

DEVELOPMENT CHENANGO CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010, 2009 and 2008

Development Chenango Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Development Chenango Corporation
Norwich, New York

We have audited the accompanying statement of financial position of Development Chenango Corporation as of December 31, 2010 and 2009, and the related statement of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Development Chenango Corporation as of and for the year ended December 31, 2008 which statements reflect total assets of \$2,883,453 and total support and revenues of \$498,729 which is presented for purposes of additional analysis. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those amounts included, is based solely on the report of the other auditors.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Chenango Corporation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flow for the years then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2011, on our consideration of Development Chenango 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Development Chenango Corporation taken as a whole. The accompanying schedule of federal functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cwynar & Company CPAs, PLLC

Development Chenango Corporation

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cwynar & Company

Norwich, New York
February 22, 2011

DEVELOPMENT CHENANGO CORPORATION

STATEMENT OF FINANCIAL POSITION

At December 31,	2010	2009	2008
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 204,011	199,366	92,194
Cash, restricted	24,860	24,829	24,812
Investments in repurchase agreements	408,338	222,951	276,263
Contract receivable	4,322	-	18,237
Promise to give	-	7,500	57,500
Prepaid expenses	316	712	628
Loans receivable, net	170,414	234,182	156,679
Total current assets	812,261	689,540	626,313
OTHER ASSETS			
Investments	1,394,253	1,390,525	1,382,805
Conditional forgivable receivable	340,000	340,000	340,000
Loans receivable, net	469,007	571,711	530,445
Total other assets	2,203,260	2,302,236	2,253,250
FIXED ASSETS			
Land	-	-	6,450
Office equipment	8,086	8,086	8,086
Accumulated depreciation	(6,850)	(6,491)	(5,442)
Total net fixed assets	1,236	1,595	9,094
Total assets	\$ 3,016,757	2,993,371	2,888,657
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 4,695	338	1,899
Loan program funds payable	16,720	35,608	18,256
Total current liabilities	21,415	35,946	20,155
NET ASSETS			
Unrestricted	2,984,229	2,938,812	2,828,639
Temporarily restricted	11,113	18,613	39,863
Total net assets	2,995,342	2,957,425	2,868,502
Total liabilities and net assets	\$ 3,016,757	2,993,371	2,888,657

See independent auditors' report

See accompanying notes to the financial statements

DEVELOPMENT CHENANGO CORPORATION

STATEMENT OF ACTIVITIES

For the years ended December 31,	2010	2009	2008
UNRESTRICTED NET ASSETS			
PROGRAM REVENUES, SUPPORT, AND GAINS			
Contributions	\$ 149,250	114,250	114,190
Interest earned on loan portfolio	27,876	28,538	37,897
Loan application fees earned	540	3,225	1,550
Grants	760,784	186,332	127,049
Contract revenue	54,750	66,420	36,879
Special projects	-	10,000	23,700
Interest and dividends	24,494	23,025	45,157
Gain on sale of fixed asset	-	14,550	-
Net realized gains (losses) on investment transactions	63	-	-
Net unrealized gains (losses) on investment transactions	(4,769)	(5,177)	16,468
Recovery of bad debts	31,792	-	-
Other	289	2,707	32,089
Total program revenues, support, and gains	1,045,069	443,870	434,979
Net assets released from donor restrictions	7,500	21,250	63,750
Total unrestricted revenues, gains, and other support	1,052,569	465,120	498,729
FUNCTIONAL EXPENSES			
PROGRAM SERVICES			
Empire zone	34,750	71,727	84,466
Federal grant	740,084	-	-
Economic development	92,346	133,202	172,328
Loan portfolio	45,102	20,312	89,971
Total program services	912,282	225,241	346,765
SUPPORTING SERVICES			
Management & general	94,870	129,706	114,995
Total functional expenses	1,007,152	354,947	461,760
Change in unrestricted net assets	45,417	110,173	36,969
Beginning of the year	2,938,812	2,828,639	2,791,670
End of the year	\$ 2,984,229	2,938,812	2,828,639

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See accompanying notes to the financial statements

For the years ended December 31,	2010	2009	2008
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	\$ -	-	57,500
Contract revenue	-	-	10,402
Net assets released from donor restrictions	(7,500)	(21,250)	(63,750)
Change in temporarily restricted net assts	(7,500)	(21,250)	4,152
Beginning of the year	18,613	39,863	35,711
End of the year	\$ 11,113	18,613	39,863

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See accompanying notes to the financial statements

DEVELOPMENT CHENANGO CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

	<u>PROGRAM SERVICES</u>			
	<u>Empire Zone</u>	<u>Federal Grant</u>	<u>Economic Development</u>	<u>Loan Portfolio</u>
For the years ended December 31				
Management fee	\$ 34,750	4,855	61,850	8,853
Consulting services	-	-	1,565	-
Program recipient	-	734,000	-	-
Professional fees	-	550	2,748	2,748
Investment management	-	-	-	-
Marketing and advertising	-	-	11,759	11,760
Office	-	679	9,514	9,514
Rent	-	-	-	-
Travel and training	-	-	4,632	-
Insurance	-	-	-	-
Telephone	-	-	-	-
Miscellaneous	-	-	278	278
Bad debt	-	-	-	11,949
Depreciation	-	-	-	-
Total	\$ 34,750	740,084	92,346	45,102

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See accompanying notes to the financial statements

		SUPPORTING SERVICES		TOTAL	
		Management and General			
Total		2010	2009	2008	
\$ 110,308	\$ 66,742	\$ 177,050	200,841	191,491	
1,565	-	1,565	10,370	41,000	
734,000	-	734,000	31,582	41,069	
6,046	4,944	10,990	24,758	15,728	
-	4,820	4,820	8,712	11,762	
23,519	2,611	26,130	14,196	41,315	
19,707	1,435	21,142	20,093	10,221	
-	12,450	12,450	14,050	6,500	
4,632	-	4,632	5,112	7,757	
-	1,509	1,509	2,702	2,961	
-	-	-	1,170	-	
556	-	556	-	726	
11,949	-	11,949	20,312	89,971	
-	359	359	1,049	1,259	
\$ 912,282	\$ 94,870	\$ 1,007,152	354,947	461,760	

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DEVELOPMENT CHENANGO CORPORATION

STATEMENT OF CASH FLOWS

For the years ended December 31,	2010	2009	2008
OPERATING ACTIVITIES			
Change in net assets	\$ 37,917	88,923	30,719
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	359	1,049	1,259
Bad Debts	11,949	20,312	89,971
Net realized (gain)loss on sale of assets	(63)	(14,550)	-
Net unrealized (gain)loss on investment transactions	4,769	5,177	(16,468)
Accounts receivable	(4,322)	18,237	13,887
Promise to give	7,500	50,000	(7,500)
Loans receivable	154,523	(139,081)	114,449
Loan program funds payable	(18,888)	17,352	8,019
Accounts payable	4,357	(1,561)	(25,044)
Prepaid expenses	396	(84)	-
Restricted cash	(31)	(17)	(14,575)
CASH FROM (USED FOR) OPERATING ACTIVITIES	198,466	45,757	194,717
INVESTING ACTIVITIES			
Proceeds from sales of investments	91,225	-	-
Proceeds from the sale of fixed assets	-	21,000	-
Purchases of investments	(99,659)	(12,897)	(38,686)
Purchase of office equipment	-	-	(1,027)
Net change in repurchase contract investment	(185,387)	53,312	(239,695)
CASH FROM (USED FOR) INVESTING ACTIVITIES	(193,821)	61,415	(279,408)
INCREASE (DECREASE) IN CASH DURING THE YEAR	4,645	107,172	(84,691)
Cash at the beginning of the year	199,366	92,194	176,885
Cash at the end of the year	\$ 204,011	199,366	92,194

See independent auditors' report

See accompanying notes to the financial statements

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DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

Nature of Organization and Significant Accounting Policies

Nature of Organization

The Development Chenango Corporation (formerly Chenango County Area Corporation and Greater Norwich Local Development Corporation) is a nonprofit entity whose primary purpose is to promote economic development in Chenango County. On November 3, 2008, a certificate of amendment was filed with the New York Department of State to merge the two corporations and change the Corporation's name to Development Chenango Corporation (herein after referred to as The Corporation). The Corporation operates a program that provides loans to businesses in Chenango County to promote expansion and new business development. The Corporation operates the Empire Development Zone Program. The Corporation contracts with other agencies in the county to provide economic development activities. The primary funding sources are government and state grants, return on investments and interest income earned on the repayment of revolving loans.

On November 3, 2008, the Chenango County Area Corporation and the Greater Norwich Local Development Corporation merged to form the Development Chenango Corporation. The Greater Norwich Local Development Corporation was a nonprofit entity whose primary purpose was to aid in the growth and development of business concerns by encouraging the location of industrial, manufacturing and commercial capacity and the creation of new and improved job opportunities and retention of existing jobs in the greater Norwich area. The primary reason for the merger was to streamline the process of economic development in Chenango County. As of the date of merger, the Greater Norwich Local Development had total net assets of \$144,145.

Summary of Significant Accounting Policies

Basis of Accounting

The Corporation's policy is to prepare its financial statements on the accrual basis of accounting. Under this method, revenues are recognized as earned and expenses are recognized as they are incurred. Direct expenses are charged to the Corporation's programs. Administration expenses are allocated based on the relative direct costs of the program and management and general costs.

Contributions, Promises to Give, and Grants

Contributions, promises to give, and grants are recognized when the donor grantor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions, promises to give, and grants that are restricted by the donor grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor grantor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/ or nature of any donor restrictions.

The Corporation uses the allowance method to provide for uncollectible unconditional promises to give. Promises to give are reported at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Contract Receivables

Contract receivables represent the balance of the grant which has not been received. The Corporation accounts for contract receivables under the accrual method of accounting.

The Corporation provides an allowance for uncollectible accounts based on management's estimates for financial statement purposes. Based on management's assessment of the credit history with contractors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contribution of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided.

Financial Statement Presentation

The Corporation 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. In addition, the Corporation is required to present a statement of cash flows.

Federal Income Taxes

The Corporation is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Corporation is not liable for income taxes on income generated from activities related to its exempt purpose or federal unemployment insurance.

Accounts and Other Receivables

The Corporation accounts for receivables under the accrual method of accounting. Accounts receivable are stated at the amount management expects to collect from outstanding balances. This estimate is based on historical losses. Past due status is based on how recently payments have been received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for uncollectible accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to accounts receivable. Management has determined that no allowance is needed.

Loans Receivable

The Corporation accounts for loans receivable under the accrual method of accounting. Interest income on loans is also accounted for on the accrual basis. The Corporation provides an allowance for uncollectible loans based on management's estimates for financial statement purposes. This estimate is based on payment delinquency. Management provides for probable uncollectible amounts through a charge to earnings and a credit to allowance for uncollectible accounts based on its assessment of the current status of loan accounts. Balances that is still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to loans receivable.

Cash and Cash Equivalents

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

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Fixed Assets

It is the corporation's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation expense is calculated using the straight-line method over the useful lives of the assets as follows:

Buildings and improvements	40 years
Furniture and fixtures	3 – 12 years
Equipment	5 – 12 years

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Corporation.

Advertising

Advertising costs are generally charged to operations as incurred.

Functional Classification of Expenses

The corporation allocates its expenses on a functional basis among its various program services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Empire Zone

Expenditures directly made for the benefit of businesses within the Greater Norwich Empire Zone.

Federal Program

Expenditures and grants for the promotion of economic development in Chenango County

Economic Development

Direct expenditures made for the promotion of economic development in Chenango County.

Loan Portfolio

Direct expenditures made for the management of the corporation administered loan portfolios.

General & Administrative Expense

Expenditures associated with the overall operation of the corporation. These expenditures are not directly part of the program services. They are indirect and necessary for the corporation's existence.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 Loans Receivable

At December 31, 2010, total loans receivable consisted of loans provided to businesses located in Chenango County. The organization values the loan receivable net of an allowance for bad debts. A future maturity of the loans and related bad debt allowance are as follows:

For the year ended December 31,	Amount	Bad Debt Allowance	Net Loans Receivable
2011	\$ 211,358	40,944	\$ 170,414
2012	165,376	11,668	153,708
2013	112,275	6,246	106,029
2014	85,806	2,159	83,647
2015	76,686	932	75,754
Thereafter	49,869	-	49,869
	<u>\$ 701,370</u>	<u>61,949</u>	<u>\$ 639,421</u>

Each loan is secured by buildings and/or equipment offered by each business for collateral and certain loans are personally guaranteed by the business owners. In 2010 the organization wrote off \$106,408 of outstanding loans. Bad debt expense was \$11,949 and additional revenue from bad debt recovery was \$31,792.

NOTE 3 Conditional Forgivable Loan

In 2006, \$590,000 was provided to a Chenango County business under a government grant program. The program provided a loan for \$250,000. The remaining \$340,000 of those funds is a conditional forgivable receivable that is expected to be converted to a grant to the business. The business is expected to meet the economic performance targets specified in the grant agreement in the near future.

NOTE 4 Promises to Give

In prior years the Corporation received support from the City of Norwich, Town of Norwich, and Town of North Norwich which are for the Greater Norwich Empire Zones Program.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5

New York State Urban Development Corporation (UDC) Loan Program

New York State Urban Development Corporation (UDC) established a loan program for the promotion of economic development within Chenango County. The Corporation administers the loan funds for the UDC by authorizing the issuance of loans and collecting loan payments.

The loan trust consisting of \$162,000 is to be used as a revolving loan fund. Principal and interest collected by the Corporation are returned to the UDC on a quarterly basis. Principal and interest collected but not yet remitted are recorded as restricted cash and UDC program payable.

At December 31, 2010, total amounts received from the UDC from the loan trust account totaled \$162,000. This amount can be reconciled as follows:

December 31,	2010	2009	2008
UDC Program loans receivable	\$ -	-	17,741
Net payable to UDC	13,747	13,747	17,544
Principal payments made to UDC	129,461	129,461	107,923
Write-off of loans receivable	18,792	18,792	18,792
Total UDC Program Funding	\$ 162,000	162,000	162,000

During 2009, all loans issued under this program were paid off.

As of December 31, 2010 the restricted cash balance is \$24,860 and the net amount payable to the UDC is as follows:

December 31,	2010
UDC Program Funds Received	\$ 162,000
Balance of Loans Receivable	-
Principal paid	(128,750)
Loan interest payments	(711)
Write-off of Loans Receivable	(18,792)
Net Payable to UDC	\$ 13,747

The administration expenses for this program were established at \$25,000. The balance of the administration expense has not been determined; however the Corporation has calculated a temporary restricted net asset of \$11,113 related to these funds. Since this temporary restriction originated in 2008 the prior year amounts have been restated.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6

Investments and Investment Return

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments in marketable securities are summarized as follows

At December 31, 2010	Cost	Market	Unrealized Gain (Loss)
Government Agencies Debt	\$ 233,089	249,811	16,722
Federal Funds	394,012	394,012	-
Certificates of Deposit	750,407	750,407	-
	<u>\$ 1,377,508</u>	<u>1,394,230</u>	<u>16,722</u>

The unrealized gain or loss is the change in the market values from the original purchase price for securities that were not sold.

For the years ended December 31,	2010	2009	2008
Capital Gains			
Net Realized gains (loss)	\$ 63	-	-
Net Unrealized gains (loss)	(4,769)	(5,177)	16,468
Interest earned			
Government Agencies Debt	14,351	16,500	18,877
Certificates of Deposit	8,020	1,632	-
Federal Funds	215	3,007	23,597
	<u>\$ 17,880</u>	<u>15,962</u>	<u>58,942</u>

The investments are sold when cash needs develop or when good investment management dictates a change in the securities held. The difference between the net proceeds from sale and cost represents the realized gain or loss on the sale of securities. The unrealized gain or loss for a year is the relative change in the market values from the beginning to the end of the year for securities that were not sold.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7

Fixed Assets

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. If these fixed assets are sold in the future, funds may have to be returned to the appropriate funding source.

Property held at December 31, 2010 consisted of the following:

December 31,	2009	Additions	Deletions	2010
Fixed asset values				
Equipment	\$ 8,086	-	-	\$ 8,086
Gross fixed assets	8,086	-	-	8,086
Accumulated depreciation	(6,491)	359	-	(6,850)
Fixed assets, net	\$ 1,595			\$ 1,236

In 2009, the Corporation sold land in 2009 for \$21,000 realizing a gain of \$14,550. The net proceeds from the sale were donated to fund City of Norwich parking projects.

NOTE 8

Net Assets

The corporation's unrestricted net assets:

December 31,	2010	2009	2008
Designated for fixed assets	\$ 1,236	1,236	9,094
Designated for Business Assistance Loan Fund	1,107,581	1,106,907	1,122,094
Designated for Micro Enterprise Loan Fund	204,720	205,394	55,000
Undesignated	1,670,692	1,625,275	1,642,451
Unrestricted net assets	\$ 2,984,229	2,938,812	2,828,639

Temporarily restricted net assets are available for the following purposes or periods:

December 31,	2010	2009	2008
Empire zone program	\$ -	7,500	28,750
NYS Urban Development Corporation	11,113	11,113	11,113
Temporarily restricted net assets	\$ 11,113	18,613	39,863

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9

Concentrations of Credit Risk

Financial instruments that potentially subject the corporation to concentrations of credit risk consist principally of marketable securities and are limited by the number of bonds comprising the investment portfolio.

The corporation maintains their cash accounts with one financial institution. The balances at times may exceed federally insured limits. As of December 31, 2010, the corporation maintained \$394,035 in money market mutual funds within its managed investment account that are not insured by the Federal Deposit Insurance Corporation. The remaining balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The Corporation maintains repurchase accounts with a local bank. As of December 31, 2010 \$750,407 of securities were purchased under these agreements. They are not considered cash or a bank deposit. Accordingly, the repurchase accounts are not included as cash in the statement of cash flows. The repurchase accounts are not insured by the Federal Deposit Insurance Corporation (FDIC) and are subject to the general credit worthiness of the banking institution and are at risk of loss should the bank have financial difficulties.

NOTE 10

Related Party Transactions

Several transactions have occurred between the corporation and certain governing board members, a board member's business or another business of which a board member is a director or employee. The transactions can be summarized as follows:

The Chairman of the bank the corporation maintains cash accounts, investments, and pays the related fees is a member of the governing board. In 2010 the corporation paid this bank a total of \$4,820 for services.

The Chairman of the Chenango County Board of Supervisors is a board member of the corporation. In 2010, the corporation received direct funding from the county in the amount of \$104,250.

The President of Commerce Chenango, Inc is the Executive Director and a board member of the Development Chenango Corporation. In 2010, the corporation paid Commerce Chenango for management fees, rents, and reimbursements totaling \$177,334.

NOTE 11

Subsequent Events

The Corporation entered into a \$104,240 contract with Chenango County to provide economic development services during the year ending December 31, 2011.

NOTE 12

Prior Period Restatement

The prior period has been restated for the portion of the UDC grant that the final disposition has not been determined by the grantor agency. In 2010, the amount was calculated as \$11,113.

DEVELOPMENT CHENANGO CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 **Contingency**

The Corporation was notified that a lawsuit has been filed by an individual regarding injuries that occurred on the property that the Corporation formerly owned. Legal counsel representing the Corporation was retained through its insurance carrier. The Corporation believes the claim is without merit. However, the insurance policy has a \$25,000 deductible and any remaining liability will be paid by the insurance carrier.

NOTE 14 **Empire Zone Program**

Funding for the Empire Zone Program has been discontinued by the State of New York.

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DEVELOPMENT CHENANGO CORPORATION
SCHEDULE OF FEDERAL AWARDS
For the year ended December 31, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Grantor's Number	Federal Expenditures
------------------------------------------------------------	---------------------------	--------------------------------------------------	-------------------------

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Pass-through New York State Department of Housing and Community Renewal

Community Development Block Grant	14.218	22ED690-09	\$ 739,534
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Development Chenango Corporation
Norwich, New York

We have audited the financial statements of Development Chenango Corporation (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated February 22, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Development Chenango Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Development Chenango Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above..

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Development Chenango Corporation's financial statements are free of 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*.

We noted certain matters that we reported to management of Development Chenango Corporation in a separate letter dated February 22, 2011.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cwynar & Company, CPAs, PLLC

Norwich, New York
February 22, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Development Chenango Corporation
Norwich, New York

Compliance

We have audited the compliance of Development Chenango Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. Development Chenango Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Development Chenango's management. Our responsibility is to express an opinion on Development Chenango Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Development Chenango Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Development Chenango Corporation's compliance with those requirements.

In our opinion, Development Chenango Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

Management of Development Chenango Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Development Chenango Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Development Chenango Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

Cwynar & Company CPAs, PLLC

Development Chenango Corporation

functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Development Chenango Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Development Chenango Corporation's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cwynar & Company, CPAs, PLLC

Norwich, New York
February 22, 2011

DEVELOPMENT CHENANGO CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

Financial Statements

Type of Report Issued: Unqualified

Internal Control over Financial Reporting

Material Weakness Identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over Major Programs:

Material Weakness Identified? Yes No

Significant Deficiency (s) identified that are not considered to be material weakness(es)? Yes No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No