

SOUTHOLD LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2014

ALBANESE SINI & REEVES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Southold Local Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southold Local Development Corporation (a nonprofit organization) (the Corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, and cash flows for the period June 27, 2014 inception to December 31, 2014, 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 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 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 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 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, 2014, and the changes in its net assets and its cash flows for the period June 27, 2014 inception to December 31, 2014 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 April 2, 2015, 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.

Albanese Sini & Reeves LLP

East Setauket, New York

April 2, 2015

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

| | |
|------|----------|
| Cash | \$ 6,598 |
|------|----------|

| | |
|---------------------|-----------------|
| TOTAL ASSETS | <u>\$ 6,598</u> |
|---------------------|-----------------|

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|------------------|------------------|
| Accounts Payable | <u>\$ 26,000</u> |
|------------------|------------------|

| | |
|--------------------------|--------|
| TOTAL LIABILITIES | 26,000 |
|--------------------------|--------|

| | |
|----------------------------------|-----------------|
| NET ASSETS - UNRESTRICTED | <u>(19,402)</u> |
|----------------------------------|-----------------|

| | |
|---|-----------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,598</u> |
|---|-----------------|

See Notes to the Financial Statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE PERIOD JUNE 27, 2014 INCEPTION TO DECEMBER 31, 2014

| | |
|--|-------------------------------|
| REVENUES | |
| Application fees | <u>\$ 7,500</u> |
| Total Revenues | <u>7,500</u> |
| EXPENSES | |
| Bank Fees | 26 |
| Consultant fees | 25,000 |
| Legal notices | 112 |
| Other expenses | 210 |
| Professional fees | 1,000 |
| Steno fees | 300 |
| Travel | <u>254</u> |
| Total Expenses | <u>26,902</u> |
| CHANGES IN NET ASSETS | (19,402) |
| NET ASSETS - UNRESTRICTED - INCEPTION | <u>-</u> |
| NET ASSETS - UNRESTRICTED - END OF YEAR | <u><u>\$ (19,402)</u></u> |

See Notes to the Financial Statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE PERIOD JUNE 27, 2014 INCEPTION TO DECEMBER 31, 2014

| | |
|--|------------------------|
| CASH FLOWS FROM | |
| OPERATING ACTIVITIES: | |
| Change in net assets | \$ (19,402) |
| Adjustments to Reconcile Change in Net Assets to Cash provided by Operating Activities: | |
| Accounts Payable | <u>26,000</u> |
| NET CASH PROVIDED BY | |
| OPERATING ACTIVITIES | <u>6,598</u> |
| | |
| NET INCREASE IN CASH | 6,598 |
| | |
| CASH - INCEPTION | <u>-</u> |
| | |
| CASH - END OF YEAR | <u><u>\$ 6,598</u></u> |

See Notes to the Financial Statements

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - ORGANIZATION

The Southold Local Development Corporation (the Corporation) is a not-for-profit corporation incorporated on June 27, 2014 under New York Law. The Corporation's purpose is to promote and conduct economic development activities in the Town of Southold and to finance facilities for not-for-profit corporations so that they may acquire, improve, maintain, equip and furnish such projects. Although the Town of Southold is not financially accountable for the Corporation, it does appoint the Board and as such is considered a related-party to the Corporation.

The Corporation uses the Town of Southold (the Town) facilities, there is no written agreement for this arrangement. The Town has indicated that they have provided necessary insurance coverages to the Corporation for the year ended December 31, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation

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. In addition, the Corporation is required to present a statement of cash flows. All of the Corporation's activities are unrestricted net assets.

b. Basis of Accounting

Accounting for revenues and expenses are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

c. Income Taxes

The Corporation is a not-for-profit corporation organized pursuant to sections 402 and 1411 of the New York State Not-for Profit Corporation law and is, therefore, exempt from income taxes. The Corporation is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit or affiliate of a governmental unit described in the procedure.

NOTE 3 – AGREEMENT

The Corporation entered into a business consultant agreement for its executive director services. The agreement is for the term June 27, 2014 to December 31, 2015. The fee due for the executive director's services is \$25,000 for the year ended December 31, 2014 and \$15,000 for the year ending December 31, 2015, exclusive of out of pocket expenses. The business consultant agreement provides the Corporation the ability to make payments under the agreement based on cash flow, and also provides an allowable adjustment by both parties should the scope of services be expanded.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 - SUBSEQUENT EVENTS

a. Going Concern

The Corporation's financial statements have a net deficit at December 31, 2014, which would indicate doubt about the Corporation continuation as a going concern. Subsequent, to December 31, 2014 and prior to issuance of the financial statements the Corporation received revenue that would reverse this deficit, and the Corporation would remain in a net asset position based on projections for a minimum of one year beyond the date the financial statements were issued.

b. Other

In connection with the preparation of the financial statements, the Corporation evaluated subsequent events after the balance sheet date of December 31, 2014 through April 2, 2015 which was the date the financial statements were available to be issued. No subsequent events other than disclosed were identified.

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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

To the Board of Directors of the
Southold Local Development Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Southold Local Development Corporation (the Corporation), which comprise the statement of net assets as of December 31, 2014, and the related statements of activities and changes in net assets, and cash flows for the period June 27, 2014 inception to December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 2, 2015.

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 would not necessarily 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.

Albanese Sini & Reeves LLP

East Setauket, New York
April 2, 2015