

**TOWN OF AMHERST
DEVELOPMENT CORPORATION**

**Financial Statements
as of December 31, 2017 and 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

TOWN OF AMHERST DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

March 16, 2018

To the Board of Directors of the
Town of Amherst Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Amherst Development Corporation (the Corporation) (a New York not-for-profit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and change in net assets (deficit) 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 of 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 opinions.

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INDEPENDENT AUDITOR'S REPORT

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2017 and 2016, and the changes in net assets (deficit) and its cash flows for the years 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 March 16, 2018 on our consideration of the 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 the Corporation's internal control over financial reporting and compliance.

TOWN OF AMHERST DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 35,833	\$ 5,191
Current portion of notes receivable, net	<u>-</u>	<u>12,376</u>
Total current assets	35,833	17,567
INVESTMENTS	<u>5,000</u>	<u>5,000</u>
Total assets	<u>\$ 40,833</u>	<u>\$ 22,567</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 255
Accounts payable - related party	29,620	-
Current portion of note payable	<u>-</u>	<u>12,376</u>
Total current liabilities	29,620	12,631
NOTE PAYABLE - related party	<u>50,000</u>	<u>50,000</u>
Total liabilities	79,620	62,631
UNRESTRICTED NET ASSETS (DEFICIT)	<u>(38,787)</u>	<u>(40,064)</u>
Total liabilities and net assets (deficit)	<u>\$ 40,833</u>	<u>\$ 22,567</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT) FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUE:		
Administrative fees	\$ 408,258	\$ -
Transfer from related party	6,000	-
Loss on investments	<u>-</u>	<u>(20,000)</u>
Total revenue (loss)	414,258	(20,000)
EXPENSES:		
Transfer to Town of Amherst Industrial Development Agency	\$ 408,258	\$ -
Management and general	<u>4,723</u>	<u>1,185</u>
Total expenses	412,981	1,185
CHANGE IN NET ASSETS (DEFICIT)	1,277	(21,185)
NET ASSETS (DEFICIT) - beginning of year	<u>(40,064)</u>	<u>(18,879)</u>
NET ASSETS (DEFICIT) - end of year	<u>\$ (38,787)</u>	<u>\$ (40,064)</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from administrative fees	\$ 408,258	\$ -
Cash paid for management fees	(372,638)	-
Cash paid for management and general expenses	<u>(4,978)</u>	<u>(930)</u>
Net cash flow from operating activities	<u>30,642</u>	<u>(930)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from notes receivable	<u>12,376</u>	<u>16,344</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of note payable	<u>(12,376)</u>	<u>(16,344)</u>
CHANGE IN CASH	30,642	(930)
CASH - beginning of year	<u>5,191</u>	<u>6,121</u>
CASH - end of year	<u>\$ 35,833</u>	<u>\$ 5,191</u>
RECONCILIATION OF CHANGE IN NET ASSETS (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets (deficit)	\$ 1,277	\$ (21,185)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Loss on investments	-	20,000
Changes in:		
Accounts payable	(255)	255
Accounts payable - related party	<u>29,620</u>	<u>-</u>
Net cash flow from operating activities	<u>\$ 30,642</u>	<u>\$ (930)</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. NATURE OF ACTIVITIES

The Town of Amherst Development Corporation (the Corporation) was incorporated on May 23, 1977 under Section 402 of the Not-for-Profit Corporation Law to achieve the following lawful public and quasi-public objectives:

- Relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instruction or training individuals to improve or develop their capabilities for such jobs, carrying on scientific research for the purpose of aiding the Town of Amherst (the Town) by attracting new industry hereto and by encouraging the development or retention of industries in the Town and improving the economy and lessening the burdens of government and otherwise acting in the public interest, all within the Town;
- Construct, acquire, rehabilitate and improve for use by others, industrial or manufacturing plants within said Town where projects assisted by the Empire State Development Corporation are to be located, and to assist financially in such construction, acquisition, rehabilitation and improvement and to maintain such plant for others;
- To study and promote, alone or in concert with local officials and interested local groups, the economic growth and business prosperity of the Town and such other areas of Western New York as may relate to and affect the Town and further the solution of other civic problems of the Western New York region.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP).

Financial Reporting

The Corporation reports activities and the related net assets utilizing the following net asset categories:

- **Unrestricted Net Assets**
Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Corporation's governing board.
- **Temporarily Restricted Net Assets**
Net assets that are limited by donor-imposed restrictions that either expire by passage of time or will be fulfilled by future actions of the Corporation pursuant to those restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. In the absence of donor specification, the income, gains, and losses on donated funds are considered unrestricted net assets.
- **Permanently Restricted Net Assets**
Net assets which have been restricted by donors to be maintained by the Corporation in perpetuity.

The Company had no temporarily or permanently restricted net assets at December 31, 2017 and 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

The Corporation considers all highly liquid instruments purchased with a maturity of three month or less to be cash equivalents. The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Notes Receivable

Notes receivable are stated at unpaid principal balances, less an allowance for uncollectable amounts. Management periodically evaluates the note for collectability based on inherent collection risks and adverse situations that may affect the borrower's ability to repay. Notes for which no payments have been received for a period of time are considered delinquent. After all collection efforts are exhausted, any amounts deemed uncollectible based upon an assessment of the debtor's financial condition are written off. As of December 31, 2017 and 2016, management determined that an allowance is necessary for a note receivable in the amount of \$5,179. The amount has been determined to be uncollectible and as such management has fully reserved the \$5,179.

Investments

The Corporation, as part of its economic development mission, invests non-public source funds in equity securities for start-up companies. These investments do not have a readily available fair market value and therefore are valued at cost in these financial statements.

Tax-Exempt Bonds

The Corporation is authorized to act on the behalf of the Town for the primary purpose of issuing tax-exempt bonds. The Corporation charges an administrative fee for issuing such bonds that the Town of Amherst Industrial Development Agency (the Agency) would customarily charge. Such fees are recognized when earned and transferred to the Agency.

Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements.

However, the Corporation is classified as a private foundation and as such, is subject to a federal excise tax of 2% of net investment income. The Corporation did not have any net investment income for the years ended December 31, 2017 and 2016.

Contributed Services

The Corporation recognizes contributed services at their fair value if the services have value to the Corporation, are estimable and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH

The Corporation funds must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state which have a branch office located within the Town. The Treasurer is authorized to use demand accounts and certificates of deposit.

Collateral is required for demand deposits and certificates of deposit at 102% of the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are outlined in chapter 623 of the laws of the State of New York.

Cash and equivalents of the Corporation are stated at fair value, which approximates cost. Cash and equivalents balances as of December 31, 2017 and 2016 were fully FDIC insured.

4. RELATED PARTY TRANSACTIONS

The Corporation is related to the Agency through members of its Board of Directors. At December 31, 2017 and 2016, the Corporation had a \$50,000 non-interest bearing note payable to the Agency. At December 31, 2017, the Corporation had related party accounts payable due to the Agency of \$29,620 for administrative fees. There were no such amounts payable to the Agency at December, 31, 2016.

In addition, the Agency provides office space and personnel at cost to the Corporation. The Corporation reimburses the Agency for the use of office space and personnel thru its management fee.

5. NOTES RECEIVABLE AND NOTE PAYABLE

The Corporation participates in economic development loan programs administered by the New York State Urban Development Corporation (UDC) d/b/a the Empire State Development.

The Corporation loaned Ingram Micro, Inc. \$300,000 in 1997 with funds from the UDC. This loan is at a rate of 1% and is payable in 240 monthly principal and interest installments of \$1,380. Ingram Micro, Inc. makes these payments directly to the UDC. In the event of default, the Corporation is liable to the UDC for the remaining principal and interest. At December 31, 2017, Ingram Micro Inc. has made all required payments on this note. The outstanding balance of this note was fully repaid as of December 31, 2017 and amounted to \$12,376 at of December 31, 2016.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 16, 2018, which is the date the financial statements were available to be issued.

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

March 16, 2018

To the Board of Directors of
Town of Amherst Development Corporation:

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 the Town of Amherst Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2018.

Internal Control Over Financial Reporting

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

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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*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.