

**S**ACKETS HARBOR LOCAL  
DEVELOPMENT CORPORATION

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*FINANCIAL STATEMENTS*

December 31, 2014

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**INDEPENDENT AUDITORS' REPORT**

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**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, 2014, 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.

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, 2014 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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 February 27, 2015, 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.

*Bowers & Company*

Watertown, New York  
February 27, 2015

**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION****AUDITED FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

December 31, 2014 with Comparative Totals for 2013

	2014	2013
Cash	\$ 674,950	\$ 660,830
Prepaid Expenses	888	888
Loans Receivable	19,441	51,491
Land	114,596	114,596
Intangible Assets, Net	<u>327</u>	<u>589</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 810,202</u></b>	<b><u>\$ 828,394</u></b>
<b>NET ASSETS</b>		
Temporarily Restricted	<u>\$ 810,202</u>	<u>\$ 828,394</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 810,202</u></b>	<b><u>\$ 828,394</u></b>

See notes to financial statements.

**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2014 with Summarized Totals for December 31, 2013

	<b>2014</b>	<b>2013</b>
	<b>Temporarily Restricted</b>	<b>(Summarized)</b>
<b>SUPPORT AND REVENUE</b>		
Interest Income	\$ 2,662	\$ 3,045
Miscellaneous Income	-	75
	<hr/>	<hr/>
Total Support and Revenue	2,662	3,120
<b>EXPENSES</b>		
Program Service		
Local Development	14,828	4,198
Supporting Service		
Management and General	6,026	5,537
	<hr/>	<hr/>
Total Expenses	20,854	9,735
Change in Net Assets (Deficit)	(18,192)	(6,615)
Net Assets, Beginning of Year	<hr/> 828,394	<hr/> 835,009
Net Assets, End of Year	<hr/> \$ 810,202	<hr/> \$ 828,394

See notes to financial statements.

**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2014 with Summarized Totals for December 31, 2013

	<b>Program Service Local Development</b>	<b>Management and General</b>	<b>Totals</b>	
			<b>2014</b>	<b>2013</b>
Clerical Fees	\$ -	\$ 263	\$ 263	\$ 325
Legal Fees	985	-	985	2,963
Accounting Fees	-	3,925	3,925	3,225
Sewer	73	-	73	109
Insurance	1,008	1,321	2,329	2,368
Postage	-	48	48	210
Meals	-	286	286	214
Fees	-	183	183	59
Bad Debt	12,500	-	12,500	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Amortization	14,566	6,026	20,592	9,473
Amortization Expense	262	-	262	262
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 14,828</b>	<b>\$ 6,026</b>	<b>\$ 20,854</b>	<b>\$ 9,735</b>

See notes to financial statements.

**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF CASH FLOWS**

Years Ended December 31, 2014 with Comparative Totals for 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (18,192)	\$ (6,615)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization Expense	262	262
Bad Debts	12,500	-
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	-	(45)
Net Cash Used In Operating Activities	<u>(5,430)</u>	<u>(6,398)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Receivable	-	(24,650)
Collection on Loan Receivable	<u>19,550</u>	<u>6,125</u>
Net Cash Provided By (Used In) Investing Activities	<u>19,550</u>	<u>(18,525)</u>
Net Increase (Decrease) in Cash	14,120	(24,923)
Cash, Beginning of Year	<u>660,830</u>	<u>685,753</u>
Cash, End of Year	<u>\$ 674,950</u>	<u>\$ 660,830</u>

See notes to financial statements.

## **SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

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### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 with Comparative Totals for 2013

#### **NOTE 1 – NATURE OF OPERATIONS**

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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**

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##### **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

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2014 with Comparative Totals for 2013

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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##### **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, 2014 and 2013, 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, 2014 and 2013, was \$114,596.

## SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2014 with Comparative Totals for 2013

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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##### **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 2011, 2012 and 2013. 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

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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. At December 31, 2014 and 2013 \$78 and \$0, respectively, of the Corporation’s cash was not adequately insurance and collateralized.

## SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2014 with Comparative Totals for 2013

#### 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, 2014, JVO Café & Bakery has defaulted on their loan; in the opinion of management the loan is not collectable. The Corporation recognized \$12,500 in related bad debt expense during the year ended December 31, 2014.

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. At December 31, 2014 this loan was paid in full.

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:

	2014	2013
Total	\$ 19,441	\$ 51,491

**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 with Comparative Totals for 2013

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

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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**

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Subsequent events were evaluated through February 27, 2015, the date the financial statements were available to be issued.



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**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**

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**BOARD OF DIRECTORS  
SACKETS HARBOR 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 Sackets Harbor Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sackets Harbor 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 Sackets Harbor Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Sackets Harbor Local Development 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 Corporation'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 a certain deficiency in internal control, described in the schedule of findings and responses that we consider to be a significant deficiency. 2014-01.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sackets Harbor 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*.

### **Sackets Harbor Local Development Corporation's Response to Findings**

Sackets Harbor Local Development Corporation's response to the finding identified in our audit is described in the schedule of findings and responses. Sackets Harbor 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 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.

*Bowers & Company*

Watertown, New York  
February 27, 2015

**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

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**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ended December 31, 2014

**Significant Deficiency**

**2014-01      Preparation of Financial Statements**

**Condition:** Management chooses to have the auditor prepare the financial statements, including full footnote disclosures, instead of preparing the financial statements themselves.

**Criteria:** The preparation of the financial statements by an auditor may be considered an internal control deficiency.

**Cause:** The Corporation does not have the resources to apply nonprofit generally accepted accounting principles in preparing the financial statements.

**Effect:** While it is a common practice for the auditor to prepare the financial statements; management's choice to have the auditor prepare the financial statements is a significant deficiency.

**Recommendation:** An appropriate control could be hiring additional staff with the resources to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

**Response:** The Corporation will continue to have the CPA firm prepare the financial statements. There would be no benefit to preparing the statements internally, and the cost would be prohibitive.