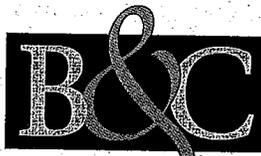


SACKETS HARBOR LOCAL
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
December 31, 2013



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

Report on the Financial Statements

We have audited the accompanying financial statements of **SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, functional expenses and cash flows for the year 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.

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 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.

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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 Sackets Harbor Local Development Corporation as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Sackets Harbor Local Development Corporation's 2012 financial statements, and our report dated March 11, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014 on our consideration of Sackets Harbor Local 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 Sackets Harbor Local Development Corporation's internal control over financial reporting and compliance.

Banner & Company

Watertown, New York
March 21, 2014

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SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

December 31, 2013 with Comparative Totals for 2012

ASSETS

	2013	2012
Cash and Cash Equivalents	\$ 660,830	\$ 685,753
Prepaid Expenses	888	843
Loans Receivable	51,491	32,966
Land	114,596	114,596
Intangible Assets, Net	589	851
TOTAL ASSETS	<u>\$ 828,394</u>	<u>\$ 835,009</u>

NET ASSETS

Temporarily Restricted	\$ 828,394	\$ 835,009
TOTAL NET ASSETS	<u>\$ 828,394</u>	<u>\$ 835,009</u>

See notes to financial statements

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013 with Summarized Totals at December 31, 2012

	2013	2012
SUPPORT AND REVENUE		
Interest Income	\$ 3,045	\$ 2,969
Miscellaneous Income	<u>75</u>	<u>237</u>
Total Support and Revenue	<u>3,120</u>	<u>3,206</u>
EXPENSES		
Program Service		
Local Development	4,198	7,488
Supporting Service		
Management and General	<u>5,537</u>	<u>4,905</u>
Total Expenses	<u>9,735</u>	<u>12,393</u>
Change in Net Assets (Deficit)	(6,615)	(9,187)
Net Assets, Beginning of Year	<u>835,009</u>	<u>844,196</u>
Net Assets, End of Year	<u>\$ 828,394</u>	<u>\$ 835,009</u>

See notes to financial statements

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013 with Summarized Totals at December 31, 2012

	Program Service Local Development	Management and General	Totals	
			2013	2012
Clerical Fees	\$ 0	\$ 325	\$ 325	\$ 416
Legal Fees	2,963	0	2,963	6,221
Accounting Fees	0	3,225	3,225	3,455
Sewer	109	0	109	146
Insurance	864	1,504	2,368	1,466
Postage	0	210	210	44
Meals	0	214	214	216
Penalties	0	0	0	167
Fees	0	59	59	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Amortization	3,936	5,537	9,473	12,131
Amortization Expense	262	0	262	262
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	\$ 4,198	\$ 5,537	\$ 9,735	\$ 12,393

See notes to financial statements

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Years Ended December 31, 2013 with Comparative Totals for 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (6,615)	\$ (9,187)
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization Expense	262	262
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(45)	(843)
Net Cash Used In Operating Activities	<u>(6,398)</u>	<u>(9,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable	(24,650)	(12,500)
Purchase of Property and Equipment	0	0
Collection on Loan Receivable	6,125	5,662
Net Cash Used In Investing Activities	<u>(18,525)</u>	<u>(6,838)</u>
Decrease in Cash	(24,923)	(16,606)
Cash at Beginning of Year	<u>685,753</u>	<u>702,359</u>
Cash at End of Year	<u>\$ 660,830</u>	<u>\$ 685,753</u>

See notes to financial statements

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 1 – NATURE OF OPERATIONS

Sackets Harbor Local Development Corporation, (the “Corporation”) was originally established to purchase land designated as a brownfield in the Sackets Harbor, New York area and to restore the site to useable property. In addition, the Corporation operates to relieve and reduce unemployment, to promote and provide for additional and maximum employment, to better and to maintain job opportunities, to carry on research for the purpose of aiding the communities of the Town of Hounsfield (the “Town”) and Village of Sackets Harbor (the “Village”), New York by attracting industry to said communities or encouraging the development of and retention of, new industry in the communities and lessening the burdens of government and to act in the public interest including promoting re-use of brown sites within the Town and Village.

The territory in which the operations of the Corporation are principally conducted is the Town and the Village, and such territory in proximity to those municipalities in which the use of the Corporation’s funds will have a substantial positive impact on the economic welfare and prosperity of the Town and the Village and its inhabitants.

In March 2008, the Corporation entered into an agreement with the Village to establish joint ownership of the property in order to participate in the New York State Environmental Restoration Program. Through this program and a State Assistance Contract, the Village could receive reimbursement of 90% of eligible costs to remediate the property with the Corporation providing the remaining costs. Costs to remediate the property were originally estimated to be \$1,000,000.

The Corporation’s primary source of revenue is interest income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. Accordingly, revenue is recognized when earned rather than received, and expenses are recognized when incurred, rather than when the obligation is paid.

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

Financial statement presentation is in accordance with FASB Accounting Standards Codification (ASC) 958, *Not for Profit Organizations*. Under ASC 958-205, 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.

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 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.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Land

Land held for sale and land improvements are capitalized at cost. Depreciation is not recorded on these assets since they have not been placed into service. The Corporation does not have a formal capitalization policy.

In 2000, the Corporation purchased approximately 111 acres of land in Sackets Harbor, New York that was established as a brownfield due to contamination incurred when the site was used by an oil company as a transfer site. The Corporation intends to return the land to useful property. In 2007, approximately 40 acres of this property, that was not contaminated, was sold to New York State to expand the Sackets Harbor Battlefield. An additional parcel was sold to a local homeowner in 2007 that reduced the amount of land owned by the Corporation to approximately 70 acres. For the years ended December 31, 2013 and 2012, the land was still considered contaminated by the Department of Environmental Conservation. The Corporation intends to sell the property when it is declared clean. The total value of this land as of December 31, 2013 and 2012, was \$114,596.

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Tax Status

The Corporation is an exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified a private foundation. Any unrelated income, excise, or other taxes, which the Corporation is subject to have been accrued.

The Corporation has adopted the provisions of Financial Accounting Standards Board Codification, “*Income Taxes*.” In determining the recognition of uncertain tax positions, the Corporation applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities

The Corporation recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense.

The Corporation analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2010, 2011 and 2012. Based on this analysis, the Corporation determined that there were no uncertain tax positions and that the Corporation should prevail upon examination by the taxing authorities

Loans Receivable

Payments due from borrowers received greater than 30 days past the original due date are considered delinquent.

NOTE 3 – CASH

The Corporation maintains its cash at three financial institutions in Watertown, New York. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash held by the Corporation at December 31, 2013 and 2012 was adequately insured and collateralized.

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 4 – LOAN RECEIVABLE REVOLVING LOAN FUND

On February 25, 2011, the Corporation entered into a loan agreement with RC Spot, LLC and a participant agreement with the Jefferson County Industrial Development Agency (the "JCIDA"). Under these agreements the Corporation and the JCIDA each loaned \$27,500 to RC Spot, LLC. These loans are both amortized over 60 months at 5% interest, to mature March 1, 2016. The first 6 payments are interest only and the remaining 54 payments of \$570 per month include principal and interest. The Corporation and the JCIDA have a security interest in the borrower's equipment as well as the personal guarantee of RC Spot, LLC's principals.

On November 13, 2012, the Corporation entered into a loan agreement with JVO Café & Bakery and a participant agreement with the JDICA. Under these agreements the Corporation and the JCIDA each loaned \$12,500 to JVO Café & Bakery. These loans are both amortized over 60 months at 5% interest, to mature December 1, 2017. The first 6 payments are interest only and the remaining 54 payments of \$259 per month include principal and interest. The Corporation and the JCIDA have a personal guarantee of JVO Café & Bakery's principals. As of December 31, 2013, JVO Café & Bakery has defaulted on their loan, in the opinion of management the loan will be fully collected and the Corporation and JCIDA are taking steps to recover the loan proceeds.

On April 29, 2013, the Corporation entered into a loan agreement with Michael R. Kinnie and a participant agreement with the JDICA. Under these agreements the Corporation and the JCIDA each loaned \$12,500 to Michael R. Kinnie. These loans are both amortized over 60 months at 5% interest, to mature May 1, 2018. The first 6 payments are interest only and the remaining 54 payments of \$259 per month include principal and interest. The Corporation and the JCIDA have a personal guarantee of Michael R. Kinnie.

On September 11, 2013, the Corporation entered into a loan agreement with SUP Sackets Harbor and a participant agreement with the JDICA. Under these agreements the Corporation and the JCIDA each loaned \$12,150 to SUP Sackets Harbor. These loans are both amortized over 60 months at 5% interest, to mature October 1, 2018. The first payment is interest only and the remaining payments of \$229 per month include principal and interest. The Corporation and the JCIDA have a personal guarantee of SUP Sackets Harbor's principals.

Total loans receivable were as follows as of December 31:

	2013	2012
Total	\$ 51,491	\$ 32,966

SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 5 – RESTRICTIONS ON NET ASSETS

Substantially all of the Corporation's funds are designated to be used to remediate the brownfield to a state in which the property is once again useful or to promote economic development in the Town or Village.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through March 21, 2014, the date the financial statements were available to be issued.