

**AUDITED
BASIC FINANCIAL STATEMENTS**

**ROCHESTER ECONOMIC DEVELOPMENT
CORPORATION**

SEPTEMBER 30, 2015

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Rochester Economic Development Corporation
Rochester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Rochester Economic Development Corporation, (the Corporation) as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Corporation'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 Corporation'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 Corporation, as of September 30, 2015 and 2014, and the changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
December 10, 2015

As management of the Rochester Economic Development Corporation, we offer readers of the Rochester Economic Development Corporation's financial statements this narrative overview and analysis of the financial activities of the Rochester Economic Development Corporation for the fiscal year ended September 30, 2015.

Financial Highlights

- + The assets of the Rochester Economic Development Corporation exceeded its liabilities at the close of the most recent fiscal year by \$14,055,302 (*net position*). Of this amount, \$2,273,964 (*unrestricted net position*) may be used to meet the Rochester Economic Development Corporation's ongoing obligations to creditors.
- + The Rochester Economic Development Corporation's total assets decreased by \$319,042 primarily due normal operations of the Corporation.
- + As of the close of the current fiscal year, the Rochester Economic Development Corporation's funds reported combined ending balances of \$14,055,302 an decrease of \$314,551 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Rochester Economic Development Corporation's basic financial statements. The Rochester Economic Development Corporation's basic financial statements comprise two components: 1) corporation-wide financial statements and 2) notes to the financial statements.

Corporation-wide financial statements. The *corporation-wide financial statements* are designed to provide readers with a broad overview of the Rochester Economic Development Corporation's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Rochester Economic Development Corporation's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Rochester Economic Development Corporation is improving or deteriorating.

The *statement of activities* presents information showing how the corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The corporation-wide financial statements can be found on pages immediately following this section as the first two pages of the Basic Financial Statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the corporation-wide financial statements. The notes to the financial statements can be found following the Basic Financial Statements section of this report.

Corporation-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Rochester Economic Development Corporation, assets exceed liabilities by \$14,055,302 at the close of the most recent fiscal year.

Currently, of the Rochester Economic Development Corporation's net position, 6 percent reflects its investment in capital assets. The Rochester Economic Development Corporation uses these capital assets to provide additional revenue for future spending.

Rochester Economic Development Corporation's Net Position

			Variance	
	2015	2014	Increase/(Decrease)	
Current and other assets	\$ 11,086,073	\$ 11,105,150	\$ (19,077)	
Capital assets and notes receivable	2,977,987	3,277,952	(299,965)	
Total assets	14,064,060	14,383,102	(319,042)	
Other liabilities	8,758	13,249	(4,491)	
Total liabilities	8,758	13,249	(4,491)	
Net position:				
Invested in capital assets	717,212	828,755	(111,543)	
Restricted	11,064,126	11,038,300	25,826	
Unrestricted	2,273,964	2,502,798	(228,834)	
Total net position	\$ 14,055,302	\$ 14,369,853	\$ (314,551)	

Rochester Economic Development Corporation's Changes in Net Position

			Variance
	2015	2014	Increase (Decrease)
Operating revenues			
Interest on loans receivable	\$ 25,826	\$ 137,623	(111,797)
Rental income	198,281	207,207	(8,926)
Other revenues	25,837	28,855	(3,018)
Total operating revenues	249,944	373,685	(123,741)
Operating expenses	580,395	323,919	256,476
Operating income (loss)	(330,451)	49,766	(380,217)
Nonoperating revenues (expenses)			
Interest revenues	15,900	10,440	5,460
Interest expenses	-	(31,605)	31,605
Total nonoperating revenue (expenses)	15,900	(21,165)	37,065
Change in net position	(314,551)	28,601	(343,152)
Net Position - beginning of year	14,369,853	14,341,252	28,601
Net Position - end of year	14,055,302	14,369,853	\$ (314,551)

The Rochester Economic Development Corporation's total net position decreased \$314,551 due mainly to ongoing operations of the Corporation and a roof repair/replacement on the Melles Griot building.

Financial Analysis of the Corporation's Funds

Restricted Funds. The following programs comprise the majority of the Rochester Economic Development Corporation's restricted funds; Revolving Loan Program, Investment Program, Enterprise Community Zone, Kodak/City Economic Development Fund, Midtown Relocation, the Smith Street Acquisition, the Investing in Manufacturing Communities Partnership (IMCP) and the Phillip J. Banks Small Business Assistance Program.

As of the end of the current fiscal year, the Rochester Economic Development Corporation's restricted funds (including restricted capital assets) reported combined ending fund balances of \$11,064,126, an increase of \$25,826 in comparison with the prior year. The Revolving Loan Program had a net decrease of \$974,419 due mainly to ongoing collections and interest and a transfer of \$1,000,000 to the IMCP program. The Enterprise Community Zone had a net increase of \$245 due to collections of loans and interest. The IMCP program had a net increase of \$1,000,000 due to a transfer from the Revolving Loan program.

Unrestricted Funds. The unrestricted funds include the day-to-day operations of the Rochester Economic Development Corporation. At the end of the current fiscal year, the unrestricted net position was \$2,273,964 which was a decrease of \$228,834 from the prior year.

Budgetary Highlights

The Rochester Economic Development Corporation budgets funds on a project-by-project basis. The projects are approved by the Rochester Economic Development Corporation's Board of Directors.

Capital Assets and Debt Administration

Capital Assets. In accordance with Governmental Accounting Standards Board Statement Number 34, the Rochester Economic Development Corporation has recorded depreciation expense associated with all of its capital assets. The Rochester Economic Development Corporation's investment in capital assets for its corporation and business type activities as of September 30, 2015, amounted to \$717,212 (net of accumulated depreciation). The total decrease in the Rochester Economic Development Corporation's investment in capital assets for the current fiscal year was \$111,543, which is all related to current year depreciation expense.

More detailed information on the Rochester Economic Development Corporation's capital assets is provided in the Notes to the Financial Statements.

Economic Factors

Non-farm employment in New York State increased by 1.3% from September 2014 to September 2015. New York State added 140,600 private sector jobs (+1.9%) from July 2013 to July 2014. The Rochester metropolitan area added 7,600 jobs from September 2014 to September 2015. Private sector employment in the Rochester metropolitan area increased by 1.7% from September 2014 to September 2015, with non-farm employment increasing by 1.3% for the same period. Professional and business services employment increased by 7.4%, representing the largest increase of any major industry sector. Financial activities employment declined 5.6%, representing the largest major industry sector decline, followed by information services employment, which declined 2.2%. Manufacturing employment at September 2015 declined 1.9% versus 0.67% at September 2014. In the ten-year period ending September 2015, manufacturing employment in the Rochester metro area has declined by a total of 21,500 jobs, largely the result of workforce reductions at Eastman Kodak Company. The leisure and hospitality sector continued to perform well, adding jobs for the second consecutive year. This sector provides many entry-level employment opportunities for new entrants into the labor market. The sector experienced a 2.5% increase in employment, adding 22,200 jobs from September 2014 to September 2015.

As of September 2015, the largest segment of the Rochester Metropolitan area's civilian labor force continued to be education and health services (22.5%), followed by trade/transportation/utilities (15.5%), government (14.5%), professional/business services (13.3%). Manufacturing jobs constituted 10.8%, while leisure and hospitality accounted for 8.9%.

The unemployment rate for the Rochester metro area was 4.9% as of September 2015 (down from 5.4% at September 2014). This compares to the unemployment rate for New York State of 5.1% at September 2015 (down from 5.9% at September 2014) and for the nation of 5.1% at September 2015 (down from 5.9% at September 2015).

While the Greater Rochester metropolitan area continues to see overall improvement in its economy, the City of Rochester continues to experience high rates of concentrated poverty in certain parts of the city. Unemployment rates for some sections of the City continue to be disproportionately high compared to the city overall. The overall poverty rate for the city is 32.9%, which ranks the City 5th worst in the United States for cities of comparable size.

The top five largest employers in the Rochester area are University of Rochester/Strong Medical Center, Rochester General Health System, Wegman's Food Markets, Xerox Corporation, and Paychex, Inc. UR/SMC continues to be the largest employer, as the Rochester region economy continues to transition from an economy which was heavily based on manufacturing decades ago to one with a greater emphasis on education, health services, and professional/business services. At the end of 2014, UR/SMC had 25,773 employees. A significant share of the University's growth has occurred at the University of Rochester Medical Center as Strong Health extends clinical service penetration beyond the metropolitan area and URM expands its research facilities and total employment. Eastman Kodak Company, which was once the largest employer in the region, is now the twelfth largest employer in the Rochester area with 2,300 employees. The company emerged from bankruptcy in September 2013, and continues to operate as a much smaller business enterprise.

The US economy continues to show improvement in 2015 as the Federal Reserve continued to utilize monetary policy to support the economic recovery. Second quarter 2015 GDP growth was 3.9%, reflecting an increase in consumer spending. The prime rate of interest remained unchanged at 3.25% as the Federal Open Markets Committee (FOMC) continues to keep the target range for the federal funds rate at 0% - 0.25%. Long term interest rates have remained stable in the past 12 months, with the 10-year Treasury rate remaining in the 2.10- 2.50% range. With the US economy having largely recovered from the 2009 recession, the FOMC has indicated that it may raise short-term interest rates by the end of 2015.

Requests for Information

This financial report is designed to provide a general overview of the Rochester Economic Development Corporation's finances for all those with an interest in the corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance, City Hall – Room 109A, 30 Church Street, Rochester, NY 14614.

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION

For the Years Ended September 30,

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	\$ 10,884,595	\$ 10,838,980
Accounts receivable	14,825	31,847
Notes receivable - current portion	194,118	234,323
Total current assets	11,093,538	11,105,150
Property and equipment:		
Land and buildings, net	717,212	828,755
Other assets:		
Notes receivable - net of current portion	2,253,310	2,449,197
Total assets	\$ 14,064,060	\$ 14,383,102
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,221	\$ 2,508
Accrued liabilities	5,537	6,468
Unearned revenue	-	4,273
Total current liabilities	8,758	13,249
Net position:		
Invested in capital assets	717,212	828,755
Restricted	11,064,126	11,038,300
Unrestricted	2,273,964	2,502,798
Total net position	14,055,302	14,369,853
Total liabilities and net position	\$ 14,064,060	\$ 14,383,102

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION****For the Years Ended September 30,**

	2015	2014
Operating revenues:		
Interest on loans receivable	\$ 25,826	\$ 137,623
Rental income	198,281	207,207
Other revenues	25,837	28,855
Total operating revenues	249,944	373,685
Operating expenses:		
Salary & benefits	57,877	52,718
Insurance	5,696	12,805
Professional services	10,851	11,398
Management fee	110,000	110,000
Roof replacement	279,460	-
Other expenses	4,968	25,455
Depreciation	111,543	111,543
Total operating expenses	580,395	323,919
Operating income (loss)	(330,451)	49,766
Non-operating revenues (expenses):		
Interest revenues	15,900	10,440
Interest expenses	-	(31,605)
Total non-operating revenues (expenses)	15,900	(21,165)
Change in net position	(314,551)	28,601
Net position - beginning of year	14,369,853	14,341,252
Net position - end of year	\$ 14,055,302	\$ 14,369,853

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended September 30,

	2015	2014
Cash flows from operating activities:		
Cash received from customers	\$ 241,129	\$ 423,339
Payments to service providers	(415,466)	(201,945)
Payments for employee services	(57,877)	(52,718)
Other revenues	25,837	28,855
Net cash provided (used) by operating activities	(206,377)	197,531
Cash flows from financing activities:		
Principal payments on long-term debt	-	(420,000)
Interest payments on long-term debt	-	(31,605)
Net cash used by financing activities	-	(451,605)
Cash flows from investing activities:		
Interest revenues	15,900	10,440
Issuance of notes receivable	-	(500,000)
Repayments of notes receivable	236,092	4,080,192
Net cash provided by investing activities	251,992	3,590,632
Net increase in cash and cash equivalents	45,615	3,336,558
Cash and cash equivalents - beginning of year	10,838,980	7,502,422
Cash and cash equivalents - end of year	\$ 10,884,595	\$ 10,838,980
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ (330,451)	\$ 49,766
Adjustment to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation expense	111,543	111,543
Change in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	17,022	78,509
Increase (decrease) in:		
Accounts payable	713	470
Accrued liabilities	(931)	(6,174)
Unearned revenue	(4,273)	(36,583)
Net cash provided (used) by operating activities	\$ (206,377)	\$ 197,531

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Rochester Economic Development Corporation (the "Corporation") was formed under the Not-for-Profit Corporation Law of the State of New York for the purpose of creating employment opportunities, particularly for low and moderate income persons, thereby improving the quality and condition of life in the City of Rochester, New York (the "City"). This is accomplished by encouraging and affecting the retention of existing business and industry, as well as encouraging the location and expansion of residential, commercial, industrial, and manufacturing facilities in the City. The Corporation is subject to the provisions of the New York State Public Authorities Law. As a local authority under this law, the Corporation is required to make certain information available to the public.

New York State Empire Zones, formerly known as the Economic Development Zones, are designated geographic areas that offer special incentives to encourage economic development, business investment, and job creation. Certified businesses in the zone that are eligible could qualify for significant New York State income tax credits, property tax abatements, sales tax benefits, as well as utility discounts.

The City of Rochester provides certain administrative services to the Corporation. During the years ended September 30, 2015 and 2014, the Corporation made a payment of \$110,000 and \$110,000, respectively, for these services to the City of Rochester.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues, expenses, gains, and losses are classified into three classes of net position - restricted, unrestricted and net investment in capital assets - which are displayed in the statements of net position.

B. NET POSITION

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position - Consists of net position with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

C. ACCOUNTS RECEIVABLE

Accounts receivable are reported at their net realizable value. Generally accepted accounting principles in the United States of America require the establishment of an allowance for doubtful accounts, however, no allowance for uncollectible accounts has been provided since management believes that no such allowance would not be necessary.

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. LAND AND BUILDINGS

Land and buildings are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The cost of repairs, maintenance and minor replacements is expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. As of September 30, 2015 and 2014 depreciation expense amounted to \$111,543 for both years. The estimated useful life for buildings is 25 years.

E. INCOME TAXES

The Corporation is a Public Benefit Corporation of the State of New York and is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made on the accompanying financial statements.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include savings, demand deposits and certificates of deposit which mature within 90 days of issuance. As of September 30, 2015 and 2014, the Corporation had no certificates of deposit.

G. UNEARNED REVENUE

The Corporation reports unearned revenue on its statements of net position. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Corporation before it has legal claim to them. In subsequent periods, when both recognition criteria are met, or when the Corporation has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. As of September 30, 2015 and 2014, the Corporation recognized a liability for unearned revenue in the amount of \$0 and \$4,273, respectively.

H. 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.

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

I. NEW ACCOUNTING PRONOUNCEMENTS

During the year ended September 30, 2015, the Corporation completed the process of evaluating the impact that will result from adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the year ending September 30, 2015. GASB Statements No. 68, 69, 70, and 71 have been adopted, as applicable, for the year ended September 30, 2015, and did not have a material impact on the Corporation's financial position or results from operations. The GASB has issued the following new statements:

- Statement No. 72, *Fair Value Measurement and Application*, which will be effective for the year ending September 30, 2016; and

The Corporation is currently reviewing these statements and plans on adoption of these policies as deemed appropriate.

J. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after December 10, 2015 which is the date these financial statements were available to be issued.

NOTE 3. DETAILS ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents typically include interest-bearing accounts and certificates of deposit. At September 30, 2015 and 2014, the cash and cash equivalents amounted to \$10,884,595 and \$10,838,980, respectively, however, there were no certificates of deposits noted as of September 30, 2015 and 2014. The Corporation's investment policies are governed by State statutes. The Corporation adopted an investment policy during the 2011 fiscal year. The Corporation's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

Investment and Deposit Policy

The Corporation currently follows an investment and deposit policy as directed by State statutes, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Board of Directors.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits.

Statement of Cash Flows

For the purpose of this statement, cash includes both the restricted and unrestricted portions.

NOTE 4. RECEIVABLES

Major revenues accrued by the Corporation at September 30, include the following:

	<u>2015</u>	<u>2014</u>
Loan collections from the City	\$ 13,249	\$ 30,206
Other miscellaneous receivables	<u>1,576</u>	<u>1,641</u>
Total accounts receivable	\$ <u>14,825</u>	\$ <u>31,847</u>

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. NOTES RECEIVABLE

The Corporation maintains a revolving loan fund, which is intended to provide loans to existing and new businesses located in the City. No allowance has been provided as all loans are deemed collectable by management.

Notes receivable at September 30, is as follows:

	<u>2015</u>	<u>2014</u>
Note receivable, relating to the Whitney Baird Associates loan, due in monthly installments of \$9,198, including interest at 1% through December 1, 2022. The note is guaranteed by the owners of the borrowing company.	\$ 1,748,126	\$ 1,840,519
Note receivable, relating to the Whitney Baird Associates loan, due in monthly installments of \$2,299, including interest at 1% through July 1, 2024 with a lump sum balance of \$264,564 due on August 1, 2024. The note is guaranteed by the owners of the borrowing company.	475,401	498,117
Note receivable, relating to the Monroe School Transportation loan, due in monthly installments of \$4,273, including interest at 1% through November 1, 2017. The note is collateralized by a letter of credit.	109,774	159,780
Note receivable, relating to the Mamasans Monroe loan, due in monthly installments of \$1,752, including interest at 1% through April 1, 2021. The note is collateralized by a letter of credit.	114,127	133,903
Note receivable relating to the Enterprise Community Zone program, with monthly installments of \$2,814, including interest at 3% are due through June 30, 2015. The note is guaranteed by the owners of the borrowing company. (Fully paid in May 2015)	-	22,264
Note receivable, relating to the Acro Industries loan, due in monthly installments of \$4,359, including interest at 1% through January 15, 2015. The note is collateralized by a letter of credit. (Fully paid in January 2015)	-	17,399
Note receivable, relating to the Adflex loan, due in monthly installments of \$840 through November 1, 2015, including interest at 3%. The note is guaranteed by a third-party corporation and collateralized by a first lien on equipment of the borrower. (Fully paid in December 2014)	-	11,538
Total notes receivable	2,447,428	2,683,520
Less current portion	<u>194,118</u>	<u>234,323</u>
Long term portion	<u>\$ 2,253,310</u>	<u>\$ 2,449,197</u>

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LAND AND BUILDINGS

A summary of land and buildings at September 30, respectively, is as follows:

	2015			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated - land	\$ 260,000	\$ -	\$ -	\$ 260,000
Capital assets being depreciated - buildings	<u>2,788,587</u>	<u>-</u>	<u>-</u>	<u>2,788,587</u>
Total capital assets	3,048,587	-	-	3,048,587
Less accumulated depreciation - buildings	<u>(2,219,832)</u>	<u>(111,543)</u>	<u>-</u>	<u>2,331,375</u>
Capital assets, net of depreciation	<u>\$ 828,755</u>	<u>\$ (111,543)</u>	<u>\$ -</u>	<u>\$ 717,212</u>

	2014			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated land	\$ 260,000	\$ -	\$ -	\$ 260,000
Capital assets being depreciated - buildings	<u>2,788,587</u>	<u>-</u>	<u>-</u>	<u>2,788,587</u>
Total capital assets	3,048,587	-	-	3,048,587
Less accumulated depreciation - buildings	<u>(2,108,289)</u>	<u>(111,543)</u>	<u>-</u>	<u>(2,219,832)</u>
Capital assets, net of depreciation	<u>\$ 940,298</u>	<u>\$ (111,543)</u>	<u>\$ -</u>	<u>\$ 828,755</u>

This property is rented to independent third parties (see Note 7).

ROCHESTER ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. LEASES

The Corporation received an annual rent amount of \$198,281 and \$207,207 for the years ended September 30, 2015 and 2014, respectively, from an independent third party for certain of the Corporation's land and buildings. The prior lease expired in November 2014 and was subsequently modified and extended through January 2018, for \$16,816 per month. There was an extra payment received by the Corporation of \$15,939 during fiscal year 2014 as part of the agreement.

NOTE 8. RESTRICTED NET POSITION

Restricted net position available as of September 30, are as follows:

	<u>2015</u>	<u>2014</u>
Revolving Loan Program	\$ 4,930,416	\$ 5,904,835
Investment Program	1,309,046	1,309,046
Enterprise Community Zone	3,214,299	3,214,054
Kodak/Economic Development Department Loan Program	311,508	311,508
Midtown Relocation	8,500	8,500
Phillip J. Banks SBAP	290,357	290,357
Investing in Manufacturing Communities Partnership (IMCP)	<u>1,000,000</u>	<u>-</u>
	<u>\$ 11,064,126</u>	<u>\$ 11,038,300</u>

NOTE 9. KODAK/ECONOMIC DEVELOPMENT FUND

The primary goal and objective of the Kodak/Economic Development Fund is to supply capital in the form of below-market interest rate loans to finance certain qualified businesses that retain and/or create jobs in the City. Kodak agreed to provide a one-time funding of up to \$300,000 to fund the program and the Corporation administers the program. All proceeds collected in repayment of loans will go to fund additional loans. The maximum amount of any given loan shall be \$100,000.

NOTE 10. INVESTING IN MANUFACTURING COMMUNITITES PARTNERSHIP

The primary goal and objective of the IMCP is to supply capital in the form of below-market interest rate loans to assist specific manufacturing businesses in the City of Rochester with the purchase of production equipment as part of investment projects which will create job opportunities for City of Rochester residents. The funding came from a transfer from the Revolving Loan Fund of \$1,000,000. All proceeds collected in repayment of loans will go to fund additional loans. The maximum amount of any given loan shall be \$200,000.

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Rochester Economic Development Corporation
City of Rochester, 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 Rochester Economic Development Corporation (the Corporation), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York
December 10, 2015

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of the
Rochester Economic Development Corporation

We have examined Rochester Economic Development Corporation's (the Corporation) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the year ended September 30, 2015. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the Board of Directors, management and others within the Corporation and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Rochester, New York
December 10, 2015