

**HORNELL AREA INDUSTRIAL
DEVELOPMENT CORPORATION**

*Financial Statements
Years Ended December 31, 2013 and 2012
and Independent Auditors' Reports*

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION
Table of Contents
Years Ended December 31, 2013 and 2012

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors of the Hornell Area
Industrial Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Hornell Area Industrial Development Corporation (the "Corporation") 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 the 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 7, 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.

Drescher & Malecki LLP

March 7, 2014

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 306,841	\$ 370,169
Total assets	<u>\$ 306,841</u>	<u>\$ 370,169</u>
 LIABILITIES AND NET ASSETS		
Total liabilities	\$ -	\$ -
Net assets:		
Unrestricted	<u>306,841</u>	<u>370,169</u>
 Total liabilities and net assets	<u>\$ 306,841</u>	<u>\$ 370,169</u>

The notes to the financial statements are an integral part of these statements.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION
Statements of Activities
Years Ended December 31, 2013 and 2012

	2013	2012
Revenues and other support:		
Program support	\$ -	\$ 44
Interest income	569	571
Total revenues and other support	569	615
Expenses:		
Program expenses:		
Promotions	59,510	13,889
Travel	1,867	-
Total program expenses	61,377	13,889
Management and general expenses:		
Bank fees	72	73
Insurance	-	488
Accounting fees	2,448	2,452
Total management and general expenses	2,520	3,013
Total expenses	63,897	16,902
Change in net assets	(63,328)	(16,287)
Total net assets—beginning	370,169	386,456
Total net assets—ending	\$ 306,841	\$ 370,169

The notes to the financial statements are an integral part of these statements.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (63,328)	\$ (16,287)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Decrease in note receivable	-	60,947
Decrease in interest receivable	-	1,181
Net cash (used in) provided by operating activities	<u>(63,328)</u>	<u>45,841</u>
Cash and cash equivalents—beginning	<u>370,169</u>	<u>324,328</u>
Cash and cash equivalents—ending	<u>\$ 306,841</u>	<u>\$ 370,169</u>

The notes to the financial statements are an integral part of these statements.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

1. DESCRIPTION OF ORGANIZATION

The Hornell Area Industrial Development Corporation (the “Corporation”) was created in 1962 under the provisions of the New York Not-For-Profit Corporation Law for the purpose of stimulating reinvestment in the residential, commercial and industrial areas within Steuben County, New York.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Corporation are maintained on the accrual basis of accounting. The Corporation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (“U.S. GAAP”) for Not-for-Profits. The significant accounting and reporting policies used by the Corporation are described subsequently to enhance the usefulness and understandability of the financial statements.

Net assets—Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Cash and cash equivalents—Represents cash in accounts with commercial banks and highly liquid investments with maturities of 90 days or less.

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 affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Tax Status—The Corporation was organized under Article XIX of the New York State Membership Corporation’s Law exclusively for public, charitable, and educational purposes, as are within the meaning of Internal Revenue Code Section 501(c)(3). As such the Corporation is exempt from federal and state taxes. All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2012. The tax years ending December 31, 2013, 2012, 2011, and 2010 are still open to audit for federal purposes.

3. RELATED ENTITY

The City of Hornell Industrial Development Agency (the “CHIDA”) is a public benefit corporation and was created in 1974 under the Title I Article 18-A of New York State General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the City of Hornell.

The CHIDA is considered a related entity since its members are also members of the Corporation. The Corporation members have complete responsibility and accountability for their fiscal matters. The CHIDA was created under the Laws of New York State and its functions or activities are not included in the Corporation's financial statements.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

Certified Public Accountants

**INDEPENDENT AUDITORS' 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 of the Hornell Area
Industrial 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 the Hornell Area Industrial Development Corporation (the "Corporation"), 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 7, 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 opinion 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.

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

Drescher & Malecki LLP

March 7, 2014