

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(A Blended Component Unit of Ulster County, New York)

FINANCIAL STATEMENTS
(and reports of Independent Auditors)

December 31, 2015 and 2014

Draft

Ulster County Economic Development Alliance, Inc.
(A Blended Component Unit of Ulster County, New York)

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Independent Auditors' Report

To the Board of Directors
Ulster County Economic Development Alliance, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ulster County Economic Development Alliance, Inc. (a blended component unit of Ulster County, New York), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Ulster County Economic Development Alliance, Inc.'s 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of Ulster County Economic Development Alliance, Inc., as of December 31, 2015 and 2014, and the respective changes in financial

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position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements. The Schedule of Revenues and Expenses – Budget and Actual and USDA Intermediary Relending Program Loan Fund Schedule of Net Position and Schedule of Revenues, Expenses, and Change in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenses – Budget and Actual and USDA Intermediary Relending Program Loan Fund Schedule of Net Position and Schedule of Revenues, Expenses, and Change in Net Position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses – Budget and Actual and USDA Intermediary Relending Program Loan Fund Schedule of Net Position and Schedule of Revenues, Expenses, and Change in Net Position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **March __, 2016** on our consideration of Ulster County Economic Development Alliance, Inc.'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 Ulster County Economic Development Alliance, Inc.'s internal control over financial reporting and compliance.

Valatie, New York

March __, 2016

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
MANAGEMENT DISCUSSION AND ANALYSIS



Introduction

Management's Discussion and Analysis of the Ulster County Economic Development Alliance, Inc.'s (UCEDA or the Alliance) financial performance provides an overview of the Alliance's financial activities for the fiscal years ended December 31, 2015 and 2014. Please read this report in conjunction with the Alliance's 2015 and 2014 financial statements. UCEDA is a local development corporation which operates in Ulster County, New York and classified by the New York State Authority Budget Office as a public authority. This summary discussion and analysis includes only the financial and general business of the Alliance.

Financial Highlights

The Alliance's net position has increased by \$44,470 (or 2.9%) as a result of operations in 2015 and increased by \$37,601 (or 2.5%) as a result of operations in 2014.

In 2015, revenues decreased \$10,185 compared to 2014, or 5.1%.

In 2014, revenues increased \$87,027 compared to 2013, or 76.1%

In 2015, expenses decreased \$17,054 compared to 2014, or 10.4%.

In 2014, expenses decreased \$80,624 compared to 2013, or 33.0%.

Organization Highlights

The Alliance's 2015 highlights include:

- Hired Peter Fairweather Consulting to conduct a Targeted Industry Analysis in order to best focus marketing efforts, and then used the Targeted Industry Analysis to plan for 2016 marketing efforts.
- Created and implemented a successful marketing campaign targeting tech entrepreneurs in New York City.
- Continued to publish a quarterly e-newsletter and a monthly "Featured Properties" e-blast.
- Hosted several events geared toward increasing economic development in Ulster County including webinars, panel discussions, and quarterly breakfast meetings.
- Marketed three former County-owned properties for sale, in order to return those properties to the tax rolls and enhance economic development.
- Began implementation of Ulster County's Ellenville Million initiative.
- Continued oversight provided to all loan projects, including visits to each site.

Using This Annual Report

This Annual Report consists primarily of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows, which provide information about the activities of the Alliance only.

See independent auditors' report.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements report the Organization's net position and changes in net position. One way to measure the Organization's financial position is to look at the net position - the difference between assets and liabilities.

Condensed Comparative Financial Statements and Analysis

The Alliance's net position at the end of the 2015 was \$1,570,984, an increase of \$44,470 over the position of \$1,526,514 at the beginning of 2015.

Our analysis below focuses on net position (Table 1) and the changes in net position (Table 2).

Table 1 – Statements of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current Assets	\$ 1,505,588	\$ 1,317,952	\$ 1,176,996
Other Assets	478,560	605,319	695,361
Total Assets	<u>\$ 1,984,148</u>	<u>\$ 1,923,271</u>	<u>\$ 1,872,357</u>
Liabilities:			
Current liabilities	\$ 37,550	\$ 63,615	\$ 13,027
Long term liabilities	375,614	333,142	370,417
Total Liabilities	<u>\$ 413,164</u>	<u>\$ 396,757</u>	<u>\$ 383,444</u>
Net position:			
Unrestricted	\$ 1,372,795	\$ 1,328,745	\$ 1,292,845
Restricted	198,189	197,317	194,180
Invested in Capital Assets	-	452	1,888
Total Net Position	<u>\$ 1,570,984</u>	<u>\$ 1,526,514</u>	<u>\$ 1,488,913</u>

Current Assets:

Cash totals at the end of 2015 were \$1,308,005 versus \$1,023,052 and \$902,607, respectively, at the end of 2014 and 2013. This increase in cash was primarily a result of the payoffs of outstanding loans receivable. The loans receivable total at the end of 2015 was \$608,078 versus \$739,510 and \$829,044, respectively, at the end of 2014 and 2013.

Current Liabilities:

Liabilities at the end of 2015 were \$413,164 versus \$396,757 and \$383,444, respectively, at the end of 2014 and 2013.

See independent auditors' report.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Table 2 – Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Ulster County	\$ 150,000	\$ 150,000	\$ 75,000
Interest on Loans	28,348	35,427	24,097
Other Income	12,889	15,995	15,297
Total Revenues	<u>191,237</u>	<u>201,422</u>	<u>114,394</u>
Expenses:			
Operating Expenses	142,350	159,754	240,627
Non-operating Expenses	4,417	4,067	3,817
Total Expenses	<u>146,767</u>	<u>163,821</u>	<u>244,444</u>
 Changes in Net Position	 <u><u>\$ 44,470</u></u>	 <u><u>\$ 37,601</u></u>	 <u><u>\$ (130,050)</u></u>

The Agency's revenues in 2015 were \$191,237 versus \$201,422 and \$114,394, respectively, in 2014 and 2013. Expenses in 2015 were \$146,767 versus \$163,821 and \$244,444, respectively, in 2014 and 2013.

Capital Assets and Long-Term Debt

There were no capital asset additions in 2015 or 2014, and the Alliance did not take on any long-term debt in 2015 or 2014.

Budget

In October of 2014, the Alliance adopted a 2015 budget projecting revenues to be \$220,700 and expenses to be \$220,700. Actual 2015 revenues totaled \$191,237 and actual 2015 expenses totaled \$146,767.

Contacting UCEDA Financial Administrator

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Alliance's finances and to show the Alliance's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ulster County Economic Development Alliance, P.O. Box 1800, Kingston, New York 12402.

See independent auditors' report.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE
(A blended component unit of Ulster County, New York)
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 1,308,005	\$ 1,023,052
Accounts receivable	9,500	9,329
Loans receivable, current portion	129,518	134,643
Due from Ulster County	37,500	150,000
Due from UCIDA	1,065	928
Contract advance	20,000	-
Total current assets	<u>1,505,588</u>	<u>1,317,952</u>
Other assets:		
Property and equipment, net of \$411,510 and \$411,058 of accumulated depreciation as of December 31, 2015 and 2014, respectively	-	452
Loans receivable, less current portion, net of an allowance of \$38,148 and \$48,314 as of December 31, 2015 and 2014, respectively	478,560	604,867
Total other assets	<u>478,560</u>	<u>605,319</u>
Total assets	<u>\$ 1,984,148</u>	<u>\$ 1,923,271</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	\$ 27	\$ 26,340
Current portion of note payable	24,523	24,275
Due to Ulster County, current portion	13,000	13,000
Total current liabilities	<u>37,550</u>	<u>63,615</u>
Long term liabilities:		
Long-term debt	70,197	94,725
Due to Ulster County, long-term portion	26,000	39,000
Unearned revenue	279,417	199,417
Total long-term liabilities	<u>375,614</u>	<u>333,142</u>
Total liabilities	<u>413,164</u>	<u>396,757</u>
Net position:		
Unrestricted	1,372,795	1,328,745
Invested in capital assets	-	452
Restricted	198,189	197,317
Total net position	<u>1,570,984</u>	<u>1,526,514</u>
Total liabilities and net position	<u>\$ 1,984,148</u>	<u>\$ 1,923,271</u>

See independent auditors' report and notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE
(a blended component unit of Ulster County, New York)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2015 and 2014

	2015	2014
Operating Revenues:		
Contract and administrative fees	\$ 151,200	\$ 154,502
Interest on loans	28,348	35,427
Marketing support from UCIDA	5,000	5,000
Late fees collected	2,914	2,051
Miscellaneous income	3,227	3,812
Total operating revenues	<u>190,689</u>	<u>200,792</u>
Operating Expenses:		
Contractual expense	401	8,422
Professional fees	29,383	11,712
Occupancy expenses - rent	-	2,242
Dues and subscriptions	12,500	10,350
Insurance	3,548	5,122
Marketing and advertising	102,763	101,716
Miscellaneous expenses	83	5
Office expense	3,246	4,880
Rental and maintenance of equipment	140	98
Provision for loan (recoveries) losses	(10,166)	13,771
Depreciation	452	1,436
Total operating expenses	<u>142,350</u>	<u>159,754</u>
Operating income	<u>48,339</u>	<u>41,038</u>
Non-operating revenues (expenses):		
Interest on deposits	548	630
Interest expense	(4,417)	(4,067)
Total non-operating expenses	<u>(3,869)</u>	<u>(3,437)</u>
Change in net position	<u>44,470</u>	<u>37,601</u>
Net position, beginning	<u>1,526,514</u>	<u>1,488,913</u>
Net position, ending	<u><u>\$ 1,570,984</u></u>	<u><u>\$ 1,526,514</u></u>

See independent auditors' report and notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE

(a blended component unit of Ulster County, New York)

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Administrative fees	\$ 266,306	\$ 133,287
Grant - Ellenville Million	80,000	-
Interest on loans	28,348	35,427
Marketing support from UCIDA	5,000	5,000
Miscellaneous revenue	3,227	3,812
Loans disbursed	-	(100,000)
Loans paid back	141,598	175,763
Payment to contract recipient	(20,000)	-
Payments to vendors	(178,377)	(116,407)
Net cash provided by operating activities	326,102	136,882
Cash flows from investing activities		
Interest received	548	630
Net cash provided by investing activities	548	630
Cash flows from financing activities		
Interest expense	(4,417)	(4,067)
Payments on long-term debt	(37,280)	(13,000)
Net cash used for financing activities	(41,697)	(17,067)
Net increase in cash	284,953	120,445
Cash and cash equivalents, beginning of year	1,023,052	902,607
Cash and cash equivalents, end of year	\$ 1,308,005	\$ 1,023,052
Cash flows from operating activities		
Operating income	\$ 48,339	\$ 41,038
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	452	1,436
Provision for loan losses	(10,166)	13,771
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(171)	736
Decrease in loans receivable	141,598	75,763
Decrease (increase) in due from Ulster County	112,500	(25,000)
(Increase) decrease in due from UCIDA	(137)	998
Increase in unearned revenue	80,000	-
(Increase) decrease in prepaid expenses	-	1,827
Increase in contract advance	(20,000)	-
(Decrease) increase in accounts payable	(26,313)	26,313
Net cash provided by operating activities	\$ 326,102	\$ 136,882

See independent auditors' report and notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

1. Nature of Organization:

Financial Reporting Entity:

The Ulster County Economic Development Alliance, Inc. (“the Alliance” or “UCEDA”) (formerly Ulster County Development Corporation) promotes job growth, economic development and community revitalization for Ulster County by unified regional and national marketing and provides business financing through a variety of countywide and municipal revolving loan funds.

Governance/Accountability:

The Corporation’s sole Member is the County of Ulster, New York (the “County”) acting by and through the County Executive, ex officio. The number of Directors of the Alliance shall be seven as established by resolution adopted by the Member.

Programs of the Alliance:

CDBG

Includes the activities of Community Development Block Grants revolving loan fund which provides loans below \$75,000 to businesses to create and retain jobs in Ulster County. Loans can be issued in excess of \$75,000 with a super-majority of committee approval.

Section 108

Includes the HUD Section 108 Loan Guarantee Program activities administered through Ulster County, New York, which provide loans within the range of \$75,000 to \$750,000 to businesses for development and job creation in Ulster County.

Ready2Go Fund

UCEDA is the fiscal agent for the Ulster Ready2Go Program, a joint activity of UCEDA with the County, Central Hudson and the Ulster County Industrial Development Agency (UCIDA). The program is a revolving loan fund with a lien taken on the subject property and at the sale of the property the lien is removed upon repayment of funds. These funds are then available for other Ready2Go projects. The Program seeks site plan approval on several sites throughout Ulster County for industrial buildings. Up to one half of the engineering and planning costs of these approvals will be offset through the Program with funding contributed by Central Hudson and the UCIDA. Preferred sites will have appropriate zoning (industrial or commercial) or a comprehensive plan that identifies it as in a priority growth zone, acreage sufficient to accommodate a high bay structure of at least 40,000 square feet, water and sewer to site or at least within ¼ mile, and supportive host municipalities.

Telecommunications Fund

Provides matching loan funds under the USDA Intermediary Relending Program Loan Fund.

USDA Intermediary Relending Program Loan Fund

Provides loans to small business at low rates of interest for part of their financing needs. The program will lend up to 16% of a total project cost and another 14% in matching loan funds from the Revolving Loan Funds in conjunction with conventional lending sources for eligible projects. Of the amount loaned by UCEDA to cover the cost of the project, 85% may be lent from USDA borrowings and 15% must be matched by UCEDA from funds raised from other unrestricted sources. At least 50% of the project must come from either the applicant or a conventional lending source.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

1. Nature of Organization (Continued):

Programs of the Alliance (Continued):

Ellenville Million

Ulster County entered into an agreement with the UCEDA for the administration and oversight of the Ellenville Million Program (not to exceed \$1M) which is designed to enhance the economic prosperity of the Village of Ellenville and the Town of Wawarsing in nine project areas based on recommendations from the Ellenville Million Committee. The term of the agreement is September 1, 2015 to August 31, 2017. The UCEDA will review and approve plans and budgets for each project area. UCEDA will require each project plan to include a summary of the project components, an expenditure plan that identifies funding sources and uses for all funds involved, expected outcomes; including job creation data if applicable, timeline for completion, and other information that UCEDA deems appropriate to ensure that the project is successfully implemented. UCEDA will submit copies of all approved plans and budgets to the Ulster County Planning Department and the Ulster County Legislature.

UCEDA will enter into an appropriate contractual relationship with all entities implementing projects. Ulster County is to provide the funds to the UCEDA for each qualified project holding back 20% until project completion. UCEDA will reimburse entities for expenses which have been approved in their plan, incurred, and have been paid for. UCEDA may make advanced payments of up to 20% of a project's contract amount based on the submission and approval by UCEDA of a Statement of Need. UCEDA will hold the final 20% of each project's contract amount as retainage and will only release this amount upon full completion of the project and submission of a project closeout report. UCEDA will require the project closeout report document the accomplishments of the project and include an accounting of all funds for the project.

Other activities include business retention, expansion, recruitment, and incubation, site searches, marketing, and other sector initiatives.

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Alliance have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Alliance applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The Alliance applies GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which was issued by the GASB on December 30, 2010. The Alliance has chosen to only apply GASB pronouncements. The Alliance does not apply any Financial Accounting Standards Board (FASB) or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. The government-wide financial statements include the Corporation's only governmental fund (single enterprise fund).

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued):

Deferred Outflows/Inflows of Resources:

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

Statement 63 changed how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

As a result of Statement 63, financial statements include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and report net position instead of net assets.

Budgetary Data:

The budget policies are as follows:

In October of each year the finance committee submits a tentative budget to the Board of Directors for the next fiscal year which begins the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Alliance periodically evaluates estimates and assumptions used in the preparation of the financial statements and makes changes on a prospective basis when adjustments are necessary.

The most significant estimate of the Alliance is the allowance for loan losses.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

In connection with the determination of the estimated losses on loans, management may obtain independent appraisals for significant collateral.

The Corporation's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Alliance has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in Ulster County, New York.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued):

Revenue Recognition:

Contributions are recognized when received or in the period of intended use as specified by the donor. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Administrative revenue is recognized in the period services are provided. Grant revenue is recognized on cost reimbursable contracts in the period the costs are incurred. Advances on grants prior to costs being incurred in accordance with the terms of the grant agreement are unearned until the period costs are incurred.

Interest on loans is recognized in the period earned over the life of the related loans receivable.

Operating revenues include revenue generated from ongoing operating activities. Non-operating revenues include investing, financing and other non-recurring activities.

Income Taxes:

The Alliance is a not-for-profit organization, exempt from federal income taxes under sections 501(c)(3) and is not a "private foundation" within the meaning of section 509(a)(2) of the Internal Revenue Code.

Cash and Cash Equivalents:

The Alliance considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment:

The cost of property and equipment is depreciated over the useful lives of the related assets using the straight-line method. The Alliance capitalizes fixed assets with an estimated useful life of greater than one year and a cost of greater than \$500.

Concentration of Credit and Market Risk:

Financial instruments that potentially expose the Alliance to concentrations of credit and market risk consist primarily of cash and cash equivalents and loans receivable. Cash and cash equivalents are maintained at Federal Deposit Insurance Alliance insured financial institutions and credit exposure is limited to any one institution. To the extent FDIC insurance is not sufficient, the Alliance requires its bank to maintain pledged collateral.

Concentrations of credit risk with respect to notes receivables are limited due to the diverse industry backgrounds of its borrowers. Furthermore, management feels its borrower approval processes and regular review of provisions for loan losses, adequately provides for any material credit risks. Generally, sufficient collateral or a personal guarantee is obtained for all loans at the time of disbursement. Collateral is generally in the form of a mortgage on real property or a chattel lien on equipment title.

Loans and Allowance for Loan Losses:

Loans are stated at their recorded investment, which is the amount of unpaid principal, reduced by an allowance for loan losses. Interest is calculated by using the simple interest method. Interest rates on loans range from 0% to 5.92%.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued):

Loans and Allowance for Loan Losses (Continued):

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Alliance uses a disciplined process and methodology to establish the allowance for loan losses. To determine the total allowance for loan losses, management estimates the reserves needed for each loan outstanding.

To determine the balance of the allowance account, loans are evaluated case by case, by portfolio segment and future losses are projected using historical experience adjusted for current economic and industry conditions. Management exercises significant judgment in determining the estimation method that fits the credit risk rating characteristics of each case. Management must use judgment in establishing additional input factors for estimating purposes. The assumptions used to determine the allowance are periodically reviewed by management to ensure that their theoretical foundation, assumptions, data integrity, computational processes, and reporting practices are appropriate and properly documented.

The establishment of the allowance for loan losses relies on a consistent process that requires management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to, or release balances from, the allowance for loan losses.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the assumptions used to estimate incurred losses in these portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Interest Income on Loans:

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in accordance with adopted policies, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed.

Subsequent Events:

Subsequent events have been evaluated through **March __, 2016**, which is the date the financial statements were available to be issued.

3. Cash and Cash Equivalents:

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2015:

Bank	Book Balance	Bank Balance	FDIC Coverage	Pledged Collateral
M&T	<u>\$ 1,308,005</u>	<u>\$ 1,308,025</u>	<u>\$ 250,000</u>	<u>\$ 1,078,828</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

3. Cash and Cash Equivalents (Continued):

The following is a summary of cash and cash equivalents as included in the statement of net position at December 31, 2014:

Bank	Book Balance	Bank Balance	FDIC Coverage	Pledged Collateral
M&T	\$ 1,023,052	\$ 1,032,615	\$ 250,000	\$ 797,910

At December 31, 2015 and 2014, deposits of the Alliance were fully covered by federal depository insurance (FDIC) and by collateral held by the Bank in the Alliance's name.

The following represents the cash balances at December 31, 2015 and 2014 by fund:

Fund:	2015	2014
Operating Fund	\$ 246,875	\$ 123,074
Ellenville Million	60,000	-
CDBG Fund	519,535	422,961
Ready2Go Fund	200,301	200,181
USDA Intermediary Relending Program Loan Fund	75,983	94,076
Telecommunications Fund	169,700	151,121
Section 108	33,778	29,807
Revolving Loan Fund	1,833	1,832
Total	<u>\$ 1,308,005</u>	<u>\$ 1,023,052</u>

4. Property and Equipment:

A summary of property and equipment is as follows as of December 31, 2015 and 2014:

	Balance at 12/31/2014	Additions	Disposals	Balance at 12/31/2015
Equipment- grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Vehicle and office equipment	59,025	-	-	59,025
	411,510	\$ -	\$ -	411,510
Accumulated depreciation	(411,058)			(411,510)
Total property and equipment	<u>\$ 452</u>			<u>\$ -</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

4. Property and Equipment (Continued):

	Balance at 12/31/2013	Additions	Disposals	Balance at 12/31/2014
Equipment- grant related	\$ 352,485	\$ -	\$ -	\$ 352,485
Vehicle and office equipment	59,025	-	-	59,025
	411,510	\$ -	\$ -	411,510
Accumulated depreciation	(409,622)			(411,058)
Total property and equipment	<u>\$ 1,888</u>			<u>\$ 452</u>

Depreciation expense was \$452 and \$1,436 during the years ended December 31, 2015 and 2014, respectively.

5. Loans Receivable:

During the year ended December 31, 2015, the Alliance did not enter into any new loan agreements.

The total loan balance at December 31, 2015 and December 31, 2014 was comprised of 10 loans totaling \$646,226 and 11 loans totaling \$787,824, respectively. The loan balance at December 31, 2015 was comprised of 4 loans making up 71% of the loan balance and the loan balance at December 31, 2014 was comprised of 4 loans making up 66% of the loan balance.

A summary of changes to loan receivable balances for the year ended December 31, 2015 are as follows:

	Balance 12/31/14	New Loans	Payments	Balance 12/31/15
AmeriBag	\$ 81,980	\$ -	\$ 21,729	\$ 60,251
Bread Alone - CDBG	143,290	-	5,272	138,018
Falcon Music & Art	38,731	-	7,703	31,028
Serra, LLC	24,168	-	5,382	18,786
GAMEX, LLC	94,953	-	9,379	85,574
Gillette Creamery	169,118	-	47,133	121,985
New World Catering	63,291	-	19,255	44,036
Bread Alone - Telecommunications	28,658	-	1,054	27,604
Oxclove Workshop - Telecommunications	17,597	-	17,597	-
	<u>661,786</u>	<u>-</u>	<u>134,504</u>	<u>527,282</u>
USDA Loan program:				
Bread Alone	114,632	-	4,217	110,415
Costas & Tate	11,406	-	2,877	8,529
	<u>126,038</u>	<u>-</u>	<u>7,094</u>	<u>118,944</u>
	<u>\$ 787,824</u>	<u>\$ -</u>	<u>\$ 141,598</u>	<u>\$ 646,226</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

5. Loan Receivable (Continued):

The allowance for loan losses activity during the year ended December 31, 2015 and was as follows:

Balance, beginning of year	\$ 48,314
Provision	(10,166)
Write-offs	-
Recoveries	-
Balance, end of year	<u><u>\$ 38,148</u></u>

A summary of changes to loan receivable balances for the year ended December 31, 2014 are as follows:

	Balance 12/31/13	New Loans	Payments	Balance 12/31/14
AmeriBag	\$ 102,858	\$ -	\$ 20,878	\$ 81,980
Bread Alone - CDBG	148,769	-	5,479	143,290
Breath Fitness	5,585	-	5,585	-
Falcon Music & Art	45,582	-	6,851	38,731
Global Palatte	2,713	-	2,713	-
Serra, LLC	28,773	-	4,605	24,168
Tuthillhouse	50,316	-	50,316	-
GAMEX, LLC	-	100,000	5,047	94,953
Gillette Creamery	214,405	-	45,287	169,118
Minard Farms	1,018	-	1,018	-
New World Catering	79,800	-	16,509	63,291
Bread Alone - Telecommunications	29,754	-	1,096	28,658
Oxclove Workshop - Telecommunications	20,829	-	3,232	17,597
	<u>730,402</u>	<u>100,000</u>	<u>168,616</u>	<u>661,786</u>
USDA Loan program:				
Bread Alone	119,015	-	4,383	114,632
Costas & Tate	14,170	-	2,764	11,406
	<u>133,185</u>	<u>-</u>	<u>7,147</u>	<u>126,038</u>
	<u><u>\$ 863,587</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 175,763</u></u>	<u><u>\$ 787,824</u></u>

The allowance for loan losses activity during the year ended December 31, 2014 and was as follows:

Balance, beginning of year	\$ 34,543
Provision	13,771
Write-offs	-
Recoveries	-
Balance, end of year	<u><u>\$ 48,314</u></u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

6. Long-Term Debt:

The Alliance grants loans to businesses which are funded through Community Development Block Grants and the HUD Section 108 Loan Guarantee Program. The primary objective of the programs is to encourage business expansion and create employment within the County. Interest rates vary but are always below the prime lending rate. Loans are generally secured by liens on real property and security interests in other business assets:

Long term debt at December 31, 2015 and 2014 consisted of:

	<u>2015</u>	<u>2014</u>
The Alliance administers through Ulster County loan guarantee assistance involving permanent and interim loans from the United States Department of Housing and Urban Development (HUD) under the Section 108 program. The Alliance pays Ulster County annual payments of \$13,000 plus interest based on the three month London Interbank Offered Rate (LIBOR) plus 20 basis points (.28% and .28% at December 31, 2015 and 2014, respectively. The original loan dated August 1, 2008 was for \$130,000.	\$ 39,000	\$ 52,000
The Alliance administers loans from the USDA Intermediary Relending Program. The Alliance has been approved for a loan in the principal sum of \$600,000. The Alliance pays interest at 1%. Principal and interest is paid in 4 equal annual installments beginning in February 2015 and one additional installment in February 2019. The annual installments, which include principal and interest, are \$25,470 with a final installment of \$20,623. This payout schedule is based on the full \$600,000 being drawn despite only \$119,000 being drawn to date.	94,720	119,000
Total:	<u>133,720</u>	<u>171,000</u>
Less current portion:	<u>37,523</u>	<u>37,275</u>
Long-Term Portion:	<u>\$ 96,197</u>	<u>\$ 133,725</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

6. Long-Term Debt (Continued):

Maturities of long-term debt are as follows:

2016	\$	37,523
2017		37,768
2018		38,016
2019		20,413
2020		-
	\$	<u>133,720</u>

7. Unearned Revenue:

Unearned revenue represents contributions received for the Ready2Go Fund and the Ellenville Million project during the year ended December 31, 2015 and the Ready2Go Fund during the year ended December 31, 2014.

Ready2Go Fund

The Ready2Go Fund represents funds received during the year ended December 31, 2012 that have not yet been applied to shared costs or existing projects as of December 31, 2015 and 2014. The Ready2Go program will take as many as five development sites in Ulster County through site plan approval to get them permit ready. Property owners may use the program's funds to offset the costs of obtaining site plan approval through the program, but will be required to reimburse the funds upon sale or upon refusal to sell to a buyer offering at least 90% of the permitted property's appraised value. A committee of representatives from Central Hudson, the Ulster County Industrial Development Agency, the Ulster County Legislature, the Ulster County Planning Department, the Ulster County Executive's Office, and Ulster County Economic Development Alliance, Inc. are responsible for reviewing the applications submitted by private owners and municipalities and overseeing the program. Ulster County Economic Development Alliance, Inc. acts as a fiscal agent for the project, including receiving, holding, and expending funds as well as generally administering the program in accordance with the program purpose. The unearned revenue represents \$148,000 received from Central Hudson and \$50,000 in matching funds received from the Ulster County Industrial Development Agency. The Ulster County Industrial Development Agency has also committed to an additional \$50,000 of matching funds. Costs shall be shared between private developers and funding provided by the Ready2Go Committee. Developers must contribute at least 50% of the project costs. Central Hudson's contributions to each project shall not be more than 33.33% of the total project cost up to a maximum of \$30,000 per project. There was no activity in the Ready2Go Fund during the years ended December 31, 2015 and 2014.

Ellenville Million Project

The Alliance entered into a contract with Ulster County in 2015 to administer the Ellenville Million project. The Ellenville Million project was established to provide funding to nine project areas recommended by the Ellenville Million Committee. The Alliance received \$80,000 (80% of the \$100,000 award) during the year ended December 31, 2015 for the Hunt Memorial Building. The Alliance then provided a \$20,000 advance to the Hunt Memorial Building project. \$80,000 is unearned at December 31, 2015 until the contract requirements are met.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

8. Related Parties:

Ulster County Economic Development Alliance, Inc. does not have its own employees and recognizes no payroll expenses. Ulster County's finance department has assumed the accounting responsibilities and the County's Office of Business Services has assumed the administration of the Alliance. Donated services have not been reflected in these financial statements.

The Alliance had a due from Ulster County at December 31, 2014 for \$150,000. The due from of \$150,000 was from a contract effective in July 2014 for the Alliance to provide marketing, education, support services and program administration for Ulster County. The Alliance has a due from Ulster County at December 31, 2015 for \$37,500. The due from of \$37,500 is from a contract signed in December 2014 for \$150,000 for the Alliance to provide marketing, education, support services, and program administration for Ulster County. During the years ended December 31, 2015 and 2014, the Alliance paid rent of \$0 and \$2,242, respectively, to Ulster County.

For the years ended December 31, 2015 and 2014, the Alliance earned \$5,000 and \$5,000, respectively, of revenue from the UCIDA for marketing support. At December 31, 2015 and 2014, the unearned revenue balance includes \$80,000 and \$0 from Ulster County and the Alliance had a receivable of \$1,065 and \$928, respectively, from UCIDA.

Real Property

Ulster County transferred the deeds to three properties to the Alliance during 2015 for the purpose of selling the properties at the highest potential value. When the Alliance sells the properties, the net proceeds will be transferred to Ulster County in accordance with the respective resolutions that granted the properties to the Alliance. Because of the relationship between Ulster County and the Alliance, this transfer of properties (which are fully depreciated at the County level) are not recorded as an asset of the Alliance in accordance with GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

9. Restricted Net Position:

Restricted net position consists of the following at December 31, 2015 and 2014:

	2015	2014
Telecommunications Fund	\$ 197,304	\$ 196,552
Ready2Go Fund	885	765
Total Restricted Net Position	<u>\$ 198,189</u>	<u>\$ 197,317</u>

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(a blended component unit of Ulster County, New York)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

10. Commitments and Contingencies:

Government grants received are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, Ulster County Economic Development Alliance, Inc. may be required to repay the revenues to the funding agency. During 2005, it became apparent that certain terms of an agreement between the New York State Department of Economic Development and Ulster County Economic Development Alliance, Inc. for the purchase of equipment to benefit a local manufacturing corporation were not being entirely met. Under the terms of the agreement, the State has ceased advancing additional payments of this grant until all terms and conditions are satisfied. As of December 31, 2006, \$352,485 was advanced for the purchase of equipment against a total grant, not to exceed \$500,000. Per a letter from Empire State Development, dated January 16, 2007, the State had decided to cease the advance of further funds due to terms that were not being met in the contract. Ulster County Economic Development Alliance, Inc. was required to still maintain title of the equipment until the end of the term (March 15, 2014), but there is no current requirement to return any of the funds advanced for this project back to the State.



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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 Auditors' Report

To the Board of Directors
Ulster County Economic Development Alliance, Inc.

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 Ulster County Economic Development Alliance, Inc. as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Ulster County Economic Development Alliance, Inc.'s basic financial statements, and have issued our report thereon dated **March __, 2016**.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ulster County Economic Development Alliance, Inc.'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 Ulster County Economic Development Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Ulster County Economic Development Alliance, Inc.'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 a 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ulster County Economic Development Alliance, Inc.'s financial statements are free from 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Valatie, New York
March, __, 2016

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SUPPLEMENTARY INFORMATION

Draft

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE
(a blended component unit of Ulster County, New York)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year ended December 31, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Contract and fees	\$ 160,600	\$ 162,341	\$ 1,741
Contributions	50,000	-	(50,000)
Interest on deposits	100	548	448
Interest income - loans	7,500	28,348	20,848
Educational events	2,500	-	(2,500)
Total revenues	<u>220,700</u>	<u>191,237</u>	<u>(29,463)</u>
Expenditures:			
Contractual expense	50,000	401	49,599
Professional fees	47,000	29,383	17,617
Educational events	3,000	-	3,000
Dues and subscriptions	12,000	12,500	(500)
Insurance	5,500	3,548	1,952
Marketing and advertising	100,000	102,763	(2,763)
Miscellaneous expenses	-	83	(83)
Office expense	-	3,246	(3,246)
Rental and maintenance of equipment	3,200	140	3,060
Provision for loan (recoveries) losses	-	(10,166)	10,166
Depreciation	-	452	(452)
Interest expense	-	4,417	(4,417)
Total expenditures	<u>220,700</u>	<u>146,767</u>	<u>73,933</u>
Total revenues in excess/(in deficiency) of expenditures	<u>\$ -</u>	<u>\$ 44,470</u>	<u>\$ 44,470</u>

See independent auditors' report and notes to financial statements.

ULSTER COUNTY ECONOMIC DEVELOPMENT ALLIANCE

(a blended component unit of Ulster County, New York)

USDA Intermediary Relending Program Loan Fund

December 31, 2015 and 2014

SCHEDULES OF NET POSITION

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,983	\$ 94,076
Loans receivable, current portion	7,383	7,094
Total current assets	<u>83,366</u>	<u>101,170</u>
Loans receivable, less current portion	111,560	118,944
Total assets	<u>\$ 194,926</u>	<u>\$ 220,114</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Current portion note payable	\$ 24,523	\$ 24,275
Total current liabilities	<u>24,523</u>	<u>24,275</u>
Long-term portion of debt	<u>70,197</u>	<u>94,725</u>
Total liabilities	<u>94,720</u>	<u>119,000</u>
Net position:		
Unrestricted	100,206	101,114
Total liabilities and net position	<u>\$ 194,926</u>	<u>\$ 220,114</u>

SCHEDULES OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the years ended December 31, 2015 and 2014

Operating revenues:		
Late fees collected	\$ 400	\$ 183
Interest on loans	4,912	5,587
Total revenue	<u>5,312</u>	<u>5,770</u>
Operating expenses:		
Administrative expense	5,052	-
Bad debt expense (recovery)	-	(5,327)
Total expenses	<u>5,052</u>	<u>(5,327)</u>
Operating income/(loss)	260	11,097
Non-operating revenues (expenses):		
Interest on deposits	22	36
Interest expense	(1,190)	(1,190)
Total non-operating loss	<u>(1,168)</u>	<u>(1,154)</u>
Change in net position	(908)	9,943
Net position, beginning	<u>101,114</u>	<u>91,171</u>
Net position, ending	<u>\$ 100,206</u>	<u>\$ 101,114</u>

See independent auditors' report and notes to financial statements.