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**AUDITED
CONSOLIDATED FINANCIAL STATEMENTS**

BATAVIA DEVELOPMENT CORPORATION

MARCH 31, 2017

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BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF NET POSITION
MARCH 31,

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	\$ 96,289	\$ 7,245
Accounts receivable	19,899	64,344
Total current assets	116,188	71,589
Property and equipment:		
Property	167,200	-
Total property	167,200	-
Total assets	\$ 283,388	\$ 71,589
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 22,847	\$ 5,162
Accrued liabilities	2,130	12,130
Total current liabilities	24,977	17,292
NET POSITION		
Unrestricted	258,411	54,297
Total net position	258,411	54,297
Total liabilities and net position	\$ 283,388	\$ 71,589

BATAVIA DEVELOPMENT CORPORATION

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

	<u>2017</u>	<u>2016</u>
Operating revenues:		
City of Batavia	\$ 90,000	\$ 90,000
Grant revenue	32,536	21,602
Insurance reimbursement	-	112
Miscellaneous	155	-
Developer locator fee	5,000	-
Reimbursement revenue	21,061	-
Total operating revenues	<u>148,752</u>	<u>111,714</u>
Operating expenses:		
Salary and benefits	65,043	65,501
Insurance	6,585	5,097
Office expenses	408	993
Travel and training	3,133	6,268
Marketing and public relations	2,399	5,415
Professional services	34,270	29,396
Total operating expenses	<u>111,838</u>	<u>112,670</u>
Operating income (loss)	36,914	(956)
Non-operating revenues (expenses):		
Property donation revenues	167,200	-
Grant pass-through revenues	111,494	138,500
Capital contribution revenues	1,000	-
Grant pass-through expenses	(1,000)	(138,500)
Capital contribution expenses	(111,494)	-
Total non-operating revenues (expenses)	<u>167,200</u>	<u>-</u>
Change in net position	204,114	(956)
Net position - beginning of year	<u>54,297</u>	<u>55,253</u>
Net position - end of year	<u>\$ 258,411</u>	<u>\$ 54,297</u>

BATAVIA DEVELOPMENT CORPORATION

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

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from governmental agencies	\$ 203,096	\$ 108,802
Payments of service providers and suppliers	(49,009)	(43,290)
Payments for employee services	(65,043)	(65,501)
Net cash provided by operating activities	<u>89,044</u>	<u>11</u>
Cash flows from non-capital financing activities:		
Non-operating grants received	111,494	77,068
Non-operating grants paid	(111,494)	(138,500)
Capital contribution received	1,000	-
Capital contribution paid	(1,000)	-
Net cash used by non-capital financing activities	<u>-</u>	<u>(61,432)</u>
Net increase (decrease) in cash and cash equivalents	89,044	(61,421)
Cash and cash equivalents - beginning of year	<u>7,245</u>	<u>68,666</u>
Cash and cash equivalents - end of year	<u><u>\$ 96,289</u></u>	<u><u>\$ 7,245</u></u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income (loss) from operations	36,914	\$ (956)
Adjustment to reconcile income (loss) from operations to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	44,445	(2,912)
Increase (decrease) in:		
Accounts payable	17,685	(6,476)
Accrued liabilities	(10,000)	10,355
Net cash provided by operating activities	<u><u>\$ 89,044</u></u>	<u><u>\$ 11</u></u>
Supplemental disclosure of non-cash information:		
Non-cash acquisition of donated properties	<u><u>\$ 167,200</u></u>	<u><u>\$ -</u></u>

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, however there was no activity for this entity in the current year.

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, liabilities and deferred inflows and outflows of resources, if applicable, with the difference reported as net position. The net position is classified as unrestricted for the years ended March 31, 2017 and 2016.

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, 2017 and 2016.
- 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, 2017 and 2016.
- 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 March 31, 2017, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The primary objective of Statement No. 72 is to define fair value, how fair value is measured, what assets and liabilities should be measured at fair value, and what information about fair value should be reported in the notes to the financial statements.

The primary objective of Statement No. 77 is to require governments, such as the Corporation, that enter into tax abatement agreements to disclose information about the Corporation's own tax abatement agreements and those that are entered into by other governments and that reduce the Corporation's tax revenues.

The Corporation has evaluated Statements No. 78 and 79 and have determined that they have no impact on the Corporation's operations.

The GASB has issued the following new pronouncements:

- 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*, which will be effective for the year ending March 31, 2018;
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which will be effective for the year ending March 31, 2018;
- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending March 31, 2019;
- Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, which will be effective for the year ending March 31, 2018;
- Statement No. 81, *Split-Interest Agreements*, which will be effective for the year ending March 31, 2018;
- Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, which will be effective for the year ending March 31, 2018; and
- 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; and
- Statement No. 85, *Omnibus*, which will be effective for the year ending March 31, 2019.

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

K. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after XXXX, 2017 which is the date these financial statements were available to be issued.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. DETAIL NOTES ON ALL ACTIVITIES

A. CASH AND INVESTMENTS

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.

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 2. DETAIL NOTES ON ALL ACTIVITIES (Continued)

B. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of March 31, 2017 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
The Corporation	Ellicott St. LLC	\$ 9,899

The outstanding balance between funds results from funds lent to the LLC to cover legal and other professional fees related to the LLC. The monies will be repaid upon sale of the property when the costs are absorbed into the closing costs.

NOTE 3. RECEIVABLES

Significant revenues accrued by the Corporation at March 31, 2017 include the following:

Newberry main street grant	\$ 10,000
Reimbursable LLC costs	<u>9,899</u>
Total accrued revenue	<u>\$ 19,899</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, 2017 and 2016, the Corporation recognized \$90,000 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 USDA Lab. The grants are classified as non-operating revenue and expenses. As of March 31, 2017, the balance was made up of the following:

City Microenterprise grant (NYS)	\$ 74,000
National Grid Carr's warehouse grant (USDA)	<u>37,494</u>
Total accrued grant revenue	<u>\$ 111,494</u>

The Corporation advanced microenterprise grant funds to approved small businesses during the year ending March 31, 2017. 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.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. This transaction was finalized during the current year and the Corporation deeded the parcels to ESL for the fair value amount of \$167,200, 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. After assessment of the properties, it was determined that the fair market value amounted to \$167,200.

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SUPPLEMENTAL INFORMATION

BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATING STATEMENT OF NET POSITION

MARCH 31, 2017

	Batavia Development Corporation	Elicott Station LLC	Eliminations	Total
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)	(1)
Total current assets	115,188	10,899	(9,899)	116,188
Property and equipment:				
Property	-	167,200	-	167,200
Total property	-	167,200	-	167,200
Total assets	\$ 115,188	\$ 178,099	\$ (9,899)	\$ 283,388
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	24,977	9,899	(9,899)	24,977
NET POSITION				
Unrestricted	90,211	168,200	-	258,411
Total net position	90,211	168,200	-	258,411
Total liabilities and net position	\$ 115,188	\$ 178,099	\$ (9,899)	\$ 283,388

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

BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATING STATEMENT OF NET POSITION

MARCH 31, 2016

	Batavia Development Corporation	Elicott Station LLC	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,245	\$ -	\$ -	\$ 7,245
Accounts receivable	64,344	-	-	64,344
Total assets	<u>\$ 71,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,589</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 5,162	\$ -	\$ -	\$ 5,162
Accrued liabilities	12,130	-	-	12,130
Total liabilities	<u>17,292</u>	<u>-</u>	<u>-</u>	<u>17,292</u>
NET POSITION				
Unrestricted	54,297	-	-	54,297
Total net position	<u>54,297</u>	<u>-</u>	<u>-</u>	<u>54,297</u>
Total liabilities and net position	<u>\$ 71,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,589</u>

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BATAVIA DEVELOPMENT CORPORATION

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

	Batavia Development Corporation	Elicott Station LLC	Eliminations	Total
Operating revenues:				
City of Batavia	\$ 90,000	\$ -	\$ -	\$ 90,000
Grant revenue	32,536	-	-	32,536
Miscellaneous	155	-	-	155
Developer locating fee	5,000	-	-	5,000
Reimbursement revenue	-	21,061	-	21,061
Total operating revenue	127,691	21,061	-	148,752
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	90,777	21,061	-	111,838
Operating income (loss)	36,914	-	-	36,914
Non-operating revenues (expenses):				
Property donation revenues	-	167,200	-	167,200
Grant pass-through revenues	111,494	-	-	111,494
Capital contribution revenues	-	1,000	-	1,000
Grant pass-through expenses	(111,494)	-	-	(111,494)
Capital contribution expenses	(1,000)	-	-	(1,000)
Total non-operating revenues (expenses)	(1,000)	168,200	-	167,200
Change in net position	35,914	168,200	-	204,114
Net position - beginning of year	54,297	-	-	54,297
Net position - end of year	\$ 90,211	\$ 168,200	\$ -	\$ 258,411

BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED MARCH 31, 2016

	Batavia Development Corporation	Elicott Station LLC	Eliminations	Total
Operating revenues:				
City of Batavia	\$ 90,000	\$ -	\$ -	\$ 90,000
Grant revenue	21,602	-	-	21,602
Insurance reimbursement	112	-	-	112
Total operating revenue	111,714	-	-	111,714
Operating expenses:				
Salary and benefits	65,501	-	-	65,501
Insurance	5,097	-	-	5,097
Office expenses	993	-	-	993
Travel and training	6,268	-	-	6,268
Marketing and public relations	5,415	-	-	5,415
Professional services	29,396	-	-	29,396
Total operating expenses	112,670	-	-	112,670
Operating income (loss)	(956)	-	-	(956)
Non-operating revenues (expenses):				
Grant pass-through revenues	138,500	-	-	138,500
Grant pass-through expenses	(138,500)	-	-	(138,500)
Total non-operating revenues (expenses)	-	-	-	-
Change in net position	(956)	-	-	-
Net position - beginning of year	55,253	-	-	55,253
Net position - end of year	\$ 54,297	\$ -	\$ -	\$ 54,297

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BATAVIA DEVELOPMENT CORPORATION

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

	Batavia Development Corporation	Elicott Station LLC	Eliminations	Total
Cash flows from operating activities:				
Cash received from governmental agencies	\$ 182,035	\$ 21,061	\$ -	\$ 203,096
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	<u>89,044</u>	<u>-</u>	<u>-</u>	<u>89,044</u>
Cash flows from capital financing activities:				
Acquisition of property and equipment	-	-	-	-
Net cash used by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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
Capital contribution paid	(1,000)	-	-	(1,000)
Net cash used by non-capital financing activities	<u>(1,000)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>88,044</u>	<u>1,000</u>	<u>-</u>	<u>89,044</u>
Cash and cash equivalents - beginning of year	<u>7,245</u>	<u>-</u>	<u>-</u>	<u>7,245</u>
Cash and cash equivalents - end of year	<u>\$ 95,289</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 96,289</u>
Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	\$ 36,914	\$ -	\$ -	\$ 36,914
Adjustment to reconcile income 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	<u>\$ 89,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,044</u>

BATAVIA DEVELOPMENT CORPORATION

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	Batavia Development Corporation	Elicott Station LLC	Eliminations	Total
Cash flows from operating activities:				
Cash received from governmental agencies	\$ 108,802	\$ -	\$ -	\$ 108,802
Payments of service providers and suppliers	(43,290)	-	-	(43,290)
Payments for employee services	(65,501)	-	-	(65,501)
Net cash provided by operating activities	<u>11</u>	<u>-</u>	<u>-</u>	<u>11</u>
Cash flows from non-capital financing activities:				
Non-operating grants received	77,068	-	-	77,068
Non-operating grants paid	(138,500)	-	-	(138,500)
Net cash used by non-capital financing activities	<u>(61,432)</u>	<u>-</u>	<u>-</u>	<u>(61,432)</u>
Net decrease in cash and cash equivalents	<u>(61,421)</u>	<u>-</u>	<u>-</u>	<u>(61,421)</u>
Cash and cash equivalents - beginning of year	<u>68,666</u>	<u>-</u>	<u>-</u>	<u>68,666</u>
Cash and cash equivalents - end of year	<u>\$ 7,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,245</u>
Reconciliation of loss from operations to net cash used by operating activities:				
Loss from operations	\$ (956)	\$ -	\$ -	\$ (956)
Adjustment to reconcile loss from operations to net cash provided by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(2,912)	-	-	(2,912)
Increase (decrease) in:				
Accounts payable	(6,476)	-	-	(6,476)
Accrued liabilities	10,355	-	-	10,355
Net cash provided by operating activities	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>

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INTERNAL CONTROL AND COMPLIANCE

**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, 2017, 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 XXXXX, 2017.

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.

Batavia, New York
XXXXXX, 2017