

THE ORLEANS COUNTY  
LOCAL DEVELOPMENT CORPORATION

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
The Orleans County Local Development Corporation:

### Report on the Financial Statements

We have audited the accompanying financial statements of The Orleans County Local Development Corporation (the Corporation) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of revenue, expenses and changes in net assets and cash flows for years then ended, and the related notes to 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orleans County Local Development Corporation as of December 31, 2013 and 2012, and the changes in its net assets and 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 31, 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, including compliance with investment guidelines. 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 31, 2014

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Financial Position

December 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$ 420,957	437,864
Restricted cash	3,748	1,525
Current installments of loans receivable	<u>88,279</u>	<u>63,694</u>
Total current assets	512,984	503,083
Loans receivable, less current installments and allowance for doubtful loans of \$47,000 in 2013 and \$44,000 in 2012	<u>153,604</u>	<u>185,910</u>
Total assets	<u>\$ 666,588</u>	<u>688,993</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable - related party	-	1,842
Funds held on behalf of others	<u>3,748</u>	<u>1,525</u>
Total liabilities	3,748	3,367
Temporarily restricted net assets	<u>662,840</u>	<u>685,626</u>
Total liabilities and net assets	<u>\$ 666,588</u>	<u>688,993</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Revenue, Expenses and Changes in Net Assets

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenue:		
State and Federal grants	\$ -	80,969
Program income - interest and penalties on loans	10,336	9,736
Interest income	-	1,000
Other income	888	-
	<u>11,224</u>	<u>91,705</u>
Total revenue		
Expenses:		
General and administrative	31,010	120,923
Grants	-	31,320
Provision for doubtful loans	3,000	313
	<u>34,010</u>	<u>152,556</u>
Total expenses		
Decrease in temporarily restricted net assets	(22,786)	(60,851)
Temporarily restricted net assets at beginning of year	<u>685,626</u>	<u>746,477</u>
Temporarily restricted net assets at end of year	<u>\$ 662,840</u>	<u>685,626</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY 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:		
Decrease in temporarily restricted net assets	\$ (22,786)	(60,851)
Adjustment to reconcile decrease in temporarily restricted net assets to net cash used in operating activities:		
Provision for doubtful loans	3,000	313
Changes in:		
Grant receivable	-	27,450
Accounts payable	<u>(1,842)</u>	<u>772</u>
Net cash used in operating activities	<u>(21,628)</u>	<u>(32,316)</u>
Cash flows from investing activities:		
Issuance of loans receivable	(60,000)	(45,000)
Collections of loans receivable	<u>64,721</u>	<u>86,262</u>
Net cash provided by investing activities	<u>4,721</u>	<u>41,262</u>
Net increase (decrease) in cash	(16,907)	8,946
Cash at beginning of year	<u>437,864</u>	<u>428,918</u>
Cash at end of year	<u>\$ 420,957</u>	<u>437,864</u>

See accompanying notes to financial statements.

# THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

## Notes to Financial Statements

December 31, 2013 and 2012

### (1) Summary of Significant Accounting Policies

#### (a) Nature of Activities

The Orleans County Local Development Corporation (the Corporation) was incorporated in September 1993 under the State of New York Not-for-Profit Law and Article 8, Title 8 of the Public Authorities Law. The Corporation was incorporated for the purpose of encouraging the location and expansion of industrial and manufacturing facilities, the creation of new and improved job opportunities, the reduction of unemployment and the betterment of individual and community prosperity within the County of Orleans, New York.

#### (b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### (c) Basis of Presentation

The Corporation reports 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 had only temporarily restricted net assets at December 31, 2013 and 2012.

#### (d) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### (e) Cash

For the purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### (f) Loans Receivable and Allowance for Doubtful Loans

Loans receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income and commitment fees on loans are accrued as earned. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

## THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (g) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

##### (h) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities. The Corporation is no longer subject to tax examination for the years ended December 31, 2009 and prior.

##### (i) Subsequent Events

The Corporation has evaluated events after December 31, 2013, and through March 31, 2014, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

#### (2) Funds Held on Behalf of Others

The Corporation maintains a bank account for the Albion Main Street Alliance, which is an organization that was established to revitalize the downtown district of the Village of Albion. At December 31, 2013 and 2012 these funds amounted to \$3,748 and \$1,525, respectively.

#### (3) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to credit risk include cash on deposit with a financial institution, which was insured for up to \$250,000 by the U.S. Federal Deposit Insurance Corporation. At various times throughout the years ended December 31, 2013 and 2012, the Corporation's balance in its accounts has exceeded the federally-insured limit.

The Corporation provides funds under a revolving loan program to businesses located within the boundaries of the municipality of the County of Orleans, New York. The Corporation performs ongoing credit evaluations of its loans. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

## THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

### Notes to Financial Statements, Continued

#### (4) Related Party Transactions

The Corporation has a related party relationship with the County of Orleans Industrial Development Agency (COIDA) and Orleans Land Restoration Corporation (OLRC). All three entities are managed by the same personnel. COIDA allocates a portion of its personnel costs to the Corporation. These costs amounted to \$8,019 and \$28,354 for the years ended December 31, 2013 and 2012, respectively.

#### (5) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable markets data by correlation or other means.

If the asset or liability as a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(6) Loans Receivable

Loans receivable, which are considered level 3 assets as described in note 5, at December 31, 2013 and 2012 are summarized as follows:

<u>Term</u>	<u>Borrower</u>	<u>Interest rate</u>	<u>2013</u>	<u>2012</u>
5 years	BCA Ag Technologies	2.4375	\$ 5,152	7,127
5 years	Bindings Bookstore	2.4375	14,291	21,349
5 years	Blue Top Management, LLC	2.4375	6,779	12,945
5 years	Civil Warrior Collectibles	2.4375	7,728	10,690
5 years	Cobblestone Business Center	4.5000	7,782	9,715
5 years	Collective Media	2.4375	10,132	13,085
8 years	Diversified Financing	2.4375	8,559	10,664
5 years	Erie Way Tree Farm, LLC	2.4375	10,637	14,578
5 years, 3 months	Fastfitness for Women, Inc.	2.4375	-	5,550
5 years	Fastfitness for Women, Inc. (2013)	2.4375	44,014	-
5 years	J&M Repair	2.4375	20,403	26,208
5 years	Matrix Scientific, LLC	6.1875	9,529	15,569
5 years	Mosier Property Development, LLC	2.4375	7,443	10,040
5 years	Outdoor Adventures	3.5625	13,188	16,253
10 years	Rachael and Rob's Wildwood Lake Family Campgrounds	3.0000	60,496	63,622
5 years	Ridge Farm Supply	3.1900	5,911	6,312
5 years	The Candle Nook, LLC	2.4375	5,433	5,660
5 years	Total Lawn Care	6.1875	23,346	23,345
5 years	U Make Scents LLC	2.4375	13,104	-
5 years	Xpress Fitness, LLC	2.4375	<u>14,956</u>	<u>20,892</u>
	Total loans		288,883	293,604
	Less allowance for doubtful loans		<u>(47,000)</u>	<u>(44,000)</u>
			241,883	249,604
	Less current installments		<u>(88,279)</u>	<u>(63,694)</u>
	Loans receivable, less current installments		\$ <u>153,604</u>	<u>185,910</u>

The table below sets forth a summary of changes in the fair value of the Corporation's level 3 assets (loans receivable) for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 293,604	375,179
Add loans issued	60,000	45,000
Less amounts repaid	(64,721)	(86,262)
Less bad debt	-	<u>(40,313)</u>
Balance at end of year	\$ <u>288,883</u>	<u>293,604</u>

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(6) Loans Receivable, Continued

A summary of current, past due and nonaccrual loans as of December 31, 2013 and 2012 is as follows:

<u>Year ended</u>	<u>Current</u>	30 -90 days <u>past due</u>	<u>Nonaccrual</u>	<u>Total</u>
December 31, 2013	\$ 224,032	36,072	28,779	288,883
December 31, 2012	\$ 222,085	26,293	45,226	293,604

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

The Board of Directors  
The Orleans County Local Development Corporation:

We have audited, 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, the financial statements of The Orleans County Local Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of revenue, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 31, 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, including Investment Guidelines for Public Authorities and the Corporation's Investment Policy, 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 31, 2014