

**BINGHAMTON LOCAL
DEVELOPMENT CORPORATION**

Binghamton, New York

FINANCIAL REPORT

August 31, 2018 and 2017



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BINGHAMTON LOCAL DEVELOPMENT CORPORATION

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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, 2018 and 2017, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Binghamton Local Development Corporation as of August 31, 2018 and 2017, 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

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 13, 2018 on our consideration of the Corporation's internal control over financial reporting and 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 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* in considering Corporation's internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
November 13, 2018

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION AUGUST 31,

	2018		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 51,285	\$ 2,458,578	\$ 2,509,863
Accounts receivable		45,750	45,750
Loans receivable, net, current portion		167,496	167,496
Total Current Assets	51,285	2,671,824	2,723,109
Noncurrent Assets			
Investments - Land		136,954	136,954
Loans receivable, net of noncurrent portion and allowance for doubtful accounts of \$327,911 for 2018 and \$326,911 for 2017, respectively		985,060	985,060
Total Noncurrent Assets	-	1,122,014	1,122,014
Total Assets	\$ 51,285	\$ 3,793,838	\$ 3,845,123
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 3,284	\$	\$ 3,284
Deferred revenue		54,774	54,774
Total Current Liabilities	3,284	54,774	58,058
Net Assets			
Unrestricted	48,001		48,001
Temporarily restricted		3,739,064	3,739,064
Total Net Assets	48,001	3,739,064	3,787,065
Total Liabilities and Net Assets	\$ 51,285	\$ 3,793,838	\$ 3,845,123

See Independent Auditor's Report and Notes to Financial Statements

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 66,794	\$ 2,482,262	\$ 2,549,056
	127,250	127,250
	276,905	276,905
<u>66,794</u>	<u>2,886,417</u>	<u>2,953,211</u>
	136,954	136,954
	735,973	735,973
<u>-</u>	<u>872,927</u>	<u>872,927</u>
<u>\$ 66,794</u>	<u>\$ 3,759,344</u>	<u>\$ 3,826,138</u>
\$ 31,215	\$ 81,941	\$ 113,156
<u>31,215</u>	<u>81,941</u>	<u>113,156</u>
35,579	3,677,403	3,677,403
<u>35,579</u>	<u>3,677,403</u>	<u>3,712,982</u>
<u>\$ 66,794</u>	<u>\$ 3,759,344</u>	<u>\$ 3,826,138</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDING AUGUST 31,

	2018		
	Unrestricted	Temporarily Restricted	Total
Revenues			
Interest and fees on loans	\$	\$ 29,620	\$ 29,620
Grant income	54,217		54,217
UDAG repayments		25,275	25,275
CDBG HUD funds		210,743	210,743
Interest	5	1,367	1,372
Miscellaneous income	58,764	2,720	61,484
Net assets released from restrictions	208,064	(208,064)	-
Total Revenues	321,050	61,661	382,711
Expenses			
Facilities, personnel, materials, and supplies - CDBG HUD funds	9,873		9,873
Grant expense	40,733		40,733
Marketing	15,858		15,858
Payroll expenses	176,583		176,583
Office expenses	26,036		26,036
Other	39,545		39,545
Total Expenses	308,628	-	308,628
Total Change in Net Assets	12,422	61,661	74,083
Net Assets, Beginning of Year	35,579	3,677,403	3,712,982
Net Assets, End of Year	\$ 48,001	\$ 3,739,064	\$ 3,787,065

See Independent Auditor's Report and Notes to Financial Statements

2017		
Unrestricted	Temporarily Restricted	Total
\$	\$	\$
115,382	36,216	36,216
	68,722	115,382
	219,372	68,722
6	845	219,372
3,625	1,971	851
222,523	(222,523)	5,596
		-
<u>341,536</u>	<u>104,603</u>	<u>446,139</u>
37,140		37,140
70,014		70,014
13,759		13,759
160,500		160,500
12,909		12,909
38,794		38,794
<u>333,116</u>	<u>-</u>	<u>333,116</u>
8,420	104,603	113,023
27,159	3,572,800	3,599,959
<u>\$ 35,579</u>	<u>\$ 3,677,403</u>	<u>\$ 3,712,982</u>



BINGHAMTON LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDING AUGUST 31,

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 74,083	\$ 113,023
Change in Allowance for Doubtful Accounts	1,000	
Decrease (increase) in:		
Accounts receivable	81,500	(127,250)
(Decrease) increase in:		
Accounts payable	<u>(55,098)</u>	<u>71,355</u>
Net Cash Provided by Operating Activities	<u>101,485</u>	<u>57,128</u>
Cash Flows from Investing Activities		
New loans	(260,195)	(10,000)
Loan repayments	<u>119,517</u>	<u>223,470</u>
Net Cash (Used) Provided by Investing Activities	<u>(140,678)</u>	<u>213,470</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(39,193)	270,598
Cash and Cash Equivalents, Beginning of Year	<u>2,549,056</u>	<u>2,278,458</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,509,863</u>	<u>\$ 2,549,056</u>

See Independent Auditor's Report and Notes to Financial Statements



BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018 and 2017

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, 2018 and 2017

***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, 2018 and 2017, \$-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's 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 from UDAG program funds. Program income from UDAG loan repayments is recognized as revenue when received.

The City 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 13, 2018, the date which the financial statements were available to be issued.



BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018 and 2017

Note 2 **Loans Receivable**

Loans receivable at August 31, consisted of the following:

	<u>2018</u>	<u>2017</u>
Total Loans Receivable, Beginning of Year	\$ 1,339,789	\$ 1,553,259
Loan advances	260,195	10,000
Principal repayments	(119,517)	(223,470)
Writeoffs	<u>-</u>	<u>-</u>
Total Loans Receivable, End of Year	1,480,467	1,339,789
Less allowance for doubtful accounts	<u>(327,911)</u>	<u>(326,911)</u>
Loans receivable, net of allowance	1,152,556	1,012,878
Less current portion	<u>(167,496)</u>	<u>(276,905)</u>
Loans Receivable, Net of Current Portion	\$ <u>985,060</u>	\$ <u>735,973</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 years ended August 31, 2018, and 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.



BINGHAMTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018 and 2017

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 \$25,275 and \$68,722 during the years ended August 31, 2018 and 2017 representing principal and interest; these funds have been recognized as revenue.

Note 5 **Commitments**

At August 31, 2018, 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>2017</u>			<u>2018</u>
	<u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal</u>
	<u>Balance</u>			<u>Balance</u>
CDBG Loans				
Bearcats Development Group, LLC	\$ 70,454	\$	\$ 15,780	\$ 54,674
Bubbles Professional Autocare, LLC	15,000		6,000	9,000
Innovation in Imaging, Inc.	119,720		11,719	108,001
On the Rocks, Inc.	1,000			1,000
Sedona Enterprises, LLC	16,351		8,109	8,242
Mountain Fresh Dairy	134,879		13,804	121,075
S2 Properties, LLC	67,403		4,308	63,095
VMR Electronics, LLC	65,366			65,366
VMR Realty Management, LLC	261,545			261,545
Total CDBG Loans	<u>751,718</u>	<u>-</u>	<u>59,720</u>	<u>691,998</u>
UDAG Loans				
142 Court Street, LLC	13,615		3,196	10,419
142 Court Street, LLC	39,525		7,073	32,452
Casey and Karen Wales	18,441		4,653	13,788
DeAngelo Management Service, LLC	17,230		4,361	12,869
DDBing Properties, LLC	108,443		6,891	101,552
DDBing Properties, LLC	75,300		3,758	71,542
FDG Real Property Holdings	94,230		4,260	89,970
Finger Lakes Running Co.	5,712		5,712	-
Happy Pappi	4,610		4,610	-
Happy Pappi	-	2,000	336	1,664
Jrama's Catering	4,375		1,378	2,997
One North Depot 210A	94,634		3,885	90,749
One North Depot 210B	96,053		3,679	92,374
Syed Ali and Adam Ibrahim	15,903		5,747	10,156
Thomas Haines	-	229,790		229,790
Zachary Salisbury	-	5,000	258	4,742
Muckles' Ink	-	23,405		23,405
Total UDAG Loans	<u>588,071</u>	<u>260,195</u>	<u>59,797</u>	<u>788,469</u>
Total Loans Receivable	<u>\$ 1,339,789</u>	<u>\$ 260,195</u>	<u>\$ 119,517</u>	<u>\$ 1,480,467</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, 2018 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 13, 2018.

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 13, 2018





What Does It Mean to Have a Higher Standard?

We believe the greatest successes are not born from a single event. They are the result of hard work, planning, tenacity, passion and focus. They grow without compromising - heralding honor, respect and admiration through the business world and throughout the community.

They set a higher standard for all.

It is this standard that we bring to every client and every aspect of their business. Through our partnership and leadership we aim to help these clients continue to achieve great successes that can be measured in more than just dollars.



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