ECONOMIC DEVELOPMENT CORPORATION
FINANCIAL REPORT
DECEMBER 31, 2014

ECONOMIC DEVELOPMENT CORPORATION

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Independent Auditor's Report

To the Board of Directors
Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, 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 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 opinion.

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Basis for Qualified Opinion

As disclosed in Note 1 to the financial statements, accounting principles generally accepted in the United States of America require that the reporting entity include in its financial statements the consolidated financial results of all entities in which it has a controlling financial interest. Economic Development Corporation's financial statements do not include the accounts of Hudson River Local Development Corporation, a controlled subsidiary of Economic Development Corporation. If the financial statements of Hudson River Local Development Corporation had been consolidated with those of Economic Development Corporation, total assets would be increased by $367,773 and $536,153, and total liabilities would be decreased by $4,943 and $4,000 as of December 31, 2014 and 2013, respectively. Total revenues would have changed by $-0- and increased by $73, and total expenses would be increased by $167,436 and $411 for the years ended December 31, 2014 and 2013, respectively.

Qualified Opinion

In our opinion, except for the effect of not consolidating this controlled subsidiary, as disclosed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Economic Development Corporation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015 on our consideration of Economic Development 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 Economic Development Corporation's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Queensbury, NY
March 11, 2015

ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
Current Assets		
Cash and cash equivalents	$ 332,109	$ 312,511
Accounts receivable, net	144,917	99,363
Prepaid expenses	2,555	2,367
Total Current Assets	479,581	414,241
Property, Plant and Equipment		
Furniture and equipment	118,023	118,023
Leasehold improvements	12,157	12,157
Total	130,180	130,180
Less accumulated depreciation	98,987	87,790
Net Property, Plant and Equipment	31,193	42,390
Other Assets		
Due from related organization	159,600	159,600
TOTAL ASSETS	$ 670,374	$ 616,231

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities		
Accounts payable	$ 11,549	$ 1,364
Accrued expenses	3,624	2,067
Deferred membership revenue	2,000	-
Due to related organization	5,000	5,000
Total Current Liabilities	22,173	8,431
Net Assets		
Unrestricted	648,201	607,800
TOTAL LIABILITIES AND NET ASSETS	$ 670,374	$ 616,231

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Unrestricted Support and Revenue		
Contract services	$ 530,250	$ 449,000
Contributions - investors	83,405	97,770
In-kind contributions	3,880	5,883
Grants	-	10,000
Annual meeting and other events	16,315	5,845
Interest income	194	137
Other income	2,743	6,031
Total Unrestricted Support and Revenue	636,787	574,666
Expenses		
Economic development		
Marketing and promotion	66,851	40,261
Consulting	4,500	2,275
Annual meeting	9,358	10,522
Business development	11,245	-
Holiday network event	4,901	3,138
Audit and accounting	5,900	5,375
Automotive and travel	1,632	1,842
Collateral materials	7,593	2,616
Contributions	33,331	20,855
Computer and telephone expenses	6,843	8,084
Depreciation and amortization	11,197	4,826
Dues and subscriptions	6,498	11,157
Employee benefits	18,899	16,329
Equipment lease and maintenance	14,779	6,601
Insurance	5,081	4,893
Legal	15,202	11,072
Bad debts	3,750	-
Office expenses	12,410	6,355
Office space	16,650	16,650
Payroll taxes and fees	30,802	20,605
Pension expense	14,941	9,797
Salary and wages	293,883	184,696
Staff training	140	551
Total Expenses	596,386	388,500
Change in Net Assets	40,401	186,166
Net Assets, Beginning of Year	607,800	421,634
Net Assets, End of Year	$ 648,201	$ 607,800

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	$ 40,401	$ 186,166
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	11,197	4,826
Bad debts	3,750	-
(Increase) decrease in assets:		
Accounts receivable	(49,304)	31,222
Prepaid expenses	(188)	
Increase (decrease) in liabilities:		
Accounts payable	10,185	(12,595)
Accrued expenses	1,557	2,067
Deferred income	2,000	-
Net Cash Provided by Operating Activities	19,598	211,686
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(26,780)
Net Increase in Cash and Cash Equivalents	19,598	184,906
Cash and Cash Equivalents, Beginning of Year	312,511	127,605
Cash and Cash Equivalents, End of Year	$ 332,109	$ 312,511

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Economic Development Corporation (EDC) was incorporated under the Not-For-Profit Corporation Law in New York State in November 1992. In May 2006, the Organization's name was changed from Warren County Economic Development Corporation to Economic Development Corporation (EDC). EDC was formed to plan and promote, and if necessary, to coordinate and execute programs in the Warren County region of New York aimed at improving the quality of life of its residents by enhancing and diversifying the economy of the region by attracting new industry and/or by encouraging the development of, or retention of, such businesses within the Warren County region.

EDC receives a substantial portion of its revenue through service contracts with various municipalities. The most significant revenue derived from these service contracts is one with Warren County through which it receives reimbursement of its operating expenses, not to exceed the contract amount. During the years ended December 31, 2014 and 2013, approximately 63% and 75%, respectively, of the Organization's service contract revenues were derived from the services contract with Warren County.

Basis of Accounting

EDC prepares its financial statements on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of EDC and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met; either by the actions of EDC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. EDC had no temporarily restricted net assets as of December 31, 2014 and 2013.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by EDC. At December 31, 2014 and 2013, EDC had no permanently restricted net assets.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. For financial statement purposes, depreciation and amortization is computed using the accelerated and modified accelerated cost recovery methods over the estimated useful lives of the assets involved. Any differences between this method and the straight-line method prescribed by accounting principles generally accepted in the United States of America are immaterial to the financial statements.

Estimated useful lives of related assets are as follows:

	Years
Furniture, fixtures and equipment	3 - 6
Leasehold improvements	39

Expenditures for major renewals and betterments that extend the useful lives of property and equipment at a cost of $2,500 or greater with a minimum useful life of 12 months or more are capitalized. Expenditures for maintenance and repairs or purchases with a cost of less than $2,500 and a useful life of less than 12 months are charged to the appropriate expense as incurred.

For the years ended December 31, 2014 and 2013 depreciation and amortization expense was $11,197 and $4,826, respectively.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are recorded net of an allowance for uncollectable accounts. The allowance is estimated based on management's estimates. The determination of accounts receivable that will be charged off is made by management and is evaluated on a case-by-case basis. Accounts receivable net of the allowance for uncollectable accounts consisted of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Receivable from local governments	$ 144,917	$ 84,373
Other receivables	16,000	30,990
	160,917	115,363
Less: Allowance for uncollectible accounts	16,000	16,000
Total	$ 144,917	$ 99,363

For the years ended December 31, 2014 and 2013, bad debt expense was $3,750 and $-0-, respectively.

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.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

EDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided for in these financial statements. In addition, EDC qualifies for the charitable contribution deduction under Section 170(B)(1)(a)(6) and has been classified as an organization that is not a private foundation under Section 509(a).

The tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. EDC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on EDC's financial condition, results of operations or cash flows. Accordingly, EDC has not recorded any liabilities, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2014.

EDC's information returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. There are currently no audits for any tax periods in progress. In general, the information returns have a three year statute of limitations. The returns filed by the EDC are no longer subject to examinations for the years prior to 2011.

Advertising

EDC expenses advertising costs as they are incurred. Marketing and promotion costs for the years ended December 31, 2014 and 2013 were $66,851 and $40,261, respectively.

Unconsolidated Entities

Accounting principles generally accepted in the United States of America require the financial results of all entities where the reporting entity has a controlling financial interest to be consolidated. EDC has determined that Hudson River Local Development Corporation (HRLDC) is an entity where EDC has a controlling financial interest. Management has elected not to consolidate HRLDC into the financial statements of EDC. EDC's interest in HRLDC has not been recorded on in its accounting records. See Note 6 for additional information regarding HRLDC.

Cash Equivalents

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

2. CONCENTRATION OF CREDIT RISK

EDC maintains its cash balances with a single financial institution in Glens Falls, New York. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC). EDC occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in a high quality financial institution.

3. OPERATING LEASES

EDC has a month-to-month lease for the use of office space from the Glens Falls National Bank for the amount of $1,387 per month. Payments made during 2014 and 2013 totaled $16,650.

EDC has a non-cancelable lease agreement for a copier with monthly payments of $240, signed in September 2012, which is being accounted for as an operating lease.

EDC has a non-cancelable lease agreement for a postage meter with quarterly payments of $117, signed in January 2014, which is being accounted for as an operating lease.

Total equipment lease and maintenance expense for the years ended December 31, 2014 and 2013 was $14,779 and $6,601, respectively.

Future minimum rental payments are as follows:

2015	$	2,868
2016		468
2017		468
2018		117

4. RETIREMENT PLAN

EDC has a retirement plan in the form of a simplified employee pension (SEP) plan, to which EDC is required to make annual contributions on behalf of eligible employees. For the years ended December 31, 2014 and 2013, EDC made a contribution for eligible employees in the amount of $14,941 and $9,797, respectively.

5. CONTRIBUTED SERVICES

EDC records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not provided by donation.

The following contributed services have been reflected in the financial statements of the Organization:

	2014	2013
Marketing and promotional services	$ 1,000	$ 1,000
Computer and related services	-	2,243
Janitorial services donated by a related party	2,880	2,640
Total	$ 3,880	$ 5,883

6. RELATED PARTY TRANSACTIONS – HUDSON RIVER LOCAL DEVELOPMENT CORPORATION

The board members for Hudson River Local Development Corporation (HRLDC) consist of the Executive Committee of the Board of Directors of EDC. For the years ended December 31, 2014 and 2013, transactions between the Organizations were as follows:

	2014	2013
Contribution for operations paid to HRLDC	$ 33,331	$ 20,855
At December 31, 2014 and 2013, EDC had the following amounts outstanding with HRLDC:		
Due from HRLDC	$ 159,600	$ 159,600
Due to HRLDC	5,000	5,000

The Board of HRLDC elected not to have an audit of its 2014 financial statements. This decision was based on the review of changes made to the revenue and support thresholds of an organization for financial reporting requirements applicable to charitable corporations governed under the New York State Non-Profit Revitalization Act that became effective on July 1, 2014.

Following is the condensed statement of financial position and statement of activities of HRLDC derived from HRLDC's financial statements for the years ended December 31, 2014 and 2013, respectively:

Statement of Financial Position

	Unaudited 2014	Audited 2013
Assets		
Current Assets	$ 337,186	$ 272,204
Property, Plant and Equipment	195,187	428,549
Total Assets	$ 532,373	$ 700,753
Liabilities		
Current Liabilities	$ 159,657	$ 160,600
Net Assets	$ 372,716	$ 540,153
Total Liabilities and Net Assets	$ 532,373	$ 700,753

Statement of Activities

	Unaudited 2014	Audited 2013
Revenues	$ 33,384	$ 20,928
Expenses	200,821	21,266
Change in Net Assets	$ (167,437)	$ (338)

7. CONTINGENCIES

EDC's contracts for services are subject to audit by the funding sources at their discretion. Such audits could result in claims against EDC for disallowed costs. EDC's management believes such claims, if any, which may arise, would be immaterial. As such, no provisions for potential claims have been made in the financial statements.

8. FUNCTIONAL EXPENSES

At December 31, 2014 and 2013, EDC had the following functional expenses:

	2014		2013	
Program services	$	463,016	$	297,268
Supporting services		121,845		83,768
Fundraising		11,525		7,464
Total	$	596,386	$	388,500

9. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the statement of financial position date of December 31, 2014 through March 11, 2015, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recording or disclosure.

MARVIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Economic Development Corporation

We have audited, 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, the financial statements of Economic Development Corporation which comprise the statement of financial position as of December 31, 2014, 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 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Economic Development 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 Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Development Corporation's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Economic Development 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 entity'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.

Marvin and Company, P.C.

Queensbury, NY
March 11, 2015

ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

Findings – Financial Statement Audit

2013-01 Property, Plant and Equipment

Finding

Based on audit procedures, we noted certain expenditures for purchase of property, plant and equipment that were expensed rather than capitalized.

Effect

Expenses and property, plant and equipment were materially misstated.

Cause

Purchases of property, plant and equipment were not properly recorded resulting in expenses and property, plant and equipment being misstated.

Recommendation

We recommend that when property, plant and equipment are acquired that these assets be properly capitalized rather than recorded as an expense.

Current Status

No similar findings were noted in the December 31, 2014 audit.