

TOWN OF AMHERST  
DEVELOPMENT CORPORATION  
Financial Statements  
December 31, 2008 and 2007  
(With Independent Auditors' Report Thereon)

TOWN OF AMHERST  
DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Town of Amherst Development Corporation:

We have audited the accompanying statements of financial position of the Town of Amherst Development Corporation as of December 31, 2008 and 2007, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Town of Amherst Development Corporation's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Town of Amherst Development Corporation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
March 13, 2009

TOWN OF AMHERST  
DEVELOPMENT CORPORATION  
Statements of Financial Position  
December 31, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash	\$ 5,746	3,017
Current portion of note receivable	<u>15,239</u>	<u>15,088</u>
Total current assets	<u>20,985</u>	<u>18,105</u>
Note receivable, less current portion	123,416	138,655
Investments	<u>31,741</u>	<u>34,038</u>
Total assets	<u>\$ 176,142</u>	<u>190,798</u>
<u>Liabilities and Net Assets</u>		
Accrued expenses:		
Current portion of note payable	15,239	15,088
Other liabilities	<u>-</u>	<u>35</u>
Total current liabilities	15,239	15,123
Note payable - related party	50,000	50,000
Note payable, less current portion	<u>123,416</u>	<u>138,655</u>
Total liabilities	188,655	203,778
Unrestricted net assets (deficit)	<u>(12,513)</u>	<u>(12,980)</u>
Total liabilities and net assets	<u>\$ 176,142</u>	<u>190,798</u>

See accompanying notes to financial statements.

TOWN OF AMHERST  
DEVELOPMENT CORPORATION  
Statements of Revenue, Expenses and Changes in Net Assets  
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue:		
Grant income from Town of Amherst Industrial Development Agency	\$ -	2,950
Interest income	517	2,020
Total operating revenue	517	4,970
Operating expenses - management and general	50	2,950
Increase in net assets	467	2,020
Net assets (deficit) at beginning of year	(12,980)	(15,000)
Net assets (deficit) at end of year	\$ (12,513)	(12,980)

See accompanying notes to financial statements.

TOWN OF AMHERST  
 DEVELOPMENT CORPORATION  
 Statements of Cash Flows  
 Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase in net assets	\$ 467	2,020
Decrease in other liabilities	<u>(35)</u>	<u>-</u>
Net cash provided by operating activities	432	2,020
Cash flows from investing activities - proceeds from investments	<u>2,297</u>	<u>962</u>
Net increase in cash	2,729	2,982
Cash at beginning of year	<u>3,017</u>	<u>35</u>
Cash at end of year	<u><u>\$ 5,746</u></u>	<u><u>3,017</u></u>

See accompanying notes to financial statements.

TOWN OF AMHERST  
DEVELOPMENT CORPORATION  
Notes to Financial Statements  
December 31, 2008 and 2007

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Town of Amherst Development Corporation (ADC) was incorporated on May 23, 1977 under Section 402 of the Not-for-Profit Corporation Law. The purposes for which the ADC was formed are 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, instructing 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 by attracting new industry hereto and by encouraging the development or retention of industries in the Town of Amherst and improving the economy and lessening the burdens of government and otherwise acting in the public interest, all within the Town of Amherst, Erie County, New York;

Construct, acquire, rehabilitate and improve for use by others, industrial or manufacturing plants within said Town of Amherst where projects assisted by the Job Development Authority of the State of New York 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 of Amherst and such other areas of Western New York as may relate to and affect the Town of Amherst and further the solution of other civic problems of the Western New York region.

(b) Basis of Presentation

ADC follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not for Profit Organizations." Under SFAS No. 117, ADC 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. ADC had only unrestricted net assets in 2008 and 2007.

(c) 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 Equivalents

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

TOWN OF AMHERST  
DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies

(e) Note Receivable

Note receivable is stated at the principal amount outstanding. Interest on the note receivable is accrued and included in the outstanding principal balance when management considers collection of such interest to be probable, based upon economic condition of the borrower. Management has determined that the note receivable is fully collectable.

(f) Income Taxes

ADC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for taxes is reflected in the financial statements. However, the ADC is classified as a private foundation and, as such, is subject to a Federal excise tax of 2% on net investment income. The ADC had net investment income of \$517 and \$2,020 for the years ended December 31, 2008 and 2007, respectively.

(2) Cash and Equivalents

ADC funds must be deposited in Federal Deposit Insurance Corporation insured commercial banks or trust companies located within the state which have a branch office located within the Town of Amherst. 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 ADC are stated at fair value, which approximates cost. Cash and equivalent balances as of December 31, 2008 and 2007 were FDIC insured.

(3) Investments

Investments consist of ownership of capital and convertible debt in various local businesses. At December 31, 2008 and 2007 ADC had an ownership interest in the following businesses:

	Ownership Type	Percent Ownership	2008		2007	
			Market		Market	
			Cost	Value	Cost	Value
Virmatics, LLC	Capital	0.50%	\$ 5,000	5,000	5,000	5,000
Harvest Precision Components, Inc.	Capital	0.40%	20,000	20,000	20,000	20,000
EnrG, Inc.	Capital	0.20%	5,000	5,000	5,000	5,000
Virmatics, LLC	Convertible Debt	<u>0.20%</u>	<u>1,741</u>	<u>1,741</u>	<u>4,038</u>	<u>4,038</u>
Total investments			<u>\$ 31,741</u>	<u>31,741</u>	<u>34,038</u>	<u>34,038</u>

Beginning August 1, 2007, the ADC began receiving payments of principal and interest on the convertible debt with Virmatics, LLC. The term is for two years and accrues interest at 10% per year. The balance of this investment receivable amounted to \$1,741 and \$4,038 as of December 31, 2008 and 2007, respectively.

TOWN OF AMHERST  
DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(4) Related Party Transactions

The ADC is related to the Town of Amherst Industrial Development Agency (the Agency) through members of its Board of Directors. At December 31, 2008 and 2007, the ADC had a \$50,000 non-interest bearing note payable to the Agency.

The Agency provides a grant to the ADC for certain professional fees incurred during the year. Grant income received from the Agency amounted to \$2,950 for the year ended December 31, 2007.

In addition, the Agency provides office space and personnel at no cost to the ADC. It is anticipated that the Agency will begin charging the ADC for facilities and personnel if and when the amounts provided become financially material.

(5) Note 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 Corporation.

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. The outstanding balance of this note amounted to \$138,655 and \$153,743 as of December 31, 2008 and 2007, respectively. At December 31, 2008, Ingram Micro Inc. has made all required payments on this note.

Principal maturities at December 31, 2008 are as follows:

2009	\$ 15,239
2010	15,392
2011	15,547
2012	15,703
2013	15,861
Thereafter	<u>60,913</u>
Total	\$ <u>138,655</u>

(6) Economic Dependency

The ADC is economically dependent upon the Town of Amherst Industrial Development Agency.