FULTON COUNTY CENTER
FOR REGIONAL GROWTH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Fulton County Center for Regional Growth, Inc., (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, changes in net assets 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 the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Fulton County Center for Regional Growth, Inc., as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WEST & COMPANY CPAs PC

Gloversville, New York
March 10, 2016

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FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

- ASSETS -	2015	2014
ASSETS:		
Cash	$ 524,018	$ 149,387
Other receivables	13,242	541,000
Prepaid expenses	8,221	1,348
Total current assets	545,481	691,735
PROPERTY AND EQUIPMENT - NET	0	189
TOTAL ASSETS	$ 545,481	$ 691,924

- LIABILITIES AND NET ASSETS -

	2015	2014
LIABILITIES:		
Accounts payable	$ 9,087	$ 3,603
Accrued expenses	67,579	67,555
Deferred revenue	50,000	0
Total liabilities	126,666	71,158
NET ASSETS:		
Unrestricted	418,815	620,766
Total net assets	418,815	620,766
TOTAL LIABILITIES AND NET ASSETS	$ 545,481	$ 691,924

See accompanying notes.

FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES		
Program income	$ 197,327	$ 82,602
Administrative revenue	12,032	0
Management fee income CIC	108,357	354,250
Miscellaneous	7,068	0
Total revenue	324,784	436,852
EXPENSES		
General and administrative	526,621	332,968
Depreciation and amortization	189	283
Total expenses	526,810	333,251
CHANGE IN NET ASSETS	$ (202,026)	$ 103,601
NET ASSETS AT BEGINNING OF THE YEAR	$ 620,766	$ 177,415
Change in net assets for the year	(202,026)	443,351
Other changes in net assets	75	0
NET ASSETS AT END OF THE YEAR	$ 418,815	$ 620,766

See accompanying notes.

FULTON COUNTY CENTER FOR REGIONAL GROWTH, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (201,951)	$ 443,351
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	189	283
(Increase) decrease in:		
Other receivables	527,758	(373,178)
Prepaid expenses	(6,873)	3,408
Increase (decrease) in:		
Accounts payable	5,484	(1,785)
Accrued expenses	24	50,016
Deferred revenue	50,000	0
Net cash provided by operating activities	374,631	122,095
NET INCREASE IN CASH	374,631	122,095
CASH UNRESTRICTED AND RESTRICTED - BEGINNING	149,387	27,292
CASH UNRESTRICTED AND RESTRICTED - ENDING	$ 524,018	$ 149,387

See accompanying notes.

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.

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 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.

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.

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.

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.

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

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.

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.

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

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.

Advertising Costs

All advertising costs are expensed as incurred.

Income Taxes

The Organization is 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 Organization files tax exempt income tax returns in its U.S. federal jurisdiction and New York State. The Organization's returns for its years ended December 31, 2013, 2014 and 2015, are subject to U.S. federal and New York State income tax examination by tax authorities.

The Organization follows the provision of uncertain tax positions as addressed in the FASB ASC 740. The Organization has 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.

The primary income tax position taken by Organization for any years open under the various statutes of limitations are (1) that the Organization continues to be exempt from income taxes and (2) that the Organization does not have unrelated business income that would be subject to income taxes.

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 – PROPERTY AND EQUIPMENT

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

	2015	2014
Computers and equipment	$ 850	$ 850
Total cost	850	850
Less: Accumulated depreciation	(850)	(661)
Property and equipment, net	$ 0	$ 189

Depreciation expense for the years ended December 31, 2015 and 2014, were $189 and $283, respectively.

NOTE 4 – 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 and FCEDC related to these transactions during 2015 and 2014 was approximately $-0-.

In addition, CRG reimburses CIC for certain employee wages related to time spent providing accounting and bookkeeping services for CRG. During 2015 and 2014, the Organization received $-0- and $354,250, respectively, in management fee income from CIC. Finally, CRG rents office space from CIC. Rental expenses for 2015 and 2014 approximated $7,913 and $5,181, respectively. Total balances receivable from CIC at December 31, 2015 and 2014, were $-0- and $273,814, respectively.

NOTE 5 – 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 $12,969 and $16,767 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 – CONTINGENCIES

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.

In 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 financial statements for any potential effect of the outcomes.

NOTE 7 – OTHER CHANGES IN NET ASSETS

There was an other change in net assets for $75 to account for a 2014 miscellaneous revenue.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date at which the financial statements were available for issuance. The Organization took title to 30-34 West Fulton Street in the City of Gloversville, New York. This will be the new permanent location for the Organization starting in April, 2016. The building will also serve as a potential revenue stream as the Organization plans to lease out any excess space.