

OGDENSBURG GROWTH FUND
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ogdensburg Growth Fund Development Corporation

We have audited the accompanying financial statements of the Ogdensburg Growth Fund Development Corporation (OGFDC) (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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OGFDC as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5th, 2016, on our consideration of OGFDC'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 OGFDC's internal control over financial reporting and compliance.

Pinto Mucenski Hooper Van House & Co.
Certified Public Accountants, P.C.

May 5th, 2016

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION,
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 710,516	\$ 834,348
Loans Receivable (Net of Allowance)	1,009,556	38,336
Lease Receivable	3,957	3,957
Accounts Receivable	-	4,335
Total Current Assets	<u>1,724,029</u>	<u>880,976</u>
<u>Other Assets</u>		
Loans Receivable - Net of Current Portion	186,338	1,151,863
Lease Receivable - Net of Current Portion	<u>31,525</u>	<u>35,151</u>
Total Other Assets	<u>217,863</u>	<u>1,187,014</u>
TOTAL ASSETS	<u>\$ 1,941,892</u>	<u>\$ 2,067,990</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	<u>\$ 6,578</u>	<u>15,347</u>
<u>Net Assets</u>		
Unrestricted	931,975	1,048,799
Temporarily Restricted	<u>1,003,339</u>	<u>1,003,844</u>
Total Net Assets	<u>1,935,314</u>	<u>2,052,643</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,941,892</u>	<u>\$ 2,067,990</u>

The accompanying notes are an integral part of these financial statements.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	<u>Unrestricted</u>	Temporarily		<u>Unrestricted</u>	Temporarily	
		<u>Restricted</u>	<u>Totals</u>		<u>Restricted</u>	<u>Totals</u>
<u>Support and Revenue</u>						
Program Income	\$ 3,812	\$ -	\$ 3,812	9,776	\$ -	\$ 9,776
Charges for Services	-	-	-	100	-	100
Interest Income	216	-	216	805	-	805
Grant Income - Brownfields RLF	-	-	-	-	17,579	17,579
Net Assets Released from Restrictions	505	(505)	-	3,735	(3,735)	-
	4,533	(505)	4,028	14,416	13,844	28,260
<u>Expenses</u>						
<u>Program Services</u>						
Contractual	2,250	-	2,250	1,158	-	1,158
Property Acquisition & Improvements	52,167	-	52,167	39,420	-	39,420
Bad Debts	39,000	-	39,000	-	-	-
Insurance	5,860	-	5,860	6,026	-	6,026
Legal Expense	3,075	-	3,075	11,902	-	11,902
Professional Services	-	-	-	3,735	-	3,735
Underwriting/Credit Reports	810	-	810	190	-	190
	103,162	-	103,162	62,431	-	62,431
<u>Management and General</u>						
Contracted Services - City of Ogdensburg	15,360	-	15,360	12,373	-	12,373
Insurance	2,335	-	2,335	2,230	-	2,230
Office Expense	-	-	-	137	-	137
Travel & Training	500	-	500	175	-	175
	18,195	-	18,195	14,915	-	14,915
	121,357	-	121,357	77,346	-	77,346
Change in Net Assets	(116,824)	(505)	(117,329)	(62,930)	13,844	(49,086)
Net Assets - Beginning of Year	1,048,799	1,003,844	2,052,643	1,111,729	990,000	2,101,729
Net Assets - End of Year	\$ 931,975	\$ 1,003,339	\$ 1,935,314	\$ 1,048,799	\$ 1,003,844	\$ 2,052,643

The accompanying notes are integral part of these financial statements.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (117,329)	\$ (49,086)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Bad Debts	39,000	-
Changes in Operating Assets and Liabilities:		
Lease Receivable	3,626	3,956
Accounts Receivable	4,335	(4,335)
Accounts Payable	<u>(8,768)</u>	<u>15,347</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(79,136)	(34,118)
<u>INVESTING ACTIVITIES</u>		
Small Business Loans - New	(100,000)	-
Small Business Loans - Payments	<u>55,304</u>	<u>34,492</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(44,696)	34,492
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(123,832)	374
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>834,348</u>	<u>833,974</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 710,516</u></u>	<u><u>\$ 834,348</u></u>

The accompanying notes are an integral part of these financial statements.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF ACTIVITIES

The Ogdensburg Growth Fund Development Corporation (herein, the “OGFDC”) was established pursuant to the filing of a Certificate of Incorporation on April 19, 1983 pursuant to Sections 402 and 1411 of the Not-for-Profit Corporation Law (“N-PCL”) of the State of New York.

The purpose of the OGFDC is to:

- A. Relieve and reduce unemployment and lessen the burdens of government and to act in the public interest.
- B. Promote, provide, and/or facilitate projects and efforts intended to maximize employment opportunities for Ogdensburg residents through the creation of residential, commercial, and industrial developments throughout the community.
- C. Instruct and train individuals to improve or develop their capabilities for jobs.
- D. Conduct research for the purpose of attracting or retaining businesses in the Ogdensburg area.
- E. Administer the Ogdensburg Growth Fund Loan Program.
- F. Attract funding from private and public sources for the purposes of supporting economic growth within the greater Ogdensburg area.

On January 8, 2014, the OGFDC authorized amendments to its Bylaws and Certificate of Incorporation to amend and modify the membership. The amendments expanded the size of the Board of Directors from seven to allow up to eleven members, who shall be appointed by the majority of the Ogdensburg Growth Fund Board of Directors and shall also serve four (4) year terms. This amendment also amended and modified the appointment of officers who are now appointed by the majority of the Board of Directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of OGFDC have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Financial Statement Presentation

The OGFDC has adopted *FASB ASC 958-205*. Under this standard, the OGFDC 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 OGFDC is required to present a statement of cash flows.

B. Contributions

The OGFDC has also adopted *FASB ASC 958-605*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

C. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

For the purpose of reporting cash flows, the OGFDC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

E. Income Taxes

The OGFDC is classified by the Internal Revenue Service as being other than a private foundation exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. A similar exemption has also been obtained from New York State.

Accounting principles generally accepted in the United States of America require the OGFDC to evaluate all significant tax positions. As of December 31, 2015, the OGFDC does not believe that it has taken any positions that would require the recording of any tax liability, nor does it believe that there are any unrealized tax benefits that should be recorded. Also, the OGFDC does not believe its financial statements include any uncertain tax positions for the open tax years of 2012 through 2015.

It is the OGFDC's policy to classify income tax related interest and penalties, if any, in interest expense and miscellaneous expense, respectively.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 - LOANS RECEIVABLE

The OGFDC carries its loans receivable at cost, recognizing interest income on the accrual basis as specified in the various loan agreements. On a periodic basis, the OGFDC evaluates its loans receivable and will establish write offs when considered necessary. The amount written off during December 31, 2015 and 2014 was \$ 39,000 and \$ -0-, respectively.

Loans Receivable balances at December 31, 2015 and 2014 consisted of the following:

Loans	Origin	Maturity	Interest Rate	Original Amount	Balance 2015	Balance 2014
Lot 21 - David Blevins and Lynn Blevins	03/27/09	03/27/19	5.00%	\$ 65,000	\$ -	\$ 31,617
Myers Pub - Harold Hyers	09/11/12	09/11/17	4.30%	20,000	11,193	13,155
City of Ogdensburg - Shade Roller Project	09/29/11	09/29/16	0.00%	990,000	990,000	990,000
Farrand's Flowers & Events Planning, Inc	05/07/13	05/07/20	3.30%	36,000	27,751	29,359
JCP Groceries, Inc - dba Save-A-Lot Grocery	08/09/10	08/09/17	0.00%	100,000	23,809	36,905
Hozmerica, LLC	07/29/11	05/01/26	0%/2Y, 2%/156M	100,000	82,141	89,164
Hoosier Magnetics	09/18/15	09/18/20	2.625%	100,000	<u>100,000</u>	<u>-</u>
					<u>\$ 1,234,894</u>	<u>\$ 1,190,200</u>
Allowance for Doubtful Accounts					<u>(39,000)</u>	<u>-</u>
Total Loan Receivable					<u>\$ 1,195,894</u>	<u>\$ 1,190,200</u>

Future maturities of the Loans Receivable are as follows:

December 31, 2016	\$ 1,009,556
2017	45,901
2018	33,968
2019	34,858
2020	26,770
Thereafter	<u>44,841</u>
	<u>\$ 1,195,894</u>

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 – SUMMARY OF REVOLVING LOAN FUND (RLF)

On September 8, 2011 the OGFDC approved a resolution to act as the administrator for an intra-governmental loan to provide financing for the brownfield cleanup at the *former Standard Shade Roller* property located at 541 Covington Street in Ogdensburg, New York.

An intra-governmental loan is a direct loan made by the RLF grantee (“City”) to a branch within its own governmental unit (“OGFDC”). Often, local governments acquire contaminated property through tax foreclosure or condemnation which is the case for the Shade Roller property. An intra-governmental loan can provide the necessary funding for a government to complete the cleanup of the property. At the time of the loan, the City of Ogdensburg and the OGFDC functioned as a single governmental unit. This union existed from the inception of the OGFDC in April, 1983 until June 28, 2012.

The Ogdensburg City Council appropriated \$ 990,000 from the City’s EPA Revolving Loan Fund (RLF) Grant (Assistance ID No. BF-97219800-0) on September 12, 2011 to be loaned through the OGFDC for the purpose of financing the remediation of the *former Standard Shade Roller* property. The City agrees to repay the money at zero percent (0%) interest to OGFDC upon the sooner of completion of the remediation and transfer of the property to private interests, or five years from the date of the loan’s disbursement to the City. Five years will expire on September 29, 2016, the Ogdensburg City Manager having executed the promissory note on said date 2011.

NOTE 5 – LOANS IN DEFAULT

The OGFDC loans in default as of December 31, 2015 were Myers Pub (17 Commerce St) \$4,076, and Farrand’s Flowers (1231 Patterson St.) \$4,798. Management is still actively pursuing these outstanding debts. In addition, the OGFDC has a lien against personal property owned by Patricia Kelley of Farrand’s Flowers, who has filed and been approved for bankruptcy in 2015.

NOTE 6 – LOANS WITH RENEGOTIATED PAYMENT SCHEDULES

None.

NOTE 7 – LOANS WRITTEN OFF

None.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets consisted of a \$ 990,000 grant received from the U.S. Environmental Protection Agency (EPA). The grant is to be used as a revolving loan fund to carry out cleanup activities at eligible brownfields sites, therefore the funding is deemed temporarily restricted. Brownfields are defined by EPA as: real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Brownfields Law further defines the term to include a site that is: “contaminated by a controlled substance; contaminated by petroleum or a petroleum product excluded from the definition of ‘hazardous substance’; or mine-scarred land.”

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Also included was an additional brownfields grant that was received in 2014 in the amount of \$17,579 where \$ 505 and \$3,735 was spent in 2015 and 2014, respectively, leaving a balance of \$13,339.

The total Temporarily Restricted Net Assets as of December 31, 2015 and 2014 was \$ 1,003,339 and \$1,003,844, respectively.

NOTE 9 – LONG TERM LEASE AGREEMENT

The OGFDC leases a building located at 431 State Street in the City of Ogdensburg, New York to the United States Postal Service under a noncancelable operating lease dated December 15, 2000. The lease term commenced on October 20, 2001 and ends on October 19, 2024 with an annual lease payment of \$3,957.

The following is a schedule of future minimum lease payments as of December 31, 2015:

December 31, 2016	\$	3,957
2017		3,957
2018		3,957
2019		3,957
2020		3,957
Thereafter		<u>15,697</u>
	<u>\$</u>	<u>35,482</u>

NOTE 10 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from January 1, 2016 through May 5th, 2016, the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

NOTE 11 - RELATED PARTY TRANSACTIONS

The OGFDC and the City of Ogdensburg are parties to a number of transactions. The OGFDC operates out of premises owned by the City of Ogdensburg. City of Ogdensburg employees provide services on behalf of the OGFDC and these services are reflected as an expense on the books and records of OGFDC. As more fully explained in Note 4, there is a formal promissory note between the two parties. At the end of both December 31, 2015 and 2014, the amount owed to the OGFDC on this note was \$ 990,000.

Prior to January 1, 2014, the books and records of the OGFDC were included within the books and records of the City of Ogdensburg.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Corporation maintains three bank accounts with Community Bank for 2015. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. Cash at December 31, 2015 and 2014 year end exceeded federally insured limits by \$ 460,516 and \$ 583,158, respectively.

**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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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 of
Ogdensburg Growth Fund 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 the Ogdensburg Growth Fund Development Corporation (OGFDC) (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 May 5th, 2016.

Internal Control Over Financial Reporting

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

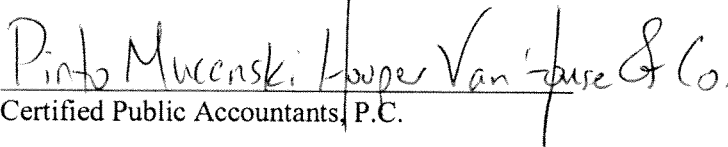
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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


Pinto Mucenski
Certified Public Accountants, P.C.

May 5th, 2016