

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2011 AND 2010

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schenectady County Capital Resource Corporation
Schenectady, New York

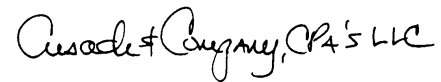
We have audited the accompanying statements of financial position of Schenectady County Capital Resource Corporation ("SCCRC") (a non-profit corporation) as of December 31, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the year ended December 31, 2011 and the period from August 26, 2010 (inception) to December 31, 2010. These financial statements are the responsibility of the SCCRC'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 SCCRC as of December 31, 2011 and 2010 and the changes in its net assets and cash flows for the year ended December 31, 2011 and the period from August 26, 2010 (inception) to December 31, 2010, 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 March 26, 2012 on our consideration of the SCCRC'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 audits.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on page 9 is for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 26, 2012

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Assets			
Cash		\$ 124,094	\$ 154,100
		<u>\$ 124,094</u>	<u>\$ 154,100</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
Liabilities			
Accounts Payable and Accrued Expenses		\$ -	\$ 6,000
Total Liabilities		<u>-</u>	<u>6,000</u>
Unrestricted Net Assets		<u>124,094</u>	<u>148,100</u>
Total Unrestricted Net Assets		<u>124,094</u>	<u>148,100</u>
		<u>\$ 124,094</u>	<u>\$ 154,100</u>

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
THE PERIOD FROM AUGUST 26, 2010 (INCEPTION) TO DECEMBER 31, 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Administrative Fee	\$ -	\$ 154,100
Interest	<u>68</u>	<u>-</u>
Total Revenues	<u>68</u>	<u>154,100</u>
Expenses:		
Contracted Services	<u>24,074</u>	<u>6,000</u>
Total Expenses	<u>24,074</u>	<u>6,000</u>
Change in Net Assets	(24,006)	148,100
Net Assets, Beginning	<u>148,100</u>	<u>-</u>
Net Assets, End	<u>\$ 124,094</u>	<u>\$ 148,100</u>

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
THE PERIOD FROM AUGUST 26, 2010 (INCEPTION) TO DECEMBER 31, 2010

	<u>2011</u>	<u>2010</u>
Cash Flows Provided By (Used In) Operating Activities:		
Change in Net Assets	\$ (24,006)	\$ 148,100
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Increase (Decrease):		
Accounts Payable	<u>(6,000)</u>	<u>6,000</u>
Net Cash Provided By (Used In) Operating Activities	<u>(30,006)</u>	<u>154,100</u>
Net Increase (Decrease) in Cash	(30,006)	154,100
Cash, Beginning	<u>154,100</u>	<u>-</u>
Cash, End	<u>\$ 124,094</u>	<u>\$ 154,100</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Schenectady County Capital Resource Corporation (“SCCRC”) was formed in August 2010 as a not-for-profit local development corporation. SCCRC is a public instrumentality of, but separate and apart from, Schenectady County (the “County”), governed by three to seven directors appointed by the governing body of the County. SCCRC’s purpose is to promote community and economic development and the creation and maintenance of job opportunities in the County by developing and providing programs for non-profit and commercial organizations to access low interest tax-exempt and non-tax-exempt financing.

Basis of Accounting and Reporting

The financial statements of the SCCRC have been prepared on the accrual basis. Net assets of the SCCRC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Any limitations placed on the use of a contribution that are no more specific than the broad limits of the SCCRC’s purpose or mission are reported as unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the SCCRC and/or the passage of time. The SCCRC had no temporarily restricted net assets as of December 31, 2011 and 2010.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the SCCRC. Generally, the donors of these assets permit the SCCRC to use all or part of the income earned on related investments for general or specific purposes. The SCCRC had no permanently restricted net assets as of December 31, 2011 and 2010.

Cash

The Organization maintains cash balances in banks. These balances are fully insured by the Federal Deposit Insurance Corporation as of December 31, 2011.

Industrial Revenue Bonds and Note Transactions

Certain industrial development revenue bonds and notes issued by the Organization are secured by property which is leased to companies and is retired by these payments. The bonds and notes are not obligations of the Organization. The Organization does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Organization receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Industrial Revenue Bonds and Note Transactions (Continued)

At December 31, 2011, the original issue value of bonds aggregated \$9,000,000 (\$6,000,000 as of December 31, 2010) and the outstanding balance was \$9,000,000 (\$6,000,000 at December 31, 2010).

Income Taxes

SCCRC is an affiliate of a governmental unit and as such is exempt from Federal income taxes pursuant to §501(a) of the code and is not required to file annual information returns on Form 990.

Fair Value

For assets and liabilities measured at fair value on a recurring basis, the Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the SCCRC would receive upon selling an asset or be paid to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The SCCRC has no assets or liabilities measured at fair value on a recurring basis.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through March 26, 2012, the date the financial statements were available to be issued. No such events or transactions were identified.

2. ADMINISTRATIVE SERVICE AGREEMENT

During 2010, the SCCRC entered into an administrative service agreement with the Schenectady County Industrial Development Agency (the “IDA”). The IDA then subcontracted with Schenectady Metroplex Development Authority to provide those services. In accordance with the agreement, the SCCRC receives general administrative functions and other requested services. During 2011 and 2010, the SCCRC paid the IDA a management fee of \$24,000 and \$6,000, respectively. At the end of 2011, the agreement was terminated.

Effective 2012, the SCCRC entered into an administrative service agreement with the Schenectady Metroplex Development Authority (the “Authority”) an unrelated party. In accordance with the agreement, the Authority provides general administrative functions and other requested services. The terms of the agreement require SCCRC to pay 30% of the administrative fee collected at closings of projects.

SUPPLEMENTAL INFORMATION

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION
STATEMENT OF INDEBTEDNESS
FOR THE PERIOD FROM AUGUST 26, 2010 (INCEPTION) TO DECEMBER 31, 2011

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2011</u>	<u>Issued During 2011</u>	<u>Principal Payments 2011</u>	<u>Outstanding December 31, 2011</u>	<u>Final Maturity Date</u>
Union College	12/10	Varies	\$ 6,000,000	\$ 3,000,000	\$ -	\$ 9,000,000	12/40

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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**

Board of Directors
Schenectady County Capital Resource Corporation

We have audited the financial statements of Schenectady County Capital Resource Corporation as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 2012. 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 Schenectady County Capital Resource 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 Schenectady County Capital Resource Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Schenectady County Capital Resource 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 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schenectady County Capital Resource Corporation's financial statements are free of 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*.

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

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 26, 2012

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED TO DECEMBER 31, 2011

No findings noted.