

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

FINANCIAL REPORT

**For the Years Ended
December 31, 2016 and 2015**



CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cortland County Business Development Corporation
Cortland, New York

We have audited the accompanying financial statements of Cortland County Business Development Corporation (the Corporation), a non-profit corporation, which comprise the Statements of Financial Position as of December 31, 2016 and 2015, and the related Statements of Activities and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cortland County Business Development Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017 on our consideration of the Cortland County Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 13, 2017

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,**

	2016		
	Operating	Revolving Loan	Total
ASSETS			
Current Assets			
Cash and cash equivalents:			
Unrestricted	\$ 107,808	\$	\$ 107,808
Restricted		586,439	586,439
Accounts receivable	91,835		91,835
Loans receivable - Current portion, net of allowance (\$11,237 and \$8,144, respectively)		53,060	53,060
Prepaid expenses	7,077		7,077
Total Current Assets	206,720	639,499	846,219
Land	122,237		122,237
Equipment and Improvements, net of accumulated depreciation (\$43,276 and \$42,064, respectively)	187		187
Loans receivable - Long-term portion, net of allowance (\$13,511 and \$22,601, respectively)		70,935	70,935
Total Assets	\$ 329,144	\$ 710,434	\$ 1,039,578
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 1,493	\$	\$ 1,493
Accrued payroll liabilities	737		737
Total Current Liabilities	2,230	-	2,230
Net Assets			
Unrestricted	(3,524)		(3,524)
Board designated	330,438		330,438
Temporarily restricted		710,434	710,434
Total Net Assets	326,914	710,434	1,037,348
Total Liabilities and Net Assets	\$ 329,144	\$ 710,434	\$ 1,039,578

See Independent Auditor's Report and Notes to Financial Statements

2015

Operating	Revolving Loan	Total
\$ 97,728	\$	\$ 97,728
100,634	522,386	522,386
12,540	61,644	61,644
210,902	584,030	794,932
122,237		122,237
1,399		1,399
110,116	110,116	110,116
\$ 334,538	\$ 694,146	\$ 1,028,684
\$ 5,118	\$	\$ 5,118
126		126
5,244	-	5,244
(1,144)		(1,144)
330,438		330,438
694,146	694,146	694,146
329,294	694,146	1,023,440
\$ 334,538	\$ 694,146	\$ 1,028,684

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2016		
	Operating	Revolving Loan	Total
Changes in Net Assets			
Operating Revenues:			
Contracts and support	\$ 423,042	\$	\$ 423,042
Interest income	23	10,150	10,173
Application fees		200	200
Administrative service revenue	25,000		25,000
Other revenue	3,979	59	4,038
Total Operating Revenues	452,044	10,409	462,453
Operating Expenses:			
Payroll	234,449		234,449
Payroll taxes	18,532		18,532
Employee benefits	73,351		73,351
Conferences and meetings	8,512		8,512
Legal and professional fees	14,850	26	14,876
Marketing	30,004		30,004
Special projects	10,428		10,428
Grant expenditures	6,783		6,783
Dues	2,489		2,489
Occupancy	19,651		19,651
Telephone, fax, and internet	3,804		3,804
Postage	548		548
Supplies	2,132	3	2,135
Equipment rental and maintenance	7,437		7,437
Accounting and payroll services	7,100		7,100
Insurance	2,986		2,986
Travel	4,000		4,000
Automobile expense	5,440		5,440
NY nonprofit filing fee	250		250
Depreciation	1,212		1,212
Bad debt expense (recovery), net		(5,908)	(5,908)
Miscellaneous	466		466
Total Operating Expenses	454,424	(5,879)	448,545
CHANGES IN NET ASSETS	(2,380)	16,288	13,908
Net Assets, January 1,	329,294	694,146	1,023,440
Net Assets, December 31,	\$ 326,914	\$ 710,434	\$ 1,037,348

See Independent Auditor's Report and Notes to Financial Statements

2015

<u>Operating</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 416,791	\$	\$ 416,791
228	14,362	14,590
		-
25,000		25,000
4,310	871	5,181
<u>446,329</u>	<u>15,233</u>	<u>461,562</u>
219,000		219,000
17,574		17,574
65,889		65,889
8,710		8,710
15,770	412	16,182
44,559		44,559
11,433		11,433
70,000		70,000
2,095		2,095
19,651		19,651
4,193		4,193
1,820		1,820
2,787	15	2,802
8,150		8,150
7,100		7,100
3,211		3,211
4,000		4,000
4,633		4,633
275		275
1,369		1,369
		-
318	25	343
<u>512,537</u>	<u>452</u>	<u>512,989</u>
(66,208)	14,781	(51,427)
<u>395,502</u>	<u>679,365</u>	<u>1,074,867</u>
<u>\$ 329,294</u>	<u>\$ 694,146</u>	<u>\$ 1,023,440</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 13,908	\$ (51,427)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,212	1,369
Allowance for uncollectable loans	(5,997)	
Decrease (Increase) in:		
Accounts receivable	8,799	
Grants receivable		250,000
Prepaid expenses	5,463	(680)
(Decrease) Increase in:		
Accounts payable	(3,625)	425
Accrued payroll liabilities	611	(426)
Grants payable		(250,000)
	20,371	(50,739)
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities		
Purchase of land		(122,237)
Principal received on loans receivable	68,762	98,549
New loans originated	(15,000)	
	53,762	(23,688)
Net Cash Provided (Used) by Investing Activities		
Cash Flows from Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,133	(74,427)
Cash and Cash Equivalents, January 1,	620,114	694,541
Cash and Cash Equivalents, December 31,	\$ 694,247	\$ 620,114

See Independent Auditor's Report and Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

***Note 1* Summary of Significant Accounting Policies**

Business Activity

Cortland County Business Development Corporation (the Corporation) is a not-for-profit corporation formed on May 12, 1992. The Corporation's activities involve attracting new business, developing existing business and promotion and development of job opportunities in Cortland County. The Corporation received approximately 91% and 90% of its funding from local governments in 2016 and 2015, respectively.

Accounting Method

The financial statements of the Corporation have been prepared on the accrual basis.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, 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. The Corporation has no permanently restricted net assets. Temporarily restricted net assets represent resources restricted for revolving loan funds.

Use of Funds

The assets, liabilities and net assets of the Corporation are reported in two self-balancing fund groups as follows:

- Operating Funds - Unrestricted resources which represent the portion of expendable funds that are available for support of Corporation operations.
- Revolving Loan Funds - Restricted resources used to support local business by granting loans for economic development within Cortland County. This fund is included in the temporary restricted net asset classification.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Note 1 Summary of Significant Accounting Policies - Continued

Loans Receivable

The Corporation holds funds that are earmarked for the purpose of making loans to qualified Cortland County businesses. They are to use these funds for expansion and the creation of jobs within the County. As of December 31, 2016, the Committee had granted 9 loans still outstanding at 6% interest and with various terms to maturity through 2020. Collateral consists of various assets owned by the individual businesses. The Corporation has filed all necessary legal documents to obtain a first or second lien on the various assets. During 2016, one new loan was issued in the amount of \$15,000. In addition, interest on loans is recognized when collected.

An allowance for uncollectable loans has been established and used based on management's evaluation of potential uncollectable loans at year end. Amounts expensed to maintain the appropriate allowance balance were \$89 and \$-0- in 2016 and 2015, respectively. Collection of amounts previously included in the allowance totaled \$5,997 and \$-0- in 2016 and 2015, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets. The Corporation capitalizes all assets, excluding land, greater than \$1,000 and with useful lives greater than one year.

Use of Estimates

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

Marketing Costs

Marketing costs are comprised of print and audio media advertising and promotions. These costs are expensed when incurred.

Tax Status

The Corporation is recognized as exempt from federal taxation under Section 501(c)(6) of the Internal Revenue Code.

Subsequent Event

The Corporation has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 13, 2017, the date which the financial statements were available to be issued. Subsequent to year end, the Board of Directors of the Corporation approved a loan in the amount of \$55,000 at 6% interest which had not been disbursed as of year end.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Note 2 Property and Equipment

Property and Equipment consisted of the following at December 31:

Asset	2016		
	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 41,994	\$ 41,807	\$ 187
Leasehold Improvements	1,469	1,469	-
Special Projects - Land Route	122,237		122,237
Total	\$ 165,700	\$ 43,276	\$ 122,424
2015			
Asset	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 41,994	\$ 40,595	\$ 1,399
Leasehold Improvements	1,469	1,469	-
Special Projects - Land Route	122,237		122,237
Total	\$ 165,700	\$ 42,064	\$ 123,636

Depreciation expense amounted to \$1,212 and \$1,369 for the years ended December 31, 2016 and 2015, respectively.

Note 3 Pension Plan

The Corporation sponsors a 401(k) plan. There are no plan imposed limits on the amount employees can contribute. The Corporation matches each employee's contribution up to a maximum of 10% of the employee's compensation. Pension expense incurred as of December 31, 2016 and 2015 amounted to \$23,093 and \$19,650, respectively.

Note 4 Lease Commitments

The Corporation leases office space from Cortland County on a month to month basis. Lease expense amounted to \$19,651 and \$19,651 for the years ended December 31, 2016 and 2015, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Note 4 Lease Commitments - Continued

On December 1, 2014, the Corporation entered into a 39 month automobile lease with monthly payments of \$344. Automobile lease expense amounted to \$4,131 and \$4,131, net of employee reimbursement for personal miles, for the years ended December 31, 2016 and 2015.

On January 17, 2015, the Corporation entered into a cancelable 5 year lease for a copier with monthly payments of \$321 plus usage. Copier lease expense amounted to \$3,857 and \$4,298 for the years ended December 31, 2016 and 2015.

On October 20, 2014, the Corporation entered into a 51 month lease for a postage machine with quarterly payments of \$360. Postage lease expense amounted to \$1,555 and \$1,440 for the years ended December 31, 2016 and 2015.

Future minimum lease payments are as follows at December 31:

<u>Year</u>	<u>Amount</u>
2017	\$ 12,654
2018	8,867
2019	4,116
2020	1,929

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Note 5 Loans Receivable - Revolving Loan Program

	<u>2016</u>	<u>2015</u>
Loan receivable from 60 Main, LLC, dated February 11, 2010, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing March 1, 2020.	\$ 19,570	\$ 24,880
Loan receivable from Cortland Foundations, LLC, dated September 19, 2011, original amount \$50,000, payable in monthly installments of \$1,521 including interest at 6%. Renewed November 10, 2014 with an original amount \$50,000, payable in monthly installments of \$1,521 including interest at 6%, maturing December 1, 2017.	17,673	34,321
Loan receivable from Cortland Plastics International, LLC, dated January 25, 2007, original amount \$75,000, payable in monthly installments of \$833 including interest at 6%, maturing February 1, 2017.	-	11,233
Loan receivable from Delta Investments, dated January 18, 2010, original amount \$35,000, payable in monthly installments of \$389 including interest at 6%, initially maturing December 1, 2020. Prior to the original maturity, an additional \$25,000 was added to the original loan, increasing monthly payments to \$731, and extending the maturity date to October 1, 2020.	29,978	36,731
Loan receivable from JAG Court Reporting, dated January 12, 2008, original amount \$20,000, payable in monthly installments of \$387 including interest at 6%, with an original maturity date of December 1, 2013. This loan was satisfied under a court ordered judgement with payments collected subsequent to the original maturity date.	-	2,239
Loan receivable from Marathon Boat Group, dated June 11, 2008, original amount \$15,000, payable in monthly installments of \$219 including interest at 6%, maturing January 1, 2018.	3,345	5,697

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Note 5 Loans Receivable - Revolving Loan Program - Continued

	<u>2016</u>	<u>2015</u>
Loan receivable from Central City Bar and Grill, dated June 14, 2007, original amount \$60,000, payable in monthly installments of \$666 including interest at 6%, maturing July 1, 2017.	4,572	12,046
Loan receivable from M & D Deli Central, dated July 7, 2009, original amount \$60,000, payable in monthly installments of \$666 including interest at 6%, maturing August 1, 2019.	19,653	26,251
Loan receivable from Crown City Stove Works, dated January 29, 2010, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing February 1, 2020.	24,750	28,527
Loan receivable from Custom Machining Technology, dated November 25, 2014, original amount \$25,000, payable in monthly installments of \$483 including interest at 6%, maturing December 1, 2019.	15,887	20,580
Loan receivable from Pat-Tees Apparel, dated May 18, 2016, original amount \$15,000, payable in monthly installments of \$352 including interest at 6%, maturing June 1, 2020.	13,315	-
Total Loans Outstanding	148,743	202,505
Less allowance for uncollectible loans receivable	<u>(24,748)</u>	<u>(30,745)</u>
Net Loans Outstanding	123,995	171,760
Less Current Portion	<u>(53,060)</u>	<u>(61,644)</u>
Long-term Portion	<u>\$ 70,935</u>	<u>\$ 110,116</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Note 6 Concentration of Credit Risk and Sources of Revenue

Financial instruments which potentially expose the Corporation to concentrations of credit and market risk consist primarily of cash. Cash is maintained at high quality financial institutions and credit exposure is limited to cash in excess of Federal Deposit Insurance Corporation insurance limits. From time to time the Corporation may have bank deposits in excess of Federal Deposit Insurance Corporation insurance limits.

The Corporation received approximately 91% and 90%, in 2016 and 2015, respectively, of its support from Cortland County. In 2003, Cortland County passed a resolution to annually fund the Corporation. In 2014, a contract extension was passed for unrestricted funding of \$416,791, \$423,042, \$429,387, and \$435,827 for the years 2015, 2016, 2017, and 2018, respectively.

Note 7 Board Designated Net Assets

The Corporation's Board of Directors designated net assets for potential future projects. Changes in Board Designated Net Assets, for the years ended December 31, are as follows:

	Balance at 12/31/15	Transfers In	Funds Used	Balance at 12/31/16
Future project needs	\$ 300,000	\$	\$	\$ 300,000
Training	30,438			30,438
Total	\$ 330,438	\$ -	\$ -	\$ 330,438
	Balance at 12/31/14	Transfers In	Funds Used	Balance at 12/31/15
Future project needs	\$ 300,000	\$	\$	\$ 300,000
Training	32,438		2,000	30,438
Total	\$ 332,438	\$ -	\$ 2,000	\$ 330,438

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

***Note 8* Related Party Transactions**

Cortland County Industrial Development Agency (the Agency) was created for the purpose of advancing job opportunities, health, general prosperity, and economic welfare of the people of Cortland County in 1974.

The Executive Director of the Corporation acts as the Chief Executive Officer of the Agency; the Chief Finance Officer and Project Development Director of the Corporation acts as the Treasurer of the Agency; and the Board of Directors of the Corporation are all members of the Agency's Board of Directors. In addition, the Agency has two component units, the Cortland County Agricultural Local Development Corporation (Ag Corp) and the Cortland County Local Development Corporation, which also share the Chief Executive Officer, Treasurer and Board of the Corporation. The Corporation pays the expenses for the Ag Corp. The Ag Corp owed the Corporation \$8,799 and \$-0- at December 31, 2015 and 2016, respectively. At December 31, 2016 and 2015, the Corporation had an accounts receivable balance of \$91,835 due from the Agency.

The Corporation and the Agency have an administrative service agreement, the Agency pays the Corporation \$25,000 annually for administrative services. The Agency paid the Corporation \$25,000 in the years ending December 31, 2016 and 2015.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Cortland County Business Development Corporation
Cortland, New York

We have audited, in accordance with the 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 Cortland County Business Development Corporation (the Corporation), which comprise the Statement of Financial Position as of December 31, 2016, and the related Statements of Activities, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2017.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 13, 2017