

**AUDITED
CONSOLIDATED FINANCIAL STATEMENTS**

BATAVIA DEVELOPMENT CORPORATION

MARCH 31, 2018

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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 consolidated financial statements of the Batavia Development Corporation (the Corporation) and its wholly owned subsidiary, Ellicott Station, LLC (ESL) as of and for the years ended March 31, 2018 and 2017, and the related notes to the consolidated financial statements, which collectively comprise the Corporation's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 entity'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 entity'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation, as of March 31, 2018 and 2017, and the respective changes in consolidated financial position and its cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Corporation's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information, as listed in the table of contents, is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplemental information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018 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 solely 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 effectiveness of the Corporation's 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 26, 2018

FINANCIAL STATEMENTS

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BATAVIA DEVELOPMENT CORPORATION**CONSOLIDATED STATEMENTS OF NET POSITION
MARCH 31,**

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 81,383	\$ 96,289
Receivables	181,429	19,899
Total current assets	<u>262,812</u>	<u>116,188</u>
Property and equipment:		
Property	-	167,200
Total property	-	167,200
Total assets	<u>\$ 262,812</u>	<u>\$ 283,388</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 100,273	\$ 22,847
Accrued liabilities	4,820	2,130
Total current liabilities	<u>105,093</u>	<u>24,977</u>
NET POSITION		
Unrestricted	<u>157,719</u>	<u>258,411</u>
Total net position	<u>157,719</u>	<u>258,411</u>
Total liabilities and net position	<u>\$ 262,812</u>	<u>\$ 283,388</u>

BATAVIA DEVELOPMENT CORPORATION**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31,**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
City of Batavia	\$ 110,000	\$ 90,000
Grant revenue	-	32,536
Insurance reimbursement	-	155
Miscellaneous	2,324	-
Reimbursement revenue	<u>21,808</u>	<u>21,061</u>
Total operating revenues	<u>134,132</u>	143,752
Operating expenses:		
Salary and benefits	77,206	65,043
Insurance	12,270	6,585
Office expenses	1,010	408
Travel and training	495	3,133
Marketing and public relations	2,531	2,399
Professional services	<u>23,760</u>	<u>34,270</u>
Total operating expenses	<u>117,272</u>	<u>111,838</u>
Operating income	16,860	31,914
Non-operating revenues (expenses):		
Property donation revenues	-	167,200
Loss on sale of property	(112,200)	-
Developer locator fee	-	5,000
Grant pass-through revenues	628,662	111,494
Grant pass-through expenses	<u>(634,014)</u>	<u>(111,494)</u>
Total non-operating revenues (expenses)	<u>(117,552)</u>	<u>172,200</u>
Change in net position	(100,692)	204,114
Net position - beginning of year	<u>258,411</u>	<u>54,297</u>
Net position - end of year	<u>\$ 157,719</u>	<u>\$ 258,411</u>

BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from governmental agencies	\$ 62,703	\$ 198,096
Payments of service providers and suppliers	(50,051)	(49,009)
Payments for employee services	(77,206)	(65,043)
Net cash provided (used) by operating activities	<u>(64,554)</u>	<u>84,044</u>
Cash flows from capital financing activities:		
Sale of property	55,000	-
Net cash provided by capital financing activities	<u>55,000</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Non-operating grants received	628,662	111,494
Non-operating grants paid	(634,014)	(111,494)
Developer locating fee	-	5,000
Net cash used by non-capital financing activities	<u>(5,352)</u>	<u>5,000</u>
Net increase (decrease) in cash and cash equivalents	(14,906)	89,044
Cash and cash equivalents - beginning of year	<u>96,289</u>	<u>7,245</u>
Cash and cash equivalents - end of year	<u>\$ 81,383</u>	<u>\$ 96,289</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	16,860	\$ 31,914
Adjustment to reconcile income (loss) from operations to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(161,530)	44,445
Due from other funds	19,798	-
Increase (decrease) in:		
Accounts payable	77,426	17,685
Accrued liabilities	2,690	(10,000)
Due to other funds	(19,798)	-
Net cash (used) provided by operating activities	<u>\$ (64,554)</u>	<u>\$ 84,044</u>
Supplemental disclosure of non-cash information:		
Non-cash disposition of assets	\$ 60,000	\$ -
Non-cash acquisition of donated properties	-	167,200
Total non-cash transactions	<u>\$ 60,000</u>	<u>\$ 167,200</u>

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BATAVIA DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Batavia Development Corporation (the Corporation) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

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 since the LLC is the sole member of the Corporation.

The financial reporting entity consists of a (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 PRESENTATION

The Corporation's financial statements consist of three statements that provide information about the Corporation's activities. The first statement is the statement of net position which lists all of the Corporation's assets and liabilities, if applicable, with the difference reported as net position. The net position is classified as unrestricted for the years ended March 31, 2018 and 2017.

C. CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of the Corporation and the Ellicott Station, LLC (ESL). All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Corporation are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Corporation gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. 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, 2018 and 2017.
- 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, 2018 and 2017.
- 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.

G. 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.

H. ACCOUNTS RECEIVABLE

Accounts receivable is reported at their net realizable value. Generally accepted accounting principles require the establishment of an allowance for doubtful accounts. No allowance for uncollectible accounts receivable has been provided since management believes that such allowance would not be material.

I. STATEMENT OF CASH FLOWS

For the purpose of the statements of cash flows, the Corporation considers all cash and cash equivalents to be unrestricted including demand accounts and certificates of deposit with an original maturity of three months or less.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2017, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; and Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary object of Statement No. 73 is to improve the usefulness of information about pensions included in the financial statements that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

The primary objective of Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 82 is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*.

The Corporation has evaluated Statements No. 73, 74, 80, 81, and 82 and have determined that they have no impact on the Corporation's operations.

The GASB has issued the following new pronouncements:

- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending March 31, 2018;
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending March 31, 2020;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending March 31, 2020;
- Statement No. 85, *Omnibus*, which will be effective for the year ending March 31, 2019;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending March 31, 2019; and
- Statement No. 87, *Leases*, which will be effective for the year ending March 31, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which will be effective for the year ending December 31, 2019.

The Corporation is currently reviewing these statements and plans on adoption, as required.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. DETAIL NOTES ON ALL ACTIVITIES

A. CASH AND INVESTMENTS

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 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.

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.

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.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES

Significant revenues accrued by the Corporation at March 31, 2018 include the following:

Newberry Main Street National Grid Grant	\$ 100,000
Ellicott Station Development LLC/Savarino Co. – Sale of Ellicott Station LLC	<u>81,429</u>
Total receivables	<u>\$ 181,429</u>

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, 2018 and 2017, the Corporation recognized \$110,000 and \$90,000, respectively, of revenue from the City of Batavia.

NOTE 5. PASS THROUGH GRANTS

During the year ended March 31, 2018, the Corporation coordinated four reimbursable pass through grant agreements with four different granting entities: USDA Rural Development, Empire State Development, NYS Office of Community Renewal and National Grid. The grants are classified as Corporation non-operating revenue and expenses. As of March 31, 2018, the balance was made up of the following:

USDA FreshLAB Grant - Newberry	23,662
Empire State Development- Harvester Park Grant	15,000
New York Main Street Anchor Grant - Newberry	490,000
National Grid Main Street Revitalization - Newberry	<u>100,000</u>
Total accrued grant revenue	<u>\$ 628,662</u>

Three of the grants related to the Newberry Place project, a significant multi-million public-private partnership that turned a vacant building into a model adaptive reuse property worthy of achieving New York State and National Register of Historic Places designation. The building received a Certificate of Occupancy February 1, 2018 for three ground floor commercial spaces and four second floor residential apartments. The Corporation’s freshLAB restaurant incubator and USDA grant acquired equipment, is housed within the kitchens of the ground floor commercial spaces.

NOTE 6. SALE OF ELLICOTT STATION LLC

During the year ended March 31, 2018, the Corporation sold Ellicott Station LLC at a fair market value of \$60,000. The Corporation initially recorded the LLC real estate assets according to the real property assessed value of \$167,200 having received the properties through City of Batavia In Rem foreclosure. Upon competitive and open request for proposal, the Corporation received one offer of \$60,000 resulting in the Corporation recognizing a loss on the sale of the LLC and its assets in the amount of \$112,200 as of March 31, 2018. A \$5,000 deposit was received and recorded during the previous fiscal year.

NOTE 7. SUBSEQUENT EVENTS

As of April 12, 2018, the Batavia Development Corporation has ratified the Limited Liability Company Operating Agreement (the Agreement) with Creek Park Batavia LLC (the LLC). As stated in the Agreement, the Corporation has agreed to organize and operate the LLC as the sole member of the limited liability company indefinitely, unless qualifying dissolution events as stated in the Agreement have occurred.

Management has evaluated subsequent events through June 26, 2018 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles other than the ratification of the Agreement with the LLC.

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SUPPLEMENTAL INFORMATION

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BATAVIA DEVELOPMENT CORPORATION**CONSOLIDATING STATEMENTS OF NET POSITION****MARCH 31, 2018**

	Batavia Development Corporation	Ellicott Station LLC	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 81,383	\$ -	\$ -	\$ 81,383
Accounts receivable	181,429	-	-	181,429
Total assets	<u>\$ 262,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,812</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 100,273	\$ -	\$ -	\$ 100,273
Accrued liabilities	4,820	-	-	4,820
Total liabilities	<u>105,093</u>	<u>-</u>	<u>-</u>	<u>105,093</u>
NET POSITION				
Unrestricted	<u>157,719</u>	<u>-</u>	<u>-</u>	<u>157,719</u>
Total net position	<u>157,719</u>	<u>-</u>	<u>-</u>	<u>157,719</u>
Total liabilities and net position	<u>\$ 262,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,812</u>

BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATING STATEMENTS OF NET POSITION

MARCH 31, 2017

	<u>Batavia Development Corporation</u>	<u>Ellicott Station LLC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 95,289	\$ 1,000	\$ -	\$ 96,289
Accounts receivable	10,000	9,899	-	19,899
Due from other funds	9,899	-	(9,899)	-
Total current assets	<u>115,188</u>	<u>10,899</u>	<u>-</u>	<u>116,188</u>
Property and equipment:				
Property	-	167,200	-	167,200
Total property	<u>-</u>	<u>167,200</u>	<u>-</u>	<u>167,200</u>
Total assets	<u>\$ 115,188</u>	<u>\$ 178,099</u>	<u>\$ (9,899)</u>	<u>\$ 283,388</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 22,847	\$ -	\$ -	\$ 22,847
Accrued liabilities	2,130	-	-	2,130
Due to other funds	-	9,899	(9,899) (1)	-
Total liabilities	<u>24,977</u>	<u>9,899</u>	<u>(9,899)</u>	<u>24,977</u>
NET POSITION				
Unrestricted	<u>90,211</u>	<u>168,200</u>	<u>-</u>	<u>258,411</u>
Total net position	<u>90,211</u>	<u>168,200</u>	<u>-</u>	<u>258,411</u>
Total liabilities and net position	<u>\$ 115,188</u>	<u>\$ 178,099</u>	<u>\$ (9,899)</u>	<u>\$ 283,388</u>

(1) This represents monies loaned from the Batavia Development Corporation to the Ellicott Station LLC to cover professional fees associated with the acquisition of the property.

BATAVIA DEVELOPMENT CORPORATION

**CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2018**

	Batavia Development Corporation	Ellicott Station LLC	Eliminations	Total
Operating revenues:				
City of Batavia	\$ 110,000	\$ -	\$ -	\$ 110,000
Miscellaneous	2,324	-	-	2,324
Reimbursement revenue	-	21,808	-	21,808
Total operating revenue	<u>112,324</u>	<u>21,808</u>	<u>-</u>	<u>134,132</u>
Operating expenses:				
Salary and benefits	77,206	-	-	77,206
Insurance	12,270	-	-	12,270
Office expenses	1,010	-	-	1,010
Travel and training	495	-	-	495
Marketing and public relations	2,531	-	-	2,531
Professional services	1,952	21,808	-	23,760
Total operating expenses	<u>95,464</u>	<u>21,808</u>	<u>-</u>	<u>117,272</u>
Operating income	16,860	-	-	16,860
Non-operating revenues (expenses):				
Grant pass-through revenues	628,662	-	-	628,662
Grant pass-through expenses	(634,014)	-	-	(634,014)
Capital contribution revenues	1,000	-	(1,000) (1)	-
Capital contribution expenses	-	(1,000)	1,000 (1)	-
Loss on sale of property	55,000	(167,200)	-	(112,200)
Total non-operating revenues (expenses)	<u>50,648</u>	<u>(168,200)</u>	<u>-</u>	<u>(117,552)</u>
Change in net position	67,508	(168,200)	-	(100,692)
Net position - beginning of year	<u>90,211</u>	<u>168,200</u>	<u>-</u>	<u>258,411</u>
Net position - end of year	<u>\$ 157,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,719</u>

(1) This represents a capital contribution made from the LLC to the BDC.

BATAVIA DEVELOPMENT CORPORATION

**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2017**

	Batavia Development Corporation	Ellicott Station LLC	Eliminations	Total
Operating revenues:				
City of Batavia	\$ 90,000	\$ -	\$ -	\$ 90,000
Grant revenue	32,536	-	-	32,536
Miscellaneous	155	-	-	155
Reimbursement revenue	-	21,061	-	21,061
Total operating revenue	<u>122,691</u>	<u>21,061</u>	<u>-</u>	<u>143,752</u>
Operating expenses:				
Salary and benefits	65,043	-	-	65,043
Insurance	5,137	1,448	-	6,585
Office expenses	408	-	-	408
Travel and training	3,133	-	-	3,133
Marketing and public relations	2,399	-	-	2,399
Professional services	14,657	19,613	-	34,270
Total operating expenses	<u>90,777</u>	<u>21,061</u>	<u>-</u>	<u>111,838</u>
Operating income	31,914	-	-	31,914
Non-operating revenues (expenses):				
Grant pass-through revenues	111,494	-	-	111,494
Grant pass-through expenses	(111,494)	-	-	(111,494)
Property donation revenues	-	167,200	-	167,200
Developer locating fee	5,000	-	-	5,000
Capital contribution revenues	-	1,000	(1,000) (1)	-
Capital contribution expenses	(1,000)	-	1,000 (1)	-
Total non-operating revenues (expenses)	<u>4,000</u>	<u>168,200</u>	<u>-</u>	<u>172,200</u>
Change in net position	35,914	168,200	-	204,114
Net position - beginning of year	<u>54,297</u>	<u>-</u>	<u>-</u>	<u>54,297</u>
Net position - end of year	<u>\$ 90,211</u>	<u>\$ 168,200</u>	<u>\$ -</u>	<u>\$ 258,411</u>

BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATING STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2018

	Batavia Development Corporation	Ellicott Station LLC	Eliminations	Total
Cash flows from operating activities:				
Cash received from governmental agencies	\$ 40,895	\$ 21,808	\$ -	\$ 62,703
Payments of service providers and suppliers	(28,243)	(21,808)	-	(50,051)
Payments for employee services	(77,206)	-	-	(77,206)
Net cash used by operating activities	<u>(64,554)</u>	<u>-</u>	<u>-</u>	<u>(64,554)</u>
Cash flows from capital financing activities:				
Sale of property	55,000	-	-	55,000
Net cash provided by capital financing activities	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
Cash flows from non-capital financing activities:				
Non-operating grants received	628,662	-	-	628,662
Non-operating grants paid	(634,014)	-	-	(634,014)
Capital contribution received	1,000	-	(1,000) (1)	-
Capital contribution paid	-	(1,000)	1,000 (1)	-
Net cash used by non-capital financing activities	<u>(4,352)</u>	<u>(1,000)</u>	<u>-</u>	<u>(5,352)</u>
	-	-	-	-
Net decrease in cash and cash equivalents	(13,906)	(1,000)	-	(14,906)
Cash and cash equivalents - beginning of year	<u>95,289</u>	<u>1,000</u>	<u>-</u>	<u>96,289</u>
Cash and cash equivalents - end of year	<u>\$ 81,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,383</u>
Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	\$ 16,860	\$ -	\$ -	\$ 16,860
Adjustment to reconcile income (loss) from operations to net cash used by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(171,429)	9,899	-	(161,530)
Due from other funds	9,899	-	9,899	19,798
Increase (decrease) in:				
Accounts payable	77,426	-	-	77,426
Accrued liabilities	2,690	-	-	2,690
Due to other funds	-	(9,899)	(9,899)	(19,798)
Net cash used by operating activities	<u>\$ (64,554)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,554)</u>

(1) This represents a capital contribution made from the LLC to the BDC.

BATAVIA DEVELOPMENT CORPORATION

**CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017**

	Batavia Development Corporation	Ellicott Station LLC	Eliminations	Total
Cash flows from operating activities:				
Cash received from governmental agencies	\$ 177,035	\$ 21,061	\$ -	\$ 198,096
Payments of service providers and suppliers	(27,948)	(21,061)	-	(49,009)
Payments for employee services	(65,043)	-	-	(65,043)
Net cash provided by operating activities	84,044	-	-	84,044
Cash flows from non-capital financing activities:				
Non-operating grants received	111,494	-	-	111,494
Non-operating grants paid	(111,494)	-	-	(111,494)
Capital contribution received	-	1,000	(1,000) (1)	-
Capital contribution paid	(1,000)	-	1,000 (1)	-
Developer locating fee	5,000	-	-	5,000
Net cash used by non-capital financing activities	4,000	1,000	-	5,000
Net decrease in cash and cash equivalents	88,044	1,000	-	89,044
Cash and cash equivalents - beginning of year	7,245	-	-	7,245
Cash and cash equivalents - end of year	\$ 95,289	\$ 1,000	\$ -	\$ 96,289
Reconciliation of loss from operations to net cash provided by operating activities:				
Income from operations	\$ 31,914	\$ -	\$ -	\$ 31,914
Adjustment to reconcile loss from operations to net cash provided by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	54,344	(9,899)	-	44,445
Due from other funds	(9,899)	-	9,899	-
Increase (decrease) in:				
Accounts payable	17,685	-	-	17,685
Accrued liabilities	(10,000)	-	-	(10,000)
Due to other funds	-	9,899	(9,899)	-
Net cash provided by operating activities	\$ 84,044	\$ -	\$ -	\$ 84,044

INTERNAL CONTROL AND COMPLIANCE

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**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 consolidated financial statements of the Batavia Development Corporation (the Corporation), and its wholly owned subsidiary, Ellicott Station, LLC (ESL) as of and for the year ended March 31, 2018, and the related notes to the consolidated financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 26, 2018

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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") during the period April 1, 2017, to March 31, 2018. Management of the Corporation is responsible for the Corporation's compliance with the specified requirements. Our responsibility is to express an opinion on the Corporation's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 Investment Guidelines during the period April 1, 2017 to March 31, 2018.

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 26, 2018