

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Independent Auditor's Report

Financial Statements

December 31, 2014

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

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## 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, 2014, 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, whether due to fraud or error.

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, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, 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

March 6, 2015

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2014

ASSETS

Current Assets:	
Cash - unrestricted	\$ 323,691
Cash - restricted	232,290
Grants - unrestricted	63,614
Loans receivable, current portion	31,621
Prepaid expense	<u>3,786</u>
Total Current Assets	<u>655,002</u>
Property and Equipment:	
Tech Meadows property	1,420,864
Incubator property	<u>329,961</u>
Total Property and Equipment	<u>1,750,825</u>
Other Assets:	
Loans receivable, net of current portion	197,257
Property held for resale	<u>258,606</u>
Total Other Assets	<u>455,863</u>
Total Assets	<u><u>\$ 2,861,690</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 2,091
Current portion of long-term debt	4,370
Short-term notes payable	<u>58,258</u>
Total Current Liabilities	64,719
Long-term debt, net of current portion	<u>147,630</u>
Total Liabilities	<u>212,349</u>
Net Assets:	
Unrestricted	2,417,051
Temporarily restricted	<u>232,290</u>
Total Net Assets	<u>2,649,341</u>
Total Liabilities and Net Assets	<u><u>\$ 2,861,690</u></u>

See Independent Auditor's Report and Notes

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Operating Revenues:			
Fee revenue	\$ 900	\$ -	\$ 900
Interest on loans	6,867	509	7,376
Release of restrictions	56,154	(56,154)	-
Total Operating Revenues	63,921	(55,645)	8,276
Operating Expenses:			
Advertising expense	2,745	-	2,745
Bad debts	-	-	-
Consulting fees	15,437	5,300	20,737
Contractual grant expenses	16,000	4,216	20,216
Contractual program expenses	611	-	611
Insurance	11,029	-	11,029
Miscellaneous	4,510	-	4,510
Office expense	2,653	-	2,653
Interest	-	8,794	8,794
Professional fees	19,573	446	20,019
Total Operating Expenses	72,558	18,756	91,314
Net Operating Loss	(8,637)	(74,401)	(83,038)
Non-Operating Revenues (Expenses):			
Interest revenue on time deposits, net of amounts returned to HUD	-	1,993	1,993
Total Non-Operating Revenues (Expenses)	-	1,993	1,993
Decrease In Net Assets	(8,637)	(72,408)	(81,045)
Net Assets at Beginning of Year	2,756,098	304,698	3,060,796
Prior Period Adjustment	(330,410)	-	(330,410)
Net Assets at Beginning of Year, as restated	2,425,688	304,698	2,730,386
Net Assets at End of Year	\$ 2,417,051	\$ 232,290	\$ 2,649,341

See Independent Auditor's Report and Notes

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2014

Cash Flows From Operating Activities:	
Grant and fee revenue received	\$ 234,675
Loans receivable disbursed	(225,000)
Loan principal payments received	27,807
Interest on loan payments received	7,376
Payments for operating expenses	<u>(113,161)</u>
Net Cash Provided (Used) by Operating Activities	<u>(68,303)</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds of note	152,000
Principal payments on note	<u>(243,775)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(91,775)</u>
Cash Flows From Investing Activities:	
Property and equipment purchased	(263,543)
Interest revenue on time deposits	<u>1,993</u>
Net Cash Used by Investing Activities	<u>(261,550)</u>
Net Decrease in Cash and Cash Equivalents	(421,628)
Cash and Cash Equivalents at Beginning of Year	<u>977,609</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 555,981</u></u>
Reconciliation of Net Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Net Operating Loss	\$ (83,038)
Adjustments to Reconcile Net Operating Loss to Net	
Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Grants and interest receivable	233,775
Other receivable	2,922
Loans receivable	(197,194)
Prepaid expense	(3,064)
Increase (Decrease) in:	
Accounts payable	(6,783)
Deferred revenue	<u>(14,921)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (68,303)</u></u>

See Independent Auditor's Report and Notes

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

**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 generally accepted accounting principles 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 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, 2014.

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 LDC'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.

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

**Summary of Significant Accounting Policies – Continued**

Accounting Method

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

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, 2014, 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 generally accepted accounting principles 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, 2014 the tax years that remain subject to examination by tax authorities begin with 2011.

Concentration of Credit Risk

The Organization has several deposit accounts at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash may at times, exceed Federal insured limits. The amount in excess of the FDIC limits totaled \$273,693 at December 31, 2014. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

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 \$2,745 for the year ended December 31, 2014.

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

**Loans Receivable**

Loans receivable consisted of the following:

1) Loaned \$40,000 in November 2014, due in monthly payments of \$654, including interest of 5.5% through November 2020.	\$ 39,530
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.	143,065
3) Loaned \$10,000 in April 2012, due in monthly payments of \$228, including interest at 4.5%, through April 2015.	1,988
4) Loaned \$25,000 in May 2011, due in monthly payments of \$354, including interest at 5%, through July 2016.	13,515
5) Loaned \$10,000 in March 2014, due in monthly payments of \$188, including interest at 4.75%, through March 2019.	8,647
6) Loaned \$25,000 in June 2014, due in monthly payments of \$574, including interest at 4.85% through June 2018.	<u>22,133</u>
Total loans receivable	228,878
Less: current portion	<u>(31,621)</u>
Loans receivable, net of current portion	<u>\$ 197,257</u>

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

**Property and Equipment**

Property and equipment at December 31, 2014 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.

GREATER GLENS FALLS  
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Notes to Financial Statements

December 31, 2014

**Property and Equipment - Continued**

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, 2014.

**Long-Term Debt**

Note payable to United States Department of Agriculture, in annual installments of \$5,890, including interest at 1.0% and secured by cash, loans receivable and the remaining assets of the corporation and related agencies, maturing October 2044.

	<u>\$ 152,000</u>
Total long-term debt	152,000
Less: current portion	<u>(4,370)</u>
Long-term debt, net of current portion	<u><u>\$ 147,630</u></u>

Maturities of the long-term debt are as follows:

Years ending December 31,	
2015	\$ 4,370
2016	4,413
2017	4,458
2018	4,502
2019	4,547
Thereafter	<u>129,710</u>
Total	<u><u>\$ 152,000</u></u>

Total interest expense recognized for 2014 was \$8,794.

**Short - Term Notes Payable**

Greater Glens Falls Local Development Corporation has a promissory note with Glens Falls National Bank and Trust Company at the variable Wall Street Journal prime rate, currently at 3.25% which matures January 13, 2015. Subsequent to December 31, 2014 and before the financial statements were available for issuance the maturity was extended to April 13, 2015. The balance of the loan at December 31, 2014 was \$58,258.

GREATER GLENS FALLS  
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Notes to Financial Statements

December 31, 2014

**Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

For economic development activities in accordance with the United States Department of Housing and Urban Development (HUD) guidelines.	\$ 105,825
To be used for the Tech Meadows project.	6,504
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.	27,182
To be used to develop a small business incubation building in the City of Glens Falls.	<u>92,779</u>
Total	<u>\$ 232,290</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the donors' restricted purposes or by occurrence of other events specified by donors resulting in the following decrease in temporarily restricted net assets:

Purpose Restrictions Accomplished:	
HUD, net	\$ 20,295
Tech Meadows, net	9,430
USDA, net	26,877
Other	12,000
Small Business Incubation	<u>3,806</u>
Total	<u>\$ 72,408</u>

**Related Party Transactions**

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

General payments	\$ 7,800
Payroll	2,153
Incubator	335
Miscellaneous	482

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

**Prior Period Adjustment**

The following prior period adjustments were made to unrestricted net assets for the year ended December 31, 2014. These adjustments were made due to the recording of the full receivable for the grant amounts before the revenue was earned. Prior years accumulated revenue was overstated by the amounts below.

	<u>2014</u>
Reduction of ESD Receivable	\$ 87,465
Reduction of EDA Grant Receivable	<u>242,945</u>
Total decrease of net assets	<u>\$ 330,410</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 March 6, 2015, the date which these financial statements were available to be issued, and determined that the following subsequent event required disclosure:

The short-term note receivable's maturity was extended from January 13, 2015 to April 13, 2015.

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, 2014, 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 March 6, 2015.

***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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify several deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2014-1, 2014-2).

***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*.

***Response to Findings***

Greater Glens Falls Local Development Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Greater Glens Falls Local Development Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***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

March 6, 2015

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Schedule of Findings and Responses

December 31, 2014

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.

Criteria: For a ledger to be audited and provide reliable financial information it must exist and reflect all of the transactions of the entity being audited.

Cause of Condition: Transition to a new Chief Financial Officer and failure to properly record some of the prior year journal entries in the general ledger accounting information system, QuickBooks.

Effect of Condition: Internal financial statements and general ledger were inaccurate during the year ended December 31, 2014.

Recommendation: We recommend that the Greater Glens Falls Local Development Corporation maintain a general ledger that ties to both the monthly submitted reports and the annual audited financial statements of the corporation in accordance with generally accepted accounting principles in the United States of America.

Management Response: This finding was a one-time occurrence due to the transition in the Chief Financial Officer position. The new Chief Financial Officer has instituted a policy that all audit adjustments be posted into the general ledger upon receipt from the auditor and approval from the board of directors.

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.

Criteria: Proper expenditure and revenue recognition.

Cause of Condition: Prior Chief Financial Officer did not accrue receivables and deferred revenue in accordance with generally accepted accounting principles in the United States of America.

Effect of Condition: As a result of improper recording of prior year receivables and deferred revenues, there is a significant prior period adjustment to net assets in 2014, in the amount of \$330,410.

Recommendation: Revenue and receivables on grants should only be recorded as earned and not what is expected or budgeted. Deferred revenue should not be recorded unless the funds have been received and the related revenue has not been earned during the year. The deferred revenue account should not be use as a budgeting account.

Management Response: The prior Chief Financial Officer erroneously reported grants receivables, deferred revenue and revenue based upon approved grant totals. Since the grants are reimbursement driven, future revenues and receivables will only be recognized as expenditures are incurred in compliance with generally accepted accounting principles in the United States of America. Future deferred revenue will be recorded in compliance with generally accepted accounting principles in the United States of America.

GREATER GLENS FALLS  
LOCAL DEVELOPMENT CORPORATION

Status of Findings and Responses

From 2013 Report

No Findings for 2013.