

**RENSSELAER MUNICIPAL  
LEASING CORPORATION**

*(A Component Unit of the County of Rensselaer, New York)  
Basic Financial Statements and Required Supplementary  
Information for the Years Ended December 31, 2014 and  
2013 and Independent Auditors' Reports*



**RENSSELAER MUNICIPAL LEASING CORPORATION**  
**(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)**  
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**Years Ended December 31, 2014 and 2013**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Rensselaer Municipal Leasing Corporation:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Rensselaer Municipal Leasing Corporation, (the "Corporation"), a component unit of the County of Rensselaer, New York (the "County"), as of and for the years then ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Corporation's 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 opinions 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 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2014 and 2013, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note 4 to the financial statements, the Corporation's outstanding debt obligations have been called and defeased as of August 20, 2014. Additionally, the Corporation has closed its remaining investment accounts as of October 20, 2014. As the Corporation's debt obligations have been satisfied and its assets have been liquidated, it raises substantial doubt about the Corporation's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015 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.

*Drescher & Malecki LLP*

March 20, 2015

**RENSSELAER MUNICIPAL LEASING CORPORATION**  
**(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2014 and 2013**

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As management of the Rensselaer Municipal Leasing Corporation (the "Corporation") we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the years ended December 31, 2014 and 2013. This document should be read in conjunction with additional information that we have furnished in the Corporation's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of the Corporation equal its liabilities at December 31, 2014 and 2013 since the purpose of the Corporation is to act as a conduit for lease financing. Therefore, the unrestricted net position is \$0 for each year end. Only assets and liabilities are reported.
- The Corporation had total revenues of \$781,137 and \$1,272,367 for the fiscal years ended December 31, 2014 and 2013, respectively. The revenue is primarily financing income from the Van Rensselaer Manor.
- During the year ended December 31, 2014, the County called the Corporation's debt and the outstanding principal and accrued interest has been redeemed. As such, at December 31, 2014 the Corporation does not have any debt outstanding.

**Overview of the Financial Statements**

The discussion and analysis provided here is intended to serve as an introduction to the Corporation's basic financial statements. The report includes: 1) the independent auditors' report, 2) management's discussion and analysis, 3) financial statements, and 4) notes to the financial statements.

**Required Financial Statements**—The financial statements are prepared using the accrual basis of accounting. The financial statements include the following:

The *Statements of Net Position* present information on all of the Corporation's assets, liabilities and net position of the Corporation at December 31, 2014 and 2013.

The *Statements of Revenues, Expenses and Change in Net Position* present the financial activity for the years ended December 31, 2014 and 2013 and displays how this financial activity changed the Corporation's net position.

The *Statements of Cash Flows* present the cash provided and used during 2014 and 2013, and how it affects the cash balance at December 31, 2014 and 2013.

**Notes to the Financial Statements**—The notes provide additional information that is essential to a full understanding of the data provided.

## Financial Analysis

The Corporation serves as a conduit for the capital leasing of the Van Rensselaer Manor. The Corporation issued leasehold mortgage revenue bonds to finance the construction of a nursing home facility, the Van Rensselaer Manor (the “Manor”). The County entered into an agreement with the Corporation to lease the Manor. The Corporation acts as an administrative agency for the collection of lease payments from the Manor and for the payment of annual principal and interest payments. The Corporation has no capital assets. As noted earlier, the County called the Corporation’s debt during 2014. As such, at December 31, 2014 the Corporation does not have any debt outstanding.

When analyzing financial condition and the impact of current year operating activities, Corporation management believes the most important issue is whether the Corporation is better or worse off than the prior year.

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position assist in determining whether the Corporation is better or worse off. Condensed financial highlights of these statements are as follows:

**Table 1—Condensed Statements of Net Position**

	December 31,		
	2014	2013	2012
Assets:			
Current assets	\$ -	\$ 1,609,063	\$ 1,518,874
Noncurrent assets	-	22,360,000	23,865,000
Total assets	<u>\$ -</u>	<u>\$ 23,969,063</u>	<u>\$ 25,383,874</u>
Liabilities:			
Current liabilities	\$ -	\$ 1,609,063	\$ 1,518,874
Noncurrent liabilities	-	22,360,000	23,865,000
Total liabilities	<u>\$ -</u>	<u>\$ 23,969,063</u>	<u>\$ 25,383,874</u>

As indicated in the table above, the Corporation’s total assets continue to equal total liabilities. Total assets and total liabilities decreased by \$23,969,063 and \$1,414,811 during the 2014 and 2013 fiscal years, respectively. This is a result of the County calling the Corporation’s debt during the current year, and receiving lease payments from the Manor which reduce the direct financing lease receivable; and, making the required debt service payments which reduce the long-term debt liability during the prior year.

**Table 2—Condensed Statements of Revenues, Expenses and Changes in Net Position**

	Year Ended December 31,		
	2014	2013	2012
Operating revenues	\$ 781,137	\$ 1,272,367	\$ 1,718,554
Operating expenses	-	-	-
Nonoperating revenues (expenses)	<u>(781,137)</u>	<u>(1,272,367)</u>	<u>(1,718,554)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The sole source of operating revenue is financing income from the Manor. This amount decreased by \$491,230 from 2013 since the debt was called during the year resulting in less interest accrued during 2014. The decrease of \$446,187 in 2013 from 2012 reflects the lease agreement and the implementation of GASB Statement No. 65.

Non-operating expenses represent interest expense on the bonds payable, which typically decreased annually as the principal balance decreased.

The majority of the Corporation's cash receipts come from the direct financing lease with the Manor. The Corporation's largest cash disbursement was for the payment of principal and interest remaining on the bonds.

**Table 3—Condensed Statements of Cash Flows**

	Year Ended December 31,		
	2014	2013	2012
Operating activities	\$ 24,750,200	\$ 2,686,956	\$ 2,646,456
Investing activities	-	(111)	(240)
Capital and related financing activities	<u>(24,750,200)</u>	<u>(2,686,956)</u>	<u>(2,646,456)</u>
Net (decrease) in cash and cash equivalents	-	(111)	(240)
Cash and cash equivalents—beginning of year	<u>-</u>	<u>111</u>	<u>351</u>
Cash and cash equivalents—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111</u>

The net cash provided by operating activities primarily represents payments received to finance the debt, while the net cash used by capital and related financing activities represents principal and interest payments made on the outstanding bonds payable debt.

### Long-Term Debt

As noted earlier, the County called the Corporation's debt during 2014. The Corporation had outstanding debt in the form of leasehold mortgage revenue bonds payable at December 31, 2013, and 2012. The amounts outstanding are:

	Year Ended December 31,		
	2014	2013	2012
Current portion	\$ -	\$ 1,505,000	\$ 1,410,000
Long-term portion	<u>-</u>	<u>22,360,000</u>	<u>23,865,000</u>
Total long-term debt	<u>\$ -</u>	<u>\$ 23,865,000</u>	<u>\$ 25,275,000</u>

### Requests for Information

Questions regarding this report or requests for additional information should be directed to the Executive Director of the Rensselaer Municipal Leasing Corporation, c/o Rensselaer County Economic Development Office, 1600 Seventh Avenue, Troy, New York 12180.

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**RENSELAER MUNICIPAL LEASING CORPORATION**  
**(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)**  
**Statements of Net Position**  
**December 31, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ -
Accrued interest receivable	-	104,063
Direct financing lease receivable	-	1,505,000
Total current assets	-	1,609,063
Noncurrent assets:		
Assets held by trustee	-	2,898,025
Direct financing lease receivable	-	19,461,975
Total noncurrent assets	-	22,360,000
Total assets	-	23,969,063
<b>LIABILITIES</b>		
Current liabilities:		
Accrued interest payable	-	104,063
Current installments of long-term debt	-	1,505,000
Total current liabilities	-	1,609,063
Noncurrent liabilities:		
Long-term debt, excluding current installments	-	22,360,000
Total noncurrent liabilities	-	22,360,000
Total liabilities	-	23,969,063
<b>NET POSITION</b>		
Unrestricted	\$ -	\$ -

The notes to the financial statements are an integral part of these statements.

**RENSSELAER MUNICIPAL LEASING CORPORATION**  
**(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)**  
**Statements of Revenues, Expenses and Change in Net Position**  
**Years Ended December 31, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
Operating revenues:		
Financing income	<u>\$ 781,137</u>	<u>\$ 1,272,367</u>
Total operating revenue	<u>781,137</u>	<u>1,272,367</u>
 Operating expenses:		
Administrative expenses	<u>-</u>	<u>-</u>
Total operating expenses	<u>-</u>	<u>-</u>
 Operating income	 <u>781,137</u>	 <u>1,272,367</u>
 Nonoperating revenues (expenses):		
Bank fees	-	(111)
Interest expense and fiscal charges	<u>(781,137)</u>	<u>(1,272,256)</u>
Total nonoperating revenues (expenses)	<u>(781,137)</u>	<u>(1,272,367)</u>
 Change in net position	 -	 -
 Total net position—beginning	 <u>-</u>	 <u>-</u>
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

**RENSSELAER MUNICIPAL LEASING CORPORATION**  
**(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)**

**Statements of Cash Flows**  
**Years Ended December 31, 2014 and 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from direct financing lease	\$ 2,128,913	\$ 2,686,956
Cash received from County debt proceeds	19,723,262	-
Cash received from assets held by trustee	2,898,025	-
Net cash provided by operating activities	24,750,200	2,686,956
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for bank fees	-	(111)
Net cash used by investing activities	-	(111)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments to call bonds payable	(22,360,000)	-
Principal payments on bonds payable	(1,505,000)	(1,410,000)
Cash payments for interest expense	(885,200)	(1,276,956)
Net cash used by capital and related financing activities	(24,750,200)	(2,686,956)
Net decrease in cash and cash equivalents	-	(111)
Cash and cash equivalents, beginning	-	111
Cash and cash equivalents, ending	\$ -	\$ -
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 781,137	\$ 1,272,367
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Change in accrued interest receivable/payable	104,063	4,700
Decrease in assets held by trustee	2,898,025	2
(Decrease) in due to other governments	-	(111)
Decrease (Increase) in direct financing lease receivable—current	1,505,000	(95,000)
Decrease in direct financing lease receivable—non-current	19,461,975	1,504,998
Total adjustments	23,969,063	1,414,589
Net cash provided by operating activities	\$ 24,750,200	\$ 2,686,956

The notes to the financial statements are an integral part of these statements.

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**RENSELAER MUNICIPAL LEASING CORPORATION**  
**(A COMPONENT UNIT OF THE COUNTY OF RENSELAER, NEW YORK)**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Rensselaer Municipal Leasing Corporation (the “Corporation”) prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (“U.S. GAAP”) applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Corporation’s accounting policies are described below.

***Reporting Entity***

The Rensselaer Municipal Leasing Corporation (the “Corporation”), a component unit of the County of Rensselaer, New York (the “County”), is a not-for profit corporation incorporated in the State of New York in 1994 to assist the County in acquiring, financing, constructing, and leasing any buildings, equipment or other facilities that may be useful to or useable by the County. The Corporation is a component unit of the County and is blended into the County’s Enterprise Fund’s financial statements.

In June 1994, by resolution, the Corporation issued leasehold mortgage revenue bonds to finance the construction of a new County nursing home, the Van Rensselaer Manor (the “Manor”), on land leased from the County (see Note 2). The County entered into an agreement with the Corporation to lease the Manor, with an option to buy, through June 1, 2024, for the amounts equal to the annual bond principal and interest payments. Upon termination of the lease term, title to the project facility will transfer to the County.

Income taxes have not been provided for in the accompanying combined financial statements since the Corporation is exempt from such taxes under Internal Revenue Code section 501(a).

***Basis of Accounting***

The accounts of the Corporation are maintained on the accrual basis of accounting. There are no significant estimates used in the preparation of the Corporation’s financial statements.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources***

***Cash and Cash Equivalents***—Represents cash returned to the Corporation (accumulated interest earned) for mortgage recording fees originally paid, but subsequently determined not to be required. These funds were placed on deposit separate from the Corporation’s trustee accounts.

***Assets Held by Trustee***—These funds, consisting primarily of U.S. Government securities, are designated for construction costs and bond principal and interest payments in accordance with the bond indenture agreement.

***Direct Financing Lease Receivable***—Direct financing lease receivable represents the future lease payments due from the Manor, less debt service reserve funds held by the trustee.

***Deferred outflows/inflows of resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Corporation does not have any deferred outflows or inflows of resources at December 31, 2014 and December 31, 2013.

***Statement of Cash Flows***—For purposes of the statement of cash flows, the Corporation considers cash and cash equivalents to be all cash accounts and short-term investments purchased with a maturity of three months or less.

### ***Stewardship, Compliance and Accountability***

***Adoption of New Accounting Pronouncements***—During the year ended December 31, 2014, the Corporation implemented GASB Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; No. 69, *Government Combinations and Disposals of Government Operations* and; No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which had no impact on the Corporation’s financial position or results of operations.

***Future Impacts of Accounting Pronouncements***—The Corporation has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015 and No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016. The Corporation is, therefore unable to disclose the impact that adopting these Statements will have on its financial position and results of operations when such statements are adopted, if any.

## **2. LONG-TERM DEBT**

On June 29, 2009 the Corporation issued \$28,465,000 Leasehold Mortgage Revenue Refunding Bonds (Rensselaer County Nursing Home Project), Series 2009A and \$515,000 Leasehold Revenue Refunding Bonds (Rensselaer County Nursing Home Project), Series 2009B (Taxable). The proceeds of these bonds were used to fund debt issuance costs and to fund an escrow account to defease the previously issued Series 1994A and 1994B leasehold mortgage bonds. On July 29, 2009, the escrow agent exercised a call provision on the Series 1994A and 1994B bonds and paid all outstanding principal and accrued interest on such debt.

As a result of the advance refunding, the Corporation reduced its total future debt service requirements by \$3,515,995, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,852,707.

On July 18, 2014, the County issued \$24,000,000 in Public Improvement Serial Bonds for the purpose of acquiring and renovating the Van Rensselaer Manor Nursing Home. Subsequently, on August 20, 2014, the County called the Corporation's Refunding Bond Series 2009 and redeemed the outstanding principal and accrued interest. As such, at December 31, 2014 the Corporation does not have any debt outstanding.

A summary of debt for the year ended December 31, 2014 follows:

	Outstanding 1/1/2014	Issued	Paid	Outstanding 12/31/2014
2009 - Series A & B Combined	\$ 23,865,000	\$ -	\$ 23,865,000	\$ -
Total bonds payable	<u>\$ 23,865,000</u>	<u>\$ -</u>	<u>\$ 23,865,000</u>	<u>\$ -</u>

Principal repayments amounted to \$1,505,000 and \$1,410,000 during the years ended December 31, 2014 and 2013 respectively. As the debt was called, the remainder of \$22,360,000 was paid on August 20, 2014, with County debt proceeds and assets held in the Corporation's Bond fund and Debt Service Reserve fund. Interest expense and fiscal charges for the years ended December 31, 2014 and 2013 amounted to \$781,137 and \$1,272,256, respectively.

As the debt has been called during the current year end, the Corporation does not have future principal and interest payments.

The Corporation's bond indenture agreements required the establishment of various funds, which are held by a trustee. These funds are presented in the accompanying financial statements as assets held by trustee. As noted above, in August 2014, the balance of assets held by trustees was applied against the outstanding principal to redeem the Corporation's Series 2009 Bonds. The balances in these funds at December 31 are as follows:

	2014	2013
Bond fund	\$ -	\$ 25
Debt service reserve fund	-	2,898,000
Total	<u>\$ -</u>	<u>\$ 2,898,025</u>

### 3. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2015, which is the date the financial statements are available for issuance, and have determined that, other than the item discussed in Note 4; there are no subsequent events that require disclosure under generally accepted accounting principles.

### 4. GOING CONCERN

As of August 20, 2014 the County has called and defeased the Corporation's outstanding debt. Further, as of October 20, 2014, the Corporation has closed the remaining investment accounts that were currently held for annual principal and interest payments, therefore liquidating the assets that were held by the corporation.

The future receivables related to debt financing is the main source of income for the Corporation. Accordingly, the calling of the debt has resulted in the Corporation losing its source of future income.

Management intends to dissolve the Corporation during the fiscal year ending December 31, 2015. Management has contacted the New York State Authorities Budget Office to receive the steps related to the dissolution process. The Board intends to hold a final board meeting in the year ending December 31, 2015 to vote on dissolution.

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**INDEPENDENT AUDITORS' 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  
Rensselaer Municipal Leasing 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 the Rensselaer Municipal Leasing Corporation (the "Corporation"), a component unit of the County of Rensselaer, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 20, 2015, which report contains a going concern emphasis of matter paragraph.

**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 opinions 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 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 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the Corporation's financial statements are free of 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

March 20, 2015