

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee
Town of North Hempstead Business and
Tourism Development Corporation
Manhasset, New York

We have audited the accompanying statements of financial position of the Town of North Hempstead Business and Tourism Development Corporation (a not-for-profit corporation) 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 Town of North Hempstead Business and Tourism Development Corporation'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 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 audits 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 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 the Town of North Hempstead Business and Tourism 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 June 18, 2012, on our consideration of the Town of North Hempstead Business and Tourism Development Corporation, internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, 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 the 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 audits.

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ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 24TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

25 SUFFOLK COURT
HAUPPAUGE, NY 11788-3715
T: 631.434.9500 F: 631.434.9518

WWW.AVZ.COM
INDEPENDENT MEMBER OF BKR INTERNATIONAL

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Albert, Viggiano, Zwick & Co, P.C.

Hauppauge, New York
June 18, 2012

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash	\$ 80,626	\$ 60,605
Prepaid insurance	1,630	-0-
Property and equipment	779	1,698
	<u>83,035</u>	<u>62,303</u>
Total Assets	<u>\$ 83,035</u>	<u>\$ 62,303</u>
Liabilities		
Accrued expenses	<u>\$ 16,158</u>	<u>\$ 41,444</u>
Commitment		
Net Assets		
Unrestricted	33,083	(22,472)
Temporarily restricted	33,794	43,331
	<u>66,877</u>	<u>20,859</u>
Total Net Assets	<u>66,877</u>	<u>20,859</u>
Total Liabilities and Net Assets	<u>\$ 83,035</u>	<u>\$ 62,303</u>

See notes to financial statements.

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	2011	2010
Unrestricted Net Assets		
Revenues, gains and support		
Fees for services	\$ 450,000	\$ 300,000
Contributions	7,784	6,528
Vendor fees	150	-0-
Application fees	-0-	1,000
Interest	2	4
	457,936	307,532
Net assets released from restrictions	20,902	17,714
Total Unrestricted Revenues, Gains, Support and Reclassifications	478,838	325,246
Expenses		
Program expenses	332,092	299,785
Management and general	91,191	68,787
Total Expenses	423,283	368,572
Increase (Decrease) in Unrestricted Net Assets	55,555	(43,326)
Temporarily Restricted Net Assets		
Contributions	10,850	16,300
Interest	515	624
Net assets released from restrictions	(20,902)	(17,714)
Decrease in Temporarily Restricted Net Assets	(9,537)	(790)
Increase (Decrease) in Net Assets	46,018	(44,116)
Net Assets - Beginning of Year	20,859	64,975
Net Assets - End of Year	\$ 66,877	\$ 20,859

See notes to financial statements.

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 46,018	\$ (44,116)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	919	1,163
Increase in prepaid insurance	(1,630)	-0-
Increase (Decrease) in accrued expenses	<u>(25,286)</u>	<u>36,837</u>
Net Cash Provided (Used) by Operating Activities	20,021	(6,116)
Cash at Beginning of Year	<u>60,605</u>	<u>66,721</u>
Cash at End of Year	<u><u>\$ 80,626</u></u>	<u><u>\$ 60,605</u></u>

See notes to financial statements.

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 1 - Nature of Activities

The Town of North Hempstead Business and Tourism Development Corporation ("Corporation") (a component unit of the Town of North Hempstead) is a not-for-profit corporation organized pursuant to Section 1411 of the New York Not-for-Profit Corporation Law. Its purposes and objectives are the exclusively charitable or public purposes of: (i) relieving and reducing unemployment; (ii) promoting, facilitating and providing for additional and maximum employment for individuals; (iii) expanding, bettering and maintaining job opportunities for individuals; (iv) instructing or training individuals to improve or develop their capabilities for such jobs; (v) carrying on scientific research for the purpose of aiding the Town of North Hempstead by attracting new industry to the Town of North Hempstead or by encouraging the development, or retention, of industry in the Town of North Hempstead; (vi) lessening the burdens of government and acting in the public interest, thus performing an essential governmental function; and (vii) enhancing business development and economic opportunities. These functions are considered to be one program for the Corporation as it carries out its mission.

Note 2 - Summary of Significant Accounting Policies

Cash Equivalents

The Corporation considers all cash investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist solely of money market funds.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

Net Assets

Net assets, income, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly net assets are classified and reported as follows:

Unrestricted - Unrestricted net assets consist of resources available for the various programs and administration of the Corporation which have not been restricted by a donor or other outside party.

Temporarily Restricted – Temporarily restricted net assets reflect donor-imposed restrictions that require the Corporation to expend related assets as specified, or when time restrictions end.

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Permanently Restricted – Permanently restricted net assets are contributions that require the corpus of the gift to remain in perpetuity.

Property and Equipment

Acquisitions of property and equipment are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of five years.

Income Taxes

The Corporation has been approved as an exempt organization under the Internal Revenue Code Section 501(c) (4). This status exempts the Corporation from federal and state income taxes.

The Corporation accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Corporation has identified its tax status as a tax exempt entity as a tax position; however, the Corporation has determined that such tax position does not result in an uncertainty requiring recognition.

The Corporation is not currently under examination by any taxing jurisdiction. The federal and state information returns are generally open for examination for three years.

Advertising

The Corporation follows the policy of charging the costs of advertising to expense as incurred.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program or management and general categories based on specific identification.

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (continued)

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 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.

Subsequent Events

Management has evaluated subsequent events through the report date, which is the date the financial statements were available to be issued.

Note 3 - Property and Equipment

Property and equipment at December 31, consist of the following:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 4,727	\$ 4,727
Equipment	<u>2,440</u>	<u>2,440</u>
	7,167	7,167
Less: Accumulated depreciation	<u>(6,388)</u>	<u>(5,469)</u>
	<u>\$ 779</u>	<u>\$ 1,698</u>

Note 4 - Commitment

Economic Dependency

On March 16, 2005, the Corporation entered into a Local Development and Professional Services Agreement (the "Agreement") with the Town of North Hempstead in consideration of payment of an amount not to exceed \$300,000. The Town of North Hempstead is considered a related party since the board members of the Town are the same board members of the Corporation. During 2010, the Corporation signed additional amendments to the Agreement with the Town of North Hempstead. The contract amount was increased by issuing unsecured demand loans to the Corporation totaling \$650,000.

The Corporation drew \$300,000 from the loans in multiple advances throughout the year. In April 2011, the Board approved a resolution accepting the Town of North Hempstead's forgiveness of these loans and reclassified the loan payable as fee for service revenue as of December 31, 2011. During 2011, the Corporation signed an additional amendment to the Agreement with the Town of North Hempstead increasing the contract amount by \$250,000. In 2012, the Agreement with the Town of North Hempstead was further amended increasing the contract amount by \$150,000. This agreement does not have an expiration date and can be terminated by either party by serving a written notice. The Corporation is currently investigating new revenue sources to fund its activities.

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION**
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 consist of contributions received for future Beach/Family Fest events.

Note 6 - Board Designations

As of December 31, 2011, the Board of Directors has designated future amounts of unrestricted net assets as contributions to support various community inspired projects and or events with other entities. These amounts will be from internal designations and will not be donor-restricted, they will be classified and reported as unrestricted net assets. To achieve these objectives the Corporation will need to rely on funding committed to the Corporation by the Town of North Hempstead.

SUPPLEMENTAL INFORMATION

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Event expenses	\$ 23,938	\$ -0-	\$ 23,938
Salaries	103,215	38,362	141,577
Payroll taxes and fees	7,461	5,125	12,586
Legal and accounting	-0-	41,850	41,850
Consultant	31,100	-0-	31,100
Sponsorship	165,000	-0-	165,000
Dues and subscriptions	1,259	-0-	1,259
Insurance	-0-	3,110	3,110
Filing fees	-0-	50	50
Travel and entertainment	119	-0-	119
Rent	-0-	1,200	1,200
Miscellaneous	-0-	500	500
Office	-0-	75	75
	<u>332,092</u>	<u>90,272</u>	<u>422,364</u>
Depreciation	<u>-0-</u>	<u>919</u>	<u>919</u>
	<u>\$ 332,092</u>	<u>\$ 91,191</u>	<u>\$ 423,283</u>

See independent auditors' report.

**TOWN OF NORTH HEMPSTEAD BUSINESS AND
TOURISM DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Event expenses	\$ 20,567	\$ -0-	\$ 20,567
Salaries	102,515	38,238	140,753
Payroll taxes and fees	7,414	4,944	12,358
Legal and accounting	-0-	20,001	20,001
Consultant	56,000	-0-	56,000
Grants - BioPartners	4,400	-0-	4,400
Sponsorship	108,500	-0-	108,500
Public relations and marketing	-0-	26	26
Dues and subscriptions	39	-0-	39
Insurance	-0-	1,535	1,535
Filing fees	-0-	2,809	2,809
Telephone	-0-	54	54
Travel and entertainment	350	-0-	350
Office	-0-	17	17
	<u>299,785</u>	<u>67,624</u>	<u>367,409</u>
Depreciation	<u>-0-</u>	<u>1,163</u>	<u>1,163</u>
	<u><u>\$ 299,785</u></u>	<u><u>\$ 68,787</u></u>	<u><u>\$ 368,572</u></u>

See independent auditors' report.

OTHER REPORT



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 Audit Committee
Town of North Hempstead Business and
Tourism Development Corporation
Manhasset, NY

We have audited the financial statements of Town of North Hempstead Business and Tourism Development Corporation (a not-for-profit corporation) (“Corporation”) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 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 the 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 the Corporation’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation’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 Corporation’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.

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ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 24TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

25 SUFFOLK COURT
HAUPPAUGE, NY 11788-3715
T: 631.434.9500 F: 631.434.9518

www.avz.com
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, others within the Corporation and the Audit Committee and is not intended to be and should not be used by anyone other than these specified parties.

Albert, Viggiano, Zucca & Co, P.C.

Hauppauge, New York
June 18, 2012