DEVELOPMENT
CHENANGO CORPORATION

FINANCIAL STATEMENTS

December 31, 2015, 2014, and 2013

Development Chenango Corporation
TABLE OF CONTENTS

Cwynar & Company

Certified Public Accountants
A Professional Limited Liability Company

12 South Broad Street
Suite 3
Norwich, New York 13815

(607) 334-3838 voice
(607) 334-3837 fax
www.cwynar.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Development Chenango Corporation
Norwich, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Development Chenango Corporation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Chenango Corporation as of December 31, 2015, 2014 and 2013, and the changes in its net assets and its cash flow for the years then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, which is referenced in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of Development Chenango 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 Development Chenango Corporation's internal control over financial reporting and compliance.

Cwynar & Company

Norwich, New York
March 15, 2016

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF FINANCIAL POSITION

At December 31,	2015	2014	2013
ASSETS			
CURRENT ASSETS			
Cash and equivalents	$ 911,089	$ 772,700	$ 667,204
Cash, restricted	3,830	6,516	6,525
Accounts receivable	2,369	600	9,825
Prepaid expenses	4,179	4,045	505
Loans receivable, net	117,295	147,832	144,938
Total current assets	1,038,762	931,693	828,997
OTHER ASSETS			
Investments in marketable securities	1,462,122	1,298,855	1,558,746
Conditional forgivable loans receivable	350,000	1,084,000	1,424,000
Loans receivable, net	436,701	595,803	641,646
Total other assets	2,248,823	2,978,658	3,624,392
FIXED ASSETS			
Office equipment	7,079	7,079	7,079
Leasehold improvements	116,072	116,072	116,072
Construction in progress	-	-	217,212
Land and buildings	509,464	509,464	-
Accumulated depreciation	(30,324)	(13,630)	(5,806)
Total net fixed assets	602,291	618,985	334,557
Total assets	$ 3,889,876	$ 4,529,336	$ 4,787,946
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 2,774	$ 2,742	$ 1,648
Accounts payable to related parties	19,403	15,722	18,713
Accrued expenses and other liabilities	7,700	8,017	11,500
Total current liabilities	29,877	26,481	31,861
LONG TERM LIABILITIES			
Mortgage payable to a non-profit organization	200,835	-	-
Total liabilities	230,712	26,481	31,861
NET ASSETS			
Unrestricted	3,309,164	3,418,855	3,332,085
Temporarily restricted	350,000	1,084,000	1,424,000
Total net assets	3,659,164	4,502,855	4,756,085
Total liabilities and net assets	$ 3,889,876	$ 4,529,336	$ 4,787,946

See independent auditors' report

See accompanying notes to the financial statements

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF ACTIVITIES

For the years ended December 31,	Unrestricted	Temporarily Restricted	2015	2014	2013
UNRESTRICTED NET ASSETS					
PROGRAM REVENUES, SUPPORT, AND GAINS					
Contributions from:					
Local governments	$ 181,750	$ -	**$ 181,750**	$ 189,000	$ 179,250
Businesses and general public	1,500	-	**1,500**	1,500	1,500
Interest earned on loan portfolio	21,138	-	**21,138**	24,549	16,781
Grants	9,510	65,000	**74,510**	53,794	493,017
Contract revenue	28,672	-	**28,672**	19,834	17,923
Interest and dividends	30,762	-	**30,762**	36,760	32,321
Net realized gains (losses) on investment transactions	(3,348)	-	**(3,348)**	259,684	92,645
Net unrealized gains (losses) on investment transactions	(56,763)	-	**(56,763)**	(232,797)	105,361
Net rental gains (losses)	(5,071)	-	**(5,071)**	(3,910)	-
Recovery of bad debts	8,248	-	**8,248**	7,081	-
Other	12	-	**12**	78	440
Total program revenues, support, and gains	216,410	65,000	**281,410**	355,573	939,238
Net assets released from restrictions	799,000	(799,000)	**-**	-	-
Total revenues, gains, and other support	1,015,410	(734,000)	**281,410**	355,573	939,238
FUNCTIONAL EXPENSES					
PROGRAM SERVICES					
Economic development	124,405	-	**124,405**	107,566	125,728
Business grants	810,914	-	**810,914**	349,590	13,310
Loan portfolio	66,733	-	**66,733**	24,028	31,691
Total program services	1,002,052	-	**1,002,052**	481,184	170,729
SUPPORTING SERVICES					
Management & general	123,049	-	**123,049**	127,619	135,360
Total functional expenses	1,125,101	-	**1,125,101**	608,803	306,089
Change in net assets	(109,691)	(734,000)	**(843,691)**	(253,230)	633,149
Net Assets at the beginning of the year	3,418,855	1,084,000	**4,502,855**	4,756,085	4,122,936
Net Assets at the end of the year	$3,309,164	$ 350,000	**$ 3,659,164**	$ 4,502,855	$ 4,756,085

See independent auditors' report
See accompanying notes to the financial statements

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF CASH FLOWS

For the years ended December 31,	2015	2014	2013
OPERATING ACTIVITIES			
Change in net assets	$ (843,691)	$ (253,230)	$ 634,392
Adjustments to reconcile change in net assets			
to net cash provided (used) by operating activities:			
Depreciation	16,694	7,824	4,164
Bad Debts	50,276	(3,833)	11,203
Net realized (gain) loss on sale of investments	3,348	(240,709)	(92,645)
Net unrealized (gain) loss on investment transactions	56,763	232,797	(105,361)
Restricted cash	2,686	9	977,475
Accounts receivable	(1,769)	9,225	(9,797)
Prepaid expenses	(134)	(3,540)	(71)
Loans receivable	873,363	386,782	(1,521,485)
Accounts payable and accrued liabilities	4,231	(5,380)	3,226
CASH FROM (USED FOR) OPERATING ACTIVITIES	161,767	129,945	(98,899)
INVESTING ACTIVITIES			
Proceeds from sales of investments	260,113	1,377,761	1,140,521
Purchases of investments	(483,491)	(1,109,958)	(580,826)
Purchase of fixed assets	-	(292,252)	(235,029)
CASH FROM (USED FOR) INVESTING ACTIVITIES	(223,378)	(24,449)	324,666
FINANCING ACTIVITIES			
Proceeds from loans	200,000	-	-
CASH FROM (USED FOR) FINANCING ACTIVITIES	200,000	-	-
INCREASE (DECREASE) IN CASH DURING THE YEAR	138,389	105,496	225,767
Cash at the beginning of the year	772,700	667,204	441,437
Cash at the end of the year	$ 911,089	$ 772,700	$ 667,204
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Non-cash financing	835	-	-

See independent auditors' report
See accompanying notes to the financial statements

NOTE 1
Nature of Organization and Significant Accounting Policies

Nature of Organization

The Development Chenango Corporation is a nonprofit entity whose primary purpose is to promote economic development in Chenango County. The Corporation operates programs that provide loans and economic assistance to businesses in Chenango County, New York State that promote expansion and new business development. The Corporation contracts with other agencies in the county to provide certain economic development activities. The primary funding sources are government and state grants, return on investments and interest income earned on the repayment of revolving loans.

Summary of Significant Accounting Policies

Basis of Accounting

The Corporation's policy is to prepare its financial statements on the accrual basis of accounting. Under this method, revenues are recognized as earned and expenses are recognized as they are incurred. Direct expenses are charged to the Corporation's programs. Administration expenses are allocated based on the relative direct costs of the program and management and general costs.

Financial Statement Presentation

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows. Certain reclassifications have been made to prior years' financial presentation to correspond to the current year's format. Also, the amounts shown for certain prior year totals in the accompanying financial statements are included to provide a basis for comparison with the current year amounts. Accordingly, the prior years' totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Corporation's financial statements for the years from which the summarized information was derived..

Contributions, Promises to Give, and Grants

Contributions, promises to give, and grants are recognized when the donor grantor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions, promises to give, and grants that are restricted by the donor grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor grantor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

The Corporation uses the allowance method to provide for uncollectible unconditional promises to give. Promises to give are reported at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contribution of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided.

Cash and Cash Equivalents

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

Contract Receivables

Contract receivables represent the balance of the grant which has not been received. The Corporation accounts for contract receivables under the accrual method of accounting.

The Corporation provides an allowance for uncollectible accounts based on management's estimates for financial statement purposes. Based on management's assessment of the credit history with contractors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Accounts and Other Receivables

The Corporation accounts for receivables under the accrual method of accounting. Accounts receivable are stated at the amount management expects to collect from outstanding balances. This estimate is based on historical losses. Past due status is based on how recently payments have been received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for uncollectible accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to accounts receivable. Management has determined that no allowance is needed.

Investments

The Corporation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Corporation initially records its real estate investments at the fair value as of the dates the investments are donated and thereafter carries such investments primarily at current appraised values (Level 2 measurements).

Fair Value Measurements

The Corporation uses a fair value hierarchy that prioritizes the “inputs” to valuation techniques used to measure fair value. The hierarchy consists of three broad “inputs” levels:

- Level 1 inputs - consists of unadjusted quoted prices in active markets for identical assets and have the highest priority.
- Level 2 inputs - consist of observable inputs other than quoted prices for similar assets in active or inactive markets.
- Level 3 inputs - consist of unobservable inputs that reflect internal judgments. For example the value may be determined by calculating the present value of the future cash flows expected to be received at a discounted interest rate. These have the lowest priority.

The Corporation uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Corporation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Corporation only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

The Corporation values all contributions at fair value when promised. The Corporation only revalues debt and marketable securities at least as often as it presents financial statements. For contributions valued initially at fair value but not revalued, the Corporation treats the initial fair value as cost in subsequent financial statements.

Management of the Corporation estimates that the aggregate net fair value of financial instruments recognized (including receivable, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Loans Receivable

The Corporation accounts for loans receivable and the related interest income under the accrual method of accounting.

Loans receivable are carried at unpaid principal balances, less an allowance for loan losses and net of any deferred loan fees. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management’s periodic evaluation of the adequacy of the allowance is based on the past loan loss experience, specific impaired loans, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation’s practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower’s failure to meet repayment terms, the borrower’s deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Any uncollected interest if previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Loan fees are recognized as income when received. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Fixed Assets

It is the corporation’s policy to capitalize property and equipment over $500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation expense is calculated using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and fixtures	3 – 12 years
Equipment	5 – 12 years

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.

Federal Income Taxes

The Corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Corporation is not liable for income taxes on income generated from activities related to its exempt purpose or federal unemployment insurance. The tax years ending 2013, 2014, and 2015 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Corporation.

Advertising

Advertising costs are generally charged to operations as incurred.

Functional Classification of Expenses

The corporation allocates its expenses on a functional basis among its various program services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Economic Development

Direct expenditures made for the promotion of economic development in Chenango County.

Business Grants

Grants to businesses for the promotion of economic development in Chenango County and the related administrative expenditures

Loan Portfolio

Direct expenditures made for the management of the corporation administered loan portfolios.

Management and General Expense

Expenditures associated with the overall operation of the corporation. These expenditures are not directly part of the program services. They are indirect and necessary for the corporation's existence.

Management's Review

The Organization has evaluated events and Transactions that occurred between December 31, 2015 and March 15, 2016 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 2
Loans Receivable

The Corporation grants commercial loans primarily to individuals and businesses located in Chenango County New York State. Although the Corporation has diversified between large and small commercial property and in different areas of the county, borrowers are heavily dependent on the employment and economic conditions within their zone.

For the year ended December 31,	2015	2014	2013
Business Assistance Loan Fund	$ 511,904	$ 597,769	$ 599,884
Conditional Forgivable Loans	350,000	1,084,000	1,424,000
Dairy Revolving Loan Fund	101,985	123,192	139,809
Micro Enterprise Fund	59,353	99,893	130,020
Other Loans	2,078	2,078	2,608
	1,025,320	1,906,932	2,296,321
Less:			
Allowance for Loan Losses	(121,324)	(79,296)	(83,129)
	$ 903,996	$ 1,827,636	$ 2,213,192

Allowance for credit losses	
Beginning Balance	$ 79,296
Recovery of losses	(8,248)
Current year losses	50,276
Ending Balance	$ 121,324

At December 31, 2015, the total recorded investment in impaired loans amounted to approximately $121,324. The average recorded investment in impaired loans was approximately $19,000. The allowance for loan losses related to impaired loans totaled $121,324. Interest income is not recorded on impaired loan. Cash payments received on impaired loans in 2015 was $836 and no impaired loans were refinanced. The Corporation has no commitments to lend additional funds to borrowers whose loans have been modified.

At December 31, 2015, the total recorded investment in loans on nonaccrual (of the related loan interest income) amounted to $71,325. The amount of interest not recorded on nonaccrual loans was approximately $3,200.

The Corporation values the loan receivable net of an allowance for bad debts. Future maturities of the loans net of the related bad debt allowance are as follows:

For the year ended December 31,	Loan Fund	Conditional Forgiveable Loans	Total
2016	$ 238,618	-	$ 238,618
2017	113,421	-	113,421
2018	95,950	-	95,950
2019	73,603	-	73,603
2020	46,405	-	46,405
2021 - 2023	107,323	350,000	457,323
	$ 675,320	350,000	$ 1,025,320

Each loan is secured by buildings and/or equipment offered by each business for collateral and certain loans are personally guaranteed by the business owners. Bad debt expense was $50,276.

NOTE 3
Conditional Forgivable Loan

In 2013, $984,000 was provided to a Chenango County business under a government grant program. The program provided a loan for $250,000, which was repaid. The remaining $734,000 of those funds is a conditional forgivable receivable that is expected to be converted to a grant to the business. In 2015, the business met the economic performance targets specified in the grant agreement. The loan was forgiven and recorded as a grant expense in 2015.

In 2013, $464,000 was provided to a Chenango County business under a government grant program. The program provided a loan for $114,000. The remaining $350,000 of those funds is a conditional forgivable receivable that is expected to be converted to a grant to the business. The business is expected to pay back the loan and meet the economic performance targets specified in the grant agreement.

DEVELOPMENT CHENANGO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4
Investments and Investment Return

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments in marketable securities are summarized as follows

At December 31, 2015		Market	Cost	Unrealized Gain (Loss)
7.9%	Money Funds	$ 116,017	116,354	$ (337)
49.6%	Equity Mutual Funds	725,311	784,004	(58,693)
3.4%	Corporate Bonds	50,062	50,183	(121)
39.0%	Fixed Income Mutual Funds	570,732	602,181	(31,449)
100.0%		$ 1,462,122	1,552,722	$ (90,600)

The unrealized gain or loss is the change in the market values from the original purchase price for securities that were not sold.

December 31,	2015	2014	2013
Investments at Cost	$ 1,552,722	$ 1,332,815	$ 1,359,909
Unrealized Gains (Losses)	(90,600)	(33,960)	198,837
	$ 1,462,122	$ 1,298,855	$ 1,558,746

For the years ended December 31,	2015	2014	2013
Capital Gains			
Net Realized gains (loss)	$ (3,348)	$ 259,684	$ 92,645
Net Unrealized gains (loss)	(56,763)	(232,797)	105,985
Dividend earned			
Equity Securities	13,522	18,881	17,859
Interest earned			
Government Agencies Debt	-	-	5,647
Corporate bonds	625	947	5,638
United State Treasury	-	147	245
Fixed Income Mutual Funds	16,424	16,772	2,761
Certificates of Deposit	188	-	-
Liquid funds	3	13	9
	$ (29,349)	$ 63,647	$ 230,789

The investments are sold when cash needs develop or when good investment management dictates a change in the securities held. The difference between the net proceeds from sale and cost represents the realized gain or loss on the sale of securities. The unrealized gain or loss for a year is the relative change in the market values from the beginning to the end of the year for securities that were not sold.

DEVELOPMENT CHENANGO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5
Fixed Assets

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. If these fixed assets are sold in the future, funds may have to be returned to the appropriate funding source.

Property held at December 31, 2015 consisted of the following:

December 31,	2014	Additions	Deletions	2015
Fixed asset values				
Leasehold improvements	$ 116,072	-	-	**$ 116,072**
Office equipment	7,079	-	-	**7,079**
Construction in progress	-	-	-	**-**
Land and buildings	509,464	-	-	**509,464**
Gross fixed assets	632,615	-	-	**632,615**
Accumulated depreciation	(13,630)	(16,694)	-	**(30,324)**
Fixed assets, net	$ 618,985			**$ 602,291**

It is the corporation's policy to capitalize property and equipment that cost over $500. Lesser amounts are expensed. Depreciation expense is calculated using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and fixtures	3 – 12 years
Equipment	5 – 12 years

NOTE 6
Net Assets

The corporation's unrestricted net assets are as follows:

December 31,	2015	2014	2013
Designated for fixed assets	**$ 602,291**	$ 618,985	$ 334,557
Designated for Business Assistance Loan Fund	**432,641**	597,769	599,884
Designated for Dairy Revolving Loan Fund	**101,985**	123,192	139,809
Designated for Micro Enterprise Loan Fund	**19,369**	99,893	130,020
Designated for Other Loans	**-**	2,078	2,608
Designated for Loans in Future Years	**935,935**	765,261	686,480
Undesignated	**1,216,943**	1,211,677	1,438,727
Unrestricted net assets	**$ 3,309,164**	$ 3,418,855	$ 3,332,085

Temporarily restricted net assets are available for the following purposes or periods:

December 31,	2015	2014	2013
Community Development Block Grant			
Conditional loan restrictions from 2006 grant	$ -	$ -	$ 340,000
Conditional loan restrictions from 2013 grants	350,000	1,084,000	1,084,000
Temporarily restricted net assets	**$ 350,000**	$ 1,084,000	$ 1,424,000

Temporary restricted net assets were released from their restrictions for the following purposes:

For the year ended December 31,	2015	2014	2013
Community Development Block Grants	$ 734,000	$ 340,000	$ 364,000
New York State Revitalization Project Grants	65,000	50,000	6,135
Donations from Business Community	-	-	7,000
Released from restrictions	**$ 799,000**	$ 390,000	$ 377,135

NOTE 7
Concentrations of Credit Risk

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

Notes receivable are principally with Chenango County businesses and guaranteed by those business owners. Realization of these items is dependent on various individual economic conditions. The Corporation performs ongoing credit evaluations of the financial condition of the businesses and individuals and, generally, requires collateral from them. Cash and investments are based on quoted market prices. Accounts receivable and notes receivable are carried at estimated net realizable values.

The organization’s investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the organization’s financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes (see note 4) should mitigate the impact of changes in any one class.

NOTE 8
Related Party Transactions

Several transactions have occurred between the corporation and certain governing board members, a board member's business or another business of which a board member is a director or employee. The transactions can be summarized as follows:

Certain governing board members of the Corporation are governing board members and/or employees of the bank the corporation maintains cash accounts and investments. The corporation paid trustee fees to the bank of $7,316 in 2015.

Certain governing board members of the Corporation are employees of Chenango County and/or members of the Chenango County Board of Supervisors. In 2015, the corporation received direct funding from the county in the amount of $108,750.

The president of Commerce Chenango, Inc is the Executive Director and a board member of the Development Chenango Corporation. In 2015, the corporation paid Commerce Chenango for management fees of $187,177.

NOTE 9
Fair Value Measurements

Fair Values of assets measured on a recurring basis at December 31, 2015 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in marketable securities	$ 1,462,122	$ 1,412,060	$ 50,062	$ -
Loans receivable, net	553,996	-	-	553,996
	$ 2,016,118	$ 1,412,060	$ 50,062	$ 553,996

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for assets valued using level 3 inputs may be determined by calculating the present value of the future cash flows expected to be received and a discount rate. There have been no changes in valuation techniques and related inputs.

NOTE 10
Mortgage Payable to a Non-Profit Organization

On July 1, 2014 the Corporation obtained a $200,000 construction mortgage loan from a not for profit organization that administers funds from a governmental agency. The proceeds of the loan was used to finance the construction and renovation of 17-19 South Broad Street which is the security for the loan. The loan is for 20 years at an interest rate of 1%. There are no payments required for the first 12 months of the loan. The first twelve payments will be interest only beginning in August 2016. The regular payments will begin in August 2017 in the amount of $1,022. The final payment is in July 2035. Based on the market rates for similar loans the fair value of the note approximates the carrying value. The maturity of the debt is as follows:

For the years ending December 31,	Payments	Principal	Interest
2016	$ 842	$ (1,174)	$ 2,016
2017	6,290	4,277	2,013
2018	12,268	10,338	1,930
2019	12,268	10,442	1,826
2020	12,268	10,546	1,721
2021 - 2025	61,339	54,343	6,996
2026 - 2030	61,339	57,128	4,211
2031 - 2035	56,225	54,935	1,291
	$ 222,839	$ 200,835	$ 22,004

This page is intentionally blank

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES

For the years ended December 31	PROGRAM SERVICES Economic Development	Business Grants	Loan Portfolio	Total
Management fee	$ 65,512	9,359	9,359	$ 84,230
Special projects	27,995	63,084	-	91,079
Program recipient	9,400	734,000	-	743,400
Professional fees	3,704	2,646	1,905	8,255
Investment management	-	-	-	-
Marketing and advertising	8,157	-	-	8,157
Office	1,317	941	678	2,936
Occupancy	4,515	-	4,515	9,030
Interest	835	-	-	835
Travel and training	1,591	884	-	2,475
Insurance	1,379	-	-	1,379
Bad debt	-	-	50,276	50,276
Depreciation	-	-	-	-
Total	$ 124,405	810,914	66,733	$ 1,002,052

See independent auditors' report
See accompanying notes to the financial statements

DEVELOPMENT CHENANGO CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES

For the years ended December 31	SUPPORTING SERVICES Management and General	TOTAL 2015	2014	2013
Management fee	$ 102,947	**$ 187,177**	$ 179,409	$ 193,102
Special projects	-	**91,079**	8,411	-
Program recipient	-	**743,400**	351,198	25,085
Professional fees	2,328	**10,583**	11,325	15,654
Investment management	7,316	**7,316**	13,526	11,853
Marketing and advertising	-	**8,157**	12,295	22,148
Office	828	**3,764**	3,393	3,557
Occupancy	3,870	**12,900**	13,137	11,053
Interest	-	**835**	-	-
Travel and training	1,060	**3,535**	6,814	5,891
Insurance	743	**2,122**	1,937	2,379
Bad debt	-	**50,276**	3,248	11,203
Depreciation	3,957	**3,957**	4,110	4,164
Total	$ 123,049	**$ 1,125,101**	$ 608,803	$ 306,089

See independent auditors' report
See accompanying notes to the financial statements

Cwynar & Company

Certified Public Accountants
A Professional Limited Liability Company

12 South Broad Street
Suite 3
Norwich, New York 13815

(607) 334-3838 voice
(607) 334-3837 fax
www.cwynar.com

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*

To the Board of Directors
Development Chenango Corporation
Norwich, New York

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 Development Chenango Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 15, 2016

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Development Chenango Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Development Chenango Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Development Chenango 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cwynar & Company

Cwynar & Company, CPAs, PLLC

Norwich, New York
March 15, 2016