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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Catskill Local Development Corporation
422 Main Street
Catskill, New York 12414

We have audited the accompanying financial statements of The Catskill Local Development Corporation (a nonprofit organization) as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, 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 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Alexander Varega & Co.

March 25, 2014

THE CATSKILL LOCAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets		
Cash	\$ 36,113	\$ 73,133
Loans Receivable - due within one year	<u>25,230</u>	<u>25,656</u>
Total Current Assets	<u>\$ 61,343</u>	<u>\$ 98,789</u>
Other Assets		
Loans Receivable - due beyond one year	\$ 300,775	\$ 289,366
Less: Allowance for Uncollectible Loans	<u>(178,038)</u>	<u>(178,038)</u>
Loans Receivable - at Net Realizable Value	<u>\$ 122,737</u>	<u>\$ 111,328</u>
Total Assets	<u>\$ 184,080</u>	<u>\$ 210,117</u>
 LIABILITIES AND NET ASSETS		
Non-Current Liabilities		
Unearned Closing Fee Income	<u>\$ 2,426</u>	<u>\$ 2,995</u>
Total Non-Current Liabilities	<u>\$ 2,426</u>	<u>\$ 2,995</u>
Net Assets		
Unrestricted	<u>\$ 181,654</u>	<u>\$ 207,122</u>
Total Net Assets	<u>\$ 181,654</u>	<u>\$ 207,122</u>
Total Liabilities and Net Assets	<u>\$ 184,080</u>	<u>\$ 210,117</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CATSKILL LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Support and Revenue		
Grants	\$ -	\$ -
Interest Income - Loans	2,352	1,524
Interest Income - Banks	206	382
Closing Fee Income	<u>569</u>	<u>569</u>
Total Unrestricted Income	\$ 3,127	\$ 2,475
Expenses		
Program Services		
Community Development	\$ 11,185	\$ 4,200
Total Program Services	<u>\$ 11,185</u>	<u>\$ 4,200</u>
Support Services		
Consultants	\$ 1,004	\$ 276
Professional Fees	14,004	5,234
Insurance	2,214	2,214
Office and Miscellaneous	188	475
Provision for Uncollectible Loans	<u>-</u>	<u>83,367</u>
Total Support Services	<u>\$ 17,410</u>	<u>\$ 91,566</u>
Total Program and Support Services	<u>\$ 28,595</u>	<u>\$ 95,766</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (25,468)	\$ (93,291)
NET ASSETS AT BEGINNING OF YEAR	<u>207,122</u>	<u>300,413</u>
NET ASSETS AT END OF YEAR	<u>\$ 181,654</u>	<u>\$ 207,122</u>

THE CATSKILL LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (25,468)	\$ (93,291)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Non-Cash Expense: Provision for Uncollectible Loans	-	83,367
New Loans Issued	(18,000)	(10,500)
Principal Collected on Loans	7,017	48,234
Decrease in Unearned Closing Fee Income	<u>(569)</u>	<u>(569)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (37,020)	\$ 27,241
Net Change in Cash	\$ (37,020)	\$ 27,241
Cash, Beginning of Year	<u>73,133</u>	<u>45,892</u>
Cash, End of Year	<u><u>\$ 36,113</u></u>	<u><u>\$ 73,133</u></u>

THE CATSKILL LOCAL DEVELOPMENT CORPORATION

(SEE INDEPENDENT AUDITORS' REPORT)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. NATURE OF THE ORGANIZATION

The Catskill Local Development Corporation (the Organization) is a not-for-profit, public purpose corporation located in the Village of Catskill, New York. The Organization was incorporated in May 2004 under Sections 102 and 1411 of the New York State Not-For-Profit Law. The Organization was organized by the Catskill Village Board of Trustees in order to encourage economic development in the village of Catskill, including the attraction, development and retention of industry and business, and promotion of employment in the area.

The Organization serves as a sub-recipient (through the Village of Catskill) of various federal and state grants, including the Rural Business Enterprise Grant (RBEG) administered by the U.S. Rural Development Administration, and the Small Cities Grant administered by the N.Y.S. Office of Community Renewal.

The Organization operates a Microenterprise Revolving Loan Fund which offers loans to local business in order to expand. Loan criteria include preferences to business owners who meet certain income guidelines and that agree to increase employment levels.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

This summary of significant accounting policies is presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The following is a description of the significant accounting policies followed in the preparation of these financial statements.

Support and Expenses

Income and expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services

Unpaid volunteers have made contributions of their time to the Organizations' programs during the year; however, these donated services are not reflected in the financial statements.

Loans Receivable

Loans made under the Microenterprise Revolving Loan Fund program are recorded according to individual repayment schedules. No interest has been accrued on overdue balances, or balances in between due dates.

Allowance for Uncollectible Loans – Provision for Uncollectible Loans

In 2011 the Organization established an Allowance for Uncollectible Loans in order to reflect the likelihood that certain loans will not be repaid. In 2012 the Organization classified two additional loans, totaling \$83,367, as Uncollectible.

The Statement of Financial Position reports an Allowance for Uncollectible Loans in the amount of \$178,038 as a reduction of Loans Receivable. The Statement of Activities contains an expense called Provision for Uncollectible Loans, which reports an expense of \$83,367 for the year 2012.

Closing Fee Income - Unearned Closing Fee Income

Loans made under the Microenterprise Revolving Loan Fund program often include an additional amount financed to cover the Organizations' costs associated with the transaction. This income is amortized over the lives of the loans, typically ten years. The amount of closing fees that have yet to be recorded as income are recorded as a liability, "Unearned Closing Fee Income".

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. LOANS RECEIVABLE

As of December 31, 2013 the Organization has 13 loans outstanding to area businesses. These loans accrue interest at 3% per annum and are payable in monthly installments over 10 years, and are secured by liens on property and equipment. The original loan amounts range between \$10,000 and \$75,000.

Loans Receivable consisted of the following at December 31:

	December 31,	
	<u>2013</u>	<u>2012</u>
Loans Receivable	\$ 326,005	\$ 315,022
Less: Amounts Due Within One Year	<u>(25,230)</u>	<u>(25,656)</u>
Loans Receivable Due Beyond One Year	\$ 300,775	\$ 289,366
Less: Allowance for Uncollectible Loans	<u>(178,038)</u>	<u>(178,038)</u>
Loans Receivable, at Net Realizable Value	<u>\$ 122,737</u>	<u>\$ 111,328</u>

During the year 2013 the Organization made one new loan in the amount of \$18,000. This amount was added to an existing loan. The new balance will be amortized over a ten year term.

Also in 2013, two loans were restructured, allowing the debtor to extend payments over a new ten year term.

As of December 31, 2013 six loans totaling \$219,909 were in default for lack of payment. Of this amount, four loans totaling \$178,038 have been written off as Uncollectible. The Organization is still pursuing all available legal recourse to collect these amounts.