

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

TABLE OF CONTENTS AUGUST 31, 2017 AND 2016

Independent Auditor's Report	1-2
Financial Statements:	
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
Supplementary Information:	
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, 2017 and 2016, 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 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 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 Binghamton Local Development Corporation as of August 31, 2017 and 2016, 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 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 15, 2017, 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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
November 15, 2017

2016		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 30,443	\$ 2,248,015	\$ 2,278,458
	349,516	-
<u>30,443</u>	<u>2,597,531</u>	<u>2,627,974</u>
	136,954	136,954
	876,832	876,832
<u>-</u>	<u>1,013,786</u>	<u>1,013,786</u>
<u>\$ 30,443</u>	<u>\$ 3,611,317</u>	<u>\$ 3,641,760</u>
\$ 3,284	\$ 38,517	\$ 41,801
<u>3,284</u>	<u>38,517</u>	<u>41,801</u>
27,159		27,159
	<u>3,572,800</u>	<u>3,572,800</u>
<u>27,159</u>	<u>3,572,800</u>	<u>3,599,959</u>
<u>\$ 30,443</u>	<u>\$ 3,611,317</u>	<u>\$ 3,641,760</u>

2016		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$	\$	\$
	41,501	41,501
114,717		114,717
	66,692	66,692
	125,645	125,645
7	689	696
14,345	3,026	17,371
<u>183,038</u>	<u>(183,038)</u>	<u>-</u>
<u>312,107</u>	<u>54,515</u>	<u>366,622</u>
10,895		10,895
101,930		101,930
14,018		14,018
186		186
153,000		153,000
5,808		5,808
<u>7,787</u>		<u>7,787</u>
<u>293,624</u>	<u>-</u>	<u>293,624</u>
18,483	54,515	72,998
<u>8,676</u>	<u>3,518,285</u>	<u>3,526,961</u>
<u>\$ 27,159</u>	<u>\$ 3,572,800</u>	<u>\$ 3,599,959</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS AUGUST 31,

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 113,023	\$ 72,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(127,250)	
Increase (decrease) in:		
Accounts payable	<u>71,355</u>	<u>38,270</u>
Net Cash Provided by Operating Activities	<u>57,128</u>	<u>111,268</u>
Cash Flows from Investing Activities		
New loans	(10,000)	(421,500)
Loan repayments	<u>223,470</u>	<u>235,022</u>
Net Cash Provided by Investing Activities	<u>213,470</u>	<u>(186,478)</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	270,598	(75,210)
Cash and Cash Equivalents, Beginning of Year	<u>2,278,458</u>	<u>2,353,668</u>
Cash and Cash Equivalents, End of Year	\$ <u>2,549,056</u>	\$ <u>2,278,458</u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017 AND 2016

***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 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, 2017 AND 2016

***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, 2017 and 2016, \$-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 15, 2017, the date which the financial statements were available to be issued.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017 AND 2016

Note 2

Loans Receivable

Loans receivable at August 31, consisted of the following:

	<u>2017</u>	<u>2016</u>
Total Loans Receivable, Beginning of Year	\$ 1,553,259	\$ 1,366,781
Loan advances	10,000	421,500
Principal repayments	(223,470)	(235,022)
Writeoffs	<u>-</u>	<u>-</u>
Total Loans Receivable, end of year	1,339,789	1,553,259
Less allowance for doubtful accounts	<u>(326,911)</u>	<u>(326,911)</u>
Loans receivable, net of allowance	1,012,878	1,226,348
Less current portion	<u>(276,905)</u>	<u>(349,516)</u>
Loans Receivable, Net of Current Portion	\$ <u>735,973</u>	\$ <u>876,832</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. 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, 2017. 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, 2017, the Corporation owed the City \$81,500 in conjunction with the agreement. At August 31, 2016, the Corporation owed the City \$38,250 in conjunction with the agreement.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017 AND 2016

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 \$68,722 and \$66,692 during the years ended August 31, 2017 and 2016 representing principal and interest; these funds have been recognized as revenue.

Note 5 **Commitments**

At August 31, 2017, the Corporation had approved loans not yet disbursed. These commitments will be funded upon satisfaction of loan provisions by the applicant and availability of funds at the time of closing.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF LOANS RECEIVABLE AUGUST 31,

	<u>2016</u>			<u>2017</u>
	<u>Principal Balance</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal Balance</u>
CDBG Loans				
Bearcats Development Group, LLC	\$ 85,767	\$	\$ 15,313	\$ 70,454
Bubbles Professional Autocare, LLC	21,000		6,000	15,000
Innovation in Imaging, Inc.	133,466		13,746	119,720
Nielson Hardware	84,425		84,425	-
On the Rocks, Inc.	9,680		8,680	1,000
Sedona Enterprises, LLC	24,398		8,047	16,351
Mountain Fresh Dairy	163,907		29,028	134,879
VMR Electronics, LLC	65,366			65,366
VMR Realty Management, LLC	261,545			261,545
Total CDBG Loans	<u>849,554</u>	<u>-</u>	<u>165,239</u>	<u>684,315</u>
UDAG Loans				
142 Court Street, LLC	17,038		3,423	13,615
142 Court Street, LLC	44,913		5,388	39,525
Casey and Karen Wales	22,910		4,469	18,441
DeAngelo Management Service, LLC	21,478		4,248	17,230
DDBing Properties, LLC	115,096		6,653	108,443
DDBing Properties, LLC	79,247		3,947	75,300
FDG Real Property Holdings	97,606		3,376	94,230
Finger Lakes Running Co.	11,200		5,488	5,712
Happy Pappi		5,000	390	4,610
Jrama's Catering		5,000	625	4,375
Kell Enterprises	1,317		1,317	-
One North Depot 210A	98,083		3,449	94,634
One North Depot 210B	99,695		3,642	96,053
S2 Properties, LLC	71,594		4,191	67,403
Syed Ali and Adam Ibrahim	20,698		4,795	15,903
Thomas Haines	1,786		1,786	-
Rogers JFT, LLC	642		642	-
On the Roxx Bar & Grill, LLC	402		402	-
Total UDAG Loans	<u>703,705</u>	<u>10,000</u>	<u>58,231</u>	<u>655,474</u>
Total Loans Receivable	<u>\$ 1,553,259</u>	<u>\$ 10,000</u>	<u>\$ 223,470</u>	<u>\$ 1,339,789</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, 2017, 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 15, 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 Corporation'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.

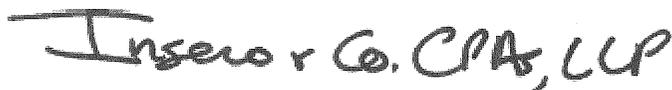
Compliance and Other Matters

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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
November 15, 2017