

Auburn Local Development Corporation

Financial Report

December 31, 2011 and 2010

Auburn Local Development Corporation

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Buffington & Hoatland CPAs

A Professional Limited Liability Company

Independent Auditor's Report

To the Board of Directors
Auburn Local Development Corporation

We have audited the accompanying statements of financial position of Auburn Local Development Corporation (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auburn Local Development Corporation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2012, on our consideration of Auburn 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 and should be considered in assessing the results of our audit.

Buffington & Hoatland CPAs, PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 16, 2012

Auburn Local Development Corporation

Statements of Financial Position

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash	\$ 31,400	\$ 44,036
Property and Equipment		
Land	53,243	53,243
Building and improvements	715,012	715,012
Equipment	1,920	1,920
	<u>770,175</u>	<u>770,175</u>
Accumulated depreciation	<u>(319,030)</u>	<u>(301,279)</u>
Total Property and Equipment, Net	<u>451,145</u>	<u>468,896</u>
Other Assets		
Closing costs, net of amortization	<u>2,625</u>	<u>3,710</u>
Total Assets	<u>\$ 485,170</u>	<u>\$ 516,642</u>
Liabilities and Unrestricted Net Assets		
Current Maturities of Long-Term Debt	\$ 57,505	\$ 54,714
Long-Term Debt	<u>111,627</u>	<u>188,786</u>
Total Liabilities	169,132	243,500
Unrestricted Net Assets	<u>316,038</u>	<u>273,142</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 485,170</u>	<u>\$ 516,642</u>

See notes to financial statements.

Auburn Local Development Corporation

Statements of Activities

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Rental income	\$ 84,562	\$ 84,562
Interest income	12	41
Total Revenues	<u>84,574</u>	<u>84,603</u>
Operating Expenses		
Insurance	4,156	4,119
Professional services	4,935	4,700
Interest	13,751	18,091
Total Operating Expenses	<u>22,842</u>	<u>26,910</u>
Operating Income	61,732	57,693
Depreciation and amortization	<u>(18,836)</u>	<u>(18,877)</u>
Change in Unrestricted Net Assets	<u>\$ 42,896</u>	<u>\$ 38,816</u>

See notes to financial statements.

Auburn Local Development Corporation

Statements of Changes in Unrestricted Net Assts

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets - Beginning	\$ 273,142	\$ 234,326
Changes in unrestricted net assets	<u>42,896</u>	<u>38,816</u>
Unrestricted Net Assets - Ending	<u>\$ 316,038</u>	<u>\$ 273,142</u>

See notes to financial statements.

Auburn Local Development Corporation

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Change in unrestricted net assets	\$ 42,896	\$ 38,816
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	<u>18,836</u>	<u>18,877</u>
Net Cash Provided by Operating Activities	61,732	57,693
Cash Flows Used in Financing Activities		
Principal repayments of notes payable	<u>(74,368)</u>	<u>(50,981)</u>
Net Increase (Decrease) in Cash	(12,636)	6,712
Cash - Beginning	<u>44,036</u>	<u>37,324</u>
Cash - Ending	<u><u>\$ 31,400</u></u>	<u><u>\$ 44,036</u></u>

See notes to financial statements.

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Note 1 - Nature of Operations

The Auburn Local Development Corporation (Corporation) was created to plan, promote, coordinate and execute programs in the City of Auburn, New York. The Corporation aims at improving the quality of life of its residents by developing new approaches and methods where necessary and proper, and to achieve certain educational, charitable objectives. The Corporation has a public purpose of relieving and reducing unemployment, promoting and providing for additional and maximum employment, and improving and maintaining job opportunities within the City of Auburn. The Corporation achieves this purpose by training individuals to improve or develop their capabilities for such jobs. The Corporation carries on research for the purpose of aiding the City of Auburn by attracting new industry to the City of Auburn, by encouraging the development of, or retention of, an industry in the City of Auburn, lessening the burdens of government, acting in the public interest. The Corporation's major source of support is from rental income received from the lease of a building.

Note 2 - Estimates and Summary of Significant Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC), *Presentation of Financial Statements of Not-for-Profit Organizations*. 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. The Corporation has only unrestricted net assets as of December 31, 2011 and 2010.

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Note 2 - Estimates and Summary of Accounting Policies (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$500, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost, or if donated at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the following estimated useful lives of these respective classes of property.

	<u>Years</u>
Land	-
Building and improvements	10 - 40
Equipment	7

Depreciation expense amounted to \$17,751 and \$17,792 for the years ended December 31, 2011 and 2010, respectively.

Closing Costs

Closing costs associated with the financing mortgage is being amortized ratably over the term of the mortgage (twenty years). Accumulated amortization amounted to \$19,087 and \$18,002 as of December 31, 2011 and 2010.

Amortization expense amounted to \$1,085 for each at the years ended December 31, 2011 and 2010.

The estimated amortization expense consists of the following for each of the three years ending December 31.

2012	\$ 1,085
2013	1,085
2014	455
2015	-
	<u>\$ 2,625</u>

Income Taxes

The Corporation is classified as a not-for profit organization under Section 501(c) 4 of the Internal Revenue Code. Therefore, it is exempt from federal and state income taxes.

The Financial Accounting Standards Board issued FASB Accounting Standards Codification (FASB ASC), *Accounting for Uncertainty in Income Taxes*. This requires the recognition and measurement of uncertain tax positions held by the Corporation. Under generally accepted accounting principles, the amount reported would be based on probability assessments of the likelihood that certain deductions would be disallowed upon examination because the taxing authorities interpreted existing guidance differently.

Auburn Local Development Corporation

Notes to Financial Statements December 31, 2011 and 2010

Note 2 - Estimates and Summary of Accounting Policies (Continued)

Income Taxes (Continued)

The Corporation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision. For the years ended December 31, 2011 and 2010, there were no accrued interest or accrued penalties associated with uncertain tax positions for the Corporation.

The Corporation files income tax returns in the U.S. federal and state jurisdictions. The Corporation's U.S. federal and state income tax returns prior to the year ended 2009 are closed to examination. The U.S. federal and state income tax returns of the Corporation for 2009, 2010, and 2011 are subject to examination by the Federal and State taxing authorities. The Corporation has not had a recent examination of their returns by the Federal and State taxing authorities.

Supplementary Disclosures - Statements of Cash Flow

The Corporation considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash used to pay for interest during the years ended December 31, 2011 and 2010 amounted to \$13,751 and \$18,091, respectively. The Corporation did not pay any income taxes for the years ended December 31, 2011 and 2010.

Note 3 - Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash.

Cash

The Corporation maintains cash balances at a financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for 2011 and 2010. Periodically, the amounts on deposit exceed federally insured limits. As of December 31, 2011 and 2010, the Corporation's cash balances did not exceed the federally insured limits.

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Note 4 - Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2011</u>	<u>2010</u>
Mortgage payable to a bank; due in monthly installments of \$4,557, including interest at 8.5% through November, 2014; collateralized by a building	\$ 121,679	\$ 166,640
Mortgage payable to the City of Auburn through the Small Business Assistance Program; payable in monthly installments of \$1,020, including interest at 2% through September, 2016; collateralized by a building	47,453	66,430
Mortgage payable to the City of Auburn through the Community Development Block Grant; payable in monthly installments of \$179, including interest at 6% through September, 2016; collateralized by a building	-	<u>10,430</u>
	169,132	243,500
Current maturities	<u>(57,505)</u>	<u>(54,714)</u>
	<u>\$ 111,627</u>	<u>\$ 188,786</u>

Current maturities of long-term debt, assuming no change in current terms, consist of the following for each of the five years ended December 31 and thereafter:

2012	\$ 57,505
2013	61,811
2014	37,243
2015	12,099
2016	474
	<u>\$ 169,132</u>

Auburn Local Development Corporation

Notes to Financial Statements

December 31, 2011 and 2010

Note 5 - Rental Income

The Corporation leases a building under a ten-year lease agreement which began August, 2004. Rental income amounted to \$84,562 for the years ended December 31, 2011 and 2010, respectively.

Future minimum lease receipts, assuming no change in current terms, consist of the following for each of the three years ending December 31 and thereafter:

2012	\$	84,562
2013		84,562
2014		<u>56,375</u>
	\$	<u>225,499</u>

Note 6 - Subsequent Events

Management has evaluated subsequent events through March 16, 2012, the date on which the financial statements were available to be issued.



Buffington & Hoatland CPAs

A Professional Limited Liability Company

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
Auburn Local Development Corporation

We have audited the financial statements of Auburn Local Development Corporation as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 16, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Auburn Local Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Auburn Local Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Auburn Local Development Corporation's financial statements are free of 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*.

This report is intended solely for the information and use of management, Board of Directors, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Buffington & Hoatland CPAs, PLLC

Buffington & Hoatland CPAs, PLLC
Auburn, New York
March 16, 2012