

THE CHEEKTOWAGA ECONOMIC
DEVELOPMENT CORPORATION

Financial Statements and
Supplementary Information

March 31, 2011

(With Independent Auditors' Report Thereon)

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Cheektowaga Economic
Development Corporation:

We have audited the accompanying statement of financial position of The Cheektowaga Economic Development Corporation as of March 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2010 financial statements and, in our report dated October 8, 2010, we expressed an unqualified opinion on those financial statements.

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 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 The Cheektowaga Economic Development Corporation as of March 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2011 on our consideration of The Cheektowaga Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 10, 2011

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2011

with comparative totals for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash:		
Checking account	\$ 27,750	38,968
Savings account	<u>900,547</u>	<u>933,086</u>
Total cash	<u>928,297</u>	<u>972,054</u>
Accrued interest receivable	173,151	166,298
Loans receivable:		
Comtec of WNY, Inc.	120,180	149,303
Walden Commerce Exchange	130,535	130,535
Buffalo Crown Vending, Inc.	27,646	37,662
Pol-Tek Industries, Inc.	97,399	128,617
80 Sonwil Drive, Inc. and 5684 Main Street, Inc.	84,345	104,030
Culinary Arts Specialists, Inc.	154,861	207,344
Rosina Food Products	53	11,456
Gordon Companies, Inc.	309,539	191,224
SMG/GCI, LLC	<u>45,487</u>	<u>51,977</u>
Total loans receivable	<u>970,045</u>	<u>1,012,148</u>
Total assets	<u>\$ 2,071,493</u>	<u>2,150,500</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	6,028	15,875
Amount due to HUD	<u>-</u>	<u>4,029</u>
Total liabilities	6,028	19,904
Unrestricted net assets	<u>2,065,465</u>	<u>2,130,596</u>
Total liabilities and net assets	<u>\$ 2,071,493</u>	<u>2,150,500</u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Statement of Activities

Year ended March 31, 2011
with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
Unrestricted revenue:		
Loan interest	\$ 40,304	49,302
Contributed services	9,200	9,700
Miscellaneous	<u>3,221</u>	<u>2,602</u>
Total unrestricted revenue	<u>52,725</u>	<u>61,604</u>
Unrestricted expenses:		
Program services	106,531	15,042
Management and general	<u>11,325</u>	<u>11,100</u>
Total unrestricted expenses	<u>117,856</u>	<u>26,142</u>
Increase (decrease) in unrestricted net assets	(65,131)	35,462
Unrestricted net assets at beginning of year	<u>2,130,596</u>	<u>2,095,134</u>
Unrestricted net assets at end of year	<u><u>\$ 2,065,465</u></u>	<u><u>2,130,596</u></u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
Statement of Functional Expenses
Year ended March 31, 2011
with comparative totals for 2010

	Program services	Management and general	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
Program income fund	\$ 100,000	-	100,000	-
Contributed services	3,900	5,300	9,200	9,700
Professional fees	-	4,850	4,850	4,850
Consulting	479	-	479	9,848
Business meetings	1,124	-	1,124	1,098
Advertising	1,028	-	1,028	396
Miscellaneous	-	1,175	1,175	250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total unrestricted expenses	<u>\$ 106,531</u>	<u>11,325</u>	<u>117,856</u>	<u>26,142</u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended March 31, 2011

with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in unrestricted net assets	\$ (65,131)	35,462
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by (used in) operating activities:		
Increase in accrued interest receivable	(6,853)	(6,853)
Principal payments on loans receivable	242,103	289,002
Loans granted during the year	(200,000)	(200,538)
Increase (decrease) in accounts payable and accrued expenses	(9,847)	7,062
Decrease in amount due to HUD	<u>(4,029)</u>	<u>(27,741)</u>
Net cash provided by (used in) operating activities	(43,757)	96,394
Cash at beginning of year	<u>972,054</u>	<u>875,660</u>
Cash at end of year	<u>\$ 928,297</u>	<u>972,054</u>
Supplemental schedule of non-cash operating activities:		
Contributed services revenue	<u>\$ 9,200</u>	<u>9,700</u>
Contributed services expense	<u>\$ 9,200</u>	<u>9,700</u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2011

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Cheektowaga Economic Development Corporation (the Corporation) was formed on June 10, 1983 pursuant to resolution of the Town Board of the Town of Cheektowaga, New York (the Town), as a quasi-public local development corporation under the New York Not-For-Profit Corporation Law. The Corporation was intended to combat community deterioration, protect and increase the local tax base, retain and create private sector employment in the municipality and lessen the burdens upon local government by operating a program to retain and attract private sector industry and business to the Town.

The Corporation has been designated by the Town's Community Development Program under the Department of Housing and Urban Development (HUD) regulation as a sub-recipient to carry out community economic development under the Community Development Block Grant Program. Funds have been obligated by the Town under its Community Development Block Grant program to fund a revolving loan program to be administered by the Corporation, permitting the financing of a portion of the costs of private industrial relocation or expansion taking place within the boundaries of the municipality. Funds generated through the loan program, in the nature of interest and principal payments on loans made, are returned to the loan program and are used for making additional approved loans and payment of administrative costs of the program, as permitted under HUD regulations.

(b) Basis of Presentation

The financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Corporation reports 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 Corporation had only unrestricted net assets in 2011 and 2010.

(c) 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.

(d) Cash

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

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Contributed Services

During the years ended March 31, 2011 and 2010, the value of contributed services meeting the requirements for recognition in the financial statements amounted to \$9,200 and \$9,700, respectively. These services were provided to the Corporation by the Town.

(f) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is reflected in the accompanying financial statements.

(g) Subsequent Events

The Corporation has evaluated events after March 31, 2011, and through June 10, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(2) Concentrations of Credit Risk

The Corporation provides funds under a revolving loan program to businesses located within the boundaries of the municipality of Cheektowaga, New York. The Corporation performs ongoing credit evaluations of its loans receivable and substantially all loans require collateral (note 3).

(3) Loans Receivable

Loans receivable at March 31, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
<u>Comtec of W.N.Y., Inc.</u>		
The original amount of this loan, issued April 30, 2009, was \$220,000; however, at March 31, 2011, only \$120,180 has been disbursed. The note is secured by a collateral security mortgage on certain real property and by the personal guarantee of a corporate officer. The note bears interest at 2.6% per annum. The note has a term of 6 years and is payable in monthly installments of \$2,619.	\$ 120,180	149,303

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) Loans Receivable, Continued

	<u>2011</u>	<u>2010</u>
<u>Walden Commerce Exchange (Note 4)</u>		
The original amount of this loan, issued May 26, 1993, was \$100,000 and was later amended to \$150,000; however, at March 31, 2011, only \$130,535 has been disbursed. The loan is unsecured and bears interest at a rate of 2% in excess of the prime rate offered by HSBC Bank. The note is payable on demand.	\$ 130,535	130,535
<u>Buffalo Crown Vending Inc.</u>		
The original amount of this loan, issued April 10, 2006, was \$74,242, and is secured by a collateral security mortgage on certain real property and a general security interest in other assets. The note bears interest at 6.2% per annum at March 31, 2011 and will be adjusted on May 1, 2011 to 80% of the lowest prime rate during the 7 days prior to May 1, 2011. The note has a term of 7 years and is payable in monthly installments of \$1,091.	27,646	37,662
<u>Pol-Tek Industries, Inc.</u>		
The original amount of this loan, issued December 19, 2006, was \$220,000, and is secured by a collateral security mortgage on certain real property and a general security interest in other assets. The note bears interest at 5% per annum. The note has a term of 7 years and is payable in monthly installments of \$3,078.	97,399	128,617
<u>80 Sonwil Drive, Inc. and 5684 Main Street, Inc.</u>		
The original amount of this loan, issued September 7, 1995, was \$300,000, and is secured by a collateral security mortgage on certain real property and the assignment of a life insurance policy on the life of the company's president. The note bears interest at 5% per annum. The note has a term of 9 years and is payable in monthly installments of \$2,037, subject to the adjusted interest rate.	84,345	104,030

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) Loans Receivable, Continued

	<u>2011</u>	<u>2010</u>
<u>Culinary Arts Specialties, Inc.</u>		
The original amount of this loan, issued December 1, 2005, was \$400,000, and is secured by a security interest in specific equipment and all company assets. The security interest is subordinate to the interests in such property and assets as shall be granted in favor of Citizens Bank. The note bears interest at 2.6% per annum at March 31, 2011. The note has a term of 8 years and is payable in monthly installments of \$5,050, subject to the adjusted interest rate.	\$ 154,861	207,344
<u>Rosina Food Products</u>		
The original amount of this loan, issued July 1, 2005, was \$300,000, and is secured by a collateral security mortgage on certain real property, a general security interest in other assets and the personal guarantee of the corporate officers. The note bears interest at 4.0% per annum at March 31, 2011 and is adjusted annually to 80% of the lowest prime rate during the 7 days prior to June 1 of each year. The note has a term of 5 years and is payable in monthly installments of \$5,719, subject to the adjusted interest rate.	53	11,456
<u>Gordon Companies, Inc.</u>		
The original amount of this loan, issued April 28, 2008, was \$340,000. On December 22, 2010, an additional \$200,000 was advanced to Gordon Companies, Inc. and a consolidated loan was issued for \$327,308. The loan is secured by a collateral security mortgage on certain real property, a general security interest in other assets and the personal guarantee of the company's owner. The mortgage and security interest is subordinate to the interests in such property and assets as shall be granted in favor of Five Star Bank. The note bears interest at 2.6% per annum. The note has a term of 5 years and is payable in monthly installments of \$5,823.	309,539	191,224

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(3) Loans Receivable, Continued

	<u>2011</u>	<u>2010</u>
<u>SMG/GCI, LLC</u>		
The original amount of this loan, issued March 31, 2009, was \$60,000; however, at March 31, 2011, only \$45,487 has been disbursed. The note bears interest at 2.6% per annum. The loan is secured by a general security interest in all assets of the company and by the personal guarantee of the company's officers. The note has a term of 5 years and is payable in monthly installments of \$1,119.	\$ <u>45,487</u>	<u>51,977</u>
Total loans receivable	\$ <u>970,045</u>	<u>1,012,148</u>

(4) Related Party

Walden Commerce Exchange is a joint venture between the Corporation and Ciminelli Development Company, Inc. formed for the purpose of acquiring, developing and leasing or selling certain real property located in the Town. The Corporation accounts for this investment using the equity method of accounting. On February 24, 2000, the approved loan amount was amended to \$150,000. The balance outstanding on the loan as of March 31, 2011 and 2010 amounted to \$130,535. Accrued interest receivable at March 31, 2011 and 2010 represents \$173,151 and \$166,298, respectively, of interest associated with the loan. At March 31, 2011 and 2010, there was no investment balance with regard to the Walden Commerce Exchange under the equity method.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
Schedule of Expenditures of Federal Awards
Year ended March 31, 2011

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants	14.218	\$ <u>970,045</u>

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of The Cheektowaga Economic Development Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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INDEPENDENT AUDITORS' 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

The Board of Directors
The Cheektowaga Economic
Development Corporation:

We have audited the financial statements of The Cheektowaga Economic Development Corporation as of and for the year ended March 31, 2011, and have issued our report thereon dated June 10, 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 The Cheektowaga Economic Development 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 the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 The Cheektowaga Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including Investment Guidelines for Public Authorities and the Corporation's investment policy, 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 that are required to be reported under Government Auditing Standards.

We noted certain matters involving internal control over financial reporting that we have reported to the management of The Cheektowaga Economic Development Corporation in a separate letter dated June 10, 2011.

This report is intended solely for the information and use of the Board of Directors, management, others within the Corporation, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 10, 2011

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
The Cheektowaga Economic
Development Corporation:

Compliance

We have audited The Cheektowaga Economic Development Corporation's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on The Cheektowaga Economic Development Corporation's major federal program for the year ended March 31, 2011. The Cheektowaga Economic Development Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of The Cheektowaga Economic Development Corporation's management. Our responsibility is to express an opinion on The Cheektowaga Economic Development 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 The Cheektowaga Economic Development 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 The Cheektowaga Economic Development Corporation's compliance with those requirements.

In our opinion, The Cheektowaga Economic Development Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2011.

Internal Control Over Compliance

Management of The Cheektowaga Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Cheektowaga Economic Development Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 The Cheektowaga Economic Development 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 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 would not necessarily 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.

This report is intended solely for the information and use of the Board of Directors, management of the Corporation and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Scheepers & Co. P.C.

Williamsville, New York
June 10, 2011

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
 Schedule of Findings and Questioned Costs
 Year ended March 31, 2011

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
1. Material weakness(es) identified?	___ Yes <u> x </u> No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes <u> x </u> None reported
3. Noncompliance material to financial statements noted?	___ Yes <u> x </u> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	___ Yes <u> x </u> No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes <u> x </u> None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?	___ Yes <u> x </u> No
7. The Corporation's major program audited was:	

<u>Name of Federal Program</u>	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants	14.218
8. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
9. Auditee qualified as low-risk auditee?	<u> x </u> Yes ___ No

Part II - FINDINGS - FINANCIAL STATEMENT AUDIT

No reportable findings.

Part III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
Status of Prior Audit Findings
March 31, 2011

There were no audit findings with regard to the prior year financial statements (March 31, 2010).