

TOWN OF AMHERST
DEVELOPMENT CORPORATION

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

TOWN OF AMHERST
DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Amherst Development Corporation:

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Town of Amherst Development Corporation (the Corporation), as of December 31, 2012 and 2011 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Amherst Development Corporation as of December 31, 2012 and 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 26, 2013

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ 7,246	7,271
Current portion of note receivable	<u>15,861</u>	<u>15,703</u>
Total current assets	23,107	22,974
Note receivable, less current portion	60,921	76,930
Investments, at fair value	<u>25,000</u>	<u>25,000</u>
Total assets	<u>\$ 109,028</u>	<u>124,904</u>
<u>Liabilities and Net Assets</u>		
Current liabilities - current portion of note payable	15,861	15,703
Note payable - related party	50,000	50,000
Note payable, less current portion	<u>60,921</u>	<u>76,930</u>
Total liabilities	126,782	142,633
Unrestricted net assets (deficit)	<u>(17,754)</u>	<u>(17,729)</u>
Total liabilities and net assets	<u>\$ 109,028</u>	<u>124,904</u>

See accompanying notes to financial statements.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Statements of Activities
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted revenue - administrative fees	\$ <u>253,325</u>	<u>40,950</u>
Unrestricted expenses:		
Transfer to Town of Amherst Industrial Development Agency	253,325	40,950
Management and general	<u>25</u>	<u>25</u>
Total unrestricted expenses	<u>253,350</u>	<u>40,975</u>
Decrease in unrestricted net assets	(25)	(25)
Unrestricted net assets (deficit) at beginning of year	<u>(17,729)</u>	<u>(17,704)</u>
Unrestricted net assets (deficit) at end of year	<u>\$ (17,754)</u>	<u>(17,729)</u>

See accompanying notes to financial statements.

TOWN OF AMHERST
 DEVELOPMENT CORPORATION
 Statements of Cash Flows
 Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities - decrease in unrestricted net assets	\$ (25)	(25)
Cash flows from investing activities - proceeds form note receivable	15,851	15,320
Cash flows from financing activities - repayment of note payable	<u>(15,851)</u>	<u>(15,390)</u>
Net increase (decrease) in cash	(25)	(95)
Cash at beginning of year	<u>7,201</u>	<u>7,296</u>
Cash at end of year	<u>\$ 7,176</u>	<u>7,201</u>

See accompanying notes to financial statements.

TOWN OF AMHERST
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Town of Amherst Development Corporation (the Corporation) was incorporated on May 23, 1977 under Section 402 of the Not-for-Profit Corporation Law to achieve the following lawful public and quasi-public objectives:

Relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs, carrying on scientific research for the purpose of aiding the Town of Amherst (the Town) by attracting new industry hereto and by encouraging the development or retention of industries in the Town and improving the economy and lessening the burdens of government and otherwise acting in the public interest, all within the Town;

Construct, acquire, rehabilitate and improve for use by others, industrial or manufacturing plants within said Town where projects assisted by the Job Development Authority of the State of New York are to be located, and to assist financially in such construction, acquisition, rehabilitation and improvement and to maintain such plant for others;

To study and promote, alone or in concert with local officials and interested local groups, the economic growth and business prosperity of the Town and such other areas of Western New York as may relate to and affect the Town and further the solution of other civic problems of the Western New York region.

(b) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation had only unrestricted net assets in 2012 and 2011.

(c) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Cash and Equivalents

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

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Note Receivable

The note receivable is stated at the principal amount outstanding. Interest on the note receivable is accrued and included in the outstanding principal balance when management considers collection of such interest to be probable, based upon the economic condition of the borrower. Management has determined that the note receivable is fully collectible.

(f) Investments

The Corporation, as part of its economic development mission, invests non-public source funds in equity securities for start-up companies. These investments are carried at fair value (note 3).

(g) Tax-Exempt Bonds

The Corporation is authorized to act on the behalf of the Town for the primary purpose of issuing tax-exempt bonds. The Corporation charges an administrative fee for issuing such bonds equal to the administrative fee that the Town of Amherst Industrial Development Agency (the Agency) would customarily charge. Such fees are recognized when earned and transferred to the Agency.

(h) Subsequent Events

The Corporation has evaluated events after December 31, 2012, and through March 26, 2013, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(i) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is a private foundation under Section 509(a) of the Code. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 PF filed by the Corporation are subject to examination by taxing authorities. The Organization is no longer subject to tax examination for the years ended December 31, 2008, and prior.

However, the Corporation is classified as a private foundation and, as such, is subject to a federal excise tax of 2% on net investment income. The Corporation did not have any net investment income for the years ended December 31, 2012 and 2011.

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(2) Cash and Equivalents

The Corporation funds must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state which have a branch office located within the Town. The Treasurer is authorized to use demand accounts and certificates of deposit.

Collateral is required for demand deposits and certificates of deposit at 102% of the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are outlined in chapter 623 of the laws of the State of New York.

Cash and equivalents of the Corporation are stated at fair value, which approximates cost. Cash and equivalent balances as of December 31, 2012 and 2011 were FDIC-insured.

(3) Fair Value of Investments

A framework has been established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 3 assets and liabilities as those whose inputs to the valuation methodology are not based on independent sources but on the reporting entity's own assumptions about the assumptions market participants would use. The investments described below are all Level 3 assets.

Investments consist of ownership of capital and convertible debt in various local businesses. The Corporation receives and analyzes financial data from its venture capital investments, which is the primary source used to determine fair value. At December 31, 2012 and 2011, the Corporation had an ownership interest in the following businesses:

	Ownership Type	Percent Ownership	2012		2011	
			Cost	Fair Value	Cost	Fair Value
Harvest Precision Components, Inc.	Capital	0.40%	\$ 20,000	20,000	20,000	20,000
EnrG, Inc.	Capital	<u>0.20%</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total fair value of investments			<u>\$ 25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>

TOWN OF AMHERST
DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(4) Related Party Transactions

The Corporation is related to the Agency through members of its Board of Directors. At December 31, 2012 and 2011, the Corporation had a \$50,000 non-interest bearing note payable to the Agency.

In addition, the Agency provides office space and personnel at no cost to the Corporation. It is anticipated that the Agency will begin charging the Corporation for facilities and personnel if and when the amounts provided become financially material.

During 2012 and 2011, the Corporation received administrative fees amounting to \$253,325 and \$40,950, respectively, associated with tax-exempt bond projects, which were transferred to the Agency.

(5) Note Receivable and Note Payable

The Corporation participates in economic development loan programs administered by the New York State Urban Development Corporation (UDC) d/b/a the Empire State Development.

The Corporation loaned Ingram Micro, Inc. \$300,000 in 1997 with funds from the UDC. This loan is at a rate of 1% and is payable in 240 monthly principal and interest installments of \$1,380. Ingram Micro, Inc. makes these payments directly to the UDC. In the event of default, the Corporation is liable to the UDC for the remaining principal and interest. The outstanding balance of this note amounted to \$76,782 and \$92,633 as of December 31, 2012 and 2011, respectively. At December 31, 2012, Ingram Micro Inc. has made all required payments on this note. Principal maturities for the years following December 31, 2012 are as follows:

2013	\$ 15,861
2014	16,020
2015	16,181
2016	16,344
2017	<u>12,376</u>
Total	\$ <u>76,782</u>

(6) Economic Dependency

The Corporation is economically dependent upon the Agency.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
INCLUDING COMPLIANCE WITH INVESTMENT GUIDELINES BASED, ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Town of Amherst Development Corporation:

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 Town of Amherst Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Investment Guidelines for Public Authorities and the Corporation's Investment Guidelines, 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.

We noted certain matters that were reported to management of the Corporation in a separate letter dated March 26, 2013.

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 Corporation'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.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 26, 2013