

**CORTLAND COUNTY BUSINESS
DEVELOPMENT CORPORATION**

Cortland, New York

FINANCIAL REPORT

December 31, 2012 and 2011

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
DECEMBER 31, 2012 and 2011

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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

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 Statement of Financial Position as of December 31, 2012, and the related Statements of Activities and Cash Flows for the year 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 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 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.

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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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Cortland County Business Development Corporation as of December 31, 2011, were audited by other auditors, whose report dated March 10, 2012 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013 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.

A handwritten signature in cursive script that reads "Lisa Dietershagen, Little, Milken & Company, LLP". The signature is written in black ink and is positioned above the date and location text.

March 11, 2013
Ithaca, New York

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

<u>ASSETS</u>	2012		
	Operating	Revolving Loan	Total
Current Assets:			
Cash and cash equivalents:			
Unrestricted	\$ 277,775	\$	\$ 277,775
Restricted		314,535	314,535
Accounts receivable	80,032		80,032
Grants receivable	10,000		10,000
Loans receivable - Current portion, net of allowance		63,185	63,185
Prepaid expenses	2,045		2,045
Total Current Assets	369,852	377,720	747,572
Furniture and fixtures, net of accumulated depreciation (\$41,035 and \$40,068, respectively)	1,976		1,976
Loans receivable - Long-term portion, net of allowance		289,112	289,112
Total Assets	\$ 371,828	\$ 666,832	\$ 1,038,660
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 31,841	\$	\$ 31,841
Accrued payroll liabilities	396		396
Deferred revenue	16,367		16,367
Total Current Liabilities	48,604	-0-	48,604
<u>NET ASSETS</u>			
Unrestricted	73,224		73,224
Board designated	250,000		250,000
Restricted		666,832	666,832
Total Net Assets	323,224	666,832	990,056
Total Liabilities and Net Assets	\$ 371,828	\$ 666,832	\$ 1,038,660

See Independent Auditor's Report and Notes to Financial Statements

2011		
<u>Operating</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 255,211	\$	\$ 255,211
	286,007	286,007
67,732		67,732
		-0-
	107,904	107,904
<u>3,800</u>		<u>3,800</u>
326,743	393,911	720,654
2,767		2,767
	<u>315,426</u>	<u>315,426</u>
<u>\$ 329,510</u>	<u>\$ 709,337</u>	<u>\$ 1,038,847</u>
\$ 19,312	\$	\$ 19,312
264		264
<u>29,608</u>		<u>29,608</u>
49,184	-0-	49,184
30,326		30,326
250,000		250,000
	<u>709,337</u>	<u>709,337</u>
<u>280,326</u>	<u>709,337</u>	<u>989,663</u>
<u>\$ 329,510</u>	<u>\$ 709,337</u>	<u>\$ 1,038,847</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31.

	2012		
	Operating	Revolving Loan	Total
Changes in Net Assets:			
Operating Revenues:			
Contracts and support	\$ 398,873	\$	\$ 398,873
Interest income	806	22,205	23,011
Grants	70,000		70,000
Application fees		200	200
Other revenue	341		341
Total Operating Revenues	470,020	22,405	492,425
Operating Expenses:			
Payroll	\$ 203,000	\$	\$ 203,000
Payroll taxes	17,327		17,327
Employee benefits	41,213		41,213
Conferences and meetings	2,457		2,457
Legal and professional fees	12,835	448	13,283
Marketing	18,782		18,782
Special projects	73,427		73,427
Dues	1,174		1,174
Occupancy	19,651		19,651
Telephone, fax and internet	4,170		4,170
Postage	1,174		1,174
Supplies	3,977		3,977
Equipment rental and maintenance	6,795		6,795
Accounting and payroll services	7,375		7,375
Insurance	2,656		2,656
Travel	4,000		4,000
Automobile expense	4,498		4,498
NY nonprofit filing fee	125		125
Depreciation	2,258		2,258
Bad debt expense		64,450	64,450
Miscellaneous	228	12	240
Total Operating Expenses	427,122	64,910	492,032
Change in Net Assets	\$ 42,898	\$ (42,505)	\$ 393
Net Assets, January 1,	280,326	709,337	989,663
Net Assets, December 31,	\$ 323,224	\$ 666,832	\$ 990,056

See Independent Auditor's Report and Notes to Financial Statements

2011

Operating	Revolving Loan	Total
\$ 394,733	\$	\$ 394,733
531	21,674	22,205
93,200	20,000	113,200
	200	200
547	350	897
489,011	42,224	531,235

\$ 203,000	\$	\$ 203,000
17,074		17,074
39,755		39,755
2,952		2,952
8,571	478	9,049
59,085		59,085
79,997		79,997
862		862
19,651		19,651
3,763		3,763
1,900		1,900
3,385		3,385
6,768		6,768
12,400		12,400
2,636		2,636
4,000		4,000
6,104		6,104
125		125
2,519		2,519
		-0-
360		360
474,907	478	475,385

\$ 14,104	\$ 41,746	\$ 55,850
266,222	667,591	933,813
\$ 280,326	\$ 709,337	\$ 989,663

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31.

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	\$ 393	\$ 55,850
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,258	2,519
Bad debt expense	64,450	-0-
(Increase) decrease in:		
Accounts receivable	(12,300)	(5,153)
Grants receivable	(10,000)	-0-
Prepaid expenses	1,755	(46)
Increase (decrease) in:		
Accounts payable	12,529	14,819
Accrued payroll liabilities	132	9,667
Deferred revenue	(13,241)	(251)
Net Cash Provided by Operating Activities	45,976	77,405
Cash Flows from Investing Activities:		
Purchase of fixed assets	(1,467)	(602)
Principal received on loans receivable	56,583	43,966
New loans receivable issued	(50,000)	(100,000)
Net Cash Provided (Used) by Investing Activities	5,116	(56,636)
Cash Flows from Financing Activities:	-0-	-0-
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,092	20,769
Cash and Cash Equivalents, January 1,	541,218	520,449
Cash and Cash Equivalents, December 31,	\$ 592,310	\$ 541,218

See Independent Auditor's Report and Notes to Financial Statements

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies

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. Cortland County Business Development Corporation receives approximately 81% of its funding from local governments.

Basis of Accounting

The financial statements of the Cortland County Business Development 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 restricted net asset classification.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all highly liquid instruments purchased with a maturity of three months or less.

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, 2012, the Committee had granted 11 loans still outstanding at 6% interest and with various terms to maturity through 2021. 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. One new loan was issued during 2012 in the amount of \$50,000. 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 reserve balance were \$8,036 and \$-0- in 2012 and 2011, respectively. In addition, two accounts totaling \$56,414 were written off to bad debt expense in 2012.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2012 and 2011

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the respective assets.

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. However, the Corporation is subject to routine audits by taxing jurisdictions. While there are no current audits in progress for any tax periods, the Corporation's open audit periods are 2009 through 2011.

Evaluation of Subsequent Events

The Corporation has evaluated subsequent events through March 11, 2013, the date which the financial statements were available to be issued.

Note 2 - Property and Equipment

Asset	2012		
	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 41,542	\$ 39,566	\$ 1,976
Leasehold Improvements	1,469	1,469	-0-
Total	\$ 43,011	\$ 41,035	\$ 1,976
2011			
Asset	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 41,366	\$ 38,599	\$ 2,767
Leasehold Improvements	1,469	1,469	-0-
Total	\$ 42,835	\$ 40,068	\$ 2,767

Depreciation expense amounted to \$2,258 and \$2,519 for the years ended December 31, 2012 and 2011, respectively.

Note 3 - Pension Plan

Effective April 1, 2000, the Corporation sponsored a Simple IRA retirement plan. Employees may elect to defer up to \$11,500 per year pursuant to a salary reduction agreement. The Corporation matches each employee's elective deferral up to a maximum 3% of the employee's compensation. Pension expense incurred as of December 31, 2012 and 2011 amounted to \$10,150 and \$10,150, respectively.

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2012 and 2011

Note 4 - Lease Commitments

On November 1, 2005, the Corporation entered into a three year lease agreement with Cortland County for office space. All property taxes and trash removal costs are incurred by the County. The Corporation is responsible for a prorated portion of the utility payments, which are based on space used. Lease expense amounted to \$19,651 and \$19,651 for the years ended December 31, 2012 and 2011, respectively. The lease expired December 31, 2008. To date, no new agreement has been entered into.

On September 13, 2011, the Corporation entered into a 38 month automobile lease with monthly payments of \$342. Automobile lease expense amounted to \$462 and \$2,577, net of employee reimbursement for personal miles, for the years ended December 31, 2012 and 2011.

On February 16, 2011, the Corporation entered into a cancelable, five year lease for a copier with monthly payments of \$395 plus usage for five years. Copier lease expense amounted to \$4,739 and \$4,586 for the years ended December 31, 2012 and 2011.

Note 5 - Loans Receivable - Revolving Loan Program

	<u>2012</u>	<u>2011</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.	\$ 39,083	\$ 43,262
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%, maturing December 1, 2014.	34,320	50,000
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.	36,756	44,295
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.	27,107	30,047
Loan receivable from JAG Court Reporting, dated January 12, 2008, original amount \$20,000, payable in monthly installments of \$387 including interest at 6%, maturing December 1, 2013.	8,036	9,405
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.	10,995	11,644
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.	31,962	37,845

CORTLAND COUNTY BUSINESS DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2012 and 2011

	2012	2011
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.	43,833	49,026
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.	38,733	42,933
Loan receivable from Prop, Inc, dated June 29, 2011, original amount \$50,000, payable in monthly installments of \$555 including interest at 6%, maturing July 1, 2021.	44,600	48,459
Loan receivable from Nationwide Leasing Corporation, dated May, 2001, original amount \$60,000, payable in monthly installments of \$666 including interest at 6%, maturing June 1, 2011.	-0-	8,515
Loan receivable from Graphics Printing Plus, Inc, dated February 16, 2006, original amount \$75,000, payable in monthly installments of \$833 including interest at 6%, maturing March 1, 2016.	-0-	47,899
Loan receivable from Big Mike's BBQ, dated April 9, 2012, original amount \$50,000, payable in monthly installments of \$967 including interest at 6%, maturing May 1, 2014.	44,908	-0-
Total Loans Outstanding	360,333	423,330
Less allowance for uncollectible loans receivable	(8,036)	-0-
Net Loans Outstanding	352,297	423,330
Less Current Portion	(63,185)	(107,904)
Long-term Portion	\$ 289,112	\$ 315,426

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 Limits. At December 31, 2012 and 2011, cash balances did not exceed the insurable limit.

The Corporation receives approximately 81% of its support from Cortland County and 14% from other governments. In 2003, Cortland County passed a resolution to fund the Corporation for \$360,000 a year for five years effective January 1, 2004. In 2009, the agreement was extended through 2012 with additional funding for marketing programs. As of the report date, a contract extension was in process for unrestricted funding of \$410,000 annually for 2013 and 2014.

Note 7 - Board Designated Net Assets

The Corporation's Board of Directors designated net assets for potential future projects. At December 31, 2012 and 2011, designated net assets totaled \$250,000. No funds were expended using designated net assets during 2012 or 2011.

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**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**

INDEPENDENT AUDITOR'S REPORT

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, 2012, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2013.

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

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Mickelson & Company, CPA". The signature is written in a cursive style.

March 11, 2013
Ithaca, New York