

**DUTCHESS COUNTY
ECONOMIC
DEVELOPMENT
CORPORATION**

*INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION*

FOR THE YEAR ENDED DECEMBER 31, 2015

**VAN NORSTRAND & HOOLIHAN, CPA'S, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

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FOR THE YEAR ENDED DECEMBER 31, 2015**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORTS	3
FINANCIAL STATEMENTS:	
Statement of Financial Position	5 – 6
Statement of Activities	7 – 8
Statement of Expenses	9
Statement of Cash Flows	10 – 11
Notes to the Financial Statements	12 – 16

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**To the Board of Directors
Dutchess County Economic Development Corporation
3 Neptune Road
Poughkeepsie, New York 12601**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Dutchess County Economic Development Corporation (a non-profit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, expenses, and cash flows for the year then ended, and the related notes to 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.

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 disclosure 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.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Dutchess County Economic Development Corporation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Van Vorstrand & Horvath, CPAs, PC

Rhinebeck, New York
January 31, 2016

DUTCHESS COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Totals</u>
	<u>Economic Development</u>	<u>External Marketing Council</u>	<u>All Funds 2015</u>
ASSETS:			
Current Assets:			
Cash	\$ 297,092	68,597	365,689
Accounts receivable	1,610		1,610
Prepaid expenses	<u>10,779</u>		<u>10,779</u>
Total current assets	<u>309,481</u>	<u>68,597</u>	<u>378,078</u>
Furniture and Equipment, at cost	75,624	2,287	77,911
Less: accumulated depreciation	<u>55,208</u>	<u>474</u>	<u>55,682</u>
	<u>20,416</u>	<u>1,813</u>	<u>22,229</u>
Total Assets	\$ <u>329,897</u>	<u>70,410</u>	<u>400,307</u>

See accompanying notes.

DUTCHESS COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION, (Continued)
DECEMBER 31, 2015

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Totals</u>
	<u>Economic Development</u>	<u>External Marketing Council</u>	<u>All Funds 2015</u>
	<u>Dutchess County Tourism</u>	<u>Revolving Loan Programs</u>	
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Total current liabilities \$	—	—	—
Net Assets:			
Unrestricted	329,897		329,897
Temporarily restricted	<u>70,410</u>	<u>70,410</u>	<u>70,410</u>
Total net assets	<u>329,897</u>	<u>70,410</u>	<u>400,307</u>
Total Liabilities and Net Assets	<u>\$ 329,897</u>	<u>70,410</u>	<u>400,307</u>

See accompanying notes.

DUTCHESS COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Totals</u>
	<u>Dutchess County Tourism</u>	<u>External Marketing Council</u> <u>Revolving Loan Programs</u>	<u>All Funds 2015</u>
SUPPORT AND REVENUES:			
Public and Private Support:			
Dues and contributions \$	119,425	62,668	182,093
Dues and contributions – in kind	14,500		14,500
Professional Services Contracts:			
Dutchess County	143,333		143,333
Dutchess County Local Development Corporation	75,000		75,000
Dutchess County Industrial Development Agency	<u>75,000</u>	<u>62,668</u>	<u>137,668</u>
Total public and private support	<u>427,258</u>	<u>125,336</u>	<u>552,594</u>
Revenues:			
Other revenues	42		6,803
Investment income	<u>169</u>		<u>169</u>
Total revenues	<u>42</u>	<u> </u>	<u>6,972</u>
SUPPORT AND REVENUES (CARRIED FORWARD) \$	<u>434,188</u>	<u> </u>	<u>559,566</u>

See accompanying notes.

DUTCHESS COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES, (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted Funds		Temporarily Restricted Funds		Totals All Funds 2015
	Economic Development	Dutchess County Tourism	External Marketing Council	Revolving Loan Programs	
SUPPORT AND REVENUES					
(BROUGHT FORWARD) \$	434,188	42	125,336		559,566
Net assets released from restrictions					
Restrictions satisfied by payments	<u>116,156</u>	—	<u>(116,125)</u>	<u>(31)</u>	—
Total Support and Revenues	<u>550,344</u>	<u>42</u>	<u>9,211</u>	<u>(31)</u>	<u>559,566</u>
EXPENSES:					
Program services	232,690	11,359			244,049
Supporting services:					
Management and general	190,633	5,550			196,183
Fundraising	<u>20,237</u>				<u>20,237</u>
Total expenses	<u>443,560</u>				<u>460,469</u>
INCREASE (DEC) IN ASSETS	106,784	(16,867)	9,211	(31)	99,097
NET ASSETS – BEG. OF YEAR	<u>223,113</u>	<u>16,867</u>	<u>61,199</u>	<u>31</u>	<u>301,210</u>
NET ASSETS – END OF YEAR	<u>329,897</u>	—	<u>70,410</u>	—	<u>400,307</u>

See accompanying notes.

DUTCHESS COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted Funds	Temporarily Restricted Funds		Totals
		Economic Development	Dutchess County Tourism	
Salaries	\$ 152,096			210,696
Payroll taxes	15,293			21,119
Employee benefits	23,927			36,891
Total payroll expenses	<u>191,316</u>			<u>268,706</u>
Board committee expense	2,171			2,171
Computer consulting	5,613			9,988
Depreciation	1,079		4,375	1,430
Dues and subscriptions	4,500		351	7,822
Education and training	1,335		3,322	2,279
Equipment operating leases	1,618		944	2,062
Grants to Dutchess County Tourism		11,359	444	11,359
Insurance	7,530		3,207	10,737
Marketing expense	53,932		7,039	60,971
Miscellaneous expense	759		6	765
RLF fund balance to DCIDA				31
Occupancy	32,049		10,683	42,732
Office expense	1,222		666	1,888
Postage	742		196	938
Professional fees	9,407		1,230	16,187
Telephone	9,629		1,644	11,273
Trade shows			1,695	1,695
Travel and meeting expense	4,502		2,933	7,435
Total Expenses	<u>\$ 327,404</u>	<u>16,909</u>	<u>116,125</u>	<u>\$ 460,469</u>

See accompanying notes.

DUTCHESS COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Totals</u>
	<u>Dutchess County Tourism</u>	<u>External Marketing Council</u>	<u>All Funds 2015</u>
Economic Development	106,784	9,211	99,097
	(16,867)	(31)	
			1,430
	1,079	351	
	32,896		32,896
	10,666		10,666
	(16,440)		(16,440)
	<u>(5,610)</u>	<u>—</u>	<u>(5,610)</u>
	<u>129,375</u>	<u>9,562</u>	<u>122,039</u>
	(16,867)	(31)	

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets \$
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:
Adjustments:
Depreciation
(Increase) or Decrease:
Accounts receivable
Prepaid expenses
Increase or (Decrease):
Accounts payable
Accrued expenses

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

See accompanying notes.

DUTCHESS COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Totals</u>
	<u>Economic Development</u>	<u>External Marketing Council</u>	<u>All Funds 2015</u>
	<u>Dutchess County Tourism</u>	<u>Revolving Loan Programs</u>	
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(18,323)	(1,062)	(19,385)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(18,323)	(1,062)	(19,385)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments received		13,705	13,705
RLF funds to DCLDC		(316,625)	(316,625)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(302,920)	(302,920)
NET (DE)INCREASE CASH	111,052	(16,867)	(302,951)
CASH AT BEGINNING OF YEAR	186,040	16,867	302,951
CASH AT END OF YEAR \$	297,092	68,597	365,689

See accompanying notes.

**DUTCHESS COUNTY ECONOMIC
DEVELOPMENT CORPORATION**
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Background** - Dutchess County Economic Development Corporation (DCEDC) is a private, not-for-profit economic development corporation exempt. It is a partnership between the private and public sectors, and funded by various sources including Dutchess County, New York State, private and corporate donations, and fees for its services. Since its organization in 1978, DCEDC's goal is to create and retain new employment opportunities by attracting new businesses to the county, supporting new and established businesses, and promoting county tourism.

(b) **Basis of Presentation** - DCEDC reports in accordance with the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the organization is required to report information regarding their 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 organization is required to present a statement of cash flows. Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the funds. When the purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The following funds are used:

(1) **Unrestricted Funds** - These funds consist of the general operations of the Economic Development and Dutchess County Tourism (DCT) and represent the portion of expendable funds that are available for support of DCEDC operations or have been set aside by board designation. In 2014, DCT applied for exempt status and become its own entity.

(2) **Temporarily Restricted Funds** - Included in these funds is the program entitled External Marketing Council. This program has designated as its purposes 1) raising substantial donations from the private sector: 2) using these funds for extensive marketing campaigns. These funds also are used to account for grant and private contributions restricted for the tourism and revolving loans programs and separate projects.

(c) **Basis of Accounting** - The Corporation records revenue and expenses based on the accrual method of accounting.

(d) **Furniture and Equipment** - Fixed assets are recorded at cost or estimated fair market value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense charged to the total operations for the year ended December 31, 2015 was \$1,430.

**DUTCHESS COUNTY ECONOMIC
DEVELOPMENT CORPORATION**
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
YEAR ENDED DECEMBER 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) **Statement of Cash Flows** - For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

(f) **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.

(g) **Advertising/marketing Costs** – All advertising/marketing costs for the company are expensed as incurred. The total for the year ended December 31, 2015 is \$60,971.

(h) **Contingencies** – Tax returns are open for audit with the Internal Revenue Service for up to three years after filing.

(i) **Income Taxes** – The Organization is exempt from income taxes under Section 501(c)(3) of the IRS code and classified by the IRS as other than a private foundation.

FURNITURE AND EQUIPMENT

A summary of furniture and equipment at December 31, 2015 are as follows:

	Beginning of Year	2015 Additions	2015 Disposals	End of Year
EDC - equipment	\$ 57,300	18,323		75,623
DCT – equipment				
EMC – equipment	<u>1,225</u>	<u>1,062</u>		<u>2,287</u>
	\$ <u>58,525</u>	<u>19,385</u>		<u>77,910</u>

CONTRIBUTED SERVICES

DCEDC received contributed services valued at approximately \$42,050 from volunteers during 2015. Inasmuch that contributed services were not specialty skills or contribution of non-financial assets, these amounts have not been recorded as revenue or offsetting expense.

**DUTCHESS COUNTY ECONOMIC
DEVELOPMENT CORPORATION**
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
YEAR ENDED DECEMBER 31, 2015

REVOLVING LOAN PROGRAM

Since 1993, the Dutchess County Economic Development Corporation (DCEDC) has administered the DCIDA Revolving Loan Fund (DCIDA RLF) for the benefit of small business development throughout Dutchess County. This fund has been capitalized by the Dutchess County Industrial Development Agency since its inception. The primary goal of the DCIDA RLF is to enhance job retention and creation within Dutchess County. This will be accomplished by providing expansion and working capital loans to support small business growth activity.

In 2009, one loan was issued, a \$75,000 promissory note payable in 7 years in February 2016, with a 3.25% interest rate. As of December 31, 2015, the loans receivable amount is zero.

All interest income and application fees income received have been added to the revolving loan principle and is returnable to DCIDA.

In 2015, the program has been closed and all funds returned to the DCIDA in the total amount of \$317,125.46.

PROFESSIONAL SERVICE CONTRACTS

During the year ended December 31, 2015, DCEDC received professional service contract fees from various sources.

Dutchess County – economic development services \$	143,333
Dutchess County IDA – economic development	75,000
Dutchess County IDA – marketing money match	62,668
Dutchess County LDC – economic development	75,000

The marketing match from the DCIDA is for the purpose of maintaining an extensive marketing program. The monies are a match to all private contributions received for this purpose up to \$100,000. As of December 31, 2015, \$62,668 was awarded. Private contributions received from outside sources totaled \$62,668 during 2015.

**DUTCHESS COUNTY ECONOMIC
DEVELOPMENT CORPORATION**
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
YEAR ENDED DECEMBER 31, 2015

EMPLOYEE BENEFIT PROGRAMS

DCEDC administers a flexible spending benefit package to all full time employees whereby the employees each receive \$12,400 in 2015 annually to go towards family health and dental insurance coverage and/or a tax shelter 403(b) retirement plan. Management level employees with written contracts may have a different taxable benefit package.

All the employees have been transferred to DCLDC as of September 1st, 2015. There are only eight months payroll under DCEDC in 2015, and the employees actually each receive \$8,266.72 in 2015 to go towards family health and dental insurance coverage and/or a tax shelter 403(b) retirement plan.

OCCUPANCY

DCEDC reduced space rental to 2,374 square feet in 2015. The rent includes all utilities and taxes. The original lease went to February 28, 2016. See subsequent event footnote. Rent paid to landlord during 2015 was \$42,732.

TEMPORARILY RESTRICTED FUNDS

All temporarily restricted remaining funds have been either designated by donors or by grant restrictions to be used the following fiscal year for the purpose by which the original funds were intended. The following is a list of temporarily restricted fund balances as of December 31, 2015:

<u>Fund</u>	<u>Purpose</u>	<u>2015</u>
External Marketing Council	Marketing attraction	\$ <u>70,410</u>

OPERATING LEASES

As of December 31, 2015, DCEDC had the following operating leases in effect:

DCEDC has a copier lease with Ricoh USA, Inc. which is a 4 year lease started on January 8, 2015. The monthly lease payment is \$146.58. This lease will end on February 6, 2016.

**DUTCHESS COUNTY ECONOMIC
DEVELOPMENT CORPORATION**
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
YEAR ENDED DECEMBER 31, 2015

RELATED PARTY TRANSACTIONS

The Dutchess County Industrial Development Agency (DCIDA), and the Dutchess County Local Development Corporation (DCLDC) provided DCEDC with various contracts for professional services. Any money given is decided upon annually by the Board of Directors of each agency. There are various individuals of the IDA and LDC boards who serve on the EDC Board of Directors. Various governmental officials of the County of Dutchess, which provide DCEDC with funding, also sit on the DCEDC Board of Directors.

All members of the board of directors and of any standing committee must fill out and sign an annual conflict of interest questionnaire.

SUBSEQUENT EVENTS

The Board of Directors of DCEDC has elected to dissolve this corporation as of December 31, 2015. All remaining funds will be transferred to Dutchess County Local Development Corporation (DCLDC) in 2016. The revolving loan fund has been transferred back to the DCIDA in 2015. DCLDC has its new space and will be ready at the end of January 2016 or early February 2016. DCEDC will be dissolved at that time.

Effective January 1, 2015, The Tourism fund within DCEDC has incorporated and become its own non-profit entity named Dutchess Tourism, Inc. All assets related to Tourism within DCEDC were transferred to Dutchess Tourism, Inc. on that date. Any remaining activity in 2016 was simply the remaining fund cash being transferred.

CONCENTRATION OF CREDIT RISK

DCEDC had cash balances in excess of the insurance protection limits provided by the FDIC program, which is \$250,000 at each banking institution. The following is a summary of bank balances over the limit as of December 31, 2015:

	<u>2015</u>
First Niagara Bank	\$ <u>313,728</u>