ORLEANS LAND RESTORATION CORPORATION

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

ORLEANS LAND RESTORATION CORPORATION

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Orleans Land Restoration Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Orleans Land Restoration Corporation (the Corporation) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of revenue, expenses and changes in net assets and cash flows for years then ended, and the related notes to 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 audits. We conducted our audits 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 audits 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 Corporation'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 Corporation'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 Orleans Land Restoration Corporation as of December 31, 2013 and 2012, and the changes in its net assets and 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 March 31, 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, including compliance with investment guidelines. 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 31, 2014

ORLEANS LAND RESTORATION CORPORATION
Statements of Financial Position
December 31, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash	$ 54,387	116,407
Interest receivable	-	148
Prepaid expenses	-	6,814
Receivables:		
Loans	137,788	136,401
Mortgage	12,382	-
Total receivables	150,170	136,401
Due from COIDA	19,989	-
Total current assets	224,546	259,770
Loans receivable, less current portion, net of allowance for doubtful loans of $585,000 in 2013 and $585,000 in 2012	297,038	437,271
Mortgage receivable, net of current portion	55,129	-
Deposit held for land option	20,000	-
Land and site improvements	521,370	521,370
Property held for sale	-	87,500
Equipment	4,675	-
Accumulated depreciation	(397)	-
Net equipment	4,278	-
Total assets	$ 1,122,361	1,305,911
Liabilities and Net Assets		
Current liabilities:		
Accounts payable:		
Operations	14,045	25,912
Related party	-	1,627
Total accounts payable	14,045	27,539
Current installments of note payable	70,118	57,184
Total current liabilities	84,163	84,723
Notes payable, excluding current installments	263,910	388,881
Deferred revenue	14,100	-
Total liabilities	362,173	473,604
Temporarily restricted net assets	760,188	832,307
Contingency (note 8)		
Total liabilities and net assets	$ 1,122,361	1,305,911

See accompanying notes to financial statements.

ORLEANS LAND RESTORATION CORPORATION
Statements of Revenue, Expenses and Changes in Net Assets
Years ended December 31, 2013 and 2012

	2013	2012
Revenue:		
Grant revenue	$ 86,565	545,243
Interest revenue	11,911	12,652
Total revenue	98,476	557,895
Expenses:		
Grant expense	72,218	-
Professional fees	13,973	72,997
Legal	20,497	23,847
Consulting	8,005	42,998
Accounting	7,430	6,975
Occupancy	8,764	10,443
Dues and subscriptions	5,000	1,000
Repairs and maintenance	-	1,318
Interest	24,732	28,382
Miscellaneous	9,579	1,609
Forgiveness of deferred loans receivable	-	235,000
Depreciation	397	-
Total expenses	170,595	424,569
Increase (decrease) in temporarily restricted net assets before loss on impairment	(72,119)	133,326
Loss on impairment	-	(117,526)
Increase (decrease) in temporarily restricted net assets	(72,119)	15,800
Temporarily restricted net assets at beginning of year	832,307	590,111
Transfer (note 9)	-	226,396
Temporarily restricted net assets at end of year	$ 760,188	832,307

See accompanying notes to financial statements.

ORLEANS LAND RESTORATION CORPORATION
Statements of Cash Flows
Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in temporarily restricted net assets	$ (72,119)	15,800
Adjustment to reconcile increase (decrease) in temporarily restricted net assets to net cash provided by (used in) operating activities:		
Depreciation	397	-
Forgiveness of deferred loans receivable	-	235,000
Loss on impairment	-	117,526
Changes in:		
Interest receivable	148	(148)
Prepaid expenses	6,814	(1,514)
Accounts payable	(13,494)	27,539
Deferred revenue	14,100	-
Net cash provided by (used in) operating activities	(64,154)	394,203
Cash flows from investing activities:		
Issuance of loans receivable	-	(485,000)
Collection of loans receivable	138,846	120,091
Payments for property and equipment	(4,675)	-
Deposit for land option	(20,000)	-
Net cash provided by (used in) investing activities	114,171	(364,909)
Cash flows used in financing activities - payments on note payable	(112,037)	(53,935)
Net decrease in cash	(62,020)	(24,641)
Cash at beginning of year	116,407	141,048
Cash at end of year	$ 54,387	116,407
Supplemental schedule of cash flow information:		
Non-cash investing and financing activities - transfer of net assets (note 9):		
Land and site improvements	-	521,370
Property held for sale, net	87,500	205,026
Note payable	-	(500,000)
Mortgage receivable	(67,511)	-
Due from COIDA	(19,989)	-
Total transferred	$ -	226,396
Cash paid for interest	$ 24,732	28,382

See accompanying notes to financial statements.

ORLEANS LAND RESTORATION CORPORATION

Notes to Financial Statements

December 31, 2013 and 2012

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Orleans Land Restoration Corporation (OLRC) is a non-profit entity incorporated on February 15, 2006 for the purpose of promoting economic development in the County of Orleans, which includes combating community deterioration and blight and to lessen the burdens of government by promoting remediation and reuse of contaminated land.

(b) Basis of Presentation

OLRC reports 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. OLRC had only temporarily restricted net assets at December 31, 2013 and 2012.

(c) Cash

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

(d) Notes Receivable and Allowance for Doubtful Loans

Notes receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income and commitment fees on loans are accrued as earned. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

(e) Capitalization

Capital assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal, the resulting gains and losses are reflected in the statements of revenue, expenses and changes in net assets.

(f) Impairment of Property Held for Sale

OLRC reviews its property held for sale for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

(1) Summary of Significant Accounting Policies, Continued

(g) 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 and disclosures. Accordingly, actual results could differ from those estimates.

(h) Income Taxes

OLRC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is reflected in the financial statements. The OLRC has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The OLRC presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the OLRC has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the OLRC are subject to examination by taxing authorities. The OLRC is no longer subject to tax examination for the years ended December 31, 2009 and prior.

(i) Subsequent Events

OLRC has evaluated events after December 31, 2013, and through March 31, 2014, which is the date these financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

On January 2, 2014, the OLRC agreed to loan Quorum LLC $300,000, in which $150,000 is expected to be forgiven by the OLRC. The source of the funds for the loan is from an agreement with Town of Shelby, for a grant in the amount of $311,269, in which $11,269 of that is for administrative expenses. The grant was received on January 17, 2014.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject the OLRC to credit risk include cash on deposit with a financial institution, which was insured for up to $250,000 by the U.S. Federal Deposit Insurance OLRC. At various times throughout the years ended December31, 2013 and 2012, the OLRC's balance in its accounts has exceeded the federally-insured limit.

The OLRC provides funds under a revolving loan program to businesses located within the boundaries of the municipality of the County of Orleans, New York. The OLRC performs ongoing credit evaluations of its loans. Financial instruments that potentially subject the OLRC to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(3) Acquisition of Land

In June 2007, OLRC acquired land located in the Village of Medina, County of Orleans, from MCG Intermediate Holdings, Inc. (the Seller) for $1. In consideration of assuming all liabilities associated with this property, OLRC received a charitable donation of $30,000 from the Seller. Accordingly, the land is not included on the accompanying statements of financial position as it was acquired at no cost.

(4) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the OLRC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the OLRC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(5) Loans Receivable

OLRC has outstanding loans receivable, which are considered level 3 assets as described in note 4, made with funds granted by the United States Department of Housing and Urban Development. At December 31, 2013 and 2012, loans receivable consisted of the following:

	2013	2012
Brunner International, Inc.:		
Loan receivable made on December 3, 2009 in the amount of $484,000 to be repaid over a seven-year term and will bear interest at 2% per year.	$ 221,553	290,526
Loan receivable made on December 3, 2009 in the amount of $250,000 to be repaid as a lump sum on December 3, 2016 and bears no interest. The balance is anticipated to be forgiven by OLRC at the maturity date.	250,000	250,000
Hinspergers Poly Industries, Inc.:		
Loan receivable made on March 31, 2011 in the amount of $100,000 to be repaid over a five year term and will bear interest at 2% per year.	47,911	67,770
Loan receivable made on March 31, 2011 in the amount of $100,000 to be repaid as a lump sum on April 1, 2016 and bear no interest. The balance is anticipated to be forgiven by OLRC at the maturity date.	100,000	100,000
Intergrow Greenhouses, Inc.:		
Loan receivable made on February 15, 2012 in the amount of $150,000 to be repaid over a five year term and will bear interest at 3% per year.	97,591	126,534
Loan receivable made on February 15, 2012 in the amount of $150,000 to be repaid as a lump sum on March 1, 2017 and bears no interest. The balance is anticipated to be forgiven by OLRC at the maturity date.	150,000	150,000
Liberty Fresh Farms, Inc.:		
Loan receivable made on March 9, 2012 in the amount of $100,000 to be repaid over a five year term and will bear interest at 2% per year.	67,771	88,842

(5) Loans Receivable, Continued

	2013	2012
Liberty Fresh Farms, Inc., Continued:		
Loan receivable made on March 9, 2012 in the amount of \$85,000 to be repaid as a lump sum on April 1, 2017 and bears no interest. The balance is anticipated to be forgiven by OLRC at the maturity date.	\$ 85,000	85,000
	1,019,826	1,158,672
Allowance for doubtful loans receivable	(585,000)	(585,000)
Total loans receivable	434,826	573,672
Less current portion of loans receivable	(137,788)	(136,401)
Total loans receivable, net of current portion	\$ 297,038	437,271

There are no past due loans or loans on nonaccrual status at December 31, 2013 and 2012.

The table below sets for a summary of changes in the fair value of the OLRC's level 3 assets (loans receivable) for the years ended December 3, 2013 and 2012:

	2013	2012
Balance at beginning of year	\$ 1,158,672	793,763
Add loans issued	-	485,000
Less amounts repaid	(138,846)	(120,091)
Balance at end of year	\$ 1,019,826	1,158,672

(6) Mortgage Receivable

	2013	2012
The OLRC issued a mortgage receivable to BOMET Property's LLC on November 13, 2013 in the amount of \$67,511 that will be repaid over a 5 year term and will bear interest at 4.25% mortgage.	\$ 67,511	-
Less current portion	(12,382)	-
Mortgage receivable, net of current portion	\$ 55,129	-

(7) Notes Payable

OLRC has notes payable as follows:

	2013	2012
Note payable issued by Statewide Zone Capital Corporation on January 11, 2012 in the amount of $500,000. The note will be repaid over a seven year term and will bear interest at 6% per year for five years and then be adjusted to a fixed rate based on Treasury Constant Maturities as published in Federal Reserve Statistical Release H.15 plus 400 basis points. The note is secured by a mortgage lien on the OLRC's properties.	$ 322,028	446,065
Note payable to a land owner issued to finance an option agreement to purchase 128 acres of land. The note is payable in five annual installments of $4,000 and does not bear interest.	12,000	-
	334,028	446,065
Less current installments	(70,118)	(57,184)
Note payable, net of current installments	$ 263,910	388,881

Future payment required under the loan agreements are as follows:

Year ended December 31,	
2014	$ 70,118
2015	74,188
2016	78,537
2017	79,241
2018	31,944
	$ 334,028

(8) Contingency

In September 2006, OLRC and the County of Orleans Industrial Development Agency (COIDA) (the Organizations) jointly entered in to a lease agreement with Western New York Energy, LLC (Energy) to receive rent for the Rail Spur Facility. Beginning in 2007, the Organizations began receiving rent of $10,000 annually which will continue through August 1, 2015. The 2013 and 2012 rental payments have been made and recorded as revenue by COIDA.

The OLRC is potentially liable for environmental remediation of the land acquired as described in note 2. No accrued liability has been included in the accompanying financial statements, as work has not yet commenced. Management believes that the costs to clean up this site will be approximately equal to rental payments received from Energy and grants awarded to COIDA in the amount of $135,000. Any costs of the environmental cleanup will be shared between OLRC and COIDA.

(9) Related Party Transactions

The OLRC has a related party relationship with COIDA and The Orleans County Local Development Corporation (OCLDC). All three entities are managed by the same personnel.

COIDA allocates a portion of its personnel costs to OLRC. These costs amounted to $8,005 and $12,036 for the years ended December 31, 2013 and 2012, respectively. Amounts due to COIDA associated with this cost were $0 and $1,627 at December 31, 2013 and 2012, respectively.

On January 11, 2012, OLRC and COIDA entered a property ownership agreement with both entities having a 50% interest in properties previously owned by COIDA. As part of the agreement, OLRC and COIDA also entered into a loan transaction with the cash used by COIDA to refinance existing mortgages on a portion of the properties and payoff a line of credit. This loan amounted to $500,000 (note 4). COIDA will provide staffing to monitor and manage the properties and shall provide in-kind services. OLRC will be responsible for routine and recurring costs associated with ownership of the properties and will pay debt service with respect to the loan. The assets transferred between COIDA and OLRC with respect to this agreement were as follows:

Land and site improvements	$ 521,370
Property held for sale	205,026
Note payable	(500,000)
	$ 226,396

The property was sold on November 15, 2013 for $175,000. COIDA and OLRC each received a mortgage receivable for $67,511 and COIDA received the cash payment of $40,000. At December 31, 2013, COIDA owed OLRC $19,989 in connection with this sale.

(10) Loss on Impairment

Accounting Standards Codification (ACS) No. 360 - "Accounting for the Impairment or Disposal of Long-Lived Assets" requires that impaired assets be recorded at the lower of carrying value of fair value, less costs to sell. In accordance with this statement, certain long-lived assets of OLRC, which consist of a warehouse building and land, have been recorded at fair value, which is the lower of carrying value or fair value, less costs to sell. The fair value for the property was determined at the amount of the counter offer made to a prospective buyer by OLRC in negotiations for the sale of the property in November 2012. In connection with this valuation, a loss on impairment has been recognized amounting to $117,526 for the year ended December 31, 2012. These assets were sold in 2013 at the amount of the November 2012 counter offer. As these assets were written down to the impaired value in 2012, no gain or loss is recognized in these financial statements from the sale in 2013.

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTIN AND ON COMPLIANCE AND OTHER MATTERS, INCLUDING COMPLIANCE WITH INVESTMENT GUIDELINES, BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Orleans Land Restoration Corporation:

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 Orleans Land Restoration Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of revenue, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 31, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings as 2013-1 to be a material weakness.

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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, including Investment Guidelines for Public Authorities and the Corporation's investment policy, 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 Partnership'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.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 31, 2014

ORLEANS LAND RESTORATION CORPORATION

Schedule of Findings

Year ended December 31, 2013

Finding 2013-1

Accounting Controls

The Corporation's internal controls do not clearly define the responsibilities for the functions of the bookkeeper and the Corporation's local accountant. We noted instances where incorrect information that was entered into the Corporation's accounting system. Clearly defined roles of the bookkeeper and the Corporation's local accountant covering responsibilities for preparation, approving, posting and reviewing transaction are lacking.

A well defined internal control system where transactions are approved and postings are reviewed with accounts analyzed and reconciled periodically produces reliable financial reports for management with little modification. The matters identified by audit process could have been corrected much sooner had the accounts been reviewed and reconciled on a timely basis by the appropriate personnel.

Recommendations

We recommend that the Corporation implement a policy where all transactions are entered into the accounting system by the bookkeeper by reviewed by the Corporation's local accountant to ensure that accounts are properly stated.

ORLEANS LAND RESTORATION CORPORATION

Status of Prior Audit Findings

Year ended December 31, 2013

Finding 2012-1

Condition

The Corporation is without a financial accountant that can accurately initiate, authorize, or review accounting transactions in the financial records or adequately prepare its financial statements in accordance with accounting principles generally accepted in the United States of America. Audit adjustments, approved by management, were required to correct the accounting records of the Corporation for the financial statements to be prepared in accordance with accounting principles generally accepted in the United States of America. The audit adjustments resulted in a net impact on the statement of revenue, expenses and changes in net assets of approximately $350,000.

Status

Management reviewed in detail the deficiencies in the accounts with the Corporation's local accountant. Management has developed a process that will assist in preventing this condition from recurring.