

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **BATAVIA DEVELOPMENT CORPORATION**

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**MARCH 31, 2016**

**BATAVIA DEVELOPMENT CORPORATION**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Batavia Development Corporation  
Batavia, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Batavia Development Corporation (the Corporation) as of and for the years ended as of March 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of March 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
June 22, 2016

**BATAVIA DEVELOPMENT CORPORATION****STATEMENTS OF NET POSITION**

March 31,

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,245	\$ 68,666
Accounts receivable	<u>64,344</u>	<u>-</u>
Total assets	<u>\$ 71,589</u>	<u>\$ 68,666</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,162	\$ 11,638
Accrued liabilities	<u>12,130</u>	<u>1,775</u>
Total liabilities	17,292	13,413
<b>Net position:</b>		
Unrestricted	<u>54,297</u>	<u>55,253</u>
Total liabilities and net position	<u>\$ 71,589</u>	<u>\$ 68,666</u>

See notes to basic financial statements.

**BATAVIA DEVELOPMENT CORPORATION****STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Years Ended March 31,**

	<u>2016</u>	<u>2015</u>
<b>Operating revenue:</b>		
City of Batavia	\$ 90,000	\$ 127,545
Grant revenue	21,602	-
Insurance reimbursement	112	-
Referral fees	-	4,964
Total operating revenue	<u>111,714</u>	<u>132,509</u>
<b>Operating expenses:</b>		
Salary and benefits	65,501	65,345
Insurance	5,097	5,068
Office expenses	993	1,748
Travel and training	6,268	414
Marketing and public relations	5,415	2,462
Professional services	29,396	40,600
Total operating expenses	<u>112,670</u>	<u>115,637</u>
Operating income (loss)	(956)	16,872
<b>Non-operating revenues (expenses):</b>		
Grant pass-through revenues	138,500	-
Grant pass-through expenses	<u>(138,500)</u>	<u>-</u>
Total non-operating revenues, (expenses)	<u>-</u>	<u>-</u>
Change in net position	(956)	16,872
Net position - beginning of year	<u>55,253</u>	<u>38,381</u>
Net position - end of year	<u>\$ 54,297</u>	<u>\$ 55,253</u>

See notes to basic financial statements.

**BATAVIA DEVELOPMENT CORPORATION**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended March 31,**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Cash received from governmental agencies	\$ 108,802	\$ 97,040
Payments of service providers and suppliers	(43,290)	(41,992)
Payments for employee services	(65,501)	(65,167)
<b>Net cash provided (used) by operating activities</b>	<u>11</u>	<u>(10,119)</u>
<b>Cash flows from non-capital financing activities:</b>		
Non-operating grants received	77,068	-
Non-operating grants paid	(138,500)	-
<b>Net cash used by non-capital financing activities:</b>	<u>(61,432)</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>	(61,421)	(10,119)
<b>Cash and cash equivalents - beginning of year</b>	<u>68,666</u>	<u>78,785</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 7,245</u>	<u>68,666</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ (956)	\$ 16,872
Adjustment to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,912)	2,031
Increase (decrease) in:		
Accounts payable	(6,476)	8,300
Accrued liabilities	10,355	178
Unearned revenue	-	(37,500)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 11</u>	<u>\$ (10,119)</u>

See notes to basic financial statements.

# BATAVIA DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. REPORTING ENTITY

Batavia Development Corporation (the Corporation) was formed under the Not-for-Profit Corporation Law of the State of New York for the purpose of creating employment opportunities, thereby improving the quality and condition of life in the City of Batavia, New York (the City). This is accomplished by encouraging and affecting the retention of existing business and industry, as well as encouraging the location and expansion of residential, commercial, industrial, and manufacturing facilities in the City. The Corporation is subject to the provisions of the New York State Public Authorities Law. As a local authority under this law, the Corporation is required to make certain information available to the public. Ellicott Station, LLC is included in the reporting entity, however there was no activity for this entity in the current year.

The financial reporting entity consists of (a) the primary entity which is the Batavia Development Corporation, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary entity is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14 as amended by GASB No. 39. The decision to include a potential unit in the Corporation's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB No. 39, including legal standing, fiscal dependency, and financial accountability.

#### B. BASIS OF ACCOUNTING

For financial accounting and reporting purposes, the Corporation follows all pronouncements of the Governmental Accounting Standards Board (GASB), as well as the pronouncements of the Financial Accounting Standards Board (FASB), including those FASB pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

#### C. REVENUE RECOGNITION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

#### D. INCOME TAXES

The Corporation is a Public Benefit Corporation of the State of New York and is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made on the accompanying financial statements.

#### E. NET POSITION

Net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of the Corporation's obligations. The Corporation's net position is classified as follows:

- a. *Net Investment in Capital Assets*: This represents the Corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The Corporation did not have any net position in this category at March 31, 2016 and 2015.



# BATAVIA DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. *Restricted Net Position:* This includes assets in which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The Corporation did not have any restricted net position as of March 31, 2016 and 2015.
- c. *Unrestricted Net Position:* Unrestricted net position represent resources derived from operating revenue. These resources are used for transactions relating to the general operations of the Corporation, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

#### F. 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### G. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after June 22, 2016 which is the date these financial statements were available to be issued.

### NOTE 2. DEPOSITS AND INVESTMENTS

#### A. CASH AND INVESTMENTS

The Corporation's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The Corporation currently follows an investment and deposit policy as directed by State statutes, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Board of Directors.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

##### Investment and Deposit Policy

The Corporation implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# BATAVIA DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation's investment and deposit policy authorizes it to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. All deposits of the Corporation including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Corporation restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

### B. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows, the Corporation considers cash to be all unrestricted cash and cash equivalent accounts.

### NOTE 3. RECEIVABLES

Significant revenues accrued by the Corporation at March 31, 2016 include the following:

Non-operating revenues:	
Microenterprise grant	\$ <u>61,432</u>
Total non-operating accrued grant revenue	\$ <u>61,432</u>
Operating revenues:	
Newberry main street grant	\$ 932
Fresh lab grant	1,183
Harvester park grant	<u>797</u>
Total operating accrued grant revenue	\$ <u>2,912</u>

# BATAVIA DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. REVENUE AND CONCENTRATIONS

The Corporation receives support and revenue primarily from the City. Support and revenue is recognized as services are performed.

During the year ended March 31, 2016, the Corporation recognized \$90,000 of revenue from the City of Batavia. During the year ended March 31, 2015, the Corporation recognized \$127,545 of revenue from the City of Batavia.

### NOTE 5. PASS THROUGH GRANTS

During the year ended March 31, 2016, the Corporation entered into one reimbursable pass through grants with the City of Batavia and one reimbursable pass through grant with National Grid. The grants are classified as non-operating revenue and expenses. As of March 31, 2016, the balance was made up of the following:

City Microenterprise grant	\$ 88,500
National Grid Carr's warehouse grant	<u>50,000</u>
Total accrued grant revenue	<u>\$ 138,500</u>

The Corporation advanced microenterprise grant funds to approved small businesses during the year ending March 31, 2016. Upon validation of the small businesses' expenditures, the Corporation submitted drawdown requests to New York State. New York State in turn paid the City of Batavia in order to reimburse the Corporation.

### NOTE 6. TRANSACTIONS WITH RELATED ENTITIES

The Corporation signed a purchase agreement for five parcels with the City of Batavia on March 9, 2016 in the amount of \$1. Subsequent to the fiscal year end, the above transaction was finalized and the Corporation transferred the five parcels to the Ellicott Station, LLC, of which the Corporation is the sole member, established to advance redevelopment of 40-52 and 56-70 Ellicott Street, Batavia, New York in the amount of \$1.



**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Batavia Development Corporation  
Batavia, New York

We have audited, 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, the financial statements of the Batavia Development Corporation (the Corporation), as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
June 22, 2016



## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of the Batavia Development Corporation,  
Batavia, New York

We have examined Batavia Development Corporation's (the Corporation) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the year ended March 31, 2016. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements for the year ended March 31, 2016.

This report is intended solely for the information and use of the Board of Directors, management and others within the Corporation and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
June 22, 2016