad debt expense	-0-	64,450
(Increase) decrease in:		
Accounts receivable	(12,413)	(12,300)
Grants receivable	10,000	(10,000)
Prepaid expenses	(3,630)	1,755
Increase (decrease) in:		
Accounts payable	(26,029)	12,529
Accrued payroll liabilities	(81)	132
Deferred revenue	(16,367)	(13,241)
Net Cash Provided by Operating Activities	14,579	45,976
Cash Flows from Investing Activities:		
Purchase of fixed assets	(3,117)	(1,467)
Principal received on loans receivable	101,081	56,583
New loans receivable issued	(44,200)	(50,000)
Net Cash Provided by Investing Activities	53,764	5,116
Cash Flows from Financing Activities:	-0-	-0-
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,343	51,092
Cash and Cash Equivalents, January 1,	592,310	541,218
Cash and Cash Equivalents, December 31,	\$ 660,653	\$ 592,310

See Independent Auditor's Report and Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

Note 1 - Summary of Significant Accounting Policies

Activity

Cortland County Business Development Corporation (the Corporation) is a not-for-profit corporation formed on May 12, 1992. The Corporation's activities involve attracting new business, developing existing business and promotion and development of job opportunities in Cortland County. Cortland County Business Development Corporation received approximately 95% and 81% of its funding from local governments in 2013 and 2012, respectively.

Basis of Accounting

The financial statements of the Cortland County Business Development Corporation have been prepared on the accrual basis.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Corporation is required 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. The Corporation has no permanently restricted net assets. Temporarily restricted net assets represent resources restricted for revolving loan funds.

Use of Funds

The assets, liabilities and net assets of the Corporation are reported in two self-balancing fund groups as follows:

Operating Funds: Unrestricted resources which represent the portion of expendable funds that are available for support of Corporation operations.

Revolving Loan Funds: Restricted resources used to support local business by granting loans for economic development within Cortland County. This fund is included in the restricted net asset classification.

Cash and Cash Equivalents

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

Loans Receivable

The Corporation holds funds that are earmarked for the purpose of making loans to qualified Cortland County businesses. They are to use these funds for expansion and the creation of jobs within the County. As of December 31, 2013, the Committee had granted 11 loans still outstanding at 6% interest and with various terms to maturity through 2021. Collateral consists of various assets owned by the individual businesses. The Corporation has filed all necessary legal documents to obtain a first or second lien on the various assets. One new loan was issued during 2013 in the amount of \$19,200, and one current loan was increased by \$25,000. In addition, interest on loans is recognized when collected.

An allowance for uncollectable loans has been established and used based on management's evaluation of potential uncollectable loans at year end. Amounts expensed to maintain the appropriate reserve balance were \$8,036 and \$8,036 in 2013 and 2012, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2013 and 2012

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets. The Corporation capitalizes all assets greater than \$1,000 and with useful lives greater than one year.

Use of Estimates

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

Marketing Costs

Marketing costs are comprised of print and audio media advertising and promotions. These costs are expensed when incurred.

Tax Status

The Corporation is recognized as exempt from federal taxation under Section 501(c)(6) of the Internal Revenue Code. However, the Corporation is subject to routine audits by taxing jurisdictions. While there are no current audits in progress for any tax periods, the Corporation's open audit periods are 2010 through 2012.

Evaluation of Subsequent Events

The Corporation has evaluated subsequent events through February 19, 2014, the date which the financial statements were available to be issued.

Note 2 - Property and Equipment

Asset	2013		
	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 44,659	\$ 40,434	\$ 4,225
Leasehold Improvements	1,469	1,469	-0-
Total	\$ 46,128	\$ 41,903	\$ 4,225
2012			
Asset	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 41,542	\$ 39,566	\$ 1,976
Leasehold Improvements	1,469	1,469	-0-
Total	\$ 43,011	\$ 41,035	\$ 1,976

Depreciation expense amounted to \$868 and \$2,258 for the years ended December 31, 2013 and 2012, respectively.

Note 3 - Pension Plan

Effective April 1, 2000, the Corporation sponsored a Simple IRA retirement plan. Employees may elect to defer up to \$11,500 per year pursuant to a salary reduction agreement. The Corporation matches each employee's elective deferral up to a maximum 3% of the employee's compensation.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2013 and 2012

As of July 1, 2013, the Corporation sponsored a 401(k) plan, effective January 1, 2014.

Due to the unavailability of enrollment at July 1, 2013, the contribution to the Simple IRA was increased from 5% to 10% for the remainder of 2013. Pension expense incurred as of December 31, 2013 and 2012 amounted to \$16,375 and \$10,150, respectively.

Note 4 - Lease Commitments

The Corporation leases office space from Cortland County. Lease expense amounted to \$19,650 and \$19,651 for the years ended December 31, 2013 and 2012, respectively.

On September 13, 2011, the Corporation entered into a 39 month automobile lease with monthly payments of \$342. Automobile lease expense amounted to \$2,076 and \$462, net of employee reimbursement for personal miles, for the years ended December 31, 2013 and 2012.

On February 16, 2011, the Corporation entered into a cancelable, five year lease for a copier with monthly payments of \$395 plus usage for five years. Copier lease expense amounted to \$4,739 and \$4,739 for the years ended December 31, 2013 and 2012.

Note 5 - Loans Receivable - Revolving Loan Program

	<u>2013</u>	<u>2012</u>
Loan receivable from 60 Main, LLC, dated February 11, 2010, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing March 1, 2020.	\$ 34,646	\$ 39,083
Loan receivable from Cortland Foundations, LLC, dated September 19, 2011, original amount \$50,000, payable in monthly installments of \$1,521 including interest at 6%, maturing December 1, 2014.	17,674	34,320
Loan receivable from Cortland Plastics International, LLC, dated January 25, 2007, original amount \$75,000, payable in monthly installments of \$833 including interest at 6%, maturing February 1, 2017.	28,752	36,756
Loan receivable from Delta Investments, dated January 18, 2010, original amount \$35,000, payable in monthly installments of \$389 including interest at 6%, initially maturing December 1, 2020. During the current year an additional \$25,000 was added to the original loan, increasing monthly payments to \$731, and the maturity date to October 1, 2020.	49,083	27,107
Loan receivable from JAG Court Reporting, dated January 12, 2008, original amount \$20,000, payable in monthly installments of \$387 including interest at 6%, maturing December 1, 2013.	8,036	8,036
Loan receivable from Marathon Boat Group, dated June 11, 2008, original amount \$15,000, payable in monthly installments of \$219 including interest at 6%, maturing January 1, 2018.	9,488	10,995
Loan receivable from Central City Bar and Grill, dated June 14, 2007, original amount \$60,000, payable in monthly installments of \$666 including interest at 6%, maturing July 1, 2017.	25,716	31,962

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2013 and 2012

	2013	2012
Loan receivable from M & D Deli Central, dated July 7, 2009, original amount \$60,000, payable in monthly installments of \$666 including interest at 6%, maturing August 1, 2019.	38,319	43,833
Loan receivable from Crown City Stove Works, dated January 29, 2010, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing February 1, 2020.	34,274	38,733
Loan receivable from Prop, Inc, dated June 29, 2011, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing July 1, 2021.	40,504	44,600
Loan receivable from Big Mike's BBQ, dated April 9, 2012, original amount \$50,000, payable in monthly installments of \$967 including interest at 6%.	-0-	44,908
Loan receivable from Sophia Enterprises, dated March 4, 2013, original amount \$19,200, payable in monthly installments of \$371 including interest at 6%, maturing April 1, 2018.	16,960	-0-
Total Loans Outstanding	303,452	360,333
Less allowance for uncollectible loans receivable	(8,036)	(8,036)
Net Loans Outstanding	295,416	352,297
Less Current Portion	(64,091)	(63,185)
Long-term Portion	\$ 231,325	\$ 289,112

Note 6 - Concentration of Credit Risk and Sources of Revenue

Financial instruments which potentially expose the Corporation to concentrations of credit and market risk consist primarily of cash. Cash is maintained at high quality financial institutions and credit exposure is limited to cash in excess of Federal Deposit Insurance Corporation Limits. From time to time the Corporation may have bank deposits in excess of Federal Deposit Insurance Corporations insurance limits.

The Corporation received approximately 95% and 81%, in 2013 and 2012, respectively, of its support from Cortland. In 2003, Cortland County passed a resolution to annually fund the Corporation. In 2012, a contract extension was passed for unrestricted funding of \$410,632 for the years 2013 and 2014.

Note 7 - Board Designated Net Assets

The Corporation's Board of Directors designated net assets for potential future projects. At December 31, 2013 and 2012, designated net assets totaled \$250,000. No funds were expended using designated net assets during 2013 or 2012.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2013 and 2012

Note 8 - Related Party Transactions

Cortland County Industrial Development Agency (the Agency) was created for the purpose of advancing job opportunities, health, general prosperity and economic welfare of the people of Cortland County in 1974. The Executive Director of the Corporation acts as the Chief Executive Officer of the Agency; the Chief Finance Officer and Project Development Director of the Corporation acts as the Treasurer of the Agency; and the Board of Directors of the Corporation are all members of the Agency's Board of Directors. In addition, the Agency has four component units which also share the Chief Executive Officer, Treasurer and Board of the Corporation. The Corporation pays the expenses for two of these component units, Cortland County Agricultural Local Development Corporation (Ag Corp) and Contento Redevelopment LDC, Ltd. (Contento Redevelopment). The expenses of Contento Redevelopment are expected to be repaid to the Corporation when the property is sold. The expenses of Ag Corp are expected to be repaid when the Ag Corp is dissolved. At December 31, 2013, Ag Corp and Contento Redevelopment owed the Corporation \$8,799 and \$83,646, respectively; which is reported as accounts receivable in the Statements of Financial Position.

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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
Cortland County Business Development Corporation
Cortland, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cortland County Business Development Corporation (the Corporation), which comprise the Statement of Financial Position as of December 31, 2013, 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 February 19, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Lisa Dietershagen, Little, Minkler & Company, LLP". The signature is written in black ink and is positioned above the date and location information.

February 19, 2014
Ithaca, New York