DEVELOPMENT
CHENANGO CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013, 2012 and 2011

Development Chenango Corporation
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Cwynar & Company

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Development Chenango Corporation
Norwich, New York

We have audited the accompanying financial statements of Development Chenango Corporation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, 2012, and 2011, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Chenango Corporation as of December 31, 2013, 2012, and 2011, and the changes in its net assets and its cash flow for the years then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 20 - 21 and accompanying schedule of expenditures of federal awards on page 23, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 March 3, 2014, on our consideration of Development Chenango 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 Development Chenango Corporation's internal control over financial reporting and compliance.

Cwynar & Company

Norwich, New York
March 3, 2014

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF FINANCIAL POSITION

At December 31,		2013	2012	2011
ASSETS				
CURRENT ASSETS				
Cash and equivalents	$	667,204	441,437	256,013
Cash, restricted		6,525	984,000	-
Accounts receivable		9,825	28	14,442
Prepaid expenses		505	434	469
Loans receivable, net		144,938	107,364	130,298
Total current assets		828,997	1,533,263	401,222
OTHER ASSETS				
Investments in marketable securities		1,558,746	1,920,435	1,872,332
Conditional forgivable loans receivable		1,424,000	340,000	340,000
Loans receivable, net		641,646	252,938	359,112
Total other assets		3,624,392	2,513,373	2,571,444
FIXED ASSETS				
Leasehold improvements		116,072	99,885	-
Office equipment		7,079	5,449	8,086
Construction in progress		217,212	-	-
Accumulated depreciation		(5,806)	(1,642)	(7,211)
Total net fixed assets		334,557	103,692	875
Total assets	$	4,787,946	4,150,328	2,973,541
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$	13,148	9,922	-
Total current liabilities		13,148	9,922	-
NET ASSETS				
Unrestricted		3,350,798	2,810,271	2,633,541
Temporarily restricted		1,424,000	1,330,135	340,000
Total net assets		4,774,798	4,140,406	2,973,541
Total liabilities and net assets	$	4,787,946	4,150,328	2,973,541

See independent auditors' report

See accompanying notes to the financial statements

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF ACTIVITIES

For the years ended December 31,	2013	2012	2011
UNRESTRICTED NET ASSETS			
PROGRAM REVENUES, SUPPORT, AND GAINS			
Contributions from local governments	$ 179,250	187,500	183,000
Contributions from businesses and general public	1,500	1,015	-
Interest earned on loan portfolio	16,781	16,567	20,931
Grants	29,017	110,239	83,517
Contract revenue	10,923	2,345	850
Interest and dividends	32,321	31,772	17,349
Net realized gains (losses) on investment transactions	92,645	18,991	-
Net unrealized gains (losses) on investment transactions	105,361	67,315	11,217
Recovery of bad debts	-	25,000	-
Other	440	2,054	4,325
Total program revenues, support, and gains	468,238	462,798	321,189
Net assets released from donor restrictions	377,135	107,362	11,113
Total unrestricted revenues, gains, and other support	845,373	570,160	332,302
FUNCTIONAL EXPENSES			
PROGRAM SERVICES			
Economic development	125,293	101,369	79,589
Business grants	13,248	134,912	65,759
Loan portfolio	31,629	42,211	74,833
Total program services	170,170	278,492	220,181
SUPPORTING SERVICES			
Management & general	134,676	114,938	122,809
Total functional expenses	304,846	393,430	342,990
Change in unrestricted net assets	540,527	176,730	(10,688)
Beginning of the year	2,810,271	2,633,541	2,644,229
End of the year	$ 3,350,798	2,810,271	2,633,541

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See accompanying notes to the financial statements

For the years ended December 31,		2013	2012	2011
TEMPORARILY RESTRICTED NET ASSETS				
Contributions from businesses and general public	$	**7,000**	113,497	-
Grants		**464,000**	984,000	-
Net assets released from donor restrictions		**(377,135)**	(107,362)	(11,113)
Change in temporarily restricted net assts		**93,865**	990,135	(11,113)
Beginning of the year		**1,330,135**	340,000	351,113
End of the year	$	**1,424,000**	1,330,135	340,000

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DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF CASH FLOWS

For the years ended December 31,		**2013**	2012	2011
OPERATING ACTIVITIES				
Change in net assets	**$**	**634,392**	1,166,865	(21,801)
Adjustments to reconcile change in net assets				
to net cash provided (used) by operating activities:				
Depreciation		**4,164**	712	361
Bad Debts		**11,203**	20,009	39,845
Net realized (gain) loss on sale of investments		**(92,645)**	(18,991)	-
Net unrealized (gain) loss on investment transactions		**(105,361)**	(67,315)	(11,217)
Accounts receivable		**(9,797)**	(5,595)	(49,965)
Loans receivable		**(1,521,485)**	129,108	150,011
Loan program funds payable		**-**	-	(16,720)
Accounts payable		**3,226**	9,922	(4,695)
Prepaid expenses		**(71)**	35	(153)
Restricted cash		**977,475**	(984,000)	24,860
CASH FROM (USED FOR) OPERATING ACTIVITIES		**(98,899)**	250,750	110,526
INVESTING ACTIVITIES				
Proceeds from sales of investments		**1,140,521**	361,440	249,933
Purchases of investments		**(580,826)**	(323,237)	(716,795)
Purchase of equipment		**(1,630)**	(3,644)	-
Purchase of leasehold improvements		**(16,187)**	(99,885)	-
Purchase of building		**(217,212)**	-	-
CASH FROM (USED FOR) INVESTING ACTIVITIES		**324,666**	(65,326)	(466,862)
INCREASE (DECREASE) IN CASH DURING THE YEAR		**225,767**	185,424	(356,336)
Cash at the beginning of the year		**441,437**	256,013	612,349
Cash at the end of the year	**$**	**667,204**	441,437	256,013
SUPPLEMENTAL CASH FLOW DISCLOSURES				
Interest paid		**-**	-	-
Income taxes paid		**-**	-	-
Non-cash financing		**-**	-	-

See independent auditors' report

See accompanying notes to the financial statements

NOTE 1
Nature of Organization and Significant Accounting Policies

Nature of Organization

The Development Chenango Corporation is a nonprofit entity whose primary purpose is to promote economic development in Chenango County. The Corporation operates programs that provide loans and economic assistance to businesses in Chenango County, New York State that promote expansion and new business development. The Corporation contracts with other agencies in the county to provide certain economic development activities. The primary funding sources are government and state grants, return on investments and interest income earned on the repayment of revolving loans.

Summary of Significant Accounting Policies

Basis of Accounting

The Corporation's policy is to prepare its financial statements on the accrual basis of accounting. Under this method, revenues are recognized as earned and expenses are recognized as they are incurred. Direct expenses are charged to the Corporation's programs. Administration expenses are allocated based on the relative direct costs of the program and management and general costs.

Financial Statement Presentation

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. In addition, the Corporation is required to present a statement of cash flows. Certain reclassifications have been made to prior years' financial presentation to correspond to the current year's format. The amounts shown for certain prior year totals in the accompanying financial statements are included to provide a basis for comparison with 2013. Accordingly, the prior years' totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Corporation's financial statements for the years from which the summarized information was derived..

Contributions, Promises to Give, and Grants

Contributions, promises to give, and grants are recognized when the donor grantor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions, promises to give, and grants that are restricted by the donor grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor grantor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

The Corporation uses the allowance method to provide for uncollectible unconditional promises to give. Promises to give are reported at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contribution of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided.

Cash and Cash Equivalents

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

Contract Receivables

Contract receivables represent the balance of the grant which has not been received. The Corporation accounts for contract receivables under the accrual method of accounting.

The Corporation provides an allowance for uncollectible accounts based on management's estimates for financial statement purposes. Based on management's assessment of the credit history with contractors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Accounts and Other Receivables

The Corporation accounts for receivables under the accrual method of accounting. Accounts receivable are stated at the amount management expects to collect from outstanding balances. This estimate is based on historical losses. Past due status is based on how recently payments have been received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for uncollectible accounts 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 allowance for uncollectible accounts and a credit to accounts receivable. Management has determined that no allowance is needed.

Investments

The Corporation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Corporation initially records its real estate investments at the fair value as of the dates the investments are donated and thereafter carries such investments primarily at current appraised values (Level 2 measurements).

Fair Value Measurements

The Corporation uses a fair value hierarchy that prioritizes the “inputs” to valuation techniques used to measure fair value. The hierarchy consists of three broad “inputs” levels:

- Level 1 inputs - consists of unadjusted quoted prices in active markets for identical assets and have the highest priority.
- Level 2 inputs - consist of observable inputs other than quoted prices for similar assets in active or inactive markets.
- Level 3 inputs - consist of unobservable inputs that reflect internal judgments. For example the value may be determined by calculating the present value of the future cash flows expected to be received at a discounted interest rate. These have the lowest priority.

The Corporation uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Corporation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Corporation only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

The Corporation values all contributions at fair value when promised. The Corporation only revalues debt and marketable securities at least as often as it presents financial statements. For contributions valued initially at fair value but not revalued, the Corporation treats the initial fair value as cost in subsequent financial statements.

Management of the Corporation estimates that the aggregate net fair value of financial instruments recognized (including receivable, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Loans Receivable

The Corporation accounts for loans receivable and the related interest income under the accrual method of accounting.

Loans receivable are carried at unpaid principal balances, less an allowance for loan losses and net of any deferred loan fees. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Any uncollected interest if previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Loan fees are recognized as income when received. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Fixed Assets

It is the corporation's policy to capitalize property and equipment over $500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation expense is calculated using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and fixtures	3 – 12 years
Equipment	5 – 12 years

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.

Federal Income Taxes

The Corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Corporation is not liable for income taxes on income generated from activities related to its exempt purpose or federal unemployment insurance.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Corporation.

Advertising

Advertising costs are generally charged to operations as incurred.

Functional Classification of Expenses

The corporation allocates its expenses on a functional basis among its various program services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Economic Development

Direct expenditures made for the promotion of economic development in Chenango County.

Business Grants

Grants to businesses for the promotion of economic development in Chenango County and the related administrative expenditures

Loan Portfolio

Direct expenditures made for the management of the corporation administered loan portfolios.

Management and General Expense

Expenditures associated with the overall operation of the corporation. These expenditures are not directly part of the program services. They are indirect and necessary for the corporation's existence.

Management's Review

Subsequent events were evaluated through March 3, 2014, which is the date the financial statements were available to be issued.

DEVELOPMENT CHENANGO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2
Loans Receivable

The Corporation grants commercial loans primarily to individuals and businesses located in Chenango County New York State. Although the Corporation has diversified between large and small commercial property and in different areas of the county, borrowers are heavily dependent on the employment and economic conditions within their zone.

For the year ended December 31,		2013	2012	2011
Business Assistance Loan Fund	$	599,884	276,812	365,800
Conditional Forgivable Loans		1,424,000	340,000	340,000
Dairy Revolving Loan Fund		139,809	-	-
Micro Enterprise Fund		130,020	155,416	225,404
		2,293,713	772,228	931,204
Less:				
Allowance for Loan Losses		(83,129)	(71,926)	(101,794)
	$	2,210,584	700,302	829,410

Allowance for credit losses		
Beginning Balance	$	71,926
Recovery of losses		(990)
Current year losses		1,025
Adjustments for future losses		11,168
Ending Balance	$	83,129

At December 31, 2013, the total recorded investment in impaired loans amounted to approximately $70,936. The average recorded investment in impaired loans was approximately $14,000. The allowance for loan losses related to impaired loans totaled $70,936. Interest income is not recorded on impaired loan. Cash payments received in 2013 was $990; this was recorded as a payment on the loan. The Corporation has no commitments to lend additional funds to borrowers whose loans have been modified.

At December 31, 2013, the total recorded investment in loans on nonaccrual (of the related loan interest income) amounted to $70,936. The amount of interest not recorded on nonaccrual loans was approximately $3,500.

The Corporation values the loan receivable net of an allowance for bad debts. Future maturities of the loans net of the related bad debt allowance are as follows:

For the year ended December 31,	Loan Fund	Conditional Forgiveable Loans	Total
2014	$ 144,938	734,000	$ 878,938
2015	147,145	-	147,145
2016	127,580	340,000	467,580
2017	97,011	-	97,011
2018	81,408	-	81,408
2019 to 2023	271,631	350,000	621,631
	$ 869,713	1,424,000	$ 2,293,713

Each loan is secured by buildings and/or equipment offered by each business for collateral and certain loans are personally guaranteed by the business owners. Bad debt expense was $11,203.

NOTE 3
Conditional Forgivable Loan

In 2006, $590,000 was provided to a Chenango County business under a government grant program. The program provided a loan for $250,000. The remaining $340,000 of those funds is a conditional forgivable receivable that is expected to be converted to a grant to the business. The business is expected to pay back the loan and meet the economic performance targets specified in the grant agreement.

In 2013, $984,000 was provided to a Chenango County business under a government grant program. The program provided a loan for $250,000, which was repaid. The remaining $734,000 of those funds is a conditional forgivable receivable that is expected to be converted to a grant to the business. The business is expected to meet the economic performance targets specified in the grant agreement.

In 2013, $464,000 was provided to a Chenango County business under a government grant program. The program provided a loan for $114,000. The remaining $350,000 of those funds is a conditional forgivable receivable that is expected to be converted to a grant to the business. The business is expected to pay back the loan and meet the economic performance targets specified in the grant agreement.

NOTE 4
Investments and Investment Return

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments in marketable securities are summarized as follows

At December 31, 2013			Market	Cost		Unrealized Gain (Loss)
3.5%	Money Funds	$	**55,036**	55,036	$	-
5.3%	Consumer Discretionary Industies		**82,922**	61,688		21,234
4.0%	Consumer Staples		**61,887**	49,562		12,325
4.8%	Energy Sector		**74,917**	63,982		10,935
7.9%	Financial Sector		**123,771**	91,971		31,800
5.5%	Health Care Industry		**86,172**	57,832		28,340
4.7%	Industrials		**73,773**	51,009		22,764
8.3%	Information Technology		**129,934**	104,827		25,107
1.4%	Materials		**22,435**	22,160		275
17.0%	Equity Mutual Funds		**265,633**	219,629		46,004
0.2%	Telecommunication Services		**3,300**	2,326		974
0.9%	Utilities		**14,011**	13,065		946
9.6%	Corporate Bonds		**149,389**	142,840		6,549
24.1%	Fixed Income Mutual Funds		**375,491**	383,927		(8,436)
2.6%	United States Treasury		**40,076**	40,056		20
100.0%		**$**	**1,558,747**	1,359,910	$	198,837

The unrealized gain or loss is the change in the market values from the original purchase price for securities that were not sold.

December 31,	**2013**	2012	2011
Investments at Cost	**$ 1,359,910**	1,826,128	1,790,296
Unrealized Gains (Losses)	**198,837**	94,307	26,161
	$ 1,560,760	1,922,447	1,818,468

For the years ended December 31,	**2013**	2012	2011
Capital Gains			
Net Realized gains (loss)	**$ 92,645**	18,990	-
Net Unrealized gains (loss)	**105,985**	68,146	11,217
Dividend earned			
Equity Securities	**17,859**	16,227	1,752
Interest earned			
Government Agencies Debt	**5,647**	11,202	7,178
Corporate bonds	**5,638**	1,545	-
United State Treasury	**245**	190	-
Fixed Income Mutual Funds	**2,761**	2,424	-
Certificates of Deposit	**-**	-	8,330
Liquid funds	**9**	16	89
	$ 230,789	118,740	28,566

The investments are sold when cash needs develop or when good investment management dictates a change in the securities held. The difference between the net proceeds from sale and cost represents the realized gain or loss on the sale of securities. The unrealized gain or loss for a year is the relative change in the market values from the beginning to the end of the year for securities that were not sold.

NOTE 5
Fixed Assets

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. If these fixed assets are sold in the future, funds may have to be returned to the appropriate funding source.

Property held at December 31, 2013 consisted of the following:

December 31,	2012	Additions	Deletions	2013
Fixed asset values				
Leasehold improvements	$ 99,885	16,187	-	$ 116,072
Office equipment	5,449	1,630	-	7,079
Construction in progress	-	217,212	-	217,212
Gross fixed assets	105,334	17,817	-	340,363
Accumulated depreciation	(1,642)	4,164	-	(5,806)
Fixed assets, net	$ 103,692			$ 334,557

It is the corporation's policy to capitalize property and equipment that cost over $500. Lesser amounts are expensed. Depreciation expense is calculated using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and fixtures	3 – 12 years
Equipment	5 – 12 years

NOTE 6
Net Assets

The corporation's unrestricted net assets are as follows:

December 31,	2013	2012	2011
Designated for fixed assets	$ 334,557	103,692	875
Designated for Business Assistance Loan Fund	599,884	616,828	705,800
Designated for Dairy Revolving Loan Fund	139,809	-	-
Designated for Micro Enterprise Loan Fund	130,020	155,513	225,403
Undesignated	2,146,528	2,274,238	1,701,463
Unrestricted net assets	$ 3,350,798	2,810,271	2,633,541

Temporarily restricted net assets are available for the following purposes or periods:

December 31,	2013	2012	2011
Community Development Block Grant	$ -	984,000	-
Community Development Block Grant			
Conditional loan restrictions from 2006 grant	**340,000**	340,000	340,000
Conditional loan restrictions from 2013 grants	**1,084,000**	-	-
Free trade zone program	**-**	6,135	-
Temporarily restricted net assets	**$ 1,424,000**	1,330,135	340,000

Temporary restricted net assets were released from their restrictions for the following purposes:

For the year ended December 31,	2013	2012	2011
Community Development Block Grant for 2012	**$ 250,000**	-	-
Community Development Block Grant for 2013	**114,000**	-	-
Donations from Business Community	**7,000**	107,362	-
Free trade zone program	**6,135**	-	-
New York State Grant programs	**-**	-	11,113
Released from restrictions	**$ 377,135**	107,362	11,113

Unrestricted net assets at the beginning of 2013 have been adjusted for a conditional loan restriction recognized in error as unrestricted revenues in 2006. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreases beginning unrestricted net assets for 2013 by $340,000 and increases temporary restricted net assets by the same amount. Had the error not occurred, the change in net assets would remain the same for all prior years presented.

NOTE 7
Concentrations of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable and investments. The cash and investments held in trustee accounts at the bank are in high quality institutions and companies with high credit ratings.

The corporation maintains their cash accounts with one financial institution. The balances at times may exceed federally insured limits.

Accounts receivable are principally with governmental entities within Chenango County.

Notes receivable are principally with Chenango County businesses and guaranteed by those business owners. Realization of these items is dependent on various individual economic conditions. The Corporation performs ongoing credit evaluations of the financial condition of the businesses and individuals and, generally, requires collateral from them. Cash and investments are based on quoted market prices. Accounts receivable and notes receivable are carried at estimated net realizable values.

NOTE 8
Related Party Transactions

Several transactions have occurred between the corporation and certain governing board members, a board member's business or another business of which a board member is a director or employee. The transactions can be summarized as follows:

Certain governing board members of the Corporation are governing board members and/or employees of the bank the corporation maintains cash accounts and investments. The corporation paid trustee fees to the bank of $11,701 in 2013.

Certain governing board members of the Corporation are employees of Chenango County and/or members of the Chenango County Board of Supervisors. In 2013, the corporation received direct funding from the county in the amount of $104,250.

The president of Commerce Chenango, Inc is the Executive Director and a board member of the Development Chenango Corporation. In 2013, the corporation paid Commerce Chenango for management fees, rents, and reimbursements totaling $191, 706.

NOTE 9
Subsequent Events

The Corporation entered into a $108,750 contract with Chenango County to provide economic development services during the year ending December 31, 2014.

NOTE 10
Contingency

The Corporation was notified that a lawsuit has been filed by an individual regarding injuries that occurred on the property that the Corporation formerly owned. Legal counsel representing the Corporation was retained through its insurance carrier. The Corporation believes the claim is without merit. However, the insurance policy has a $25,000 deductible and any remaining liability will be paid by the insurance carrier.

NOTE 11
Fair Value Measurements

Fair Values of assets measured on a recurring basis at December 31, 2013 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in marketable securities	$ 1,558,746	$ 1,409,357	$ 149,389	$ -
Loans receivable, net	786,584	-	-	786,584
	$ 2,345,330	$ 1,409,357	$ 149,389	$ 786,584

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for assets valued using level 3 inputs may be determined by calculating the present value of the future cash flows expected to be received and a discount rate. There have been no changes in valuation techniques and related inputs.

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES

	PROGRAM SERVICES			
For the years ended December 31	Economic Development	Business Grants	Loan Portfolio	Total
Management fee	$ 67,097	9,585	9,585	$ 86,267
Special projects	-	-	-	-
Program recipient	25,085	-	-	25,085
Professional fees	1,914	3,500	2,650	8,064
Investment management	-	-	-	-
Marketing and advertising	22,148	-	-	22,148
Office	1,144	163	327	1,634
Occupancy	4,499	-	4,499	8,998
Travel and training	2,356	-	2,356	4,712
Insurance	952	-	952	1,904
Miscellaneous	98	-	57	155
Bad debt	-	-	11,203	11,203
Depreciation	-	-	-	-
Total	$ 125,293	13,248	31,629	$ 170,170

See independent auditors' report

See accompanying notes to the financial statements

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES

	SUPPORTING SERVICES	TOTAL		
For the years ended December 31	Management and General	**2013**	2012	2011
Management fee	$ 105,439	**$ 191,706**	$ 165,457	147,251
Special projects	-	**-**	1,568	25,000
Program recipient	-	**25,085**	125,159	57,652
Professional fees	7,590	**15,654**	13,595	9,929
Investment management	11,853	**11,853**	13,933	5,341
Marketing and advertising	-	**22,148**	30,123	21,463
Office	1,634	**3,268**	3,974	20,019
Occupancy	2,250	**11,248**	12,176	12,450
Travel and training	1,179	**5,891**	5,421	1,562
Insurance	475	**2,379**	730	1,251
Miscellaneous	92	**247**	573	866
Bad debt	-	**11,203**	20,009	39,845
Depreciation	4,164	**4,164**	712	361
Total	$ 134,676	**$ 304,846**	$ 393,430	342,990

See independent auditors' report

See accompanying notes to the financial statements

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DEVELOPMENT CHENANGO CORPORATION
SCHEDULE OF FEDERAL AWARDS
For the year ended December 31, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Grantor's Number	Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through New York State Department of Housing and Community Renewal			
Community Development Block Grant	14.218	227ED766-11	$ 984,000
Community Development Block Grant	14.218	227ED784-13	464,000
			$ 1,448,000

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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*

To the Board of Directors
Development Chenango Corporation
Norwich, 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 Development Chenango Corporation (a nonprofit organization), 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 March 3, 2014

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Development Chenango 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 Development Chenango Corporation'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 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 Development Chenango 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cwynar & Company

Cwynar & Company, CPAs, PLLC

Norwich, New York
March 3, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Development Chenango Corporation
Norwich, New York

Report on Compliance for Each Major Federal Program

We have audited Development Chenango Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Development Chenango Corporation's major federal programs for the year ended December 31, 2013. Development Chenango Corporation's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to each federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Development Chenango Corporation'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about Development Chenango Corporation'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 each major federal program. However, our audit does not provide a legal determination of Development Chenango Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Development Chenango Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Development Chenango Corporation 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 Development Chenango Corporation'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 OMB Circular A-133, 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 Development Chenango Corporation'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 OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

Cwynar & Company

Cwynar & Company, CPAs, PLLC

Norwich, New York
March 3, 2014

DEVELOPMENT CHENANGO CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of Report Issued:		Unqualified
Internal Control over Financial Reporting		
Material Weakness Identified?	___ Yes	x No
Significant Deficiency(s) identified that are not considered to be material weakness(es)?	___ Yes	x No
Noncompliance material to financial statements noted?	___ Yes	x No

Federal Awards

Internal Control over Major Programs:		
Material Weakness Identified?	___ Yes	x No
Significant Deficiency (s) identified that are not considered to be material weakness(es)?	___ Yes	x No
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ Yes	x No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee?	___ Yes	x No