

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Financial Statements
December 31, 2009 and 2008
(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, 2009 and 2008, 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 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 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, 2009 and 2008, 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.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2010 on our consideration of Town of Amherst Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Toski, Schaefer & Co., P.C.

Williamsville, New York
February 11, 2010

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2009 and 2008

	<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:			
Cash		\$ 7,320	5,746
Current portion of note receivable		<u>15,392</u>	<u>15,239</u>
Total current assets		<u>22,712</u>	<u>20,985</u>
Note receivable, less current portion		108,023	123,416
Investments, at fair value		<u>25,000</u>	<u>31,741</u>
Total assets		<u>\$ 155,735</u>	<u>176,142</u>

Liabilities and Net Assets

Current liabilities - current portion of note payable		<u>15,392</u>	<u>15,239</u>
Note payable - related party		50,000	50,000
Note payable, less current portion		<u>108,023</u>	<u>123,416</u>
Total liabilities		173,415	188,655
Unrestricted net assets (deficit)		<u>(17,680)</u>	<u>(12,513)</u>
Total liabilities and net assets		<u>\$ 155,735</u>	<u>176,142</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenue - interest income	\$ <u>45</u>	<u>517</u>
Operating expenses:		
Management and general	34	50
Unrealized loss on investments	<u>5,178</u>	<u>-</u>
Total operating expenses	<u>5,212</u>	<u>50</u>
Increase (decrease) in net assets	(5,167)	467
Net assets (deficit) at beginning of year	<u>(12,513)</u>	<u>(12,980)</u>
Net assets (deficit) at end of year	<u><u>\$ (17,680)</u></u>	<u><u>(12,513)</u></u>

See accompanying notes to financial statements.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Statements of Cash Flows
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (5,167)	467
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Unrealized loss on investments	5,178	-
Decrease in other liabilities	<u>-</u>	<u>(35)</u>
Net cash provided by operating activities	11	432
Cash flows from investing activities - proceeds from investments	<u>1,563</u>	<u>2,297</u>
Net increase in cash	1,574	2,729
Cash at beginning of year	<u>5,746</u>	<u>3,017</u>
Cash at end of year	<u><u>\$ 7,320</u></u>	<u><u>5,746</u></u>

See accompanying notes to financial statements.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2009 and 2008

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Town of Amherst Development Corporation (ADC or the Corporation) 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 reports 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 2009 and 2008.

(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 statements 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 collectible.

(f) Investments

The Corporation, as part of its economic development mission, invests non-public source funds in equity securities for start-up companies. These investments are carried at fair value (Note 3).

(g) Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the ADC's accounting policies. The adoption of the Codification did not have a material impact on ADC's financial position or results of operations.

(h) Subsequent Events

ADC has evaluated events after December 31, 2009, and through February 11, 2010, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(i) 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 \$45 and \$517 for the years ended December 31, 2009 and 2008, 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.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(2) Cash and Equivalents, Continued

Cash and equivalents of ADC are stated at fair value, which approximates cost. Cash and equivalent balances as of December 31, 2009 and 2008 were FDIC insured.

(3) Fair Value of Investments

FASB establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). FASB describes level 3 assets and liabilities as those whose inputs to the valuation methodology are not based on independent sources but on the reporting entity's own assumptions about the assumptions market participants would use. The investments described below are all level 3 assets.

Investments consist of ownership of capital and convertible debt in various local businesses. At December 31, 2009 and 2008, ADC had an ownership interest in the following businesses:

			2009		2008	
	Ownership Type	Percent Ownership	Cost	Fair Value	Cost	Fair Value
Virmatics, LLC	Capital	0.50%	\$ 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>	178	-	1,741	1,741
Total fair value of investments			\$ 30,178	25,000	31,741	31,741

Beginning August 1, 2007, 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. ADC received \$1,563 in principal payments during 2009. The balance of this investment receivable amounted to \$178 and \$1,741 as of December 31, 2009 and 2008, respectively.

(4) Related Party Transactions

ADC is related to the Town of Amherst Industrial Development Agency (the Agency) through members of its Board of Directors. At December 31, 2009 and 2008, the ADC had a \$50,000 non-interest bearing note payable to the Agency.

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.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(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 \$123,415 and \$138,655 as of December 31, 2009 and 2008, respectively. At December 31, 2009, Ingram Micro Inc. has made all required payments on this note.

Principal maturities at December 31, 2009 are as follows:

2010	\$ 15,392
2011	15,547
2012	15,703
2013	15,861
2014	16,020
Thereafter	<u>44,892</u>
Total	\$ <u>123,415</u>

(6) Economic Dependency

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

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS, INCLUDING COMPLIANCE
WITH INVESTMENT GUIDELINES, BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Town of Amherst Development Corporation:

We have audited the basic financial statements of Town of Amherst Development Corporation (the Corporation) as of and for the year ended December 31, 2009 and have issued our report thereon dated February 11, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management in a letter dated February 11, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants including Investment Guidelines for Public Authorities and the Corporation's Investment Guidelines, noncompliance with which would 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 that are required to be reported under Government Auditing Standards, except for the venture capital investments as described in note 3 of the notes to the financial statements, which are not in accordance with Investment Guidelines for Public Authorities..

This report is intended solely for the information and use of the Board of Directors and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co. P.C.

Williamsville, New York
February 11, 2010