

**FULTON COUNTY CENTER
FOR REGIONAL GROWTH, INC.
AND
FULTON COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

CONTENTS

	<u>PAGE</u>
<u>FINANCIAL STATEMENTS</u>	
Independent auditors' report	1 – 2
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of changes in net assets	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6 – 13
Supplementary information	14 – 17



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fulton County Center for Regional Growth, Inc., and
Fulton County Economic Development Corporation
Johnstown, New York

We have audited the accompanying consolidated financial statements of the Fulton County Center for Regional Growth, Inc., and the Fulton County Economic Development Corporation (nonprofit organizations) which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Fulton County Center for Regional Growth, Inc., and the Fulton County Economic Development Corporation as of December 31, 2013 and 2012, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The combining statements of financial condition and activities on pages 14 through 17, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

WEST & COMPANY CPAs PC

Gloversville, New York
October 31, 2014

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

- <u>ASSETS</u> -	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash - unrestricted	\$ 30,877	\$ 46,436
Cash - restricted	0	1,204,349
Investments	294,703	404,597
Current maturities - notes receivable - net	806	212,744
Interest receivable	10,566	524,984
Other receivables	264,938	202,997
Prepaid expenses	5,840	6,501
Total Current Assets	607,730	2,602,608
PROPERTY AND EQUIPMENT - NET	7,036	10,284
OTHER ASSETS		
Options on land	5,300	0
NOTES RECEIVABLE, NET, LONG-TERM	0	2,657,698
TOTAL ASSETS	\$ 620,066	\$ 5,270,590
- <u>LIABILITIES AND NET ASSETS</u> -		
LIABILITIES:		
Accounts payable	\$ 56,768	\$ 146,475
Accrued expenses	17,539	37,729
Total Current Liabilities	74,307	184,204
LONG-TERM LIABILITIES:		
Refundable advances - revolving loan funds	0	158,137
Total Liabilities	74,307	342,341
NET ASSETS:		
Unrestricted	520,389	594,516
Temporarily restricted	25,370	4,333,733
Total Net Assets	545,759	4,928,249
TOTAL LIABILITIES AND NET ASSETS	\$ 620,066	\$ 5,270,590

See accompanying notes.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES						
Program income	\$ 58,962	\$ 0	\$ 58,962	\$ 43,410	\$ 0	\$ 43,410
Interest income and other	40,367	99	40,466	35,371	4,863	40,234
Interest income temporarily restricted	0	0	0	0	127,300	127,300
Memberships	10,700	0	10,700	8,925	0	8,925
Administrative revenue	76,706	0	76,706	5,888	0	5,888
Management fee income CIC	180,000	0	180,000	262,250	0	262,250
Gain on investments - net	36,985	0	36,985	22,595	0	22,595
Total Revenue	403,720	99	403,819	378,439	132,163	510,602
EXPENSES						
General and administrative	474,599	30	474,629	456,759	68,491	525,250
Depreciation and amortization	3,248	0	3,248	3,012	0	3,012
Loan loss reserve	0	0	0	0	141,657	141,657
Total Expenses	477,847	30	477,877	459,771	210,148	669,919
CHANGE IN NET ASSETS	\$ (74,127)	\$ 69	\$ (74,058)	\$ (81,332)	\$ (77,985)	\$ (159,317)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NET ASSETS AT BEGINNING OF THE YEAR	\$ 594,516	\$ 4,333,733	\$ 4,928,249	\$ 675,848	\$ 4,411,718	\$ 5,087,566
CHANGE IN NET ASSETS FOR THE YEAR	(74,127)	69	(74,058)	(81,332)	(77,985)	(159,317)
OTHER CHANGE IN NET ASSETS	0	(4,308,432)	(4,308,432)	0	0	0
NET ASSETS AT END OF THE YEAR	\$ 520,389	\$ 25,370	\$ 545,759	\$ 594,516	\$ 4,333,733	\$ 4,928,249

See accompanying notes.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (74,058)	\$ (159,317)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Deprecation and amortization	3,248	3,012
Realized and unrealized (gain on investments)	(36,985)	(22,595)
Changes in:		
Interest receivable	514,418	(72,344)
Other receivables	(61,941)	(165,195)
Prepaid expenses	661	(2,843)
Accrued expenses	(20,190)	(28,303)
Accounts payable	(89,707)	146,475
Net cash provided (used) by operating activities	235,446	(301,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of assets	146,879	207,047
Options on land	(5,300)	0
New loans and notes receivable issued	0	(359,996)
Purchase of property, plant and equipment held for lease	0	(849)
Net cash provided (used) by investing activities	141,579	(153,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in net assets due to removal of loan funds' beginning net assets	(4,308,432)	0
Elimination of refundable advances	(158,137)	2,280
Elimination of notes receivable	2,869,636	0
Net cash provided (used) by financing activities	(1,596,933)	2,280
NET (DECREASE) IN CASH	(1,219,908)	(452,628)
CASH UNRESTRICTED AND RESTRICTED - BEGINNING	1,250,785	1,703,413
CASH UNRESTRICTED AND RESTRICTED - ENDING	\$ 30,877	\$ 1,250,785

See accompanying notes.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 1 – NATURE OF OPERATIONS

The Organization

The Fulton County Center for Regional Growth, Inc. (CRG or Organization collectively) was incorporated under the not for profit laws of the State of New York on March 2, 2012, as the successor to Fulton County Economic Development Corporation (FCEDC), which was formed on September 1, 1955 under the not for profit laws of the State of New York. CRG's primary purpose is to promote economic development within Fulton County, New York. It does this primarily through the marketing, promotion and the administration of a number of governmental grants and projects, including:

Revolving Loan Pools – Revolving loan pools are for industrial expansions or start-up businesses. Low interest loans are available through the loan pool for qualified businesses. These are funded through Small Cities Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), awards from the U.S. Department of Housing and Urban Development (HUD) and the City of Johnstown.

Crossroads Industrial Park – The Park is located on Route 29A and Harrison Street Extension. It is funded by the U.S. Economic Development Administration (EDA), Fulton County and the City of Gloversville.

Johnstown Industrial Park – The Park, located on Route 30A in Johnstown, contains 125 acres, of which 65 acres are industrially developed. The Park is sponsored by the City of Johnstown and administered by the CRG.

Crossroads Business Park – The Park, located on S. Kingsboro Ave. Extension, contains 70 acres, of which 5 acres are industrially developed. The Park is sponsored by the City of Gloversville and administered by the CRG.

Empire Zone (EZ) – The EZ is located in the southern section of Gloversville, from Main Street to the Crossroads Industrial Park. The EZ also encompasses the Johnstown Industrial Park, the former Johnstown Hotel location, the former Johnstown Knitting Mill location within the City of Johnstown and Patch Road located in the Town of Mayfield.

Incubator Building – Assisting on the development of an industrial building constructed in the Crossroads Industrial Park to provide low cost space for new industries. It is funded using discretionary state funds obtained by state legislators, Fulton County, an Urban Development Action Grant and tax-exempt revenue bonds.

Business Assistance Center – Provides technical assistance to new businesses relating to business plans, legal and/or accounting needs. A cooperative venture between the CRG, local professional consultants and other publicly-funded development organizations; the Center is funded by Adirondack North Country Association, discretionary state funds secured by state legislators and the CRG.

Estee Commons Apartment Complex – The complex is located in downtown Gloversville on Main Street and Fremont Street. The Complex was formerly Estee Commons School. The Complex was rehabilitated by Crossroads Incubator Corporation into 39 apartment units. This project is important for the revitalization of downtown Gloversville.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 1 – NATURE OF OPERATIONS – (CONTINUED)

The Organization – (Continued)

The Organization shares facilities and staffing with Crossroads Incubator Corporation and Crossroads Two Incubator Corporation (together “CIC”) and shares their mission of supporting economic development in Fulton County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

These financial statements have been prepared under the accrual method of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America. The accounting principles under GAAP are defined by the Financial Accounting Standards Board (FASB) under the Accounting Standards Codification (ASC) as updated by Accounting Standards Updates (ASU).

Basis of Consolidation

These financial statements include Fulton County Center for Regional Growth, Inc., and Fulton County Economic Development Corporation. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

Basis of Accounting and Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – are net assets that are not subject to imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the grantor.

Temporarily restricted net assets – are net assets subject to imposed restrictions that may or will be met by actions of the Organization or that expire with the passage of time. Temporarily restricted net assets are restricted for use in the Business Assistance Center Fund (BAF), Community Development Block Grant (CDBG), Johnstown Urban Development Action Grant (JUDAG), Gloversville Urban Development Action Grant (GUDAG) and the Johnstown Economic Development Corporation (JEDC) revolving loan pools in providing loans to local businesses. The activity and balances in these loan pools have been removed for financial statement purposes as of December 31, 2013, see Note 10, Other Changes in Net Assets.

Permanently restricted net assets – are net assets subject to grantor-imposed restrictions that they be maintained permanently by the Organization.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Accounting – (Continued)

Due to the nature of fund accounting, when expenses are incurred related to programs in the temporarily restricted funds (as noted below) asset transfers are reflected as net assets released from restriction on the statement of activities.

Operating Fund – Unrestricted

The operating fund is the general operating fund of the Organization. It is used to account for unrestricted resources used in economic development activities not accounted for in another fund group.

Operating Fund – Temporarily Restricted

Business Assistance Fund (BAC Fund) notes receivable consist of one outstanding loan. The loan agreement provides for monthly amortization payments, bears interest at 7.0% and carries a due date of April 1, 2014. The loan is collateralized by machinery, equipment and a building, and contains a personal guarantee provision.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid financial instruments purchased with maturities of three months or less to be cash equivalents. The Organization maintains cash balances at various banks. From time to time, the Organization's bank balances exceed federal deposit limits. Management considers this to be a normal business risk.

Restricted Cash

Restricted cash, which consists principally of cash and cash equivalents, represent amounts to be used for future lending within the temporarily restricted grants funds.

Investments

All investments in publicly traded debt securities and equity securities are stated at fair value. Fair value is determined using quoted market prices. All realized gains and losses are recognized on specifically identified investments when securities are sold.

In accordance with generally accepted accounting principles, the Organization reflects investments at fair value in the statement of financial position. Interest, dividends, gains and losses on investments are reflected in the statement of activities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value Measurements

The Organization follows financial accounting standards related to fair value measurements and disclosures which provides a fair value hierarchy, which prioritizes information used to measure fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect on the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs.

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. Examples of assets carried at the Level 1 fair value generally are equity securities listed in active markets and investments in publicly traded mutual funds with quoted market prices.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset/liability's anticipated life.

Level 3 – Inputs are unobservable and cannot be corroborated by observable market data. Inputs generally reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in this valuation technique and the risk inherent in the inputs to the model.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair-value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair-value is greatest for instruments categorized in Level 3. In certain cases, for disclosure purposes the level in the fair-value hierarchy with which the fair-value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair-value measurement in its entirety.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. All significant assets with an estimated useful life beyond one year are capitalized. Depreciation is computed over the estimated useful lives of the assets using both straight-line and accelerated methods.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Advertising Costs

All advertising costs are expensed as incurred.

Income Taxes

The Organizations are tax exempt under Section 501(c)(3) of the Internal Revenue Code and similar provisions of New York State Regulations. As such, they are exempt from both federal and State income tax.

The Organizations file tax exempt income tax returns in U.S. federal jurisdiction and New York State. The Organizations' returns for its years ended December 31, 2011, 2012 and 2013, are subject to U.S. federal and New York State income tax examination by tax authorities.

The Organizations follow the provision of uncertain tax positions as addressed in the FASB ASC 740. The Organizations have been granted tax exempt status, which management believes would be accepted upon examination by the taxing authorities. Management has determined that it currently has no other uncertain tax positions or unrecognized tax benefits to report for the year ended.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – INVESTMENTS

Investments consist of cash, publicly held stocks, bonds, money market funds, mutual funds and other marketable securities. The table below sets forth the representative values:

December 31, 2013

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Common and preferred stock	\$ 89,978	\$ 171,874	\$ 81,896
U.S. Government obligations	109,527	119,741	10,214
Cash and cash equivalents	3,088	3,088	0
Corporate bonds	<u>0</u>	<u>0</u>	<u>0</u>
Total investments	<u>\$ 202,593</u>	<u>\$ 294,703</u>	<u>\$ 92,110</u>

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 3 – INVESTMENTS – (CONTINUED)

December 31, 2012

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Common and preferred stock	\$ 137,010	\$ 197,624	\$ 60,614
U.S. Government obligations	179,324	201,487	22,163
Cash and cash equivalents	5,486	5,486	0
Corporate bonds	<u>0</u>	<u>0</u>	<u>0</u>
Total investments	<u>\$ 321,820</u>	<u>\$ 404,597</u>	<u>\$ 82,777</u>

Fair value stated in accordance with FASB (ASC) and are all level 2 inputs.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$ 4,100	\$ 4,100
Computers and equipment	8,202	8,202
Other	<u>10,433</u>	<u>10,433</u>
Total cost	22,735	22,735
Less: Accumulated depreciation	<u>(15,699)</u>	<u>(12,451)</u>
Property and equipment, net	<u>\$ 7,036</u>	<u>\$ 10,284</u>

Depreciation expense for the years ended December 31, 2013 and 2012 were \$3,248 and \$3,012, respectively.

NOTE 5 – CROSSROADS INCUBATOR CORPORATION

CRG engages in various transactions with Crossroads Incubator Corporation (CIC). These consist primarily of various shared expenses including marketing and administrative services, insurance, telephone and internet service and various office expenses. Total revenue from CIC related to these transactions during 2013 and 2012 were approximately \$26,000 and \$42,000, respectively.

In addition, CRG reimburses CIC for certain employee wages related to time spent providing accounting and bookkeeping services for CRG. During 2013 and 2012, the Organization received \$180,000 and \$262,250, respectively, in management fee income from CIC. Finally, CRG rents office space from CIC. Rental expenses for 2013 and 2012 approximated \$10,800 and \$22,656, respectively. Total balances receivable from CIC at December 31, 2013 and 2012, were \$152,887 and \$107,410, respectively.

At December 31, 2013 and 2012, CRG had outstanding loans receivable from CIC in the amounts of \$-0- and \$1,158,141, respectively. Total interest income from CIC amounted to \$-0- and \$131,568 in 2013 and 2012, respectively. Total interest receivable related to the loans amounted to \$-0- and \$214,334 as of December 31, 2013 and 2012, respectively.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 6 – ADMINISTRATIVE REVENUE

CRG derives revenue from the administration of the Community Development Block Grant Fund, Gloversville Urban Development Action Grant Fund, Johnstown Urban Development Action Grant Fund, Johnstown Economic Development Corporation Fund and related revolving loan pools. Administrative revenue is also derived from charges for administrative expenses incurred on behalf of CIC. Administrative revenue consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
BAC Fund	\$ 30	\$ 37
CDBG Fund	29,592	20,273
GUDAG Fund	32,188	43,279
JUDAG Fund	3,395	4,902
JEDC Fund	1,415	2,686
Other sources (including CIC)	<u>10,086</u>	<u>3,202</u>
Total administrative revenue	76,706	74,379
Less: Inter-program activity	<u>0</u>	<u>68,491</u>
Total administrative revenue	<u>\$ 76,706</u>	<u>\$ 5,888</u>

NOTE 7 – PENSION PLAN

CRG sponsors a defined contribution pension plan that covers substantially all employees who meet eligibility requirements. Contributions to the plan are discretionary and determined annually by the Board of Directors. Pension expenses were \$21,116 and \$24,611 for the years ended December 31, 2013 and 2012, respectively.

NOTE 8 – SUBSEQUENT EVENTS

The Organizations have evaluated subsequent events through November 5, 2014, the date at which the consolidated financial statements were available for issuance. There are no reportable subsequent events.

NOTE 9 – CONTINGENCIES

During 2010, the Office of the Attorney General of the State of New York began an investigation and the Committee on Corporations, Authorities and Commissions began an inquiry regarding certain FCEDC and CIC compensation practices. As a result of information determined during the investigation and inquiry and based on the results of a compensation study performed by an independent third party, the Organization has notified the Internal Revenue Service that excess benefits had been paid to certain former executives of the Organization. No provision has been included in these financial statements for the impact of potential excess benefits. The Organization has retained legal counsel and has cooperated with the authorities regarding these matters, but has received no official response as to the final resolution.

While the Organization believes that the possibility of these benefits being treated as excessive does not meet the more likely than not criteria at this time, it is reasonably possible that unrecognized tax consequences could significantly increase or decrease within the next twelve months as a result of the conclusion of the investigation and inquiry. An estimate of the range of possible change cannot be reasonably determined as of the date of this report.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 9 – CONTINGENCIES – (CONTINUED)

None of the federal informational income tax returns are currently under examination by the IRS. However, fiscal years 2009 and later remain subject to examination by the IRS.

FCEDC has been considered by the Authorities Budget Office of the State of New York to be a Public Authority under the 2005 Public Authorities Accountability Act. FCEDC does not believe that they are subject to this law and is disputing the classification.

FCEDC has pending litigation against former officers and legal counsel for unauthorized payments.

The City of Gloversville, New York has commenced legal action against CRG, FCEDC and CIC for the return of the Gloversville Urban Development Action Grant (GUDAG) loan fund and for alleged improper loans to CIC.

FCEDC has commenced the process to formally dissolve itself.

In all of these matters, the Organization has retained legal counsel and believes it has sustainable positions. The outcome of these pending legal actions is not known at this time, and no provision has been made in these consolidated financial statements for any potential effect of the outcomes.

NOTE 10 – OTHER CHANGE IN NET ASSETS

Management and the Board of Directors of the CRG and FCEDC, have determined that the various loan pool funds and associated assets previously included in the temporarily restricted net assets of the CRG and FCEDC, should not have been included in the consolidated financial statements.

The CRG and FCEDC are only administrators of these loan pools.

Accordingly, these funds have been removed as of December 31, 2013.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

COMBINING STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

	Restricted											
	Loan Funds											
	Unrestricted			Total Temp. Restricted	Temporarily Restricted EDC	Total	Business Assistance Fund	Community Development Block Grant Fund	Gloversville Urban Development Action Grant	Johnstown Urban Development Action Grant Corporation	Johnstown Economic Development Corporation	
Totals	Total Unrestricted	CRG	EDC									
- ASSETS -												
ASSETS:												
CURRENT ASSETS												
Cash - unrestricted	\$ 30,877	\$ 30,877	\$ 27,292	\$ 3,585	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cash - restricted	0	(22,738)	0	(22,738)	22,738	22,738	0	0	0	0	0	0
Investments	294,703	294,703	0	294,703	0	0	0	0	0	0	0	0
Current maturities notes receivable - net	806	0	0	0	806	806	0	0	0	0	0	0
Accounts and interest receivable	10,566	8,740	0	8,740	1,826	1,826	0	0	0	0	0	0
Other receivables	264,938	264,938	167,822	97,116	0	0	0	0	0	0	0	0
Prepaid expenses	5,840	5,840	4,756	1,084	0	0	0	0	0	0	0	0
TOTAL CURRENT ASSETS	607,730	582,360	199,870	382,490	25,370	25,370	0	0	0	0	0	0
PROPERTY AND EQUIPMENT - NET	7,036	7,036	472	6,564	0	0	0	0	0	0	0	0
OTHER ASSETS	5,300	5,300	0	5,300	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 620,066	\$ 594,696	\$ 200,342	\$ 394,354	\$ 25,370	\$ 25,370	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
- LIABILITIES AND NET ASSETS -												
LIABILITIES:												
Accounts payable	\$ 56,768	\$ 56,768	\$ 5,388	\$ 51,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued expenses	17,539	17,539	17,539	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	74,307	74,307	22,927	51,380	0	0	0	0	0	0	0	0
Net assets unrestricted	520,389	520,389	177,415	342,974	0	0	0	0	0	0	0	0
Net assets temporarily restricted	25,370	0	0	0	25,370	25,370	0	0	0	0	0	0
TOTAL NET ASSETS	545,759	520,389	177,415	342,974	25,370	25,370	0	0	0	0	0	0
TOTAL LIABILITIES AND NET ASSETS	\$ 620,066	\$ 594,696	\$ 200,342	\$ 394,354	\$ 25,370	\$ 25,370	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See independent accountants' report on supplemental information.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted					Total		Restricted						
	Totals	Unrestricted				Total Temporarily Restricted	Temporarily Restricted EDC	Loan Pools						
		Unrestricted	Eliminations	CRG	EDC			Total	Business Assistance Fund	Community Development Block Grant Fund	Gloversville Urban Development Action Grant	Johnstown Urban Development Action Grant Corporation	Johnstown Economic Development Corporation	
REVENUE														
Program income	\$ 58,962	\$ 58,962	\$ 0	\$ 58,962	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest income and other	40,466	40,367	0	16	40,351	99	99	0	0	0	0	0	0	0
Memberships	10,700	10,700	0	10,700	0	0	0	0	0	0	0	0	0	0
Administrative revenue	76,706	76,706	0	0	76,706	0	0	0	0	0	0	0	0	0
Management fee income CIC	180,000	180,000	(180,000)	360,000	0	0	0	0	0	0	0	0	0	0
Gain on investments - net	36,985	36,985	0	0	36,985	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	403,819	403,720	(180,000)	429,678	154,042	99	99	0	0	0	0	0	0	0
EXPENSES														
General and administrative	474,629	474,599	0	458,465	16,134	30	30	0	0	0	0	0	0	0
Intercompany expense	0	0	(180,000)	0	180,000	0	0	0	0	0	0	0	0	0
Depreciation and amortization	3,248	3,248	0	307	2,941	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME (EXPENSE)	477,877	477,847	(180,000)	458,772	199,075	30	30	0	0	0	0	0	0	0
CHANGE IN NET ASSETS	\$ (74,058)	\$ (74,127)	\$ 0	\$ (29,094)	\$ (45,033)	\$ 69	\$ 69	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
COMBINING STATEMENTS OF NET ASSETS														
BEGINNING BALANCE	\$ 4,928,249	\$ 594,516	\$ 0	\$ 206,509	\$ 388,007	\$ 4,333,733	\$ 0	\$ 4,333,733	\$ 25,301	\$ 1,419,658	\$ 2,679,146	\$ 209,628	\$ 0	\$ 0
Change in net assets for the year	(74,058)	(74,127)	0	(29,094)	(45,033)	69	69	0	0	0	0	0	0	0
Other changes in net assets	(4,308,432)	0	0	0	0	(4,308,432)	25,301	(4,333,733)	(25,301)	(1,419,658)	(2,679,146)	(209,628)	0	0
NET ASSETS AT END OF YEAR	\$ 545,759	\$ 520,389	\$ 0	\$ 177,415	\$ 342,974	\$ 25,370	\$ 25,370	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See independent accountants' report on supplemental information.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

COMBINING STATEMENT OF FINANCIAL CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2012

- ASSETS -												
ASSETS:	Combined Totals	Eliminations	Total Unrestricted	Unrestricted CRG	Unrestricted EDC	Total Temp. Restricted	Business Assistance Fund	Community Development Block Grant Fund	Gloversville Urban Development Action Grant	Johnstown Urban Development Action Grant Corporation	Johnstown Economic Development Corporation	
CURRENT ASSETS												
Cash - unrestricted	\$ 46,436	\$ 0	\$ 46,436	\$ 17,851	\$ 28,585	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Cash - restricted	1,204,349	0	0	0	0	1,204,349	21,409	40,216	993,752	48,733	100,239	
Investments	404,597	0	404,597	0	404,597	0	0	0	0	0	0	
Current maturities notes receivable - net	212,744	0	0	0	0	212,744	3,892	72,242	112,577	14,538	9,495	
Accounts and interest receivable	524,984	0	8,410	0	8,410	516,574	0	112,606	391,729	0	12,239	
Other receivables	202,997	(97,116)	299,949	202,833	97,116	164	0	0	0	164	0	
Prepaid expenses	6,501	0	6,501	5,427	1,074	0	0	0	0	0	0	
TOTAL CURRENT ASSETS	2,602,608	(97,116)	765,893	226,111	539,782	1,933,831	25,301	225,064	1,498,058	63,435	121,973	
PROPERTY AND EQUIPMENT - NET	10,284	0	10,284	779	9,505	0	0	0	0	0	0	
NOTES RECEIVABLE, NET, LONG-TERM	2,657,698	0	0	0	0	2,657,698	0	1,219,176	1,255,236	146,816	36,470	
TOTAL ASSETS	\$ 5,270,590	\$ (97,116)	\$ 776,177	\$ 226,890	\$ 549,287	\$ 4,591,529	\$ 25,301	\$ 1,444,240	\$ 2,753,294	\$ 210,251	\$ 158,443	
- LIABILITIES AND NET ASSETS -												
LIABILITIES:												
CURRENT LIABILITIES												
Accounts payable	\$ 146,475	\$ 0	\$ 142,055	\$ 2,842	\$ 139,213	\$ 4,420	\$ 0	\$ 0	\$ 4,420	\$ 0	\$ 0	
Accrued expenses	37,729	(2,500)	39,606	17,539	22,067	623	0	0	0	623	0	
Deferred revenue and other	0	(94,616)	0	0	0	94,616	0	24,582	69,728	0	306	
TOTAL CURRENT LIABILITIES	184,204	(97,116)	181,661	20,381	161,280	99,659	0	24,582	74,148	623	306	
Refundable advances	158,137	0	0	0	0	158,137	0	0	0	0	158,137	
TOTAL LIABILITIES	342,341	(97,116)	181,661	20,381	161,280	257,796	0	24,582	74,148	623	158,443	
NET ASSETS:												
Net assets unrestricted	594,516	0	594,516	206,509	388,007	0	0	0	0	0	0	
Net assets temporarily restricted	4,333,733	0	0	0	0	4,333,733	25,301	1,419,658	2,679,146	209,628	0	
TOTAL NET ASSETS	4,928,249	0	594,516	206,509	388,007	4,333,733	25,301	1,419,658	2,679,146	209,628	0	
TOTAL LIABILITIES AND NET ASSETS	\$ 5,270,590	\$ (97,116)	\$ 776,177	\$ 226,890	\$ 549,287	\$ 4,591,529	\$ 25,301	\$ 1,444,240	\$ 2,753,294	\$ 210,251	\$ 158,443	

See independent accountants' report on supplemental information.

**FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC., AND
FULTON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Totals</u>	<u>Eliminations</u>	<u>Total Unrestricted</u>	<u>Unrestricted CRG</u>	<u>Unrestricted EDC</u>	<u>Total Temp. Restricted</u>	<u>Business Assistance Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Gloversville Urban Development Action Grant</u>	<u>Johnstown Urban Development Action Grant Corporation</u>	<u>Johnstown Economic Development Corporation</u>
REVENUE											
Program income	\$ 43,410	\$ 0	\$ 43,410	\$ 22,500	\$ 20,910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest income and other	40,234	0	35,371	0	35,371	4,863	0	3,586	854	423	0
Interest income temporarily restricted	127,300	0	0	0	0	127,300	383	43,325	74,986	8,606	0
Memberships	8,925	0	8,925	8,925	0	0	0	0	0	0	0
Administrative revenue	5,888	(68,491)	74,379	0	74,379	0	0	0	0	0	0
Intercompany revenue	262,250	(282,500)	544,750	544,750	0	0	0	0	0	0	0
Gain on investments, net	22,595	0	22,595	0	22,595	0	0	0	0	0	0
TOTAL REVENUE	510,602	(350,991)	729,430	576,175	153,255	132,163	383	46,911	75,840	9,029	0
EXPENSES											
General and administrative	525,250	(68,491)	525,250	369,595	155,655	68,491	37	20,273	43,279	4,902	0
Intercompany expense	0	(282,500)	282,500	0	282,500	0	0	0	0	0	0
Depreciation and amortization	3,012	0	3,012	71	2,941	0	0	0	0	0	0
Loan loss reserves	141,657	0	0	0	0	141,657	0	28,160	113,497	0	0
TOTAL OTHER INCOME (EXPENSE)	669,919	(350,991)	810,762	369,666	441,096	210,148	37	48,433	156,776	4,902	0
CHANGE IN NET ASSETS	\$ (159,317)	\$ 0	\$ (81,332)	\$ 206,509	\$ (287,841)	\$ (77,985)	\$ 346	\$ (1,522)	\$ (80,936)	\$ 4,127	\$ 0
COMBINING STATEMENTS OF NET ASSETS											
BEGINNING BALANCE	\$ 5,087,566	\$ 0	\$ 675,848	\$ 0	\$ 675,848	\$ 4,411,718	\$ 24,955	\$ 1,421,180	\$ 2,760,082	\$ 205,501	\$ 0
Change in net assets for the year	(159,317)	0	(81,332)	206,509	(287,841)	(77,985)	346	(1,522)	(80,936)	4,127	0
NET ASSETS AT END OF YEAR	\$ 4,928,249	\$ 0	\$ 594,516	\$ 206,509	\$ 388,007	\$ 4,333,733	\$ 25,301	\$ 1,419,658	\$ 2,679,146	\$ 209,628	\$ 0

See independent accountants' report on supplemental information.