

CORTLAND COUNTY BUSINESS  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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FINANCIAL STATEMENTS

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**Richard M. McNeilly**

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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, 2010 and 2009, 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, 2010 and 2009, 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 23, 2011

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

	Operating Fund	
	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash an cash equivalents	\$ 220,154	\$ 381,436
Prepaid expenses	3,754	2,918
Furniture and fixtures, net	4,684	5,268
Accounts and grants receivable	62,579	88,529
Notes receivable, (net of allowance for Uncollectables of \$-0-	<u>-0-</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<u>\$ 291,171</u>	<u>\$ 478,151</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 4,493	\$ 11,286
Deferred revenue	19,941	4,038
Accrued expenses	<u>515</u>	<u>694</u>
Total Liabilities	<u>24,949</u>	<u>16,018</u>
 Net Assets		
Unrestricted net assets	16,222	162,133
Board restricted net assets	<u>250,000</u>	<u>300,000</u>
Total Net Assets	<u>266,222</u>	<u>462,133</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 291,171</u>	 <u>\$ 478,151</u>

See accompanying notes.

Revolving Loan Fund		Total	Total
2010	2009	2010	2009
\$ 300,295	\$ 366,219	\$ 520,449	\$ 747,655
-0-	-0-	3,754	2,918
-0-	-0-	4,684	5,268
-0-	-0-	62,579	88,529
<u>367,296</u>	<u>280,572</u>	<u>367,296</u>	<u>280,572</u>
\$ <u>667,591</u>	\$ <u>646,791</u>	\$ <u>958,762</u>	\$ <u>1,124,942</u>
\$ -0-	\$ -0-	\$ 4,493	\$ 11,286
-0-	-0-	19,941	4,038
<u>-0-</u>	<u>-0-</u>	515	694
		<u>24,949</u>	<u>16,018</u>
667,591	646,791	683,813	808,924
<u>667,591</u>	<u>646,791</u>	<u>250,000</u>	<u>300,000</u>
		<u>933,813</u>	<u>1,108,924</u>
\$ <u>667,591</u>	\$ <u>646,791</u>	\$ <u>958,762</u>	\$ <u>1,124,942</u>

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

	Operating	
	2010	2009
UNRESTRICTED NET ASSETS		
Support		
Government support	\$ 379,097	\$ 395,962
Grants	79,000	24,229
Total Support	458,097	420,191
Revenue		
Application fees	-0-	-0-
Referral commissions	-0-	-0-
Miscellaneous	538	545
Interest income	1,273	1,855
Total Revenue	1,811	2,400
Total Support and Revenue	459,908	422,591
Expenses		
Program Services	525,633	258,895
Support services	130,186	108,585
Total Expenses	655,819	367,480
Increase (Decrease) In Unrestricted Net Assets	(195,911)	55,111
Net Assets, Beginning of Year	462,133	407,022
Net Assets, End of Year	\$ 266,222	\$ 462,133

See accompanying notes.

Revolving Loan Fund		Total	Total
2010	2009	2010	2009
\$ -0-	\$ -0-	\$ 379,097	\$ 395,962
-0-	-0-	79,000	24,229
<u>-0-</u>	<u>-0-</u>	<u>458,097</u>	<u>420,191</u>
200	400	200	400
-0-	-0-	-0-	-0-
1,494	-0-	2,032	545
<u>21,267</u>	<u>12,915</u>	<u>22,540</u>	<u>14,770</u>
<u>22,961</u>	<u>13,315</u>	<u>24,772</u>	<u>15,715</u>
22,961	13,315	482,869	435,906
725	15	526,358	258,910
<u>1,436</u>	<u>-0-</u>	<u>131,622</u>	<u>108,585</u>
<u>2,161</u>	<u>15</u>	<u>657,980</u>	<u>367,495</u>
20,800	13,300	(175,111)	68,411
<u>646,791</u>	<u>633,491</u>	<u>1,108,924</u>	<u>1,040,513</u>
\$ <u>667,591</u>	\$ <u>646,791</u>	\$ <u>933,813</u>	\$ <u>1,108,924</u>

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

	<u>2010</u>		
	<u>Operating</u>	<u>Revolving Loan Fund</u>	<u>Total 2010</u>
<u>Program Services</u>			
Salaries	\$ 137,915	\$ -0-	\$ 137,915
Payroll taxes	11,772	-0-	11,772
Employee benefits	26,129	-0-	26,129
Conferences & meetings	4,340	-0-	4,340
Legal & professional fees	4,047	725	4,772
Marketing	60,972	-0-	60,972
Loan application	-0-	-0-	-0-
Special projects	279,000	-0-	279,000
Dues	1,458	-0-	1,458
Total Program Services	<u>525,633</u>	<u>725</u>	<u>526,358</u>
<u>Support Services</u>			
Salaries	45,567	-0-	45,567
Payroll taxes	3,924	-0-	3,924
Employee benefits	8,709	-0-	8,709
Occupancy	20,013	-0-	20,013
Telephone, fax & internet	4,663	-0-	4,663
Postage	1,920	-0-	1,920
Supplies	3,958	-0-	3,958
Equipment rental & maintenance	8,600	-0-	8,600
Accounting & payroll service	17,900	-0-	17,900
Insurance	3,519	-0-	3,519
Travel	4,309	-0-	4,309
Automobile expense	4,592	-0-	4,592
New York nonprofit filing fee	275	-0-	275
Depreciation	2,234	-0-	2,234
Bad Debts		1,436	1,436
Miscellaneous	3	-0-	3
Total Supporting Services	<u>130,186</u>	<u>1,436</u>	<u>131,622</u>
Total Expenses	<u>\$ 655,819</u>	<u>\$ 2,161</u>	<u>\$ 657,980</u>

See accompanying notes.

2009

<u>Operating</u>	<u>Revolving Loan Fund</u>	<u>Total 2009</u>
\$ 136,405	\$ -0-	\$ 136,405
11,899	-0-	11,899
26,316	-0-	26,316
3,381	-0-	3,381
3,617	15	3,632
75,356	-0-	75,356
-0-	-0-	-0-
-0-	-0-	-0-
<u>1,921</u>	<u>-0-</u>	<u>1,921</u>
258,895	15	258,910
41,935	-0-	41,935
3,758	-0-	3,758
8,310	-0-	8,310
21,859	-0-	21,859
3,984	-0-	3,984
2,743	-0-	2,743
4,162	-0-	4,162
9,200	-0-	9,200
5,700	-0-	5,700
1,562	-0-	1,562
-0-	-0-	-0-
3,189	-0-	3,189
275	-0-	275
1,883	-0-	1,883
-0-	-0-	-0-
25	-0-	25
<u>108,585</u>	<u>-0-</u>	<u>108,585</u>
<u>\$ 367,480</u>	<u>\$ 15</u>	<u>\$ 367,495</u>

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

	2010	2009
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ (175,111)	\$ 68,411
Adjustments to Reconcile		
Net Cash Provided By Operations		
Depreciation	2,234	1,883
Bad Debt Expense	1,436	-0-
Changes in Assets and Liabilities		
(Increase) decrease in assets:		
Prepaid expenses	(836)	(806)
Accounts receivable	25,950	(52,293)
Principal received on notes	46,840	59,671
New notes issued	(135,000)	(60,000)
Increase (decrease) in liabilities:		
Accounts payable	(6,793)	3,505
Deferred revenue	15,903	4,038
Accrued expenses	(179)	(19)
Cash Flows Provided (Used) By Operations	(225,556)	24,390
Cash Flows Used By		
Investing Activities		
Purchase of property and equipment	(1,650)	(4,145)
Increase (Decrease) In Cash Flows	(227,206)	20,245
Cash, Beginning of Year	747,655	727,410
Cash, End of Year	\$ 520,449	\$ 747,655

See accompanying notes.

CORTLAND COUNTY BUSINESS  
DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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, 2010 AND 2009

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 writeoffs in 2010 or 2009.

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, 2010 and 2009, 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, 2010 AND 2009

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, 2010, the Committee has granted twelve (12) loans still outstanding at 6% interest and at various terms to maturity through 2019. 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. Three new loans were issued during 2010 totaling \$135,000.

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 \$1,432 and \$0 in 2010 and 2009. 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 2010 and 2009. At December 31, 2010 and 2009 the uninsured balances were \$-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 October 21, 2008, the Organization entered into a lease for a 2008 automobile calling for monthly payments of \$351 for 38 months. Auto lease expense for the periods ended December 31, 2010 and 2009 were \$28 and \$1,340, 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 2010 and 2009 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, 2010 AND 2009

On July 1, 2004, the Corporation entered into a cancelable lease for a photocopier that calls for monthly rental payments of \$387.66 plus usage for five years. Photocopier lease expense for the year ended December 31, 2010 and 2009, was \$6,113 and \$6,456, 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 2010 under the old lease was \$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>
2010	\$ 42,232	\$ 37,548	\$ 4,684
2009	\$ 41,870	\$ 36,602	\$ 5,268

Depreciation expense for the years ended December 31, 2010 and 2009 is \$2,234 and \$1,883, respectively.

Note 7 - Concentration of Income Sources

The Cortland County Business Development Corporation receives approximately 79% of its support and revenue from the County of Cortland government and 16% 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 \$12,000 per year pursuant to a salary reduction agreement. The Corporation matches each employees elective deferral up to a maximum of 5% of the employees compensation. The Corporation made matching contributions to the plan of \$9,392 and \$5,507 for the years ending December 31, 2010 and 2009, respectively. There is no unpaid obligation at December 31, 2010.

Note 9 - Subsequent Events

The Corporation conducted an evaluation of potential subsequent events occurring after the statement of net assets date through March 23, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.