

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Independent Auditor's Report

Financial Statements

December 31, 2015

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Table of Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
Independent Auditor's 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>	12-13
Schedule of Findings and Responses	14
Schedule of Status of Findings and Responses From 2014 Report	15



WHITTEMORE, DOWEN
& RICCIARDELLI, LLP

333 Aviation Road, Building B
Queensbury, NY 12804

112 Spring Street, Suite 307
Saratoga Springs, NY 12866

P: (518) 792-0918
F: (518) 743-0882
www.wdr CPA.com

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Greater Glens Falls Local Development Corporation
Glens Falls, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Glens Falls Local Development Corporation (a nonprofit corporation), a component unit of the City of Glens Falls, New York, which comprise the statement of financial position as of December 31, 2015, the related statements of activities 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.

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 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 Greater Glens Falls Local Development Corporation as of December 31, 2015, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2016, on our consideration of Greater Glens Falls 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 Greater Glens Falls Local Development Corporation's internal control over financial reporting and compliance.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

February 13, 2016

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2015

ASSETS	Restricted			Unrestricted	
	USDA Relending Program	CDBG Relending Program	Local Money and Grants		Total
Current Assets:					
Cash - unrestricted	\$ -	\$ -	\$ -	\$ 81,620	\$ 81,620
Cash - restricted	44,747	93,147	118,615	-	256,509
Loans receivable, current portion	18,756	21,715	-	6,227	46,698
Prepaid expense	-	-	-	3,932	3,932
Total Current Assets	63,503	114,862	118,615	91,779	388,759
Property and Equipment:					
Tech Meadows property	-	-	-	1,421,165	1,421,165
Incubator property	-	-	329,961	-	329,961
Total Property and Equipment	-	-	329,961	1,421,165	1,751,126
Other Assets:					
Loans receivable, net of current portion	145,683	39,494	-	66,762	251,939
Property held for resale	-	-	-	259,943	259,943
Total Other Assets	145,683	39,494	-	326,705	511,882
Total Assets	\$ 209,186	\$ 154,356	\$ 448,576	\$ 1,839,649	\$ 2,651,767
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 995	\$ 995
Current portion of long-term debt	7,726	-	-	-	7,726
Deferred revenue	-	-	18,675	-	18,675
Total Current Liabilities	7,726	-	18,675	995	27,396
Long-term debt, net of current portion	136,876	-	-	-	136,876
Total Liabilities	144,602	-	18,675	995	164,272
Net Assets:					
Unrestricted	-	-	-	1,838,654	1,838,654
Temporarily restricted	64,584	154,356	429,901	-	648,841
Total Net Assets	64,584	154,356	429,901	1,838,654	2,487,495
Total Liabilities and Net Assets	\$ 209,186	\$ 154,356	\$ 448,576	\$ 1,839,649	\$ 2,651,767

See Independent Auditor's Report and Notes

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2015

	Restricted			Unrestricted	Total
	USDA Relending Program	CDBG Relending Program	Local Money and Grants		
Operating Revenues:					
Fee revenue	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500
Interest on loans	8,558	3,204	-	1,553	13,315
Total Operating Revenues	8,558	3,204	-	3,053	14,815
Operating Expenses:					
Advertising expense	-	-	-	11,968	11,968
Consulting fees	-	-	2,224	7,536	9,760
Contractual grant expenses	-	-	1,195	-	1,195
Contractual program expenses	-	-	-	100,000	100,000
Insurance	-	-	-	14,536	14,536
Miscellaneous	-	-	110	871	981
Office expense	-	-	-	3,903	3,903
Interest	1,771	-	1,250	196	3,217
Management fee	-	-	-	7,500	7,500
Property taxes	-	-	-	2,487	2,487
Professional fees	-	-	-	21,151	21,151
Total Operating Expenses	1,771	-	4,779	170,148	176,698
Net Operating Loss	6,787	3,204	(4,779)	(167,095)	(161,883)
Non-Operating Revenues (Expenses):					
Interest income	20	289	80	129	518
Interest expense	-	(481)	-	-	(481)
Total Non-Operating Revenues (Expenses)	20	(192)	80	129	37
Increase (Decrease) In Net Assets	6,807	3,012	(4,699)	(166,966)	(161,846)
Net Assets at Beginning of Year	27,182	105,825	99,283	2,417,051	2,649,341
Prior Period Adjustment	30,595	45,519	335,317	(411,431)	-
Net Assets at Beginning of Year, as restated	57,777	151,344	434,600	2,005,620	2,649,341
Net Assets at End of Year	\$ 64,584	\$ 154,356	\$ 429,901	\$ 1,838,654	\$ 2,487,495

See Independent Auditor's Report and Notes

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2015

Cash Flows From Operating Activities:	
Grant and fee revenue received	\$ 83,789
Loans receivable disbursed	(105,000)
Loan principal payments received	35,241
Interest on loan payments received	13,315
Payments for operating expenses	<u>(177,940)</u>
Net Cash Provided (Used) by Operating Activities	<u>(150,595)</u>
Cash Flows From Capital and Related Financing Activities:	
Principal payments on notes	<u>(65,656)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(65,656)</u>
Cash Flows From Investing Activities:	
Property and equipment purchased	(1,638)
Interest revenue on time deposits	<u>37</u>
Net Cash Used by Investing Activities	<u>(1,601)</u>
Net Decrease in Cash and Cash Equivalents	(217,852)
Cash and Cash Equivalents at Beginning of Year	<u>555,981</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 338,129</u></u>
Reconciliation of Net Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Net Operating Loss	\$ (161,883)
Adjustments to Reconcile Net Operating Loss to Net	
Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Grants receivable	63,614
Loans receivable	(69,759)
Prepaid expense	(146)
Increase (Decrease) in:	
Accounts payable	(1,096)
Deferred revenue	<u>18,675</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (150,595)</u></u>

See Independent Auditor's Report and Notes

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2015

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Greater Glens Falls Local Development Corporation (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

The Organization was incorporated in November, 1984 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities in the City of Glens Falls, New York. This is accomplished by making revolving loans to local businesses to enhance redevelopment, as well as further development of the central business district of the City.

The Greater Glens Falls Local Development Corporation is a component unit of the City of Glens Falls, New York.

Financial Statement Presentation

The Organization 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 Organization does not have any permanently restricted net assets at December 31, 2015.

The following classes of net assets are maintained:

Unrestricted Net Assets

The unrestricted net asset class includes general and board designated assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets include donations for a particular asset or program. When the contribution is used for the purpose intended, the amount is released to unrestricted net assets.

Revenue Recognition

The Organization's primary source of operating revenue is from interest payments on loans issued and Federal and New York State grant revenue. The Organization's primary source of non-operating revenue is interest earned on time deposits.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Accounting Method

The Organization accounts for all transactions on the accrual method of accounting.

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2015

Summary of Significant Accounting Policies – Continued

Allowance for Bad Debts

Bad debts are provided on the allowance method based on management's evaluation of outstanding loans receivable at the end of each year. As of December 31, 2015, management considers all loans receivable to be collectible and, therefore, the allowance for bad debts is \$-0-

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.

Income Taxes

The Organization is exempt from income taxes as a not-for-profit corporation under tax section 501(c)(4) as determined by the Internal Revenue Service and, accordingly, these financial statements do not reflect a provision for income taxes. As of December 31, 2015 the tax years that remain subject to examination by tax authorities begin with 2012.

Cash and Cash in Time Deposits

The Organization's December 31, 2015 bank balances were collateralized and insured as follows:

Total on deposit	\$ 338,167
Insured by FDIC	(322,187)
Collateralized by an irrevocable standby letter of credit held by a financial institution	<u>(15,980)</u>
Amount at risk	<u>\$ -</u>

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of 90 days or less to be cash equivalents.

Advertising and Promotion

The Organization expenses advertising as incurred. Advertising and promotion expense was \$11,968 for the year ended December 31, 2015.

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2015

Loans Receivable

Loans receivable consisted of the following:

	<u>Temporarily Restricted</u>		<u>Unrestricted</u>
	<u>USDA</u>	<u>CDBG</u>	
1) Loaned \$40,000 in November 2014, due in monthly payments of \$654, including interest of 5.5% through November 2020.	\$ 33,717	\$ -	\$ -
2) Loaned \$150,000 in May 2014, due in monthly payments of \$1,573, including interest at 4.75%, through May 2021 when a balloon payment is due.	130,722	-	-
3) Loaned \$25,000 in May 2011, due in monthly payments of \$354, including interest at 5%, through July 2016.	-	9,865	-
4) Loaned \$10,000 in March 2014, due in monthly payments of \$188, including interest at 4.75%, through March 2019.	-	6,766	-
5) Loaned \$30,000 in September 2015, due in monthly payments of \$438, including interest at 6%, through August 2022.	-	28,391	-
6) Loaned \$75,000 in August 2015, due in monthly payments of \$811, including interest at 5%, through May 2025.	-	-	72,989
7) Loaned \$25,000 in June 2014, due in monthly payments of \$574, including interest at 4.85% through June 2018.	-	16,187	-
Total loans receivable	164,439	61,209	72,989
Less: current portion	(18,756)	(21,715)	(6,227)
Loans receivable, net of current portion	<u>\$ 145,683</u>	<u>\$ 39,494</u>	<u>\$ 66,762</u>

No loans are delinquent and they are all considered to be 100% collectible, therefore no allowance for doubtful accounts was established.

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2015

Property and Equipment

Property and equipment at December 31, 2015 are properties purchased for eventual resale. Costs to develop the parcels are capitalized as incurred. No depreciation expense is recorded.

One property, the Incubator Property, is owned in a joint venture with four other municipal and not-for-profit organizations. The property was originally acquired with the intention of using it to house start-up businesses that would share common services. The Organization has since determined that this will not be feasible and is exploring other uses for the property. This property is not being depreciated because it is not in use. The costs recorded are those incurred only by the Organization.

The Tech Meadows Campus and Infrastructure is a parcel of land in Glens Falls, New York that has been developed by the Organization to attract manufacturing and other businesses. The Campus consists of six remaining building lots which will be sold to business entities that construct and operate their facilities on the site. The infrastructure consists of roads, water, sewer, and utilities to make the lots ready for immediate development. The Organization uses the modified approach to account for infrastructure assets and is not required to report depreciation expense on those assets. The cost of maintaining the infrastructure is expensed as incurred.

The Organization did not record any depreciation expense during the year ended December 31, 2015.

Long-Term Debt

Note payable to United States Department of Agriculture, in annual installments of \$9,169, including interest at 1% and secured by cash, loans receivable and the remaining assets of the corporation and related agencies, maturing October 2041.

	<u>\$ 144,602</u>
Total long-term debt	144,602
Less: current portion	<u>(7,726)</u>
Long-term debt, net of current portion	<u><u>\$ 136,876</u></u>

Maturities of the long-term debt are as follows:

Years ending	
December 31,	
2016	\$ 7,726
2017	7,804
2018	7,882
2019	7,960
2020	8,040
Thereafter	<u>105,190</u>
Total	<u><u>\$ 144,602</u></u>

Total interest expense recognized for the year ended December 31, 2015 was \$3,217.

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2015

USDA Intermediary Relending Program

The Organization entered into a loan agreement on November 24, 2011 with the U.S. Department of Agriculture for \$216,000 to be paid back over 30 years at a fixed rate of 1%. Interest only was paid for the first two years. Principal and interest payments are made in 28 equal annual installments with any remaining balance being paid 30 years from the date of the note. A stipulation of this program is that the Organization must match a portion of the loan. The Organizations's matching requirement was \$54,000 making the program funds total \$270,000. As of December 31, 2015, the Organization has drawn down \$152,000 and has made two loans.

Deferred Revenue

The Organization had received an advance payment for a study that had not been started as of December 31, 2015; therefore, the advance of \$18,675 was recorded as deferred revenue. The Organization expects to use the monies in 2016.

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

For economic development activities in accordance with the United States Department of Housing and Urban Development (HUD) guidelines (CDBG).	\$ 154,356
To be used for the Tech Meadows project.	8,759
To be used to make loans for United States Department of Agriculture (USDA) eligible projects in the City of Glens Falls. This is a revolving account, as loans are repaid, funds are replenished.	64,584
To be used for a grant on Warren Street.	5
To be used to develop a small business incubation building in the City of Glens Falls.	421,137
	<hr/>
Total	<u>\$ 648,841</u>

Related Party Transactions

The following transactions occurred between the Organization and a related party, the City of Glens Falls and its respective agencies.

Project related expenses	\$ 100,000
Payroll reimbursement expenses	2,153
Incubator expenses	357

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2015

Prior Period Adjustment

The following prior period adjustments were made between temporarily restricted and unrestricted net assets for the year ended December 31, 2015. These adjustments were made due to the recognition of restricted receivables, fixed assets and loans payable in addition to the restricted cash previously recorded. Prior year's net assets were understated (overstated) by the amounts below.

Increase of USDA temporarily restricted net assets due to including of receivables and outstanding loan payable.	\$ 30,595
Increase of CDBG temporarily restricted net assets due to including of receivables.	45,519
Increase of Local Money temporarily restricted net assets due to including of receivables and fixed assets.	335,317
Reduction of unrestricted net assets	<u>(411,431)</u>
Total increase (decrease) of net assets	<u>\$ -</u>

Contingent Loss

The Greater Glens Falls Local Development Corporation owns "Brownfield" property with a cost of \$329,961 part of which was covered by federal and state grants. It was appraised for only \$115,000 in 2011; thus the LDC may incur a loss upon a sale.

Subsequent Events

The Organization has evaluated all events through February 13, 2016, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.

INDEPENDENT AUDITOR'S 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
Greater Glens Falls Local Development Corporation
Glens Falls, New York

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 Greater Glens Falls Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 February 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greater Glens Falls 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 Greater Glens Falls Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Greater Glens Falls 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 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 Greater Glens Falls 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*.

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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

February 13, 2016

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Schedule of Findings and Responses

December 31, 2015

No Findings for 2015.

GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION

Schedule of Status of Findings and Responses

From 2014 Report

No. 2014-01

Condition: The general ledger of Greater Glens Falls Local Development Corporation contained in the organization's QuickBooks program was not accurate and did not reflect all of the transactions of the corporation. Not all prior year adjusting journal entries were recorded.

Status: Finding addressed in current year. The general ledger reflected the transactions of the corporation. The finding has been resolved.

No. 2014-02

Condition: Accruals of grant receivable and deferred revenue are not in compliance with generally accepted accounting principles in the United States of America.

Status: Proper expenditure and revenue recognition policies are in effect. The finding has been resolved.