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**ORLEANS LAND RESTORATION
CORPORATION**

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

ORLEANS LAND RESTORATION CORPORATION

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Orleans County Land Restoration Corporation:

We have audited the accompanying statements of financial position of the Orleans County Land Restoration Corporation as of December 31, 2010 and 2009, 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 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 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 March 15, 2011 on our consideration of the 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.

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Williamsville, New York
March 15, 2011

ORLEANS LAND RESTORATION CORPORATION
 Statements of Financial Position
 December 31, 2010 and 2009

	<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:			
Cash		\$ 50,011	716
Accounts receivable		-	5,217
Loans receivable, current portion		<u>81,765</u>	<u>59,595</u>
Total current assets		131,776	65,528
Loans receivable, less current portion, net of allowance for uncollectible accounts of \$375,000 in 2010		<u>462,075</u>	<u>674,405</u>
Total assets		<u>\$ 593,851</u>	<u>739,933</u>
<u>Liabilities and Net Assets</u>			
Liabilities - accounts payable		-	5,217
Temporarily restricted net assets		593,851	734,716
Contingency (note 4)		<u> </u>	<u> </u>
Total liabilities and net assets		<u>\$ 593,851</u>	<u>739,933</u>

See accompanying notes to financial statements.

ORLEANS LAND RESTORATION CORPORATION
 Statements of Revenue, Expenses and Changes in Net Assets
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
Grant revenue	\$ 250,000	739,217
Interest revenue	<u>9,383</u>	<u>650</u>
Total revenue	<u>259,383</u>	<u>739,867</u>
Expenses:		
Professional fees	8,405	6,217
Legal	6,997	-
Consulting	7,760	-
Accounting	1,520	-
Miscellaneous	566	-
Forgiveness of deferred loans receivable	<u>375,000</u>	<u>-</u>
Total expenses	<u>400,248</u>	<u>6,217</u>
Increase (decrease) in net assets	(140,865)	733,650
Net assets at beginning of year	<u>734,716</u>	<u>1,066</u>
Net assets at end of year	<u>\$ 593,851</u>	<u>734,716</u>

See accompanying notes to financial statements.

ORLEANS LAND RESTORATION CORPORATION
 Statements of Cash Flows
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (140,865)	733,650
Forgiveness of deferred loans receivable	375,000	-
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Changes in:		
Accounts receivable	5,217	(5,217)
Accounts payable	<u>(5,217)</u>	<u>5,217</u>
Net cash provided by operating activities	<u>234,135</u>	<u>733,650</u>
Cash flows from investing activities:		
Issuance of loans receivable	(250,000)	(734,000)
Collection of loans receivable	<u>65,160</u>	<u>-</u>
Net cash used in investing activities	<u>(184,840)</u>	<u>(734,000)</u>
Net increase (decrease) in cash	49,295	(350)
Cash at beginning of year	<u>716</u>	<u>1,066</u>
Cash at end of year	<u>\$ 50,011</u>	<u>716</u>

See accompanying notes to financial statements.

ORLEANS LAND RESTORATION CORPORATION

Notes to Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Orleans Land Restoration Corporation (OLRC) is a non-profit entity incorporated on February 15, 2006 for the purpose of promoting economic development in the County of Orleans, which includes combating community deterioration and blight and to lessen the burdens of government by promoting remediation and reuse of contaminated land.

(b) Basis of Presentation

OLRC 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. The Organization had only temporarily restricted net assets at December 31, 2010 and 2009.

(c) Cash

For the purposes of the statements of cash flows, OLRC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Allowance for Uncollectible Loans

The allowance for uncollectible loans is established through a provision for bad debts charged to expense. Loans are charged against the allowance for doubtful loans when management believes that collection of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Management believes that the allowance for doubtful loans is adequate. However, additions to the allowance may be necessary based on changes in economic conditions.

(e) 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 and disclosures. Accordingly, actual results could differ from those estimates.

(f) Subsequent Events

OLRC has evaluated events after December 31, 2010, and through March 15, 2011, which is the date these 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.

(g) Income Taxes

OLRC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for taxes is reflected in these financial statements.

ORLEANS LAND RESTORATION CORPORATION

Notes to Financial Statements, Continued

(2) Acquisition of Land

In June 2007, OLRC acquired land located in the Village of Medina, County of Orleans, from MCG Intermediate Holdings, Inc. (the Seller) for \$1. In consideration of assuming all liabilities associated with this property, OLRC received a charitable donation of \$30,000 from the Seller. Accordingly, the land is not included on the accompanying statements of financial position as it was acquired at no cost.

(3) Loans Receivable

OLRC has made loans to Brunner International, Inc. (Brunner) and Sigma International General Medical Apparatus, LLC (Sigma) with funds granted by the United States Department of Housing and Urban Development. At December 31, 2010 and 2009, loans receivable consisted of the following:

	<u>2010</u>	<u>2009</u>
Brunner:		
Loan receivable made on December 3, 2009 in the amount of \$484,000 that will be repaid over a seven-year term and will bear interest at 2% per year.	\$ 424,404	484,000
Loan receivable made on December 3, 2009 in the amount of \$250,000 that will be repaid as a lump sum on December 3, 2016 and bears no interest. The balance is anticipated to be forgiven by OLRC at the maturity date.	250,000	250,000
Sigma:		
Loan receivable made on August 4, 2010 in the amount of \$125,000 that will be repaid over a seven-year term and will bear interest at 2% per year.	119,436	-
Loan receivable made on August 4, 2010 in the amount of \$125,000 that will be repaid as a lump sum on September 1, 2017 and bears no interest. The balance is anticipated to be forgiven by OLRC at the maturity date.	<u>125,000</u>	<u>-</u>
	918,840	734,000
Allowance for uncollectible loans receivable	<u>(375,000)</u>	<u>-</u>
Total loans receivable	543,840	-
Less current portion of loans receivable	<u>(81,765)</u>	<u>(59,595)</u>
Total loans receivable, less current portion	\$ <u>462,075</u>	<u>674,405</u>

ORLEANS LAND RESTORATION CORPORATION

Notes to Financial Statements, Continued

(4) Contingency

In September 2006, OLRC and the County of Orleans Industrial Development Agency (COIDA) (the Organizations) jointly entered in to a lease agreement with Western New York Energy, LLC (Energy) to receive rent for the Rail Spur Facility. Beginning in 2007, the Organizations began receiving rent of \$10,000 annually which will continue through August 1, 2015. The 2010 and 2009 rental payments have been made and recorded as revenue by COIDA.

The OLRC is potentially liable for environmental remediation of the land acquired as described in note 2. No accrued liability has been included in the accompanying financial statements, as work has not yet commenced. Management believes that the costs to clean up this site will be approximately equal to rental payments received from Energy and grants awarded to COIDA in the amount of \$135,000. Any costs of the environmental cleanup will be shared between OLRC and COIDA.

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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
Orleans Land Restoration Corporation:

We have audited the financial statements of Orleans Land Restoration Corporation (the Corporation) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 15, 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 significant deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Corporation'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 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.

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 Policy, 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.

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.

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Williamsville, New York
March 15, 2011