

**OGDENSBURG GROWTH FUND
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ogdensburg Growth Fund Development Corporation
Ogdensburg, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Ogdensburg Growth Fund Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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.

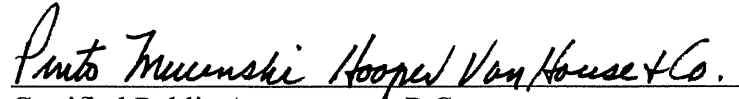
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ogdensburg Growth Fund Development Corporation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance 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 22, 2018, on our consideration of the Ogdensburg Growth Fund Development 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 Ogdensburg Growth Fund Development Corporation's internal control over financial reporting and compliance.

Handwritten signature in cursive script: P. Mucinski Hooper Van House & Co.

Certified Public Accountants, P.C.

March 22, 2018

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,105,721	\$ 1,287,293
Accounts Receivable	76,953	-
Loans Receivable (Net of Allowance of \$ 40,000 for both 2017 and 2016)	63,651	31,982
Lease Receivable	3,957	3,957
Real Estate Held for Resale	-	80,973
Total Current Assets	1,250,282	1,404,205
Long-Term Assets		
Loans Receivable (Net of Current Portion)	484,060	357,047
Lease Receivable (Net of Current Portion)	23,281	27,238
Total Long-Term Assets	507,341	384,285
TOTAL ASSETS	\$ 1,757,623	\$ 1,788,490
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 400	\$ 263
Net Assets		
Unrestricted	953,884	984,888
Temporarily Restricted	803,339	803,339
Total Net Assets	1,757,223	1,788,227
TOTAL LIABILITIES AND NET ASSETS	\$ 1,757,623	\$ 1,788,490

The accompanying notes are an integral part of these financial statements.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Program Income - Loan Interest	\$ 9,824	\$ -	\$ 9,824	\$ 7,456	\$ -	\$ 7,456
Security Deposit Retained	500	-	500	500	-	500
Interest Income - Banks	615	-	615	310	-	310
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
Total Support and Revenue	<u>10,939</u>	<u>-</u>	<u>10,939</u>	<u>208,266</u>	<u>(200,000)</u>	<u>8,266</u>
Expenses						
Program Services						
Insurance	5,775	-	5,775	5,474	-	5,474
Professional Services	3,894	-	3,894	6,743	-	6,743
Contribution - City of Ogdensburg	-	-	-	200,000	-	200,000
Property Maintenance and Taxes	-	-	-	4,389	-	4,389
Bad Debts	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Program Services	<u>9,669</u>	<u>-</u>	<u>9,669</u>	<u>217,606</u>	<u>-</u>	<u>217,606</u>
Management and General						
Contracted Services - City of Ogdensburg	16,500	-	16,500	15,500	-	15,500
Insurance	2,347	-	2,347	2,347	-	2,347
Tax Filing and Fees	300	-	300	850	-	850
Office Expense	<u>57</u>	<u>-</u>	<u>57</u>	<u>23</u>	<u>-</u>	<u>23</u>
Total Management and General	<u>19,204</u>	<u>-</u>	<u>19,204</u>	<u>18,720</u>	<u>-</u>	<u>18,720</u>
Total Expenses	<u>28,873</u>	<u>-</u>	<u>28,873</u>	<u>236,326</u>	<u>-</u>	<u>236,326</u>
Income (Loss) from Operations	(17,934)	-	(17,934)	(28,060)	(200,000)	(228,060)
Other Gains (Losses)						
Gain/(Loss) on Sale of Real Estate	<u>(13,070)</u>	<u>-</u>	<u>(13,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(31,004)	-	(31,004)	(28,060)	(200,000)	(228,060)
Net Assets - Beginning of Year, as restated	<u>984,888</u>	<u>803,339</u>	<u>1,788,227</u>	<u>1,012,948</u>	<u>1,003,339</u>	<u>2,016,287</u>
Net Assets - End of Year	<u>\$ 953,884</u>	<u>\$ 803,339</u>	<u>\$ 1,757,223</u>	<u>\$ 984,888</u>	<u>\$ 803,339</u>	<u>\$ 1,788,227</u>

The accompanying notes are integral part of these financial statements.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Change in Net Assets	\$ (31,004)	\$ (228,060)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Non-Cash Contributions Expense	-	200,000
Bad Debts	-	1,000
Loss on Sale of Real Estate	13,070	
Changes in Operating Assets and Liabilities		
Accounts Receivable	(76,953)	-
Accounts Payable	136	(6,315)
Net Cash Provided (Used) by Operating Activities	(94,751)	(33,375)
INVESTING ACTIVITIES		
New Loans Issued	(228,050)	(150,000)
Payments Received on Loans	69,368	755,865
Payments Received on Lease	3,957	4,287
Proceeds from Sale of Real Estate	67,903	-
Net Cash Provided (Used) by Investing Activities	(86,822)	610,152
Net Increase (Decrease) in Cash and Cash Equivalents	(181,573)	576,777
Cash and Cash Equivalents - Beginning of Year	1,287,293	710,516
Cash and Cash Equivalents - END OF YEAR	\$ 1,105,720	\$ 1,287,293

The accompanying notes are an integral part of these financial statements.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1 – NATURE OF ACTIVITIES

The Ogdensburg Growth Fund Development Corporation (herein, the “Growth Fund”) was established pursuant to the filing of a Certificate of Incorporation dated April 19, 1983 pursuant to Sections 402 and 1411 of the Not-for-Profit Corporation Law (“N-PCL”) of the State of New York.

The purpose of the Growth Fund is to:

- Relieve and reduce unemployment and lessen the burdens of government and to act in the public interest.
- Promote, provide, and/or facilitate projects and efforts intended to maximize employment opportunities for Ogdensburg residents through the creation of residential, commercial, and industrial developments throughout the community.
- Instruct and train individuals to improve or develop their capabilities for jobs.
- Conduct research for the purpose of attracting or retaining businesses in the Ogdensburg area.
- Administer the Ogdensburg Growth Fund Loan Program.
- Attract funding from private and public sources for the purposes of supporting economic growth within the greater Ogdensburg area.

On January 8, 2014, the Growth Fund authorized amendments to its Bylaws and Certificate of Incorporation to amend and modify its membership. The amendments expanded the size of the Board of Directors from seven to allow up to eleven members, who shall be appointed by a majority of the Growth Fund’s Board of Directors and who shall serve four (4) year terms. This amendment also amended and modified the appointment of officers who are now appointed by a majority of the Growth Fund’s Board of Directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Growth Fund have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Growth Fund has adopted *FASB ASC 958-205*. Under this standard, the Growth Fund is required to report 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 Growth Fund currently has only unrestricted and temporarily restricted net assets.

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets whose use has been limited by donors to specific time periods or purposes. When the donor restrictions expire, that is, when a stipulation ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and classified on the statement of activities as net assets released from restrictions.

Contributions

The Growth Fund has also adopted *FASB ASC 958-605*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Loans Receivable

Loans receivable are reported at their principal amount outstanding. Interest is recognized on the accrual basis as specified in the loan agreements.

Loan Loss Allowance

Management reviews the status of all loan receivable balances and makes an assessment of their collectability. A loan loss reserve has been established for loans whose repayment is considered doubtful. The loan loss reserve at December 31, 2017 and 2016 was \$ 40,000 for each year. When loans are deemed to be uncollectable, they are charged off to the allowance. There were no actual loan write-offs in 2017 or 2016.

Income Taxes

The Growth Fund is exempt from federal income tax and is classified by the Internal Revenue Service as a public charity under Section 501(c)(3) of the Internal Revenue Code. A similar exemption has also been obtained from New York State.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and savings instruments with a maturity of less than three months.

NOTE 3 – LOANS RECEIVABLE

Loans receivable balances at December 31, 2017 and 2016 consisted of the following:

Loans	Date of Loan	Date of Maturity	Interest Rate	Original Amount	Balance 2017	Balance 2016
Ansen Corporation	01/15/2016	03/01/2026	2.750%	\$ 150,000	\$ 126,611	\$ 140,098
BlastBoss	01/04/2017	01/01/2022	2.875%	78,050	64,555	-
Canexsys Networks, Inc.	09/15/2017	09/01/2024	3.125%	150,000	145,010	-
City of Ogdensburg Shade Roller Project #2	11/21/2016	11/21/2021	0.000%	90,000	90,000	90,000
Farrand's Flowers & Events Planning, Inc.	05/07/2013	05/07/2020	3.300%	36,000	27,751	27,751
Hoosier Magnetics	09/18/2015	09/18/2020	2.625%	100,000	59,407	79,970
Hozmerica, LLC	07/29/2011	05/01/2026	2.000%	100,000	67,667	74,976
JCP Grociers, Inc. dba Save-A-Lot Grocery	08/09/2010	08/09/2017	0.000%	100,000	-	9,524
The Pub	09/11/2012	09/11/2017	4.300%	20,000	<u>6,710</u>	<u>6,710</u>
Total Loans Receivable					587,711	429,029
Allowance for Doubtful Accounts					<u>(40,000)</u>	<u>(40,000)</u>
Net Loans Receivable					<u>\$ 547,711</u>	<u>\$ 389,029</u>

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 – LOANS RECEIVABLE (Continued)

Future maturities of the loans receivable are as follows:

December 31, 2018	\$	103,651
2019		84,889
2020		78,291
2021		150,975
2022		47,155
Thereafter		<u>122,750</u>
		<u>\$ 587,711</u>

NOTE 4 – REVOLVING LOAN FUND (RLF) AND INTRA-GOVERNMENTAL LOAN

On September 8, 2011 the Growth Fund approved a resolution to act as the administrator for an intra-governmental loan to provide financing for the brownfield cleanup at the former *Standard Shade Roller* property located at 541 Covington Street in Ogdensburg, New York.

An intra-governmental loan is a direct loan made by the RLF grantee (“City”) to a branch within its own governmental unit (“Growth Fund”). Often, local governments acquire contaminated property through tax foreclosure or condemnation which is the case for the former *Standard Shade Roller* property. An intra-governmental loan can provide the necessary funding for a government to complete the cleanup of the property. At the time of the loan, the City of Ogdensburg and the Growth Fund functioned as a single governmental unit. This union existed from the inception of the Growth Fund in April, 1983 until June 28, 2012. At that time, the Growth Fund parted from the City of Ogdensburg and became an independent not-for-profit entity.

The Ogdensburg City Council appropriated \$ 990,000 from the City’s EPA Revolving Loan Fund (RLF) Grant (Assistance ID No. BF-97219800-0) on September 12, 2011 to be loaned through the Growth Fund for the purpose of financing the remediation of the former *Standard Shade Roller* property. The City agreed to repay the money at zero percent (0%) interest to the Growth Fund upon the sooner of completion of the remediation and transfer of the property to private interests, or five years from the date of the loan’s disbursement to the City. The five-year time period expired on September 29, 2016; the Ogdensburg City Manager having executed the promissory note on said date in 2011. In 2016, the City of Ogdensburg repaid \$ 700,000 of the original loan and the Growth Fund forgave \$ 200,000 while a new loan agreement for the remaining \$ 90,000 balance was entered into. The loan is dated November 21, 2016 with a stated interest rate of 0% and the \$ 90,000 principal balance due on November 21, 2021 or upon the transfer of the property to private interests, whichever comes sooner.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of grant funds received from the U.S. Environmental Protection Agency (EPA). These funds are to be used as a revolving loan fund to carry out cleanup activities at eligible brownfields sites. Therefore, the funds are deemed to be temporarily restricted for a specified purpose. Brownfields are defined by the EPA as: real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Brownfields Law further defines the term to include a site that is: “contaminated by a controlled substance; contaminated by petroleum or a petroleum product excluded from the definition of ‘hazardous substance’; or mine-scarred land.”

Temporarily restricted net assets as of December 31, 2017 and 2016 was \$ 803,339 for both years.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 – REAL ESTATE HELD FOR RESALE

The Growth Fund took possession and title to residential real property located at 611 Rensselaer Avenue in 2014. The Growth Fund has since made substantial improvements to the property for the purpose of bettering the City of Ogdensburg and expanding its tax base. The property has been recorded at cost on the financial statements, including the cost of improvements. The property was sold on May 9, 2017, resulting in a loss of \$ 13,070.

NOTE 7 – LONG-TERM CAPITAL LEASE AGREEMENT

The Growth Fund leases a building located at 431 State Street in the City of Ogdensburg, New York to the United States Postal Service (USPS) under a non-cancelable lease-purchase agreement dated December 15, 2000. The lease term commenced on October 20, 2001 and ends on October 19, 2024 with monthly lease payments of \$ 330. The following is a schedule of future minimum lease payments as of December 31, 2017:

December 31, 2018	\$	3,957
2019		3,957
2020		3,957
2021		3,957
2022		3,957
Thereafter		<u>7,453</u>
	\$	<u>27,238</u>

Per the terms of their agreement, the USPS reimburses the Growth Fund for all real estate taxes associated with the leased property. At December 31, 2017, the USPS owed the Growth Fund \$ 76,953 for the 2017 real estate taxes and this amount is recorded as accounts receivable on these financial statements. This amount was paid in January of 2018.

NOTE 8 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from January 1, 2018 through March 22, 2018, the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Growth Fund and the City of Ogdensburg are parties to a number of transactions. The Growth Fund operates out of premises owned by the City of Ogdensburg. City of Ogdensburg employees provide services on behalf of the Growth Fund and these services are reflected as an expense on the books and records of the Growth Fund. The expense for such contracted services for the years ended December 31, 2017 and 2016 was \$ 16,500 and \$ 15,500, respectively.

As more fully explained in Note 3 and Note 4 of these financial statements, there is a formal promissory note between the two parties.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Growth Fund maintains its cash balances with Community Bank, N.A. The Federal Deposit Insurance Corporation (FDIC) insures accounts at the institution up to \$ 250,000. Cash at December 31, 2017 and 2016, exceeded FDIC insurance limits by \$ 856,021 and \$ 1,052,463, respectively.

OGDENSBURG GROWTH FUND DEVELOPMENT CORPORATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 – SMALL BUSINESS REVOLVING LOAN FUND

On August 4, 2017, the Growth Fund was awarded a \$ 250,000 federal grant from the Northern Border Regional Commission. The purpose of the grant is to provide low-interest loans in an amount up to \$ 100,000 to businesses that are creating new jobs in the community, with emphasis on business development within Ogdensburg's NYS Designated Brownfield Opportunity Area. This 330-acre target area is located on the St. Lawrence and Oswegatchie Rivers. There were no funds received or loaned by the Growth Fund in 2017. It is expected that the Growth Fund will begin utilizing the grant award in 2018.

NOTE 12 – RECLASSIFICATIONS

Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**INDEPENDENT AUDITOR'S 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***



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**INDEPENDENT AUDITOR'S 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**

Board of Directors
Ogdensburg Growth Fund Development Corporation
Ogdensburg, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ogdensburg Growth Fund Development Corporation (Growth Fund) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Growth Fund'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 Growth Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Growth Fund'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 Growth Fund'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pinto Mucenski Hooper Van House & Co.

Certified Public Accountants, P.C.

March 22, 2018