

**J**EFFERSON COUNTY LOCAL  
DEVELOPMENT CORPORATION

---

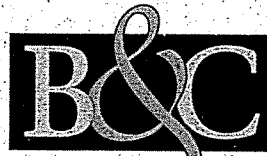
***FINANCIAL STATEMENTS***

September 30, 2015

# Table of Contents

## JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

|   |    |
|---|----|
| INDEPENDENT AUDITORS' REPORT  | 1  |
| AUDITED FINANCIAL STATEMENTS  | 3  |
| STATEMENT OF FINANCIAL POSITION   | 3  |
| STATEMENT OF ACTIVITIES   | 4  |
| STATEMENT OF FUNCTIONAL EXPENSES  | 5  |
| STATEMENT OF CASH FLOWS   | 6  |
| NOTES TO FINANCIAL STATEMENTS   | 7  |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING<br>AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL<br>STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 14 |



# BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT**

---

### **TO THE BOARD OF DIRECTORS JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

We have audited the accompanying financial statements of **JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements 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.

#### **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. 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 Jefferson County Local Development Corporation as of September 30, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Jefferson County Local Development Corporation's September 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of Jefferson County 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 Jefferson County Local Development Corporation's internal control over financial reporting and compliance.

*Banner & Company*

Watertown, New York  
November 30, 2015

**JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION****AUDITED FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

September 30, 2015 with Comparative Totals for 2014

| <b>ASSETS</b>   |                     |                     |
|---|---------------------|---------------------|
|   | <b>2015</b>         | <b>2014</b>         |
| <b>CURRENT ASSETS</b>   |                     |                     |
| Cash and Cash Equivalents   | \$ 2,739,369        | \$ 2,545,151        |
| Loans Receivable (Net of Allowance for Bad<br>Debt of \$250,000 and \$206,706 Respectively) | 1,638,734           | 1,295,825           |
| Loan in Escrow  | -                   | 200,000             |
| Other Receivables   | 42,491              | 110,603             |
| Prepays   | 3,105               | 2,420               |
| Total Current Assets  | 4,423,699           | 4,153,999           |
| Property and Equipment, Net   | 140,696             | 117,071             |
| <b>TOTAL ASSETS</b>   | <b>\$ 4,564,395</b> | <b>\$ 4,271,070</b> |
| <b>CURRENT LIABILITIES</b>  |                     |                     |
| Accounts Payable  | \$ 26,509           | \$ 41,169           |
| Deferred Revenue  | 34,000              | 34,006              |
| Accrued Expenses  | 29,982              | 12,243              |
| Total Liabilities   | 90,491              | 87,418              |
| <b>NET ASSETS</b>   |                     |                     |
| Unrestricted Net Assets   | 4,473,904           | 4,183,652           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b>\$ 4,564,395</b> | <b>\$ 4,271,070</b> |

See notes to audited financial statements.

---

**JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

---

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2015 with Summarized Totals at September 30, 2014

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| Unrestricted Support and Revenue        |                     |                     |
| Jefferson County Support                | \$ 406,006          | \$ 849,593          |
| Administrative Fees                     | 810,984             | 855,996             |
| Application and Processing Fees         | 4,150               | -                   |
| Interest on Loans Receivable            | 69,464              | 41,579              |
| Interest Income                         | 3,196               | 2,923               |
| Grant Income                            | 49,581              | 500                 |
| Miscellaneous                           | 10,500              | 16                  |
| Total Unrestricted Revenues and Support | <u>1,353,881</u>    | <u>1,750,607</u>    |
| Expenses:                               |                     |                     |
| Program Services                        | 779,714             | 1,187,210           |
| General and Administrative              | 283,915             | 251,907             |
| Total Expenses                          | <u>1,063,629</u>    | <u>1,439,117</u>    |
| Changes in Net Assets                   | 290,252             | 311,490             |
| Net Assets, Beginning of Year           | <u>4,183,652</u>    | <u>3,872,162</u>    |
| Net Assets, End of Year                 | <u>\$ 4,473,904</u> | <u>\$ 4,183,652</u> |

---

See notes to audited financial statements.

---

**JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

---

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended September 30, 2015 with Summarized Totals at September 30, 2014

|                                       | <b>Program<br/>Services</b> | <b>General and<br/>Administrative</b> | <b>2015</b>         | <b>2014<br/>(Summarized)</b> |
|---------------------------------------|-----------------------------|---------------------------------------|---------------------|------------------------------|
| Salaries and Employee Benefits        | \$ 482,354                  | \$ 206,723                            | \$ 689,077          | \$ 645,598                   |
| Office Expense                        | 103,681                     | 44,435                                | 148,116             | 85,618                       |
| Professional Fees                     | -                           | 9,069                                 | 9,069               | 16,212                       |
| Training and Conferences              | -                           | 16,511                                | 16,511              | 16,075                       |
| Advertising and Promotion             | 91,312                      | -                                     | 91,312              | 75,050                       |
| Grant Expense                         | 40,657                      | -                                     | 40,657              | 50,500                       |
| Airport Development                   | -                           | -                                     | -                   | 352,709                      |
| Bad Debt Expense                      | 43,294                      | -                                     | 43,294              | 184,002                      |
| Miscellaneous                         | 4,274                       | 2,055                                 | 6,329               | 3,924                        |
| Total Expenses Before<br>Depreciation | 765,572                     | 278,793                               | 1,044,365           | 1,429,688                    |
| Depreciation                          | 14,142                      | 5,122                                 | 19,264              | 9,429                        |
| <b>TOTAL EXPENSES</b>                 | <b>\$ 779,714</b>           | <b>\$ 283,915</b>                     | <b>\$ 1,063,629</b> | <b>\$ 1,439,117</b>          |

---

See notes to audited financial statements.

---

**JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

---

**STATEMENT OF CASH FLOWS**

Year Ended September 30, 2015 with Comparative Totals for 2014

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Change in Net Assets  | \$ 290,252          | \$ 311,490          |
| Adjustments to Reconcile Changes in Net Assets<br>to Net Cash Provided by Operating Activities: |                     |                     |
| Depreciation  | 19,264              | 9,429               |
| Allowance Adjustment  | 43,294              | 184,002             |
| (Increase) Decrease in:   |                     |                     |
| Accounts Receivable   | 68,112              | (1,976)             |
| Loans Receivable  | (386,203)           | (367,349)           |
| Loan in Escrow  | 200,000             | (200,000)           |
| Prepaid Insurance   | (685)               | (1,999)             |
| Increase (Decrease) in:   |                     |                     |
| Accounts Payable  | (14,660)            | 30,713              |
| Accrued Expenses  | 17,739              | 12,244              |
| Deferred Revenue  | (6)                 | 34,006              |
| Net Cash Provided by Operating Activities   | <u>237,107</u>      | <u>10,560</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Net Investment in Property and Equipment  | <u>(42,889)</u>     | <u>(27,500)</u>     |
| Net Cash Provided (Used) by Investing Activities  | <u>(42,889)</u>     | <u>(27,500)</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Transfer of Net Assets from Related Party   | <u>-</u>            | <u>826,174</u>      |
| Net Cash Provided by Financing Activities   | <u>-</u>            | <u>826,174</u>      |
| Net Increase in Cash and Cash Equivalents   | 194,218             | 809,234             |
| Cash and Cash Equivalents - Beginning of Year   | <u>2,545,151</u>    | <u>1,735,917</u>    |
| Cash and Cash Equivalents - End of Year   | <u>\$ 2,739,369</u> | <u>\$ 2,545,151</u> |

---

See notes to audited financial statements.



## **JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

---

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2015 with Comparative totals for 2014

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

---

Jefferson County Local Development Corporation (the “LDC”) is a non-profit organization, incorporated in New York State. The LDC was started October 1, 2009. The purpose of the LDC is to develop and cultivate a strong economic environment, which supports business and nurtures growth and new investment in the County.

The mission of the Jefferson County Local Development Corporation includes undertaking projects and programmatic initiatives in furtherance of and to advance the job opportunities, health, general prosperity and economic welfare of the people of the County.

#### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

---

##### **Basis of Accounting**

The financial statements of Jefferson County Local Development Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

##### **Financial Statement Presentation**

Financial statement presentation follows the recommendation of FASB Accounting Standards Codification No. 958, *Not-for-Profit Entities: Presentation of Financial Statements*. The LDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. For the years ended September 30, 2015 and 2014 the LDC reported no temporarily or permanently restricted net assets.

##### **Cash and Cash Equivalents**

The LDC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

##### **Income Tax Status**

The LDC is a not-for-profit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

##### **Advertising**

Advertising costs are expensed as they are incurred. Advertising expense amounted to \$91,312 \$75,050 for the years ended September 30, 2015 and 2014, respectively.

## JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

---

### NOTES TO FINANCIAL STATEMENTS

September 30, 2015 with Comparative totals for 2014

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

##### **Open Tax Years**

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2015, 2014, 2013 and 2012 are subject to examination by the IRS, generally for 3 years after they were filed. Management has determined that the Organization does not have any uncertain tax positions that materially impact the financial statements or related disclosures.

##### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

##### **Loans Receivable and Allowance for Loan Losses**

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loans Receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. It is the Organization's policy to charge off uncollectible loans receivable when management determines the receivable will not be collected.

## JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

September 30, 2015 with Comparative totals for 2014

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

##### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Property and Equipment

Property and equipment are recorded at cost. Jefferson County Local Development Corporation follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

| Category               | Recovery Period Years |
|------------------------|-----------------------|
| Equipment              | 5 - 10                |
| Furniture and Fixtures | 5 - 10                |

##### Statement of Cash Flows

|  | 2015        | 2014          |
|--|-------------|---------------|
| Cash Paid For Interest on Borrowed Funds | <u>\$ -</u> | <u>\$ 822</u> |

There were no noncash investing and financing activities during 2015.

##### Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not included sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

---

**JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

---

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2015 with Comparative totals for 2014

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

---

**Reclassification**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**Date of Management's Review**

Management has evaluated subsequent events through November 30, 2015, the date which the financial statements were available to be issued.

**NOTE 3 – LOANS RECEIVABLE**

---

Loans receivable consisted of the following at September 30,

|                                  | 2015                | 2014                |
|----------------------------------|---------------------|---------------------|
| Loan Program                     | 1,888,734           | 1,502,531           |
| Less - Allowance for Loan Losses | (250,000)           | (206,706)           |
| Total                            | <u>\$ 1,638,734</u> | <u>\$ 1,295,825</u> |

The following is a schedule of the outstanding loans receivable at September 30,

|                                  | 2015                | 2014                |
|----------------------------------|---------------------|---------------------|
| <b>Loan Program</b>              |                     |                     |
| AYDM Associates, Inc.            | \$ 195,876          | \$ -                |
| Current Applications #1          | 38,512              | 53,138              |
| Current Applications #2          | 165,521             | 171,919             |
| Hi-Lite Group                    | 325,873             | 400,000             |
| LCO Destiny, Inc.                | 600,000             | 300,000             |
| The Lodge at Ives Hill           | 149,531             | 155,102             |
| WICLDC                           | 163,421             | 172,372             |
| Florelle Tissue Corporation      | 250,000             | 250,000             |
| Total                            | <u>1,888,734</u>    | <u>1,502,531</u>    |
| Less - Allowance for Loan Losses | <u>(250,000)</u>    | <u>(206,706)</u>    |
| Total Loan Program               | <u>\$ 1,638,734</u> | <u>\$ 1,295,825</u> |

## JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

---

### NOTES TO FINANCIAL STATEMENTS

September 30, 2015 with Comparative totals for 2014

#### NOTE 4 – RELATED PARTY AGREEMENTS AND TRANSACTIONS

---

The Organization rents office space from Watertown Industrial Center LDC under a 10 year lease agreement. The current lease was executed for the period October 1, 2014 through September 30, 2024. At September 30, 2015, current monthly base rental payments are \$1,351 plus costs related to leasehold improvement debt of \$4,662. The Organization has the option to renew the lease on October 1, 2024 for an additional five years with a base monthly rent of \$3,603 per month for 12 months. Rental expense for the years ended September 30, 2015 and 2014 was \$39,521 and \$14,394, respectively.

Future minimum lease payments are:

|                                |                   |
|--------------------------------|-------------------|
| Year Ending September 30, 2016 | \$ 72,156         |
| Year Ending September 30, 2017 | 72,156            |
| Year Ending September 30, 2018 | 72,156            |
| Year Ending September 30, 2019 | 72,156            |
| Year Ending September 30, 2020 | 72,432            |
| Thereafter                     | <u>322,362</u>    |
| Total                          | <u>\$ 683,418</u> |

An agreement was executed between the Organization and the Jefferson County Industrial Development Agency (JCIDA) where JCIDA agreed to pay the Organization for administrative/staff support. The contribution paid by the JCIDA to the Organization was \$810,984 and \$855,996 for the years ended September 30, 2015 and 2014, respectively. This agreement commenced effective August 1, 2013 and is automatically renewed. The fee is recalculated annually based on the Organization's budget.

The Organization transferred \$352,709 to the JCIDA during the year ended September 30, 2014. The Organization specified that the JCIDA is to use the funds towards the Airport Corporate Park for purchase of property and other related expenses. The JCIDA recognized the \$352,709 as restricted monies.

On December 1, 2010, JCLDC loaned Watertown Industrial Center Local Development Corporation \$200,000 for roof replacement expenses. The loan matures on January 1, 2031. As of September 30, 2015 and 2014, the balance remaining on this loan was \$163,421 and \$172,372, respectively.

## JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

September 30, 2015 with Comparative totals for 2014

#### NOTE 5 – JEFFERSON COUNTY SUPPORT

In 2014, the Organization received unrestricted monies from Jefferson County as a result of the dissolution of the Jefferson County Agriculture Development Corporation (JCADC) and the Jefferson County Job Development Corporation (JCJDC). In addition, the Organization receives Agriculture Program and Marketing grant monies from Jefferson County. The total contributions consisted of the following for the years ended September 30:

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| JCJDC Dissolution Surplus Funds            | \$ -              | \$ 352,709        |
| JCADC Dissolution Surplus Funds            | -                 | 90,888            |
| Jefferson County Agriculture Program Grant | 136,006           | 135,996           |
| Jefferson County Marketing Grant           | 270,000           | 270,000           |
|  | <u>\$ 406,006</u> | <u>\$ 849,593</u> |

#### NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in financial institutions located in Watertown, NY. Interest-bearing deposits and non-interest bearing deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. The LDC's aggregate bank balances included balances not covered by depository insurance at year-end. Deposits in the amount of \$2,739,853 and \$2,195,155, for the years ended September 30, 2015 and 2014, respectively, are collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the LDC's name. All deposits are fully collateralized as of September 30, 2015.

#### NOTE 7 – PROPERTY AND EQUIPMENT

Property and Equipment at September 30, 2015 and 2014 consist of the following:

|                                | 2015              | 2014              |
|--------------------------------|-------------------|-------------------|
| Equipment                      | \$ 99,000         | \$ 99,000         |
| Furniture and Fixtures         | 70,389            | 2,125             |
| Work in Process - New Office   | -                 | 25,375            |
| Total                          | <u>169,389</u>    | <u>126,500</u>    |
| Less: Accumulated Depreciation | <u>(28,693)</u>   | <u>(9,429)</u>    |
| Net Property and Equipment     | <u>\$ 140,696</u> | <u>\$ 117,071</u> |

## **JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

---

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2015 with Comparative totals for 2014

#### **NOTE 8 – RETIREMENT PLAN**

---

On August 1, 2013, the Organization established a 401K Profit Sharing Pension Plan. The Plan is administered by RBC Wealth Management. The employer contribution was set at 4% of the employees' annual salary. All full time employees are covered by the Plan. For the years ended September 30, 2015 and 2014, JCLDC made contributions in the amount of \$84,835 and \$4,065 respectively. Included in the 2015 contribution, is a one-time contribution of \$44,306 for the plan year 2014.