

Auburn Local Development Corporation

Financial Report

December 31, 2013 and 2012

Auburn Local Development Corporation

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Buffington & Hoatland CPAs

A Professional Limited Liability Company

Independent Auditor's Report

To the Board of Directors
Auburn Local Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Auburn Local Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 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 Auburn Local Development Corporation as of December 31, 2013 and 2012, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014 on our consideration of Auburn Local Development Corporation 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 Auburn Local Development Corporation internal control over financial reporting and compliance.

Buffington & Hoatland CPAs, PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 26, 2014

Auburn Local Development Corporation

Statements of Financial Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash	\$ 12,795	\$ 21,627
Accounts receivable	7,047	-
Total Current Assets	<u>19,842</u>	<u>21,627</u>
Property and Equipment		
Land	53,243	53,243
Building and improvements	715,012	715,012
Equipment	1,920	1,920
	770,175	770,175
Accumulated depreciation	<u>(354,530)</u>	<u>(336,781)</u>
Total Property and Equipment, Net	<u>415,645</u>	<u>433,394</u>
Other Assets		
Closing costs, net of amortization	454	1,540
Total Assets	<u>\$ 435,941</u>	<u>\$ 456,561</u>
Liabilities and Unrestricted Net Assets		
Current Maturities of Long-Term Debt	\$ 24,249	\$ 64,080
Long-Term Debt	<u>-</u>	<u>28,346</u>
Total Liabilities	24,249	92,426
Unrestricted Net Assets	<u>411,692</u>	<u>364,135</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 435,941</u>	<u>\$ 456,561</u>

See notes to financial statements.

Auburn Local Development Corporation

Statements of Activities

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Rental income	\$ 84,562	\$ 84,553
Interest income	<u>2</u>	<u>3</u>
Total Revenues	<u>84,564</u>	<u>84,556</u>
Operating Expenses		
Insurance	4,217	4,216
Professional services	10,975	5,975
Interest	<u>2,980</u>	<u>7,432</u>
Total Operating Expenses	<u>18,172</u>	<u>17,623</u>
Operating Income	66,392	66,933
Depreciation and amortization	<u>(18,835)</u>	<u>(18,836)</u>
Changes in Unrestricted Net Assets	<u>\$ 47,557</u>	<u>\$ 48,097</u>

See notes to financial statements.

Auburn Local Development Corporation

Statements of Changes in Unrestricted Net Assts

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets - Beginning	\$ 364,135	\$ 316,038
Changes in unrestricted net assets	<u>47,557</u>	<u>48,097</u>
Unrestricted Net Assets - Ending	<u>\$ 411,692</u>	<u>\$ 364,135</u>

See notes to financial statements.

Auburn Local Development Corporation

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Changes in unrestricted net assets	\$ 47,557	\$ 48,097
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	18,835	18,836
(Increase) decrease in assets:		
Accounts receivable	<u>(7,047)</u>	<u>-</u>
Net Cash Provided by Operating Activities	59,345	66,933
Cash Flows Used in Financing Activities		
Principal repayments of notes payable	<u>(68,177)</u>	<u>(76,706)</u>
Net Decrease in Cash	(8,832)	(9,773)
Cash - Beginning	<u>21,627</u>	<u>31,400</u>
Cash - Ending	<u>\$ 12,795</u>	<u>\$ 21,627</u>

See notes to financial statements.

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

Note 1 - Nature of Operations

The Auburn Local Development Corporation (Corporation) was created to plan, promote, coordinate and execute programs in the City of Auburn, New York. The Corporation aims at improving the quality of life of its residents by developing new approaches and methods where necessary and proper, and to achieve certain educational, charitable objectives. The Corporation has a public purpose of relieving and reducing unemployment, promoting and providing for additional and maximum employment, and improving and maintaining job opportunities within the City of Auburn. The Corporation achieves this purpose by training individuals to improve or develop their capabilities for such jobs. The Corporation carries on research for the purpose of aiding the City of Auburn by attracting new industry to the City of Auburn, by encouraging the development of, or retention of, an industry in the City of Auburn, lessening the burdens of government, acting in the public interest. The Corporation's major source of support is from rental income received from the lease of a building.

Note 2 - Estimates and Summary of Significant Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC), *Presentation of Financial Statements of Not-for-Profit Organizations*. 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 as of December 31, 2013 and 2012.

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

Note 2 - Estimates and Summary of Accounting Policies (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$500, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost, or if donated at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the following estimated useful lives of these respective classes of property.

	<u>Years</u>
Land	-
Building and improvements	10 - 40
Equipment	7

Depreciation expense amounted to \$17,749 and \$17,751 for the years ended December 31, 2013 and 2012, respectively.

Accounts Receivable

Accounts receivable are stated at outstanding balances. The Organization considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Closing Costs

Closing costs associated with the financing mortgage is being amortized ratably over the term of the mortgage (twenty years). Accumulated amortization amounted to \$21,257 and \$20,172 as of December 31, 2013 and 2012.

Amortization expense amounted to \$1,085 for each at the years ended December 31, 2013 and 2012.

The estimated amortization expense consists of the following for each of the two years ending December 31.

2014	<u>\$ 454</u>
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Income Taxes

The Corporation is classified as a not-for profit organization under Section 501(c) 4 of the Internal Revenue Code. Therefore, it is exempt from federal and state income taxes.

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

Note 2 - Estimates and Summary of Accounting Policies (Continued)

Income Taxes (Continued)

The Financial Accounting Standards Board issued FASB Accounting Standards Codification (FASB ASC), *Accounting for Uncertainty in Income Taxes*. This requires the recognition and measurement of uncertain tax positions held by the Corporation. Under generally accepted accounting principles, the amount reported would be based on probability assessments of the likelihood that certain deductions would be disallowed upon examination because the taxing authorities interpreted existing guidance differently.

The Corporation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision. For the years ended December 31, 2013 and 2012, there were no accrued interest or accrued penalties associated with uncertain tax positions for the Corporation.

The Corporation files income tax returns in the U.S. federal and state jurisdictions. The Corporation's U.S. federal and state income tax returns prior to the year ended 2011 are closed to examination. The U.S. federal and state income tax returns of the Corporation for 2011, 2012, and 2013 are subject to examination by the Federal and State taxing authorities. The Corporation has not had a recent examination of their returns by the Federal and State taxing authorities.

Supplementary Disclosures - Statements of Cash Flow

The Corporation considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash used to pay for interest during the years ended December 31, 2013 and 2012 amounted to \$2,980 and \$7,432, respectively. The Corporation did not pay any income taxes for the years ended December 31, 2013 and 2012.

Note 3 - Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash.

Cash

The Corporation maintains cash balances at a financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for 2013 and 2012. Periodically, the amounts on deposit exceed federally insured limits. As of December 31, 2013 and 2012, the Corporation's cash balances did not exceed the federally insured limits.

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

Note 4 - Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Mortgage payable to a bank; due in monthly installments of \$4,557, including interest at 8.5% through November, 2014; collateralized by a building	\$ 15,418	\$ 65,781
Mortgage payable to the City of Auburn through the Small Business Assistance Program; payable in monthly installments of \$1,020, including interest at 2% through September, 2016; collateralized by a building	<u>8,831</u>	<u>26,645</u>
	24,249	92,426
Current maturities	<u>(24,249)</u>	<u>(64,080)</u>
	<u>\$ -</u>	<u>\$ 28,346</u>

Current maturities of long-term debt, assuming no change in current terms, consist of the following for each of the five years ended December 31 and thereafter:

2014	<u>\$ 24,249</u>
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Note 5 - Rental Income

The Corporation leases a building under a ten-year lease agreement which began August, 2004. Rental income amounted to \$84,562 and \$84,553 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease receipts, assuming no change in current terms, consist of the following for the one year ending December 31 and thereafter:

2014	<u>\$ 56,375</u>
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Note 6 - Subsequent Events

The Corporation transferred the property that was being leased to Cayuga Onondaga BOCES (BOCES) on March 21, 2014. BOCES paid the Corporation \$35,234 in satisfaction of the lease agreement.

Management has evaluated subsequent events through March 26, 2014, the date on which the financial statements were available to be issued.



Buffington & Hoatland CPAs

A Professional Limited Liability Company

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

To the Board of Directors
Auburn Local Development Corporation

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 Auburn Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Auburn Local 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 Auburn Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2013.1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Auburn Local 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*.

Auburn Local Development Corporation's Response to Findings

Auburn Local Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Auburn Local 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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Buffington & Hoatland CPAs PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 26, 2014

Auburn Local Development Corporation

Schedule of Findings and Responses

December 31, 2013 and 2012

Section II. Financial Statement Findings

Finding - 2013-1:

Condition: The Organization lacks sufficient internal controls over the preparation of the financial statements to be able to prevent, detect, or correct errors that are more than inconsequential but not material.

Criteria: The Organization must have internal controls over the preparation of the financial statements that prevent, detect, and correct misstatements.

Cause: Neither Management nor Board members have sufficient skills to be able to prevent, detect, or correct errors that are more than inconsequential but not material in the preparation of the financial statements.

Effect: There is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential but not material will not be prevented, detected, or corrected by the Organization.

Recommendation: Additional Board members may be added to the Board that have the skill to be able to prevent, detect, and correct errors that are more than inconsequential in the preparation of the financial statements.

Corrective Action: It is too costly to hire an employee for this function; however, the Board will continue to seek potential candidates for the Board that have this expertise.