

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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Board of Directors of
Cortland County Business
Development Corporation
Cortland, New York

I have audited the accompanying statement of financial position of Cortland County Business Development Corporation as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cortland County Business Development Corporation at December 31, 2011 and 2010, and the changes in net assets, functionalization of its expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Richard McNeilly, CPA

March 10, 2012

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, :

	Operating Fund	
	2011	2010
ASSETS		
Cash an cash equivalents	\$ 255,211	\$ 220,154
Accounts and grants receivable	67,732	62,579
Prepaid expenses	3,800	3,754
Furniture and fixtures, net	2,767	4,684
Notes receivable, (net of allowance for Uncollectables of \$-0-	-0-	-0-
TOTAL ASSETS	\$ 329,510	\$ 291,171
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 19,312	\$ 4,493
Deferred revenue	29,608	19,941
Accrued expenses	264	515
Total Liabilities	49,184	24,949
Net Assets		
Unrestricted net assets	30,326	16,222
Board restricted net assets	250,000	250,000
Total Net Assets	280,326	266,222
 TOTAL LIABILITIES AND NET ASSETS	\$ 329,510	\$ 291,171

See accompanying notes.

Revolving Loan Fund		Total	Total
2011	2010	2011	2010
\$ 286,007	\$ 300,295	\$ 541,218	\$ 520,449
-0-	-0-	67,732	62,579
-0-	-0-	3,800	3,754
-0-	-0-	2,767	4,684
<u>423,330</u>	<u>367,296</u>	<u>423,330</u>	<u>367,296</u>
<u>\$ 709,337</u>	<u>\$ 667,591</u>	<u>\$1,038,847</u>	<u>\$ 958,762</u>
\$ -0-	\$ -0-	\$ 19,312	\$ 4,493
-0-	-0-	29,608	19,941
<u>-0-</u>	<u>-0-</u>	264	515
		<u>49,184</u>	<u>24,949</u>
709,337	667,591	739,663	683,813
<u>709,337</u>	<u>667,591</u>	<u>250,000</u>	<u>250,000</u>
		<u>989,663</u>	<u>933,813</u>
<u>\$ 709,337</u>	<u>\$ 667,591</u>	<u>\$1,038,847</u>	<u>\$ 958,762</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, :

	Operating	
	2011	2010
UNRESTRICTED NET ASSETS		
Support		
Government support	\$ 394,733	\$ 379,097
Grants	<u>93,200</u>	<u>79,000</u>
Total Support	487,933	458,097
Revenue		
Application fees	-0-	-0-
Referral commissions	-0-	-0-
Miscellaneous	547	538
Interest income	<u>531</u>	<u>1,273</u>
Total Revenue	<u>1,078</u>	<u>1,811</u>
Total Support and Revenue	489,011	459,908
Expenses		
Program Services	346,339	525,633
Support services	<u>128,568</u>	<u>130,186</u>
Total Expenses	<u>474,907</u>	<u>655,819</u>
Increase (Decrease) In Unrestricted Net Assets	14,104	(195,911)
Net Assets, Beginning of Year	<u>266,222</u>	<u>462,133</u>
Net Assets, End of Year	<u>\$ 280,326</u>	<u>\$ 266,222</u>

See accompanying notes.

Revolving Loan Fund		Total	Total
2011	2010	2011	2010
\$ -0-	\$ -0-	\$ 394,733	\$ 379,097
20,000	-0-	113,200	79,000
<u>20,000</u>	<u>-0-</u>	<u>507,933</u>	<u>458,097</u>
200	200	200	200
-0-	-0-	-0-	-0-
350	1,494	897	2,032
21,674	21,267	22,205	22,540
<u>22,224</u>	<u>22,961</u>	<u>23,302</u>	<u>24,772</u>
42,224	22,961	531,235	482,869
478	725	346,817	526,358
-0-	1,436	128,568	131,622
<u>478</u>	<u>2,161</u>	<u>475,385</u>	<u>657,980</u>
41,746	20,800	55,850	(175,111)
<u>667,591</u>	<u>646,791</u>	<u>933,813</u>	<u>1,108,924</u>
\$ <u>709,337</u>	\$ <u>667,591</u>	\$ <u>989,663</u>	\$ <u>933,813</u>

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, :

	<u>2011</u>		
	<u>Operating</u>	<u>Revolving Loan Fund</u>	<u>Total 2011</u>
<u>Program Services</u>			
Salaries	\$ 152,250	\$ -0-	\$ 152,250
Payroll taxes	12,806	-0-	12,806
Employee benefits	29,816	-0-	29,816
Conferences & meetings	2,952	-0-	2,952
Legal & professional fees	8,571	478	9,049
Marketing	59,085	-0-	59,085
Loan application	-0-	-0-	-0-
Special projects	79,997	-0-	79,997
Dues	862	-0-	862
Total Program Services	<u>346,339</u>	<u>478</u>	<u>346,817</u>
<u>Support Services</u>			
Salaries	50,750	-0-	50,750
Payroll taxes	4,268	-0-	4,268
Employee benefits	9,939	-0-	9,939
Occupancy	19,651	-0-	19,651
Telephone, fax & internet	3,763	-0-	3,763
Postage	1,900	-0-	1,900
Supplies	3,385	-0-	3,385
Equipment rental & maintenance	6,768	-0-	6,768
Accounting & payroll service	12,400	-0-	12,400
Insurance	2,636	-0-	2,636
Travel	4,000	-0-	4,000
Automobile expense	6,104	-0-	6,104
New York nonprofit filing fee	125	-0-	125
Depreciation	2,519	-0-	2,519
Bad Debts	-0-	-0-	-0-
Miscellaneous	360	-0-	360
Total Supporting Services	<u>128,568</u>	<u>-0-</u>	<u>128,568</u>
Total Expenses	<u>\$ 474,907</u>	<u>\$ 478</u>	<u>\$ 475,385</u>

See accompanying notes.

<u>2010</u>		
<u>Operating</u>	<u>Revolving Loan Fund</u>	<u>Total 2010</u>
\$ 137,915	\$ -0-	\$ 137,915
11,772	-0-	11,772
26,129	-0-	26,129
4,340	-0-	4,340
4,047	725	4,772
60,972	-0-	60,972
-0-	-0-	-0-
279,000	-0-	279,000
1,458	-0-	1,458
<u>525,633</u>	<u>725</u>	<u>526,358</u>
45,567	-0-	45,567
3,924	-0-	3,924
8,709	-0-	8,709
20,013	-0-	20,013
4,663	-0-	4,663
1,920	-0-	1,920
3,958	-0-	3,958
8,600	-0-	8,600
17,900	-0-	17,900
3,519	-0-	3,519
4,309	-0-	4,309
4,592	-0-	4,592
275	-0-	275
2,234	-0-	2,234
-0-	1,436	1,436
3	-0-	3
<u>130,186</u>	<u>1,436</u>	<u>131,622</u>
<u>\$ 655,819</u>	<u>\$ 2,161</u>	<u>\$ 657,980</u>

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION
FOR THE YEARS ENDED DECEMBER 31, :

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 55,850	\$(175,111)
Adjustments to Reconcile		
Net Cash Provided By Operations		
Depreciation	2,519	2,234
Bad Debt Expense	-0-	1,436
Changes in Assets and Liabilities		
(Increase) decrease in assets:		
Prepaid expenses	(46)	(836)
Accounts receivable	(5,153)	25,950
Principal received on notes	43,966	46,840
New notes issued	(100,000)	(135,000)
Increase (decrease) in liabilities:		
Accounts payable	14,819	(6,793)
Deferred revenue	9,667	15,903
Accrued expenses	(251)	(179)
Cash Flows Provided (Used) By Operations	<u>21,371</u>	<u>(225,556)</u>
Cash Flows Used By		
Investing Activities		
Purchase of property and equipment	<u>(602)</u>	<u>(1,650)</u>
Increase (Decrease) In Cash Flows	20,769	(227,206)
Cash, Beginning of Year	<u>520,449</u>	<u>747,655</u>
Cash, End of Year	<u>\$ 541,218</u>	<u>\$ 520,449</u>

See accompanying notes.

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 1 - Nature of Operations

Cortland County Business Development Corporation is a Not-for-Profit Corporation formed on May 12, 1992. The Corporation's activities involve attracting new business, developing existing business and promotion and development of job opportunities in Cortland County. Cortland County Business Development Corporation receives approximately 90% of its funding from local governments.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Funds

The assets, liabilities, and net assets of the Corporation are reported in two self-balancing fund groups as follows:

Operating funds, which include unrestricted resources, represent the portion of expendable funds that is available for support of council operations.

Revolving loan funds, that are used to support local business by making loans for economic development. This fund is also included in the unrestricted net asset classification.

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Accounts Receivable

Accounts receivable is composed of cash advances to local development corporations. The balances are expected to be collected in the near future. Amounts that are not collectible are written off. There were no write-offs in 2011 or 2010.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. When these assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities.

Cash Flows

For purposes of the statement of cash flows, the Corporation uses the indirect method of reporting net cash flows from operating activities, and considers all short-term investments with the original maturity of three months or less to be cash equivalents. At December 31, 2011 and 2010, there were no cash equivalents.

Other Matters

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned the assets. Ordinary income from investments, receivables, and the like is accounted for in the fund that owned the assets.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Corporation currently has no unrelated business income. Accordingly, no provision for income taxes have been recorded.

Marketing Costs

Marketing costs are composed of print and audio media advertising and promotions. These costs are expensed as incurred.

Conditional Grant Expense

The Corporation made a \$200,000 conditional grant to a local business during 2010. This grant carries conditions related to employment requirements. There is a schedule for a percentage payback of the grant if these employment requirements are not met.

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 3 - Notes Receivable

Cortland County Business Development Corporation holds funds that are earmarked for the purpose of making loans to qualified Cortland County businesses that are to use these funds for expansion and the creation of jobs within the County. As of December 31, 2011, the Committee has granted twelve (12) loans still outstanding at 6% interest and at various terms to maturity through 2021. Collateral consists of various assets owned by the individual businesses. The corporation has filed the necessary legal documents to obtain a first or second security interest on the collateral. Two new loans were issued during 2011 totaling \$100,000.

An allowance for uncollectable. loans is provided based on management's evaluation of potential uncollectable. loans receivable at year end. Amounts expensed to maintain the appropriate reserve balance were \$-0- and \$1,436 in 2011 and 2010. Interest on loans is recognized as collected.

Note 4 - Concentrations of Credit Risks

Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash and notes receivable.

The Corporation maintains its checking and savings accounts in several commercial banks located in Cortland County. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in 2011 and 2010. At December 31, 2011 and 2010 the uninsured balances were \$18,902 and \$-0-.

As more fully described in Note 3, the Corporation's notes receivables consist of loans to businesses located in the greater Cortland area. On the majority of loans, the Corporation has first or second position on the collateral backing them.

Note 5 - Commitments on Leases

On September 13, 2011, the Organization entered into a lease for a 2011 automobile calling for monthly payments of \$342 for 38 months. Auto lease expense for the periods ended December 31, 2011 and 2010 were \$2,577 and \$28, net of employee reimbursement for personal miles.

Effective November 1, 2004, the Corporation entered into a five year lease with Cortland County for its offices. All property taxes and trash removal costs are incurred by the County. The Corporation is responsible for the utilities on a prorata basis per space used by the Corporation. The lease payments for this space in 2011 and 2010 were \$19,651 and \$19,651, respectively. The lease expired December 31, 2008. To date, no new agreement has been entered into.

CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

On February 16, 2011, the Corporation entered into a cancelable lease for a photocopier that calls for monthly rental payments of \$395 plus usage for five years. Photocopier lease expense for the year ended December 31, 2011 and 2010, was \$4,586 and \$6,113, respectively. The Corporation also has an operating lease for a postage machine calling for quarterly payments of \$372 for 51 months entered into in December 2010. Lease expense for 2011 and 2010 were \$1,609 and \$1,555.

Note 6 - Property and Equipment

A summary of fixed assets at December 31, is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
2011	\$ 42,835	\$ 40,068	\$ 2,767
2010	\$ 42,232	\$ 37,548	\$ 4,684

Depreciation expense for the years ended December 31, 2011 and 2010 is \$2,519 and \$2,234, respectively.

Note 7 - Concentration of Income Sources

The Cortland County Business Development Corporation receives approximately 74% of its support and revenue from the County of Cortland government and 21% from other governments. In 2003, the County of Cortland passed a resolution to fund the Cortland County Business Development Corporation for \$360,000 a year effective January 1, 2004, and continue in effect for a period of five (5) years. In 2009 the agreement was extended through 2012 with an additional \$40,000 for marketing programs.

Note 8 - Retirement Plan

Effective April 1, 2000, employees of the Corporation may participate in a Simple IRA plan. The employees may elect to defer up to \$11,500 per year pursuant to a salary reduction agreement. The Corporation matches each employees elective deferral up to a maximum of 3% of the employees compensation. The Corporation made matching contributions to the plan of \$10,150 and \$9,392 for the years ending December 31, 2011 and 2010, respectively. There is no unpaid obligation at December 31, 2011.

Note 9 - Subsequent Events

The Corporation conducted an evaluation of potential subsequent events occurring after the statement of net assets date through March 10, 2012, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.