

SENECA FALLS DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2012**

SENECA FALLS DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Seneca Falls Development Corporation

We have audited the accompanying financial statements of Seneca Falls Development Corporation as of and for the year ended December 31, 2012, 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 fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Seneca Falls Development Corporation as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013, on our consideration of Seneca Falls Development 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 Seneca Falls Development Corporation's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Bruno, Disquardis & Roy, LLP".

Rochester, New York
March 26, 2013

SENECA FALLS DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

Current assets		
Cash and cash equivalents	\$	62,403
Government contracts receivable		10,000
Employee receivable		<u>300</u>
Total current assets	\$	<u><u>72,703</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$	2,070
Net assets		
Unrestricted net assets		<u>70,633</u>
	\$	<u><u>72,703</u></u>

See accompanying notes and independent auditors' report.

SENECA FALLS DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

Support and revenue	
Government contracts	\$ 10,000
Program revenue	913
Interest	1,537
In-kind services	13,157
Other income	<u>177</u>
Total unrestricted revenue and other support	<u>25,784</u>
Expenses	
Program services	18,897
General and administrative	<u>10,707</u>
Total expenses	<u>29,604</u>
Decrease in net assets	(3,820)
Net assets - beginning	<u>74,453</u>
Net assets - ending	<u>\$ 70,633</u>

See accompanying notes and independent auditors' report.

SENECA FALLS DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 3,000	\$ 0	\$ 3,000
Payroll taxes	681	0	681
	<u>3,681</u>	<u>0</u>	<u>3,681</u>
Dues and subscriptions	250	0	250
Event costs	614	0	614
Grants	500	0	500
Insurance	1,975	658	2,633
Legal and professional	0	6,760	6,760
Occupancy	9,868	3,289	13,157
Office Expense	45	0	45
Payroll preparation	1,394	0	1,394
Publicity	570	0	570
	<u>570</u>	<u>0</u>	<u>570</u>
Total functional expenses	<u>\$ 18,897</u>	<u>\$ 10,707</u>	<u>\$ 29,604</u>

See accompanying notes and independent auditors' report.

SENECA FALLS DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

Cash flows from operating activities:	
Decrease in net assets	\$ (3,820)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents used by operating activities:	
(Increase) decrease in:	
Government contracts receivable	(10,000)
Employee receivable	(300)
Increase (decrease) in:	
Accounts payable	<u>(6,865)</u>
Net cash and cash equivalents used by operating activities	(20,985)
Cash and equivalents - beginning	<u>83,388</u>
Cash and equivalents - ending	<u><u>\$ 62,403</u></u>

See accompanying notes and independent auditors' report.

SENECA FALLS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 1: NATURE OF ACTIVITIES

The Seneca Falls Development Corporation (the Corporation) was formed on May 21, 2007 pursuant to Sections 402 and 141 of the Not-For-Profit Corporation Laws of the State of New York. Its purpose is to provide planning and implementation of programs, projects and activates designed to create or stimulate economic development in the Town of Seneca Falls, New York.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Cash and Cash Equivalents - The Corporation considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Financial Statement Presentation - The Corporation has adopted FASB ASC 958, "*Financial Statements of Not-for-Profit Organizations.*" 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 only unrestricted net assets for the year ended December 31, 2012.

Unrestricted Net Assets - Unrestricted net assets represent contributions or other revenue received by the Corporation for the purpose of carrying out normal operations. Also included in unrestricted net assets are contributions and other revenue, which the donor has designated for a specific purpose that has been met in the same reporting period as the donation was received.

Contributions - The Corporation has adopted FASB ASC 958-605-25 "*Not-For-Profit Entities - Accounting for Contributions Received.*" Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions and are recognized when the donor makes a pledge to the Corporation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes - The Corporation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. As a result, the Corporation is not subject to federal or New York State income taxes on revenue generated from its not-for-profit activities.

The Corporation files income tax returns in the U.S. federal and New York State jurisdictions. The Corporation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2009.

See independent auditors' report.

SENECA FALLS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation follows the provisions of uncertain tax positions as addressed in FASB ASC 740-10-65-1. The Corporation recognized no increase in the liability for unrecognized tax benefits. The Corporation has no tax position at December 31, 2012 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Corporation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the period presented. The Corporation had no accruals for interest and penalties at December 31, 2012.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition and disclosure through March 26, 2013, the date the financial statements were available to be issued.

NOTE 3: IN-KIND SERVICES

The Corporation receives various materials and services as in-kind revenue from the Town of Seneca Falls, New York. The total value is reported as in-kind services. The corresponding expenses are also reported in the statement of activities and changes in net assets. Components are as follows:

Custodial services	\$	557
Rent		9,000
Utilities		<u>3,600</u>
	\$	<u><u>13,157</u></u>

NOTE 4: CONTINGENCIES

The Corporation receives a substantial amount of its support from state and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Corporation's programs and activities.

Government contracts require fulfillment of certain conditions as set forth in the contract. Failure to fulfill the conditions could result in the return of funds.

See independent auditors' report.

SENECA FALLS DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 5: DONATED SERVICES

The Corporation receives donated services from a variety of unpaid volunteers assisting at programs and events. No amounts have been recognized in the accompanying statement of activities and changes in net assets for volunteer services in as much as there is no objective basis available to measure their value.

NOTE 6: CONCENTRATION OF CREDIT RISK

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Corporation places its cash and temporary cash investments with high credit quality institutions. At times such investments may be in excess of the FDIC insurance limit. As of December 31, 2012, the Corporation's cash balances were fully insured.

See independent auditors' report.

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

To the Board of Directors
Seneca Falls Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seneca Falls Development Corporation, as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated March 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Seneca Falls Development 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 Seneca Falls Development Corporation's internal controls. Accordingly, we do not express an opinion on the effectiveness of Seneca Falls Development Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. 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 assigned functions, to prevent, or detect and correct, misstatements on a timely basis. We consider the following to be a material weakness:

Although the Corporation uses a third-party payroll service provider, we noted that internal controls were lacking in regards to the payroll functions at the Corporation. As a result, an employee of the Corporation was paid wages for services that were not earned. We suggest that the payroll records be reviewed and reconciled on a regular basis. The review should include which employees are listed on the payroll and the amounts at which they are paid.

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. We consider the following to be a significant deficiency:

Currently, one individual is responsible for all accounting functions. We suggest that the Chairman of the Board review the bank statements and bank reconciliations for any unusual items. The review of these documents should also be clearly indicated on the face of the documents.

We encourage the Board to remain committed to their involvement in the financial operations of the Corporation by thoroughly reviewing monthly financial data, requesting support for all payments when checks are signed and asking questions about unusual transactions.

Management's Response

The Board of Directors have instituted and documented procedures to both improve operations of the Corporation as well as comply with transparency requirements and excellent internal control practices.

The Board has put in place documented procedures for the payroll functions, and the payroll will be reconciled on a continuous basis. The Board and Chairman will review bank statements and bank reconciliations on a monthly basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seneca Falls Development 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*.

Seneca Falls Development Corporation's Response to Findings

Seneca Falls Development Corporation's response to the findings identified in our audit is described previously. Seneca Falls Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 compliance. This report is an integral part of an audit performed with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

