

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Financial Statements
December 31, 2010 and 2009
(With Independent Auditors' Report Thereon)

TOWN OF AMHERST
DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Revenue, Expenses and Changes in Net Assets (Deficit)	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8
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 <u>Government Auditing Standards</u>	9 - 10

* * * * *

TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

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 (the Corporation) as of December 31, 2010 and 2009, and the related statements of revenue, expenses and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the 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 audit 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 present fairly, in all material respects, the financial position of the Town of Amherst Development Corporation as of December 31, 2010 and 2009, 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 26, 2011 on our consideration of the 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 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 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 considered in assessing the results of our audit.

Toski, Schaefer & Co., P.C.

Williamsville, New York
February 26, 2011

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2010 and 2009

	<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:			
Cash		\$ 7,296	7,320
Current portion of note receivable		<u>15,547</u>	<u>15,392</u>
Total current assets		<u>22,843</u>	<u>22,712</u>
Note receivable, less current portion		92,476	108,023
Investments, at fair value		<u>25,000</u>	<u>25,000</u>
Total assets		<u>\$ 140,319</u>	<u>155,735</u>

<u>Liabilities and Net Assets (Deficit)</u>			
Current liabilities - current portion of note payable		15,547	15,392
Note payable - related party		50,000	50,000
Note payable, less current portion		<u>92,476</u>	<u>108,023</u>
Total liabilities		158,023	173,415
Unrestricted net assets (deficit)		<u>(17,704)</u>	<u>(17,680)</u>
Total liabilities and net assets (deficit)		<u>\$ 140,319</u>	<u>155,735</u>

See accompanying notes to financial statements.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Statements of Revenue, Expenses and Changes in Net Assets (Deficit)
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenue:		
Administrative fees	\$ 477,475	-
Interest income	<u>1</u>	<u>45</u>
Total operating revenue	<u>477,476</u>	<u>45</u>
Operating expenses:		
Transfer to Amherst Industrial Development Agency	477,475	-
Management and general	25	34
Unrealized loss on investments	<u>-</u>	<u>5,178</u>
Total operating expenses	<u>477,500</u>	<u>5,212</u>
Decrease in net assets	(24)	(5,167)
Net assets (deficit) at beginning of year	<u>(17,680)</u>	<u>(12,513)</u>
Net assets (deficit) at end of year	<u>\$ (17,704)</u>	<u>(17,680)</u>

See accompanying notes to financial statements.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Statements of Cash Flows
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (24)	(5,167)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities - unrealized loss on investments	-	5,178
Net cash provided by (used in) operating activities	(24)	11
Cash flows from investing activities - proceeds from investments	-	1,563
Net increase (decrease) in cash	(24)	1,574
Cash at beginning of year	7,320	5,746
Cash at end of year	\$ 7,296	7,320

See accompanying notes to financial statements.

TOWN OF AMHERST
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The 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 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 (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 of Amherst, Erie County, New York;

Construct, acquire, rehabilitate and improve for use by others, industrial or manufacturing plants within said Town 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 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.

(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 2010 and 2009.

(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, Continued

(e) Note Receivable

The 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 the economic condition of the borrower. Management has determined that the note receivable is fully collectible.

(f) Investments

ADC, 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) Tax-Exempt Bonds

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

(h) Subsequent Events

ADC has evaluated events after December 31, 2010, and through February 26, 2011, 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 \$1 and \$45 for the years ended December 31, 2010 and 2009, respectively.

(2) Cash and Equivalents

ADC 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 ADC are stated at fair value, which approximates cost. Cash and equivalent balances as of December 31, 2010 and 2009 were FDIC-insured.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(3) Fair Value of Investments

A framework has been established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. 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). 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. ADC receives and analyzes financial data from its venture capital investments, which is the primary source used to determine fair value. At December 31, 2010 and 2009, ADC had an ownership interest in the following businesses:

	Ownership Type	Percent Ownership	2010		2009	
			Cost	Fair Value	Cost	Fair Value
Virmatics, LLC	Capital	0.50%	\$ 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>178</u>	<u>-</u>	<u>178</u>	<u>-</u>
Total fair value of investments			<u>\$ 30,178</u>	<u>25,000</u>	<u>30,178</u>	<u>25,000</u>

(4) Related Party Transactions

ADC is related to the Agency through members of its Board of Directors. At December 31, 2010 and 2009, 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.

During 2010, ADC received administrative fees amounting to \$477,475 associated with two tax-exempt bond projects, which were transferred to the Agency.

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 \$108,024 and \$123,415 as of December 31, 2010 and 2009, respectively. At December 31, 2010, Ingram Micro Inc. has made all required payments on this note.

Principal maturities at December 31, 2010 are as follows:

2011	\$ 15,547
2012	15,703
2013	15,861
2014	16,020
2015	16,181
Thereafter	<u>28,712</u>
Total	\$ <u>108,024</u>

(6) Economic Dependency

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

TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

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 the Town of Amherst Development Corporation (the Corporation) as of and for the year ended December 31, 2010 and have issued our report thereon dated February 26, 2011. 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 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 26, 2011.

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 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 26, 2011