

**ECONOMIC DEVELOPMENT CORPORATION
FINANCIAL REPORT
DECEMBER 31, 2015**

ECONOMIC DEVELOPMENT CORPORATION

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Independent Auditor's Report

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To the Board of Directors
Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Economic Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on the year ended December 31, 2015 and our qualified audit opinion on the year ended December 31, 2014.

Basis for Qualified Opinion

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

If the financial statements of Hudson River Local Development Corporation had been consolidated with Economic Development Corporation at January 1, 2015 the total assets would have increased by \$367,773, total liabilities would have decreased by \$4,943 and net assets would have increased by \$372,773 for the Economic Development Corporation. The Economic Development Corporation's total revenue would have increased by \$48 and total expenses would have increased by \$9,582 for the year ended December 31, 2015.

As further disclosed in Note 1 a certificate of merger was approved by the New York Department of State on July 9, 2015. The Economic Development Corporation was named the surviving corporation of a merger between Economic Development Corporation and Hudson River Local Development Corporation. On August 26, 2015 Hudson River Local Development Corporation liquidated and transferred its assets, liabilities and net assets to Economic Development Corporation.

Qualified Opinion

In our opinion, except for the effect of not consolidating this controlled subsidiary, as disclosed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly the financial position of Economic Development Corporation as of December 31, 2015 and December 31, 2014, and changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016 on our consideration of Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Economic Development Corporation's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Queensbury, NY
March 8, 2016

**ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS		
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 797,665	\$ 332,109
Accounts receivable, net	68,518	144,917
Prepaid expenses	4,713	2,555
Total Current Assets	<u>870,896</u>	<u>479,581</u>
Property and Equipment		
Land and land development	195,187	-
Furniture and equipment	118,023	118,023
Leasehold improvements	12,157	12,157
Total	<u>325,367</u>	<u>130,180</u>
Less accumulated depreciation	<u>109,938</u>	<u>98,987</u>
Net Property and Equipment	<u>215,429</u>	<u>31,193</u>
Other Assets		
Due from related organization	<u>-</u>	<u>159,600</u>
TOTAL ASSETS	<u><u>\$ 1,086,325</u></u>	<u><u>\$ 670,374</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 15,716	\$ 11,549
Accrued expenses	5,066	3,624
Deferred revenue	2,825	2,000
Due to related organization	-	5,000
Total Current Liabilities	<u>23,607</u>	<u>22,173</u>
Net Assets		
Unrestricted	526,078	648,201
Unrestricted - Board Designated	<u>536,640</u>	<u>-</u>
Total Net Assets	<u>1,062,718</u>	<u>648,201</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,086,325</u></u>	<u><u>\$ 670,374</u></u>

**ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Unrestricted Support and Revenue		
Contract services	\$ 554,071	\$ 530,250
Contributions - investors	81,700	83,405
In-kind contributions	4,166	3,880
Grants	4,135	-
Annual meeting and other events	21,969	16,315
Interest income	292	194
Other income	4,270	2,743
Total Unrestricted Support and Revenue	<u>670,603</u>	<u>636,787</u>
Expenses		
Economic development		
Marketing and promotion	68,046	66,851
Consulting	4,780	4,500
Annual meeting	12,011	9,358
Business development	21,225	11,245
Holiday network event	3,125	4,901
Audit and accounting	6,750	5,900
Automotive and travel	1,296	1,632
Collateral materials	7,465	7,593
Contributions	385	33,331
Computer and telephone expenses	7,686	6,843
Depreciation and amortization	10,951	11,197
Dues and subscriptions	7,830	6,498
Economic development projects	4,135	-
Employee benefits	17,522	18,899
Equipment lease and maintenance	21,422	14,779
Insurance	5,742	5,081
Legal	20,125	15,202
Bad debts	-	3,750
Office expenses	11,545	12,410
Office space	16,650	16,650
Payroll taxes and fees	33,952	30,802
Pension expense	14,876	14,941
Property taxes	4,982	-
Salary and wages	314,721	293,883
Staff training	2,046	140
Total Expenses	<u>619,268</u>	<u>596,386</u>
Change in Net Assets From Operations	<u>51,335</u>	<u>40,401</u>

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Change in Net Assets Non Operating		
Excess of Assets Acquired Over Liabilities Assumed in Liquidation of Hudson River Local Development Corporation	\$ 363,182	\$ -
Change in Net Assets	414,517	40,401
Net Assets, Beginning of Year	648,201	607,800
Net Assets, End of Year	<u>\$ 1,062,718</u>	<u>\$ 648,201</u>

**ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in net assets from operating activities	\$ 51,335	\$ 40,401
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	10,951	11,197
Bad debts	-	3,750
(Increase) decrease in assets:		
Accounts receivable	76,399	(49,304)
Prepaid expenses	2,459	(188)
Increase (decrease) in liabilities:		
Accounts payable	4,167	10,185
Accrued expenses	1,442	1,557
Deferred revenue	825	2,000
Net Cash Provided by Operating Activities	<u>147,578</u>	<u>19,598</u>
 Cash Flows From Investing Activities		
Transfer of cash from Hudson River Local Development Corporation	<u>317,978</u>	<u>-</u>
 Net Increase in Cash and Cash Equivalents	465,556	19,598
 Cash and Cash Equivalents, Beginning of Year	<u>332,109</u>	<u>312,511</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 797,665</u>	<u>\$ 332,109</u>
 Non-Cash Operating Activities		
Prepaid Expenses Acquired in Liquidation of Hudson River Development Corporation	<u>\$ 4,617</u>	<u>\$ -</u>
 Non-Cash Financing Activities		
Excess of Assets Acquired Over Liabilities Assumed in Liquidation of Hudson River Local Development Corporation	<u>\$ 45,204</u>	<u>\$ -</u>

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

EDC receives a substantial portion of its revenue through service contracts with various municipalities. The most significant revenue derived from these service contracts is one with Warren County through which it receives reimbursement of its operating expenses, not to exceed the contract amount. During the years ended December 31, 2015 and 2014, approximately 60% and 63%, respectively, of the Organization's service contract revenues were derived from the service contracts with Warren County.

Basis of Accounting

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

Basis of Presentation

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

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met; either by the actions of EDC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. EDC had no temporarily restricted net assets as of December 31, 2015 and 2014.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by EDC. At December 31, 2015 and 2014, EDC had no permanently restricted net assets.

Restricted and Unrestricted Revenue and Support

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

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are recorded at cost. For financial statement purposes, depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets involved.

Estimated useful lives of related assets are as follows:

	<u>Years</u>
Furniture and equipment	3 - 6
Leasehold improvements	39

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

For the years ended December 31, 2015 and 2014 depreciation and amortization expense was \$10,951 and \$11,197, respectively.

Land and Land Development Costs

Land and land development costs represent land and improvements held by EDC to further its mission of developing industrial parks and other real estate to attract new business and industry to Warren County. Land and land development costs are stated at cost.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are recorded net of an allowance for uncollectible accounts. The allowance is estimated based on management's estimates. The determination of accounts receivable that will be charged off is made by management and is evaluated on a case-by-case basis. Accounts receivable net of the allowance for uncollectible accounts consisted of the following for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Receivable from local governments	\$ 67,883	\$ 144,917
Other receivables	16,635	16,000
	<hr/> 84,518	<hr/> 160,917
Less: Allowance for uncollectible accounts	16,000	16,000
Total	<hr/> <u>\$ 68,518</u>	<hr/> <u>\$ 144,917</u>

For the years ended December 31, 2015 and 2014, bad debt expense was \$-0- and \$3,750, respectively.

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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.

Income Taxes

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

The tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. EDC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on EDC's financial condition, results of operations or cash flows. Accordingly, EDC has not recorded any liabilities, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2015.

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

Advertising

EDC expenses advertising costs as they are incurred. Marketing and promotion costs for the years ended December 31, 2015 and 2014 were \$68,046 and \$66,851, respectively.

Unconsolidated Entities

Accounting principles generally accepted in the United States of America require the financial results of all entities where the reporting entity has a controlling financial interest to be consolidated. EDC determined that Hudson River Local Development Corporation (HRLDC) was an entity where EDC had a controlling financial interest. For the year ended December 31, 2014 Management elected not to consolidate HRLDC into the financial statements of EDC. EDC's interest in HRLDC was not recorded on in its accounting records.

In a certificate of merger approved by the New York Department of State on July 9, 2015, EDC was named the surviving corporation of a merger between EDC and Hudson River Local Development Corporation (HRLDC). Management selected August 26, 2015 as the official date for all assets and liabilities to be transferred to EDC. The net impact of the transfer is reflected in these financial statements as net assets transferred upon merger in the accompanying statement of activities. The programs of HRLDC will be operated as programs of EDC.

See Note 6 for additional information regarding HRLDC.

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

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

2. CONCENTRATION OF CREDIT RISK

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

3. OPERATING LEASES

EDC has a month-to-month lease for the use of office space from the Glens Falls National Bank for the amount of \$1,387 per month. Payments made during 2015 and 2014 totaled \$16,650.

EDC has entered into a non-cancellable operating lease for equipment expiring in March 2019. Total equipment lease and maintenance expense for this lease for the years ended December 31, 2015 and 2014 was \$21,422 and \$14,779, respectively. The following is a schedule of future minimum rental payments under the lease for the years ending December 31:

2016	2,628
2017	2,628
2018	2,277
2019	2,160
2020	2,160

4. RETIREMENT PLAN

EDC has a retirement plan in the form of a simplified employee pension (SEP) plan, to which EDC is required to make annual contributions on behalf of eligible employees. For the years ended December 31, 2015 and 2014, EDC made a contribution for eligible employees in the amount of \$14,876 and \$14,941, respectively.

5. CONTRIBUTED SERVICES

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

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

	<u>2015</u>	<u>2014</u>
Marketing and promotional services	\$ 1,000	\$ 1,000
Janitorial services donated by a related party	<u>3,166</u>	<u>2,880</u>
Total	<u>\$ 4,166</u>	<u>\$ 3,880</u>

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

6. RELATED PARTY TRANSACTIONS – HUDSON RIVER LOCAL DEVELOPMENT CORPORATION

As described in Note 1, Hudson River Local Development Corporation liquidated on August 26, 2015 and its assets, liabilities were transferred to EDC.

For the period ended, August 25, 2015 and the year ended December 31, 2014, transactions between the Organizations were as follows:

	<u>August 25, 2015</u>	<u>2014</u>
Contribution for operations paid to HRLDC	\$ -	\$ 33,331

At August 25, 2015 and December 31, 2014, EDC had the following amounts outstanding with HRLDC:

	<u>August 25, 2015</u>	<u>2014</u>
Due from HRLDC	\$ 159,600	\$ 159,600
Due to HRLDC	5,000	5,000

The Board of HRLDC elected not to have an audit of its financial statements for the period ended August 26, 2015 and for the year ended December 31, 2014. This decision was based on the review of changes made to the revenue and support thresholds of an organization for financial reporting requirements applicable to charitable corporations governed under the New York State Non-Profit Revitalization Act that became effective on July 1, 2014.

Following is the condensed statement of financial position and statement of activities of HRLDC derived from HRLDC's financial statements for the period ended August 25, 2015 and year ended December 31, 2014:

Statement of Financial Position	Unaudited August 25, 2015	Unaudited 2014
Assets		
Current Assets	\$ 327,595	\$ 337,186
Property, Plant and Equipment	195,187	195,187
Total Assets	<u>\$ 522,782</u>	<u>\$ 532,373</u>
Liabilities		
Current Liabilities	\$ 159,600	\$ 159,657
Net Assets	<u>\$ 363,182</u>	<u>\$ 372,716</u>
Total Liabilities and Net Assets	<u>\$ 522,782</u>	<u>\$ 532,373</u>

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

6. RELATED PARTY TRANSACTIONS – HUDSON RIVER LOCAL DEVELOPMENT CORPORATION

Statement of Activities	Unaudited August 25, <u>2015</u>	Unaudited <u>2014</u>
Revenues	\$ 48	\$ 33,384
Expenses	<u>9,582</u>	<u>200,821</u>
Change in Net Assets	<u>\$ (9,534)</u>	<u>\$ (167,437)</u>

7. CONTINGENCIES

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

8. OPTION AGREEMENT

EDC, as successor to HRLDC, has an option agreement with Warren County for the purchase of four identified separate lots located in Warren County at a price of \$1,600 per acre plus an option price of \$36 per acre. The option agreement expires on November 15, 2019.

9. FUNCTIONAL EXPENSES

At December 31, 2015 and 2014, EDC had the following functional expenses:

	<u>2015</u>	<u>2014</u>
Program services	\$ 476,828	\$ 463,016
Supporting services	133,759	121,845
Fundraising	8,681	11,525
Total	<u>\$ 619,268</u>	<u>\$ 596,386</u>

10. BOARD DESIGNATED NET ASSETS

EDC's Board of Directors designated certain net assets be set aside for specific purposes. At December 31, 2015 and 2014 these designated funds had balances as follows:

	<u>2015</u>	<u>2014</u>
Operating Reserve	\$ 240,022	\$ -
Property Carrying Costs	110,000	-
Queensbury Project Fund	136,618	-
Regional Loan Fund	50,000	-
Total Designated Cash and Cash Equivalents	<u>\$ 536,640</u>	<u>\$ -</u>

**ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BOARD DESIGNATED NET ASSETS

The designated funds were established for the following purposes:

Operating Reserve was established to cover cash-flow shortfalls that may arise due to reliance for a majority of EDC's funding through local municipalities.

Property Carrying Costs was established to cover the carrying costs of real property received through the merger of HRLDC.

Queensbury Projects was established to cover projects specific to the Town of Queensbury outside of the scope of the annual service contract.

Regional Loan Fund was established to cover EDC's portion of a loan loss reserve for the regional loan fund.

11. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the statement of financial position date of December 31, 2015 through March 8, 2016, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recording or disclosure.

**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**

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Board of Directors
Economic Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Economic Development Corporation which comprise the statement of financial position as of December 31, 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 8, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Economic Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Queensbury, NY
March 8, 2016