

**BINGHAMTON LOCAL
DEVELOPMENT CORPORATION**

Binghamton, New York

FINANCIAL REPORT

**For the Years Ended
August 31, 2014 and 2013**

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

AUGUST 31, 2014 AND 2013

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Frederick J. Ciaschi, C.P.A.

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 the Binghamton Local Development Corporation (a nonprofit organization), a component unit of the City of Binghamton, which comprise the Statements of Financial Position as of August 31, 2014 and 2013, 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 of 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.

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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, 2014 and 2013, 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 an opinion on the financial statements as a whole. The Schedule of Loans Receivable on page 9 and 10 is presented for purposes of additional analysis and is not a required part of the 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 20, 2014, 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.



November 20, 2014
Ithaca, New York

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
AUGUST 31,

	2014		
<u>ASSETS</u>	Unrestricted	Temporarily Restricted	Total
Current Assets:			
Cash and cash equivalents	\$ 27,084	\$ 2,086,628	\$ 2,113,712
Loans receivable, net, current portion		286,121	286,121
Grants receivable		32,178	32,178
Total Current Assets	27,084	2,404,927	2,432,011
Noncurrent Assets:			
Investments		136,954	136,954
Loans receivable, net of noncurrent portion and allowance for doubtful accounts of \$416,874 for 2014 and 2013		796,854	796,854
Total Noncurrent Assets	-0-	933,808	933,808
Total Assets	\$ 27,084	\$ 3,338,735	\$ 3,365,819
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable	\$ 18,284	\$ 142	\$ 18,426
Total Current Liabilities	18,284	142	18,426
Net Assets:			
Unrestricted	8,800		8,800
Temporarily restricted		3,338,593	3,338,593
Total Net Assets	8,800	3,338,593	3,347,393
Total Liabilities and Net Assets	\$ 27,084	\$ 3,338,735	\$ 3,365,819

See Independent Auditor's Report and Notes to Financial Statements

2013		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 52,847	\$ 1,795,755	\$ 1,848,602
	481,793	481,793
<u>49,796</u>	<u>29,000</u>	<u>78,796</u>
<u>102,643</u>	<u>2,306,548</u>	<u>2,409,191</u>
	136,954	136,954
	<u>799,231</u>	<u>799,231</u>
<u>-0-</u>	<u>936,185</u>	<u>936,185</u>
<u>\$ 102,643</u>	<u>\$ 3,242,733</u>	<u>\$ 3,345,376</u>
<u>\$ 89,456</u>	<u>\$ 504</u>	<u>\$ 89,960</u>
<u>89,456</u>	<u>504</u>	<u>89,960</u>
13,187		13,187
	<u>3,242,229</u>	<u>3,242,229</u>
<u>13,187</u>	<u>3,242,229</u>	<u>3,255,416</u>
<u>\$ 102,643</u>	<u>\$ 3,242,733</u>	<u>\$ 3,345,376</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
AUGUST 31,

	2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Interest and fees on loans	\$	\$ 47,655	\$ 47,655
Grant income	139,471	3,178	142,649
UDAG repayments		62,813	62,813
CDBG HUD funds		108,000	108,000
Interest	9	1,256	1,265
Miscellaneous income		1,073	1,073
Net assets released from restrictions	127,611	(127,611)	-0-
 Total Revenues	 <u>267,091</u>	 <u>96,364</u>	 <u>363,455</u>
Expenses:			
Facilities, personnel, materials, and supplies - CDBG HUD funds	108,000		108,000
Grant expense	138,106		138,106
Marketing	2,347		2,347
Office expenses	11,079		11,079
Program expenses	10,000		10,000
Bad debt			-0-
Other	1,946		1,946
 Total Expenses	 <u>271,478</u>	 <u>-0-</u>	 <u>271,478</u>
 Total (Decrease) Increase in Net Assets	 (4,387)	 96,364	 91,977
 Net Assets, Beginning of Year	 <u>13,187</u>	 <u>3,242,229</u>	 <u>3,255,416</u>
 Net Assets, End of Year	 <u>\$ 8,800</u>	 <u>\$ 3,338,593</u>	 <u>\$ 3,347,393</u>

See Independent Auditor's Report and Notes to Financial Statements

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$	\$	\$
	66,423	66,423
112,433		112,433
	46,065	46,065
230,928		230,928
4	1,016	1,020
8,129	640	8,769
175,399	(175,399)	-0-
<u>526,893</u>	<u>(61,255)</u>	<u>465,638</u>
230,928		230,928
110,432		110,432
7,876		7,876
3,039		3,039
		-0-
162,874		162,874
<u>729</u>		<u>729</u>
<u>515,878</u>	<u>-0-</u>	<u>515,878</u>
11,015	(61,255)	(50,240)
<u>2,172</u>	<u>3,303,484</u>	<u>3,305,656</u>
<u>\$ 13,187</u>	<u>\$ 3,242,229</u>	<u>\$ 3,255,416</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
 STATEMENTS OF CASH FLOWS
AUGUST 31,

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ 91,977	\$ (50,240)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debts expense	-0-	162,874
(Increase) decrease in:		
Grants receivable	46,618	(49,796)
Increase (decrease) in:		
Accounts payable	<u>(71,534)</u>	<u>52,675</u>
Net Cash Provided by Operating Activities	<u>67,061</u>	<u>115,513</u>
Cash Flows from Investing Activities:		
New loans	-0-	(364,000)
Loan repayments	<u>198,049</u>	<u>487,037</u>
Net Cash Provided by Investing Activities	<u>198,049</u>	<u>123,037</u>
Net Cash Provided by Financing Activities	<u>-0-</u>	<u>-0-</u>
Net Increase in Cash and Cash Equivalents	265,110	238,550
Cash and Cash Equivalents, Beginning of Year	<u>1,848,602</u>	<u>1,610,052</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,113,712</u>	<u>\$ 1,848,602</u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

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 business, building industrial and commercial capacity, promoting employment, and fostering entrepreneurship and innovation.

The Corporation is a nonprofit 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.

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, 2014 and 2013, \$-0- was uncollateralized and uninsured.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
AUGUST 31, 2014 AND 2013

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.

The Corporation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending August 31, 2011, 2012 and 2013 is subject to examination by the IRS, generally for three years post filing.

Subsequent Events

The Corporation has evaluated subsequent events for reporting and disclosure through November 20, 2014, the date which the financial statements were available to be issued.

Note 2 - Loans Receivable

Loans receivable at August 31, consisted of the following:

	<u>2014</u>	<u>2013</u>
Total Loans Receivable, beginning of year	\$ 1,697,898	\$ 1,820,935
Loan advances	-0-	364,000
Principal repayments	<u>(198,049)</u>	<u>(487,037)</u>
Total Loans Receivable, end of year	1,499,849	1,697,898
Less Allowance for Doubtful Accounts	<u>(416,874)</u>	<u>(416,874)</u>
Loans Receivable, net of allowance	1,082,975	1,281,024
Less current portion	<u>(286,121)</u>	<u>(481,793)</u>
Loans receivable, net of current portion	<u>\$ 796,854</u>	<u>\$ 799,231</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
AUGUST 31, 2014 AND 2013

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, 2013, the allowance for doubtful accounts was increased to \$416,874. The allowance is considered adequate by management to cover all currently delinquent loans, and others which may become doubtful during the year.

Note 3 - Grants Receivable

Grants receivable at August 31 are as follows:

	<u>2014</u>	<u>2013</u>
NYS RESTORE	\$ 32,178	\$ 29,000
Broome Enterprise Triad	<u>-0-</u>	<u>49,796</u>
Total	<u>\$ 32,178</u>	<u>\$ 78,796</u>

The Corporation is in the process of requesting reimbursement from New York State for the RESTORE grant.

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. The current agreement expires November 30, 2014; however, either party can terminate the agreement with 30 days notice. If the agreement is terminated, all loans outstanding become the property of the City.

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 \$62,813 and \$52,951 during the years ended August 31, 2014 and 2013 representing principal and interest; these funds have been recognized as revenue.

Note 5 - Commitments

At August 31, 2014, 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.

Note 6 - Investments

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, 2014. 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.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF LOANS RECEIVABLE
AUGUST 31,

	<u>2013</u>				<u>2014</u>
	<u>Principal</u>		<u>Repayments</u>	<u>Writeoffs</u>	<u>Principal</u>
	<u>Balance</u>	<u>Advances</u>			<u>Balance</u>
<u>CDBG Loans</u>					
Bearcats Development Group, LLC	\$ 129,049	\$	\$ 13,997	\$	\$ 115,052
Bubbles Professional Autocare, LLC	89,963				89,963
Innovation in Imaging, Inc.	171,986		18,615		153,371
Kanenas, LLC	45,069		6,740		38,329
Robert & Celeste Mack	2,957		2,957		-0-
T. Mitchell Holdings	6,685		3,958		2,727
Net2000 Computers	5,881		1,292		4,589
Nielson Hardware	231,020		46,862		184,158
On the Rocks, Inc.	16,500		2,244		14,256
Renkan Holdings	9,320		4,774		4,546
Sedona Enterprises, LLC	46,697		7,138		39,559
William R. Smith	3,909		3,909		-0-
Wisteria House	28,318		2,180		26,138
VMR Electronics, LLC	65,366				65,366
VMR Realty Management, LLC	261,545				261,545
	<u>261,545</u>	<u> </u>	<u> </u>	<u> </u>	<u>261,545</u>
Total CDBG Loans	\$ <u>1,114,265</u>	\$ <u>-0-</u>	\$ <u>114,666</u>	\$ <u>-0-</u>	\$ <u>999,599</u>

See Independent Auditor's Report

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF LOANS RECEIVABLE
(CONTINUED)
AUGUST 31,

	<u>2013</u>				<u>2014</u>
	<u>Principal</u>		<u>Repayments</u>	<u>Writeoffs</u>	<u>Principal</u>
	<u>Balance</u>	<u>Advances</u>			<u>Balance</u>
<u>UDAG Loans</u>					
142 Court Street, LLC	\$ 22,938	\$	\$ 1,822	\$	\$ 21,116
142 Court Street, LLC	57,655		4,121		53,534
295 Court St. Associates - 2	89,699		6,477		83,222
DDBing Properties, LLC	133,807		6,051		127,756
DDBing Properties, LLC	89,722		3,387		86,335
Burger Monday, LLC	11,969		4,377		7,592
Finger Lakes Running Co.	24,000		2,459		21,541
Kell Enterprises	16,139		4,745		11,394
Thomas & Antoinette Dunn	7,832		3,481		4,351
Bearcats Development Group, LLC	10,714		10,714		-0-
Thomas Haines	34,821		10,714		24,107
Wisteria House, LLC	54,071		14,105		39,966
Rogers JFT, LLC	22,737		7,145		15,592
On the Roxx Bar & Grill, LLC	6,019		2,275		3,744
Joseph F. Garbarino	1,510		1,510		-0-
	<u>583,633</u>	<u>-0-</u>	<u>83,383</u>	<u>-0-</u>	<u>500,250</u>
Total UDAG Loans					
Total Loans Receivable	<u>\$ 1,697,898</u>	<u>\$ -0-</u>	<u>\$ 198,049</u>	<u>\$ -0-</u>	<u>\$ 1,499,849</u>

See Independent Auditor's Report

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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 the Binghamton Local Development Corporation (the Corporation), a component unit of the City of Binghamton, as of and for the years ended August 31, 2014 and 2013, 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 20, 2014.

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 opinions 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.

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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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cianchi, D'Andrea, Little, Middleman, & Company, LLP

November 20, 2014
Ithaca, New York