

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

FINANCIAL REPORT

For the Years Ended
August 31, 2016 and 2015



BINGHAMTON LOCAL DEVELOPMENT CORPORATION

TABLE OF CONTENTS AUGUST 31, 2016 AND 2015

Independent Auditor's Report	1-2
Statements of Financial Position	3-3a
Statements of Activities and Changes in Net Assets	4-4a
Statements of Cash Flows	5
Notes to Financial Statements	6-9
Schedule of Loans Receivable	10
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 <i>Government Auditing Standards</i>	11-12

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Binghamton Local Development Corporation
Binghamton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Binghamton Local Development Corporation (the Corporation), a component unit of the City of Binghamton, which comprise the Statements of Financial Position as of August 31, 2016 and 2015, and the related Statements of Activities and Changes in Net Assets, 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 opinions on these financial statements based on our audit. 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Binghamton Local Development Corporation as of August 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.

Prior Period Financial Statements

The financial statements of Binghamton Local Development Corporation, as of August 31, 2015 were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated November 30, 2015 expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The Schedule of Loans Receivable on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2016, 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.

Respectfully Submitted,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
November 8, 2016

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION AUGUST 31,

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 30,443	\$ 2,248,015	\$ 2,278,458
Loans receivable, net, current portion		<u>349,516</u>	<u>349,516</u>
Total Current Assets	<u>30,443</u>	<u>2,597,531</u>	<u>2,627,974</u>
Noncurrent Assets:			
Investments - land		136,954	136,954
Loans receivable, net of noncurrent portion and allowance for doubtful accounts of \$326,911 for 2016 and 2015		<u>876,832</u>	<u>876,832</u>
Total Noncurrent Assets	<u>-</u>	<u>1,013,786</u>	<u>1,013,786</u>
Total Assets	<u>\$ 30,443</u>	<u>\$ 3,611,317</u>	<u>\$ 3,641,760</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ <u>3,284</u>	\$ <u>38,517</u>	\$ <u>41,801</u>
Total Current Liabilities	<u>3,284</u>	<u>38,517</u>	<u>41,801</u>
Net Assets:			
Unrestricted	27,159		27,159
Temporarily restricted		<u>3,572,800</u>	<u>3,572,800</u>
Total Net Assets	<u>27,159</u>	<u>3,572,800</u>	<u>3,599,959</u>
Total Liabilities and Net Assets	<u>\$ 30,443</u>	<u>\$ 3,611,317</u>	<u>\$ 3,641,760</u>

See Independent Auditor's Report and Notes to Financial Statements

2015		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 11,960	\$ 2,341,708	\$ 2,353,668
	368,735	368,735
<u>11,960</u>	<u>2,710,443</u>	<u>2,722,403</u>
	136,954	136,954
	<u>671,135</u>	<u>671,135</u>
<u>-</u>	<u>808,089</u>	<u>808,089</u>
<u>\$ 11,960</u>	<u>\$ 3,518,532</u>	<u>\$ 3,530,492</u>
\$ 3,284	\$ 247	\$ 3,531
<u>3,284</u>	<u>247</u>	<u>3,531</u>
8,676		8,676
	<u>3,518,285</u>	<u>3,518,285</u>
<u>8,676</u>	<u>3,518,285</u>	<u>3,526,961</u>
<u>\$ 11,960</u>	<u>\$ 3,518,532</u>	<u>\$ 3,530,492</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS AUGUST 31,

	2016		
	Unrestricted	Temporarily Restricted	Total
Revenues:			
Interest and fees on loans	\$	\$ 41,501	\$ 41,501
Grant income	114,717		114,717
UDAG repayments		66,692	66,692
CDBG HUD funds		125,645	125,645
Interest	7	689	696
Miscellaneous income	14,345	3,026	17,371
Net assets released from restrictions	183,038	(183,038)	-
Total Revenues	312,107	54,515	366,622
Expenses:			
Facilities, personnel, materials, and supplies - CDBG HUD funds	10,895		10,895
Grant expense	101,930		101,930
Marketing	14,018		14,018
Travel	186		186
Payroll expenses	153,000		153,000
Office expenses	5,808		5,808
Bad debt (recovery)			-
Other	7,787		7,787
Total Expenses	293,624	-	293,624
Total Change in Net Assets	18,483	54,515	72,998
Net Assets, Beginning of Year	8,676	3,518,285	3,526,961
Net Assets, End of Year	\$ 27,159	\$ 3,572,800	\$ 3,599,959

See Independent Auditor's Report and Notes to Financial Statements

2015		
Unrestricted	Temporarily Restricted	Total
\$	\$	\$
	39,730	39,730
226,409		226,409
	64,724	64,724
	150,750	150,750
4	684	688
4,000	1,938	5,938
78,134	(78,134)	-
<u>308,547</u>	<u>179,692</u>	<u>488,239</u>
150,750		150,750
214,395		214,395
11,923		11,923
		-
		-
4,061		4,061
(80,000)		(80,000)
7,542		7,542
<u>308,671</u>	<u>-</u>	<u>308,671</u>
(124)	179,692	179,568
<u>8,800</u>	<u>3,338,593</u>	<u>3,347,393</u>
<u>\$ 8,676</u>	<u>\$ 3,518,285</u>	<u>\$ 3,526,961</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS AUGUST 31,

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 72,998	\$ 179,568
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debts expense (recovery)	-	(80,000)
Decrease in:		
Grants receivable	-	32,178
Increase (decrease) in:		
Accounts payable	<u>38,270</u>	<u>(14,895)</u>
Net Cash Provided by Operating Activities	<u>111,268</u>	<u>116,851</u>
Cash Flows from Investing Activities:		
New loans	(421,500)	(224,500)
Loan repayments	<u>235,022</u>	<u>347,605</u>
Net Cash Provided by Investing Activities	<u>(186,478)</u>	<u>123,105</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(75,210)	239,956
Cash and Cash Equivalents, Beginning of Year	<u>2,353,668</u>	<u>2,113,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,278,458</u>	<u>\$ 2,353,668</u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2016 AND 2015

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

Purpose of the Corporation

The Binghamton Local Development Corporation (the Corporation) is a not-for-profit corporation formed to further sustainable economic development in the City of Binghamton by attracting new business, retaining and growing established businesses, building industrial and commercial capacity, promoting employment, and fostering entrepreneurship and innovation.

The Corporation is a not-for-profit corporation, and is a component unit of the City of Binghamton (City). The financial activities of the Corporation are combined with the financial activities of the City in the City's financial statements.

Basis of 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 received from Community Development Block Grants (CDBG) and Urban Development Action Grants (UDAG) which are restricted as to their use.

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.

Cash and Cash Equivalents

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

Investments

Investments consist of real estate purchased with the intent to resell. This investment is recorded at cost; unrealized gains or losses related to changes in market value are not recorded.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2016 AND 2015

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

Concentrations of Risk and Investments Cash Balances

The Corporation maintains its accounts at a single financial institution. The Corporation has bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits, and maintains a collateralization agreement with this financial institution for cash balances in excess of FDIC limits. At August 31, 2016 and 2015, \$-0- was uncollateralized and uninsured.

Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to loans receivable.

Support and Revenue

The Corporation is funded principally through grants from the City of Binghamton CDBG program. The Corporation recognizes grant funds for CDBG upon receipt, which coincides with the disbursement of the funds by the Corporation.

The Corporation also receives revenue in the form of repayments on loans originally granted by the City of Binghamton from UDAG program funds. Program income from UDAG loan repayments is recognized as revenue when received.

The City of Binghamton contributes office space; other expenses of the Corporation are paid from the aforementioned CDBG program grants.

Income Tax Status

The Corporation is a not-for-profit Corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Corporation has evaluated subsequent events for reporting and disclosure through November 8, 2016, the date which the financial statements were available to be issued.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2016 AND 2015

Note 2 **Loans Receivable**

Loans receivable at August 31, consisted of the following:

	<u>2016</u>	<u>2015</u>
Total Loans Receivable, Beginning of Year	\$ 1,366,781	\$ 1,499,849
Loan advances	421,500	224,500
Principal repayments	(235,022)	(347,605)
Writeoffs	<u>-</u>	<u>(9,963)</u>
Total Loans Receivable, end of year	1,553,259	1,366,781
Less allowance for doubtful accounts	<u>(326,911)</u>	<u>(326,911)</u>
Loans receivable, net of allowance	1,226,348	1,039,870
Less current portion	<u>(349,516)</u>	<u>(368,735)</u>
Loans Receivable, Net of Current Portion	\$ <u>876,832</u>	\$ <u>671,135</u>

The allowance for doubtful accounts has been established for loans of borrowers who have filed for bankruptcy or are otherwise considered doubtful of collection. During the year ended August 31, 2015, the allowance for doubtful accounts was decreased to \$326,911 based on recovery of a loan that had been delinquent. The allowance is considered adequate by management to cover all currently delinquent loans, and others which may become doubtful during the year.

Note 3 **Investments - Land**

In accordance with section 2925(6) of the Public Authorities Law for New York State, Public Authorities, the Corporation reports one investment as of and for the year ended August 31, 2016. The Corporation has an investment in real estate which it intends to resell; total costs accumulated to date are \$136,954. Investment policies are reviewed annually.

Note 4 **City of Binghamton Agreement**

The Corporation executed and renewed an agreement with the City regarding the use of CDBG and UDAG funds for various economic development programs. Either party can terminate the agreement with 30 days notice. If the agreement is terminated, all loans outstanding become the property of the City. At August 31, 2016, the Corporation owed the City \$38,250 in conjunction with the agreement. There was no payment due at August 31, 2015.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2016 AND 2015

Note 4 **City of Binghamton Agreement - Continued**

Pursuant to the agreement, the Corporation has been allocated funding from the City's CDBG and UDAG funds. In addition, loan repayments from City UDAG program loans are committed for use by the Corporation. The Corporation received \$66,692 and \$64,724 during the years ended August 31, 2016 and 2015 representing principal and interest; these funds have been recognized as revenue.

Note 5 **Commitments**

At August 31, 2016, the Corporation had approved loans which were not yet disbursed. These commitments will be funded upon satisfaction of loan provisions by the applicant and the availability of funds at the time of closing.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF LOANS RECEIVABLE AUGUST 31,

	<u>2015</u>		<u>2016</u>	
	<u>Principal Balance</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal Balance</u>
CDBG Loans				
Bearcats Development Group, LLC	\$ 100,629	\$	\$ 14,862	\$ 85,767
Bubbles Professional Autocare, LLC	27,000		6,000	21,000
Innovation in Imaging, Inc.	138,519		5,053	133,466
Kanenas, LLC	33,318		33,318	-
Net2000 Computers	1,298		1,298	-
Nielson Hardware	135,026		50,601	84,425
On the Rocks, Inc.	12,784		3,104	9,680
Sedona Enterprises, LLC	32,129		7,731	24,398
S2 Properties, LLC		75,000	3,406	71,594
Mountain Fresh Dairy	185,385		21,478	163,907
VMR Electronics, LLC	65,366			65,366
VMR Realty Management, LLC	261,545			261,545
Total CDBG Loans	<u>992,999</u>	<u>75,000</u>	<u>146,851</u>	<u>921,148</u>
UDAG Loans				
142 Court Street, LLC	19,271		2,233	17,038
142 Court Street, LLC	49,288		4,375	44,913
Casey and Karen Wales		24,000	1,090	22,910
DeAngelo Management Service, LLC		22,500	1,022	21,478
DDBing Properties, LLC	121,521		6,425	115,096
DDBing Properties, LLC	82,844		3,597	79,247
Burger Monday, LLC	3,082		3,082	-
FDG Real Property Holdings	-	100,000	2,394	97,606
Finger Lakes Running Co.	16,474		5,274	11,200
Kell Enterprises	6,456		5,139	1,317
One North Depot 210A		100,000	1,917	98,083
One North Depot 210B		100,000	305	99,695
Thomas and Antoinette Dunn	870		870	-
Syed Ali and Adam Ibrahim	24,500		3,802	20,698
Thomas Haines	13,393		11,607	1,786
Wisteria House, LLC	25,861		25,861	-
Rogers JFT, LLC	8,229		7,587	642
On the Roxx Bar & Grill, LLC	1,993		1,591	402
Total UDAG Loans	<u>373,782</u>	<u>346,500</u>	<u>88,171</u>	<u>632,111</u>
Total Loans Receivable	<u>\$ 1,366,781</u>	<u>\$ 421,500</u>	<u>\$ 235,022</u>	<u>\$ 1,553,259</u>

See Independent Auditor's Report

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

Board of Directors
Binghamton Local Development Corporation
Binghamton, 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 Binghamton Local Development Corporation (the Corporation), a component unit of the City of Binghamton, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements, and have issued our report thereon dated November 8, 2016.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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
November 8, 2016