

COLUMBIA ECONOMIC
DEVELOPMENT CORPORATION
(a component unit of the County of Columbia, New York)
FINANCIAL STATEMENTS
(and Reports of Independent Auditors)

December 31, 2015
(with memorandum totals for December 31, 2014)

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of County of Columbia, New York)
December 31, 2015
TABLE OF CONTENTS

	<u>PAGE(S)</u>
Financial Statements	
Report of Independent Auditors on Basic Financial Statements	1-2
Management Discussion and Analysis	3-6
Basic Financial Statements and Footnotes for the year ended December 31, 2015	7-20
Reports on Internal Control and Compliance	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	21-22



PATTISON, KOSKEY, HOWE & BUCCI

www.pkhbcpa.com

Richard P. Koskey, CPA
Ned Howe, CPA
A. Michael Bucci, CPA
Bradley Cummings, CPA, CVA
Suzanne E. Muldoon, CPA
Nancy K. Patzwahl, CPA
Matthew H. VanDerbeck, CPA
Gary F. Newkirk, CPA
N. Thérèse Wolfe, CPA
Mary A. Kimball, CPA

Reginald H. Pattison, CPA (1910-2002)
Jon Rath, CPA (Retired)

Jean Howe Lossi, EA
Carol LaMont Howe, EA
Dennis A. O'Brien, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of
Columbia Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Columbia Economic Development Corporation (a not-for-profit component unit of the County of Columbia, New York) (the "Corporation"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Columbia Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Columbia Economic Development 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 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 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.

502 Union Street
Hudson, NY 12534
Tel: 518-828-1565
Fax: 518-828-2672

45 Five Mile Woods Road, Ste 1
Catskill, NY 12414
Phone: 518-943-4502
Fax: 518-943-6532

2880 Route 9, Ste 2
Valatie, NY 12184
Tel: 518-758-6776
Fax: 518-758-6779

340 Main Street
Saugerties, NY 12477
Tel: 845-246-3803
Fax: 845-246-1035

465 Washington Ave.
Kingston, NY 12401
Tel: 845-331-5030
Fax: 845-331-0242

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 respective financial position of the Columbia Economic Development Corporation, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 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 __, 2016 on our consideration of Columbia 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 Columbia Economic Development Corporation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Columbia Economic Development Corporation's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison, Koshey, Howe & Bucci, CPAs, PC

Kingston, New York
March 30, 2016

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2015

1. Introduction:

Within this section of the Columbia Economic Development Corporation's (the "Corporation") financial statements, the Corporation's management provides narrative discussion and analysis of the financial activities of the not-for profit Corporation for the year ended December 31, 2015. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2015.

2. Overview of the Financial Statements:

The Corporation's basic financial statements include: (1) financial statements, and (2) notes to the financial statements.

Financial Statements:

The Corporation's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Corporation is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Corporation's significant accounting policies.

The *Statement of Net Position* presents information on the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Corporation's financial position.

The *Statement of Revenues, Expenses and Change in Net Position* presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Corporation's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

Notes to Financial Statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2015

3. Financial Highlights:

Net position decreased \$245,977 during the year ended December 31, 2015. Operating expenses increased \$96,287 or 13.3%, primarily due to an increase in the allowance for loan losses of \$100,000. Operating revenues decreased \$158,350 or 39% primarily due to non-recurring contributions as a result of the dissolution of Columbia Development Leasing Corp received in 2014 of \$113,330 not received in 2015. Non-operating activity in 2015 resulted in a loss of \$114,990 primarily due to a payment to the County of Columbia, New York of \$114,000 related to a land transaction that is not expected to recur.

Total assets decreased by \$240,188 or 6.97% and total liabilities decreased \$8,436 or 0.01%. Cash and cash equivalents was \$1,472,602 at December 31, 2015, a decrease of \$117,906 from December 31, 2014. The Corporation borrowed \$100,000 from the Small Business Administration (SBA) for the SBA loan program and overall total loans increased by \$90,902 to \$1,426,853 net of an allowance for loan loss of \$240,865 at December 31, 2015.

4. Financial Statement Analysis:

Below is a comparative summary of the Corporation's Statements of Net Position as of December 31:

	<u>2015</u>	<u>2014</u>
Assets		
Capital assets	\$ 6,540	\$ 121,067
Other assets	3,199,052	3,324,713
Total assets	<u>\$ 3,205,592</u>	<u>\$ 3,445,780</u>
Current liabilities	\$ 160,262	\$ 141,321
Long-term liabilities	527,869	555,246
Deferred inflow of resources	14,225	-
Net position		
Unrestricted	2,314,340	2,413,413
Capital	6,540	121,067
Restricted	182,356	214,733
Total liabilities, deferred inflows, and net position	<u>\$ 3,205,592</u>	<u>\$ 3,445,780</u>

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2015

4. Financial Statement Analysis (Continued):

Below is a comparative summary of the Corporation's statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Operating revenues		
Charges for services	\$ 35,675	\$ 20,032
Interest from loans	84,708	56,970
Grant revenues	124,945	158,633
Contributions	-	162,342
Other operating revenues	2,439	8,140
Total operating revenues	<u>247,767</u>	<u>406,117</u>
Non-operating revenues		
Columbia County appropriation	437,000	437,000
Interest earnings	668	3,559
Total non-operating revenues	<u>437,668</u>	<u>440,559</u>
Total revenues	<u>685,435</u>	<u>846,676</u>
Operating expenditures		
Personnel and benefits	339,615	355,408
Professional service contracts	40,615	42,045
Grants and contributions	94,734	129,816
Rent and office	62,227	61,898
Consulting	88,647	22,131
Other operating expenditures	189,916	108,169
Total operating expenditures	<u>815,754</u>	<u>719,467</u>
Nonoperating expenditures		
Reimbursement to related party	114,000	-
Interest	1,658	-
Total nonoperating expenditures	<u>115,658</u>	<u>-</u>
Total expenditures	<u>931,412</u>	<u>719,467</u>
Total (expenditures in excess of revenues)/revenues		
in excess of expenditures	(245,977)	127,209
Net position at the beginning of the year	<u>2,749,213</u>	<u>2,622,004</u>
Net position at the end of the year	<u>\$ 2,503,236</u>	<u>\$ 2,749,213</u>

The revenue budget for 2015 was \$550,500 with projected income of \$23,539.

Total revenues were 24.5% more than budget, primarily due to greater than anticipated interest revenue generated from the outstanding loans. The Corporation also generated more grant income than expected. Total expenditures were more than budget by 76.7%, primarily due to \$114,000 paid to a related party as a result of the land sale to Ginsberg's as well as an increase in the allowance for loan losses of \$100,000. Consulting fees were also higher than the budget by \$62,647, of which \$33,750 were fees paid to a consultant for acting as the interim President/CEO.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2015

5. Additional Information:

This report is prepared for the use of the Corporation's audit committee, management, federal awarding agencies and pass through entities, and members of the public interested in the affairs of the Corporation. Questions with regard to this financial report or requests for additional information may be addressed to the Executive Director, Columbia Economic Development Corporation, 4303 Route 9, Hudson, NY 12534.

COLUMBIA ECONOMIC DEVELOPEMENT CORPORATION
(A Component Unit of Columbia County, New York)
STATEMENT OF NET POSITION
December 31, 2015 (with memorandum only totals at December 31, 2014)

	2015	2014 (memorandum only)
Current assets:		
Cash and cash equivalents	\$ 1,472,602	\$ 1,590,508
Restricted cash	240,229	273,279
Prepaid expenses	447	407
Grants receivable	35,000	24,578
SBA receivable	23,921	-
Loans receivable, current portion	300,933	288,213
Total current assets	2,073,132	2,176,985
Property and equipment, net:		
Equipment, net of \$12,418 of accumulated depreciation	6,540	6,333
Land	-	114,734
Total property and equipment, net	6,540	121,067
Other assets:		
Loans receivable, less current portion, net of allowance of \$240,865	1,125,920	1,147,728
Total other assets	1,125,920	1,147,728
Total assets	3,205,592	3,445,780
Current liabilities:		
Accounts payable	10,607	3,531
Accrued expenses	8,202	6,815
Land deposits	12,050	12,300
Due to BEHOLD! New Lebanon	5,201	-
Due to related party	1,240	-
Loans payable - SBA, current portion	68,363	65,826
Unearned revenue, current portion	54,599	52,849
Total current liabilities	160,262	141,321
Non-Current Liabilities:		
Loans payable-SBA, long-term portion	403,163	372,407
Unearned revenue, long-term portion	124,706	182,839
Total non-current liabilities	527,869	555,246
Total liabilities	688,131	696,567
Deferred inflows of resources		
Deferred membership income	14,225	-
Total deferred inflows of resources	14,225	-
Net position:		
Unrestricted	2,314,340	2,413,413
Invested in capital assets	6,540	121,067
Restricted		
Commerce Park principal	71,817	71,817
SBA microloan	110,539	135,122
BEHOLD!	-	7,794
Total net position	\$ 2,503,236	\$ 2,749,213

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of Columbia County, New York)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the years ended December 31, 2015 (with memorandum only totals for 2014)

	2015	2014 (memorandum only)
Operating Revenues:		
Administrative fees - related parties	\$ 28,751	\$ 17,500
Grant revenue	124,945	88,731
Grant revenue - CDBG	-	11,315
Grant revenue - Agriculture & Market	-	58,587
Contribution revenue - BEHOLD!	-	49,012
Fiscal agent administrative income	6,924	2,532
Contribution from CDLC	-	113,330
Interest on loans	84,708	56,970
Other income	2,439	8,140
Total operating revenues	247,767	406,117
Operating Expenses:		
Personnel expense	339,615	355,408
Grant expense	94,734	60,000
Grant expense - Agriculture & Market	-	58,587
Office expense	62,227	61,898
Contribution - HVADC	-	11,229
Program delivery fees	40,917	20,663
Project expenses - BEHOLD!	-	41,218
Professional fees	40,615	42,045
Consulting	88,647	22,131
Insurance	5,040	5,287
Marketing	39,062	16,767
Depreciation	2,563	2,377
Bad debt expense	100,000	21,656
Interest- Commerce Park Loan	201	201
Miscellaneous	2,133	-
Total operating expenses	815,754	719,467
Operating loss	(567,987)	(313,350)
Non-Operating Revenues (Expenses):		
Bank interest	668	3,559
Reimbursement to related party	(114,000)	-
Interest expense	(1,658)	-
Total Non-Operating Revenues (Expenses)	(114,990)	3,559
Appropriation from County of Columbia, NY	437,000	437,000
Change in net position	(245,977)	127,209
Net position, beginning of the year	2,749,213	2,622,004
Net position, end of year	\$ 2,503,236	\$ 2,749,213

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION

(A Component Unit of Columbia County, New York)

STATEMENT OF CASH FLOWS

For the years ended December 31, 2015 (with memorandum only totals for 2014)

	2015	2014 (memorandum only)
Cash flows from operating activities:		
Administrative fees - related parties	\$ 28,751	\$ 17,500
Principal disbursed on loans receivable	(342,228)	(482,500)
Principal received on loans receivable	291,316	510,452
Principal received from Commerce Park	-	3,278
Membership contributions	14,225	-
Grant revenue	34,219	25,901
Grant-Agricultural and market	-	58,587
Grant- SBA	-	20,311
Grant- CDBG	-	11,315
Contribution - BEHOLD!	-	49,012
Contribution from CDLC	-	113,330
Cash on behalf of BEHOLD	5,201	-
Cash collected on behalf of related party	1,240	-
Fiscal agent administrative income	6,924	-
Interest on loans	84,708	56,970
Payments to employees	(339,615)	(355,408)
Payments to vendors	(290,419)	(276,173)
Other income	2,439	10,672
Net cash used for operating activities	<u>(503,239)</u>	<u>(236,753)</u>
Cash flows from noncapital financing activities:		
Principal disbursed on Commerce Park	-	(3,278)
Appropriation from County of Columbia, NY	437,000	437,000
Payments on SBA loans	(66,707)	(60,336)
Proceeds from SBA loans	100,000	125,000
Net cash provided by noncapital financing activities	<u>470,293</u>	<u>498,386</u>
Cash flows from investing activities:		
Purchase of equipment	(2,770)	(150)
Reimbursement to related party for land	(114,000)	-
Interest paid	(1,658)	-
Interest received	668	3,559
Net cash (used for) provided by investing activities	<u>(117,760)</u>	<u>3,409</u>

See independent auditors' report and accompanying notes notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION

(A Component Unit of Columbia County, New York)

STATEMENT OF CASH FLOWS (CONTINUED)

For the years ended December 31, 2015 (with memorandum only totals for 2014)

Cash flows from capital and related financing activities:		
Land deposits	\$ (250)	\$ 9,000
Restricted cash	33,050	(103,429)
Net cash provided by capital and related financing activities	<u>32,800</u>	<u>(94,429)</u>
Net (decrease) increase in cash and cash equivalents	(117,906)	170,613
Cash and cash equivalents at beginning of year	1,590,508	1,419,895
Cash and cash equivalents at end of year	<u>\$ 1,472,602</u>	<u>\$ 1,590,508</u>
Reconciliation of operating loss to net cash		
used in operating activities:		
Operating loss	\$ (567,987)	\$ (313,350)
Depreciation expense	2,563	2,377
Provision for loan loss	100,000	21,656
Contingent grant	(40,000)	40,000
Loss on grant of land	114,734	-
Deferred membership income	(14,225)	-
Changes in assets and liabilities:		
Prepays	(40)	429
Loans receivable	(70,912)	27,952
SBA receivable	(23,921)	20,311
Grant receivable	(10,422)	(11,326)
Commerce Park principal	-	3,278
Accounts payable	7,076	3,152
Due to BEHOLD! New Lebanon	5,201	-
Due to related parties	1,240	-
Unearned Revenue	(7,933)	(31,504)
Accrued expenses	<u>1,387</u>	<u>272</u>
Net cash used in operating activities:	<u>\$ (503,239)</u>	<u>\$ (236,753)</u>
Non-Cash Activity		
Contingent grant earned	<u>\$ 20,000</u>	<u>\$ 20,000</u>

See independent auditors' report and accompanying notes notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

1. Nature of Organization:

Financial Reporting Entity:

The Columbia Economic Development Corporation (“CEDC” or the “Corporation”) was organized as a not-for-profit entity for the purpose of promoting and developing industry and job development in Columbia County, New York. The Corporation is a component unit of Columbia County, is a separate entity, and operates independently of the County.

In February 1995, the Corporation agreed to consolidate administrative operations with Hudson Development Corporation (“HDC”) to better coordinate efforts in promoting economic development in Columbia County. The new entity, Columbia Hudson Partnership, LLC (the “Partnership”), managed both organizations’ operations. In 2003, an agreement was signed to dissolve The Partnership and in 2006 the CEDC purchased the entire equity share of HDC. The Corporation now, in effect, solely owns the assets of the Partnership.

Programs of the Corporation:

Operating Fund

The operating fund derives its revenues primarily from Columbia County appropriations and from administrative fees from related parties such as Columbia County Capital Resource Corporation (“CRC”) and Columbia County Industrial Development Agency (“CCIDA”). The fund also derives revenue from interest from loan receivables.

Loan Program – Revolving loan fund

The loan program offers loans to local businesses at a discounted interest rate to attract business to the County as well as expand business growth from existing businesses already located in the County. The fund also is used to continue offering the Microbusiness seminar series and is used to fund expenses as it applies to the administration and delivery of programs.

The loan program receives grant money from time to time from CDBG-NYS. As a requirement of the grant, the loan program awards a contingent grant (usually based on employment goals) to local organizations after meeting certain NYS grant requirements. If requirements of the grant are not met by the local organization, the grant converts to a loan. The Corporation treats these arrangements as loans until the contingencies are met. As of December 31, 2015, the Corporation’s loans receivables include \$240,000 of these loan types comprised of:

	Original Loan Balance	Loan Balance at December 31, 2015
Flanders/Precisionaire Corporation	\$ 200,000	\$ 200,000
Local Ocean	167,500	-
Hudson Valley Creamery	100,000	40,000
	\$ 467,500	\$ 240,000

The Local Ocean loan was in default and written off in 2015. The loan had been fully reserved.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

1. Nature of Organization (Continued):

CDBG Small Cities

Grant funds received with performance requirements are recorded as unearned revenue in the period granted. The Corporation records a receivable for the amount of the loan lent out or grant made to the third party business. As obligations are met, the loan is paid off or written down and the loan balance is earned or forfeited. Unearned revenue is recognized in income as performance obligations are met and contingent grants made are recognized in expense as earned by the grantee.

267ED424-02 Grant

The 267ED424-02 grant offered assistance to local businesses by offering low interest business loans. The Corporation receives interest and principal payments on a monthly basis. At December 31, 2015, the loan balance outstanding was \$43,669.

267ED760-11 Grant

The 267ED760-11 grant offered assistance to local businesses to promote growth in the area and increase employment. The Corporation receives interest and principal payments on a monthly basis for the outstanding loan and the grant has contingent terms (e.g. employment targets) that must be met over a period of time. If the recipient fails to meet the requirements of the grant, the proceeds are to be paid back to the Corporation. The Corporation in turn is obligated to remit the funds back to the CDBG unless permission is granted to re-distribute the funds. At December 31, 2015, the outstanding balance was \$135,636.

Microbusiness Program

The microbusiness program is funded by the loan program. The program offers technical assistance to local businesses. The program also offers seminars taught by local business owners and professionals.

SBA-Microloan Program

Loans are provided to small businesses in Columbia and Greene Counties funded by the Small Business Administration (SBA). Loans over 120 days past due are required to be charged off. The loan maturity date should not exceed six years on Microloans. The Corporation may charge up to 7.75% over the Corporation's cost of funds on a microloan of more than \$10,000 and up to 8.5% over the Intermediary's cost of funds on a microloan of \$10,000 or less. Amounts loaned to the Corporation are maintained in a restricted revolving loan fund. The Corporation is also required to maintain a separate loan loss reserve fund with its own funds representing at least 15% of SBA funds received.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Corporation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Corporation applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as the Corporation is a component unit of the County of Columbia, New York, a governmental entity. The Corporation does not apply any Financial Accounting Standards Board (FASB) or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. In accordance with GASB standards, balance and activity for the Corporation are presented as an enterprise fund.

Deferred Outflows/Inflows of Resources:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

Statement 63 changed how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

As a result of Statement 63, financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report net position instead of net assets.

Membership fees collected in the current year that will be recognized as revenue next year are classified as a deferred inflow. As of December 31, 2015, \$14,225 of membership fees that pertain to the year ending December 31, 2016 are presented as deferred inflows.

Prior Year Amounts:

Amounts shown for December 31, 2014, in the accompanying statements are included to provide a basis for comparison with December 31, 2015 and present summarized totals only. Accordingly, the December 31, 2014 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Certain amounts have been reclassified to conform to the current year presentation.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Budgetary Data:

The budget policies are as follows:

In October of each year, the Executive Director submits a tentative budget to the Board of Directors for their approval for the next fiscal year. The tentative budget includes proposed expenditures and the proposed means of financing, which is to be used as a guide of activity for the fiscal year.

Use 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 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 amounts.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Corporation's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in Columbia County, New York.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

Revenue Recognition:

Contribution revenue is recognized in the period it is unconditional, measurable, and future installments are considered probable of collection. Contribution revenue that is restricted as a result of a purpose or time restriction is included as a component of "restricted net position", when applicable.

Administrative revenue is recognized in the period services are provided and payments are generally received from related parties on a quarterly basis. Grant revenue is recognized on cost reimbursable contracts in the period the costs are incurred. Advances on grants prior to costs being incurred in accordance with the terms of the grant agreement are deferred until the period costs are incurred. Membership revenue is recognized as revenue over the period of membership.

Interest on loans is recognized in the period earned over the life of the related loans receivable.

Operating revenues include revenue generated from ongoing operating activities. Non-operating revenues include investing, financing and other non-recurring activities.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Income Taxes:

A provision for income tax has not been provided for in these financial statements, as the Corporation is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Columbia County Appropriation:

For the year ended December 31, 2015, Columbia County appropriated \$437,000 for unrestricted use by the Corporation. The Corporation recognizes appropriated income in the period appropriated.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment:

Property and equipment are stated at cost and fair market value for donated items. Maintenance and repairs are expensed as incurred whereas major repairs and betterments are capitalized. Property and equipment comprise office equipment, furniture and software. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, which are:

Computer/Software	3 years
Furniture and Equipment	5 – 10 years

Loans and Allowance for Loan Losses:

Loans are stated at their recorded investment, which is the amount of unpaid principal, reduced by an allowance for loan losses. Interest is calculated by using the simple interest method.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Corporation uses a disciplined process and methodology to establish the allowance for loan losses. To determine the total allowance for loan losses, management estimates the reserves needed for each loan outstanding.

To determine the balance of the allowance account, loans are evaluated on a case by case basis and future losses are projected using historical experience adjusted for current economic and industry conditions. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each case. Management must use judgment in establishing additional input factors for estimating purposes. The assumptions used to determine the allowance are periodically reviewed by management to ensure that their theoretical foundation, assumptions, data integrity, computational processes, and reporting practices are appropriate and properly documented.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Loans and Allowance for Loan Losses (continued):

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to, or release balances from, the allowance for loan losses.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the assumptions used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Concentration of Credit and Market Risk:

Financial instruments that potentially expose the Corporation to concentrations of credit and market risk consist primarily of cash and cash equivalents and loans receivable. Cash and cash equivalents are maintained at Federal Deposit Insurance Corporation insured financial institutions and credit exposure is limited to any one institution.

Concentrations of credit risk with respect to notes receivables are limited due to the diverse industry backgrounds of its borrowers. Furthermore, management feels its borrower approval processes and regular review of provisions for loan losses, adequately provides for any material credit risks. Generally, sufficient collateral or a personal guarantee is obtained for all loans at the time of disbursement. Collateral is generally in the form of a mortgage on real property or a chattel lien on equipment title.

Related Party Transactions:

The Corporation participates in Commerce Center Land Sales with the Columbia County Industrial Development Agency (CCIDA). The Corporation pays an administrative amount, called Commerce Park Expense, as the CCIDA plays an administrative role in the transfer of the land. As of December 31, 2015, the Corporation has \$1,240 of cash collected on behalf of the CCIDA as a result of the Commerce Park Land Sales.

In December 2015, the Corporation contributed land with a \$114,734 book value to a third party in conjunction with a construction project. The land was originally purchased by the County of Columbia, New York and transferred to the Corporation upon approval from the County's board. As a result of this land transaction in 2015, the Corporation paid \$114,000 to Columbia County as reimbursement for the original purchase of the land.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

2. Summary of Significant Accounting Policies (Continued):

Interest Income on Loans:

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in accordance with adopted policies, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed.

Subsequent Events:

Subsequent events have been evaluated through March 30, 2016, which is the date the financial statements were available to be issued.

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2015 were comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
First Niagara Bank	\$ 717,139	\$ 833,153	\$ 250,000	\$ 583,153
National Union Bank of Kinderhook	945,964	950,964	250,000	700,964
Bank of Greene County	42,429	42,429	250,000	-
TD Bank	7,299	8,253	250,000	-
	<u>\$ 1,712,831</u>	<u>\$ 1,834,799</u>		<u>\$ 1,284,117</u>

Included in the book balance above is \$240,229 of restricted cash, \$197,800 held with First Niagara and \$42,429 held with the Bank of Greene County.

The Corporation holds an account on behalf of BEHOLD! New Lebanon ("BEHOLD"), a not for profit entity that had not established 501(c)(3) status until July 2015. The cash account is to receive contributions and make payments for operating costs. The balance in the account at December 31, 2015 was \$5,201. The balance was returned to BEHOLD in 2016.

4. Restricted Cash:

Restricted cash at December 31, 2015, consisted of the following:

Small Business Administration program	\$ 240,229
Total Restricted Cash	<u>\$ 240,229</u>

The Small Business Administration requires the Corporation to keep the SBA bank accounts restricted as they only can be used for small business loans.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

5. Loans:

During the year ended December 31, 2015, the Corporation loaned \$484,776 to 10 local businesses.

A summary of loan activity is as follows:

	Balance at December 31, 2014	New Lendings	Payments	Other Adjustments	Balance at December 31, 2015
Loan Fund	\$ 1,325,798	\$ 127,728	\$ 120,251	\$ 331,134	\$ 1,002,141
CDBG Small Cities	293,067	-	46,630	20,000	226,437
SBA Microloan	329,076	214,500	104,436	-	439,140
	<u>1,947,941</u>	<u>\$ 342,228</u>	<u>\$ 271,317</u>	<u>\$ 351,134</u>	<u>1,667,718</u>
Less: Allowance for loan losses	<u>(512,000)</u>				<u>(240,865)</u>
Total Loans	<u>\$ 1,435,941</u>				<u>\$ 1,426,853</u>

6. Property and Equipment:

A summary of property and equipment is as follows as of December 31, 2015:

	December 31, 2014	Acquisitions	Disposals	December 31, 2015
Furniture and equipment	\$ 18,286	\$ 2,770	\$ (2,098)	\$ 18,958
Land	114,734	-	(114,734)	-
	<u>133,020</u>	<u>2,770</u>	<u>(116,832)</u>	<u>18,958</u>
Accumulated depreciation	(11,953)	(2,563)	2,098	(12,418)
Total Property and Equipment	<u>\$ 121,067</u>	<u>\$ 207</u>	<u>\$ (114,734)</u>	<u>6,540</u>

Depreciation expense was \$2,563 during the year ended December 31, 2015. See Note 2 regarding the disposal of the land.

7. Restricted Net Position:

Restricted net position at December 31, 2015, consists of the following:

Commerce Park water tower	\$ 71,817
SBA loan program	160,539
Total Restricted Net Position	<u>\$ 232,356</u>

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

7. Restricted Net Position (Continued):

For one year only the Corporation did not remit the principal back to Columbia County, New York for Commerce Park loans. The principal is to be retained by the Organization to aide in the construction of the water tower within Commerce Park. Refer to Note 9 for more information on the restrictions.

8. SBA Microloan Program:

Since 2003 the Corporation took the steps toward acquiring the Hudson Development Corporation's SBA loan portfolio by establishing a small business loan program. The Corporation acquired the SBA loan program in 2008. Total loans outstanding, net of an allowance under this program, totaled \$439,140 at December 31, 2015.

The Corporation borrows money from SBA loan awards in order to fund loans given to businesses participating in the SBA program. The following illustrates the amounts payable to the SBA:

Balance at December 31, 2014	Drawdowns	Payments	Balance at December 31, 2015
\$ 438,233	\$ 100,000	\$ 66,707	\$ 471,526

Once draws have been made from the SBA, the Corporation pays the SBA back based on an amortization schedule for each specific drawdown. The following shows the combined expected payout of the SBA drawdowns—Draw Three, Draw Four, and Draw Five:

December 31	Balance
2016	\$ 68,363
2017	68,363
2018	68,363
2019	68,363
2020	59,153
Thereafter	138,922
Total	<u>\$ 471,526</u>

Each drawdown has repayments of principal and interest, with each drawdown having a separate interest rate based on the agreement—1.5% (Draw Three), 1.625% (Draw Four), and 0.75% (Draw Five), per annum.

9. Commerce Park Land:

Beginning in 2005, Columbia County initiated a program to sell undeveloped land it owns in Commerce Park through a component unit, the Columbia County IDA. CEDC works directly with the buyer on the County's behalf. CEDC receives a deposit from the buyer and in turn uses this money to pay for surveying and legal fees associated with the transfer of the land.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

9. Commerce Park Land (Continued):

CEDC recognizes a receivable for the sales price due from the buyer and a liability to the County for the same amount. The CCIDA plays an administrative role in the transfer of the land and receives a stipend from the first payment made. The CEDC retains the interest portion earned on land sale receivables as payment for servicing the loans and the remaining principal portion is forwarded to the County. In 2008 and only for 2008, the CEDC retained the principal and interest payments, as agreed upon with the County. CEDC will use the principal payments not remitted to the County to build a water tower in Commerce Park for the County of Columbia. The principal forgiven during 2008 was recognized as revenue.

During the year ended December 31, 2015, the Corporation received three deposits from two companies expected to purchase land in the Commerce Park in 2015, totaling \$8,750.

10. Pension Plan:

The Corporation has a SARSEP pension plan. The Corporation pays 5% of eligible employee's gross wages each year. For the year ended December 31, 2015, the Corporation recorded \$12,157 in pension expense.

11. Unearned Revenue:

As of December 31, 2015, unearned revenue is comprised of:

CDBG Small Cities:	
Angello's Distributing, Inc.	\$ 43,669
Hudson Valley Creamery	<u>135,636</u>
Total unearned revenue	<u><u>\$ 179,305</u></u>

12. Regulatory Oversight:

During the year ended December 31, 2014, the Corporation was notified that it would be subject to a review by the New York State Authorities Budget Office (ABO). The ABO conducted its review in April 2015 and issued a final report on April 27, 2015. The regulatory review was conducted as a result of a formal complaint filed with the ABO resulting from a land sale deal with a company that is controlled by a former board member. The ABO report concluded that the board demonstrated a lack of awareness of their adopted policies concerning the disclosure of conflicts of interest.

No board member acknowledged that the potential conflicts of interest of certain directors influenced their decisions. The ABO stated that to avoid such complaints in the future the board should insure that all potential conflicts of interest be properly disclosed and addressed in compliance with state law and its own policies.

There were no financial penalties assessed as a result of this investigation.