BINGHAMTON LOCAL DEVELOPMENT CORPORATION

Binghamton, New York

FINANCIAL REPORT

For the Years Ended
August 31, 2013 and 2012

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

AUGUST 31, 2013 AND 2012

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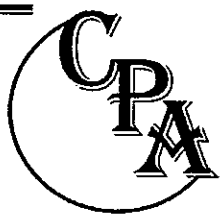

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Certified Public Accountants and Consultants

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 (a nonprofit organization), which comprise the Statements of Financial Position as of August 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 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 Binghamton Local Development Corporation as of August 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 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 14, 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.

Ciaschi, Dietrichson, Littler, Michelson, & Company, LLP

November 14, 2013
Ithaca, New York

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31,

	2013		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 52,847	$ 1,795,755	$ 1,848,602
Loans receivable, net, current portion		481,793	481,793
Grants receivable	49,796	29,000	78,796
Total Current Assets	102,643	2,306,548	2,409,191
Noncurrent Assets:			
Restricted cash			
Investments		136,954	136,954
Loans receivable, net of noncurrent portion and allowance for doubtful accounts of $416,874		799,231	799,231
Total Assets	$ 102,643	$ 3,242,733	$ 3,345,376
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	$ 89,456	$ 504	$ 89,960
Total Current Liabilities	89,456	504	89,960
Net Assets:			
Unrestricted	13,187		13,187
Temporarily restricted		3,242,229	3,242,229
Total Net Assets	13,187	3,242,229	3,255,416
Total Liabilities and Net Assets	$ 102,643	$ 3,242,733	$ 3,345,376

See Independent Auditor's Report and Notes to Financial Statements

2012		
Unrestricted	Temporarily Restricted	Total
$ 38,922	$ 1,566,130	$ 1,605,052
	302,636	302,636
	29,000	29,000
38,922	1,897,766	1,936,688
	5,000	5,000
	136,954	136,954
	1,264,299	1,264,299
$ 38,922	$ 3,304,019	$ 3,342,941
$ 36,750	$ 535	$ 37,285
36,750	535	37,285
2,172		2,172
	3,303,484	3,303,484
2,172	3,303,484	3,305,656
$ 38,922	$ 3,304,019	$ 3,342,941

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

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenues:			
Interest and fees on loans	$	$ 66,423	$ 66,423
Grant income	112,433		112,433
UDAG repayments		46,065	46,065
CDBG HUD funds	230,928		230,928
Interest	4	1,016	1,020
Miscellaneous income	8,129	640	8,769
Gain on sale of land			
Net assets released from restrictions	175,399	(175,399)	-0-
Total Revenues	526,893	(61,255)	465,638
Expenses:			
Facilities, personnel, materials, and supplies - CDBG HUD funds	230,928		230,928
Grant expense	110,432		110,432
Marketing	7,876		7,876
Travel			
Office expenses	3,039		3,039
Program expenses			
Bad debt	162,874		162,874
Transfer to other organization			
Other	729		729
Total Expenses	515,878	-0-	515,878
Total Increase (Decrease) in Net Assets	11,015	(61,255)	(50,240)
Net Assets, Beginning of Year	2,172	3,303,484	3,305,656
Net Assets, End of Year	$ 13,187	$ 3,242,229	$ 3,255,416

See Independent Auditor's Report and Notes to Financial Statements

2012		
Unrestricted	Temporarily Restricted	Total
$	$ 65,446	$ 65,446
110,250		110,250
	59,160	59,160
	302,044	302,044
6	1,035	1,041
860	546	1,406
	172,000	172,000
390,390	(390,390)	-0-
501,506	209,841	711,347
302,044		302,044
110,250		110,250
9,746		9,746
599		599
1,763		1,763
9,750		9,750
68,333		68,333
3,541		3,541
622		622
506,648	-0-	506,648
(5,142)	209,841	204,699
7,314	3,093,643	3,100,957
$ 2,172	$ 3,303,484	$ 3,305,656

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
AUGUST 31,

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	$ (50,240)	$ 204,699
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debts expense	162,874	68,333
(Gain) on sale of land		(172,000)
(Increase) decrease in:		
Grants receivable	(49,796)	
Increase (decrease) in:		
Accounts payable	52,675	37,043
Net Cash Provided by Operating Activities	115,513	138,075
Cash Flows from Investing Activities:		
New loans	(364,000)	(99,000)
Loan repayments	487,037	212,956
Proceeds from sale of land		240,000
Net Cash Provided by Investing Activities	123,037	353,956
Net Cash Provided by Financing Activities	-0-	-0-
Net Increase in Cash and Cash Equivalents	238,550	492,031
Cash and Cash Equivalents, Beginning of Year	1,610,052	1,118,021
Cash and Cash Equivalents, End of Year	$ 1,848,602	$ 1,610,052

See Independent Auditor's Report and Notes to Financial Statements

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, 2013 and 2012, $-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 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 received 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, 2010, 2011 and 2012 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 14, 2013, the date which the financial statements were available to be issued.

Note 2 - Loans Receivable

Loans receivable at August 31, consisted of the following:

	2013	2012
Total Loans Receivable, beginning of year	$ 1,820,935	$ 2,003,224
Loan advances	364,000	99,000
Writeoffs	-0-	(68,333)
Principal repayments	(487,037)	(212,956)
Total Loans Receivable, end of year	1,697,898	1,820,935
Less Allowance for Doubtful Accounts	(416,874)	(254,000)
Loans Receivable, net of allowance	1,281,024	1,566,935
Less current portion	(481,793)	(302,636)
Loans receivable, net of current portion	$ 799,231	$ 1,264,299

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 by $162,874 to $416,874. During the year ended August 31, 2012, $68,333 in loans were written off as uncollectible. 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:

	2013	2012
NYS RESTORE	$ 29,000	$ 29,000
Broome Enterprise Triad	49,796	-0-
Total	$ 78,796	$ 29,000

The Corporation is in the process of requesting reimbursement from New York State for the RESTORE grant. The Broome Enterprise Triad funds have been applied for, and receipt is expected in the near future.

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, 2013; 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 $52,951 and $70,601 during the years ended August 31, 2013 and 2012 representing principal and interest; these funds have been recognized as revenue.

Note 5 - Commitments

At August 31, 2013, 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, 2013. 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,

CDBG Loans	2012 Principal Balance	Advances	Repayments	Writeoffs	2013 Principal Balance
Bearcats Development Group, LLC	$ 141,517	$	$ 12,468	$	$ 129,049
Bleichert Brewing, Inc.	69,177		69,177		-0-
Bubbles Professional Autocare, LLC	89,963				89,963
Innovation in Imaging, Inc.	191,006		19,020		171,986
Kanenas, LLC	50,149		5,080		45,069
Robert & Celeste Mack	8,612		5,655		2,957
T. Mitchell Holdings	10,176		3,491		6,685
Net2000 Computers	8,096		2,215		5,881
Nielson Hardware		250,000	18,980		231,020
On the Rocks, Inc.	18,455		1,955		16,500
REAJ Realty, LLC	76,007		76,007		-0-
Renkan Holdings	13,907		4,587		9,320
Sedona Enterprises, LLC	53,556		6,859		46,697
William R. Smith	7,665		3,756		3,909
Wisteria House	30,413		2,095		28,318
VMR Electronics, LLC	65,366				65,366
VMR Realty Management, LLC	261,545				261,545
Total CDBG Loans	$ 1,095,610	$ 250,000	$ 231,345	$ -0-	$ 1,114,265

See Independent Auditor's Report

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

	2012 Principal Balance	Advances	Repayments	Writeoffs	2013 Principal Balance
UDAG Loans					
142 Court Street, LLC	$ 24,708	$	$ 1,770	$	$ 22,938
142 Court Street, LLC	61,654		3,999		57,655
295 Court St. Associates - 2	95,815		6,116		89,699
DDBing Properties, LLC	139,378		5,571		133,807
DDBing Properties, LLC		90,000	278		89,722
PS & V Realty Co. Inc.	4,105		4,105		-0-
Burger Monday, LLC	16,217		4,248		11,969
Finger Lakes Running Co.		24,000			24,000
Kell Enterprises	20,698		4,559		16,139
Thomas & Antoinette Dunn	11,313		3,481		7,832
Bearcats Development Group, LLC	23,809		13,095		10,714
Thomas Haines	44,643		9,822		34,821
Wisteria House, LLC	68,176		14,105		54,071
Tartu Properties	170,214		170,214		-0-
Rogers JFT, LLC	29,102		6,365		22,737
Lindsey, Floyd	3,014		3,014		-0-
On the Roxx Bar & Grill, LLC	8,589		2,570		6,019
Joseph F. Garbarino	3,890		2,380		1,510
Total UDAG Loans	725,325	114,000	255,692		583,633
Total Loans Receivable	$ 1,820,935	$ 364,000	$ 487,037	$ -0-	$ 1,697,898

See Independent Auditor's Report

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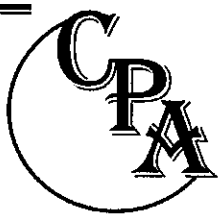

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Certified Public Accountants and Consultants

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), as of and for the years ended August 31, 2013 and 2012, 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 14, 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 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.

Ciaschi, Dietrichson, Littler, Michelson, & Company, LLP

November 14, 2013
Ithaca, New York