

ONTARIO COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
FINANCIAL STATEMENTS
For Years Ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ontario County Economic Development Corporation

We have audited the accompanying financial statements of the Ontario County Economic Development Corporation (OCEDC), which comprise the statement of financial position as of December 31, 2012 and 2011 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The OCEDC's 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 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 District'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 OCEDC'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 statement referred to above present fairly, in all material respects, the financial position of the Ontario County Economic Development Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

March 6, 2013



ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION

NEW YORK

Statement of Financial Position

December 31, 2012 and 2011

<u>ASSETS:</u>	<u>2012</u>	<u>2011</u>
<u>Current Assets -</u>		
Cash and cash equivalents	\$ 922,290	\$ 450,230
Due from other governments	5,224	20,186
Loans receivable	580,434	524,722
Total Current Assets	<u>\$ 1,507,948</u>	<u>\$ 995,138</u>
 <u>Noncurrent Assets -</u>		
Loans receivable, net	\$ 1,749,747	\$ 1,919,529
Deferred notes/interest receivable	18,965	-
Total Noncurrent Assets	<u>\$ 1,768,712</u>	<u>\$ 1,919,529</u>
TOTAL ASSETS	<u><u>\$ 3,276,660</u></u>	<u><u>\$ 2,914,667</u></u>
 <u>LIABILITIES:</u>		
<u>Current Liabilities -</u>		
Accounts payable	\$ 7,539	\$ 16,423
Deferred revenues	207	-
Total Current Liabilities	<u>\$ 7,746</u>	<u>\$ 16,423</u>
TOTAL LIABILITIES	<u><u>\$ 7,746</u></u>	<u><u>\$ 16,423</u></u>
 <u>NET ASSETS:</u>		
<u>Unrestricted -</u>		
Operating	\$ 923,522	\$ 457,351
Designated	236,498	-
<u>Temporarily Restricted -</u>	2,108,894	2,440,893
TOTAL NET ASSETS	<u>\$ 3,268,914</u>	<u>\$ 2,898,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,276,660</u></u>	<u><u>\$ 2,914,667</u></u>

ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK

Statement of Activities

For Years Ended December 31, 2012 and 2011

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	Unrestricted	Temporarily Restricted	2012 Total	Unrestricted	Temporarily Restricted	2011 Total
REVENUES:						
Grant administrative revenue	\$ 15,349	\$ -	\$ 15,349	\$ 26,636	\$ -	\$ 26,636
Program income	70,295	-	70,295	74,834	-	74,834
Application income	800	-	800	1,200	-	1,200
State aid	-	84,000	84,000	-	-	-
Federal aid	-	316,000	316,000	-	400,000	400,000
Net assets released from restrictions	731,999	(731,999)	-	370,240	(370,240)	-
TOTAL REVENUES	\$ 818,443	\$ (331,999)	\$ 486,444	\$ 472,910	\$ 29,760	\$ 502,670
EXPENSES:						
Management and General -						
Mileage and travel	\$ 1,073	\$ -	\$ 1,073	\$ 538	\$ -	\$ 538
Ontario County services	18,449	-	18,449	27,564	-	27,564
Advertising & public relations	1,642	-	1,642	-	-	-
Contributions	100	-	100	-	-	-
Insurance	1,854	-	1,854	1,728	-	1,728
Training and conferences	537	-	537	3,899	-	3,899
Miscellaneous	52	-	52	10	-	10
Total Management and General Program -	\$ 23,707	\$ -	\$ 23,707	\$ 33,739	\$ -	\$ 33,739
Miscellaneous	\$ 322	\$ -	\$ 322	\$ 300	\$ -	\$ 300
Grants	16,242	-	16,242	-	-	-
Ontario County services	26,764	-	26,764	22,388	-	22,388
Professional fees	35,141	-	35,141	28,988	-	28,988
Legal costs	13,598	-	13,598	12,349	-	12,349
Total Program	\$ 92,067	\$ -	\$ 92,067	\$ 64,025	\$ -	\$ 64,025
TOTAL EXPENSES	\$ 115,774	\$ -	\$ 115,774	\$ 97,764	\$ -	\$ 97,764
Excess (deficiency) in unrestricted net assets	\$ 702,669	\$ (331,999)	\$ 370,670	\$ 375,146	\$ 29,760	\$ 404,906
NET ASSETS - BEGINNING OF YEAR	457,351	2,440,893	2,898,244	82,205	2,411,133	2,493,338
NET ASSETS - END OF YEAR	\$ 1,160,020	\$ 2,108,894	\$ 3,268,914	\$ 457,351	\$ 2,440,893	\$ 2,898,244

(The accompanying notes are an integral part of these financial statements)

ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK

Statement of Cash Flows

For The Years Ended December 31, 2012 and 2011

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2012</u>	<u>2011</u>
Cash received from providing services	\$ 501,219	\$ 502,096
Cash payments contractual expenses	(143,625)	(88,876)
Net Cash Provided (Used) by Operating Activities	<u>\$ 357,594</u>	<u>\$ 413,220</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED</u>		
<u>FINANCING ACTIVITIES:</u>		
Loans made to companies	\$ (617,533)	\$ (400,000)
Payments received on loans	731,999	370,241
Net Cash Provided (Used) by Capital Financing Activities	<u>\$ 114,466</u>	<u>\$ (29,759)</u>
 NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	\$ 472,060	\$ 383,461
 BEGINNING CASH AND CASH EQUIVALENTS	<u>450,230</u>	<u>66,769</u>
 ENDING CASH AND CASH EQUIVALENTS	<u>\$ 922,290</u>	<u>\$ 450,230</u>
 <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Operating Income (Loss)	<u>\$ 370,670</u>	<u>\$ 404,906</u>
 Adjustments to Reconcile Net Operating Income to Net Cash		
Provided By (Used In) Operating Activities:		
Increase/(decrease) in accounts payable	\$ (8,884)	\$ 8,888
Increase/(decrease) in deferred revenues	207	(2,454)
(Increase)/decrease in due from other governments	14,566	1,880
(Increase)/decrease in deferred notes/interest receivable	(18,965)	-
Total Adjustments	<u>\$ (13,076)</u>	<u>\$ 8,314</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 357,594</u>	<u>\$ 413,220</u>

**ONTARIO COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(Note 1) Summary of Significant Accounting Policies:

A. Organization

The Ontario County Economic Development Corporation, New York (OCEDC) was incorporated as a nonprofit local development corporation on January 11, 2010. The purposes for which the OCEDC is to be formed and operated, are exclusively for charitable purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code, to relieve and reduce unemployment, to better and maintain job opportunities, promote and provide for additional employment, to help increase the tax base of Ontario County through the attraction of private sector investment, lessen the burdens of government and otherwise act in the public interest.

The OCEDC has established a revolving loan fund from grants obtained from Federal Grants that Pass-Through Ontario County. The OCEDC offers low interest loans to businesses who are located, or wish to relocate to Ontario County. Loans are approved by the governing board after consideration of various criteria. As the loans are repaid to the OCEDC the program income is considered defederalized and unrestricted.

B. Basis of Presentation

The OCEDC financial statements have been prepared on the accrual basis of accounting. The OCEDC 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. In addition, the OCEDC is required to present a Statement of Cash Flows. The OCEDC reports unrestricted and temporarily restricted net assets at December 31, 2012.

C. Cash

Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. For purposes of presenting the statement of cash flows, the OCEDC considers all highly liquid short-term investments with maturities of three months or less from the date of purchase to be cash or cash equivalents.

D. Income Taxes

The OCEDC is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position since events could potentially occur that jeopardize tax-exempt status. Management is not aware of any events that could jeopardize the Corporation's tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements. The Corporation has received a determination letter from the IRS.

(Note 1) (Continued)

E. Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on the functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

F. Loans Receivable

Loans receivable are stated at principal balances. Management considers all outstanding notes to be fully collectible.

G. Use of Estimates

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

H. Revenues

The OCEDC receives federal grants from the County of Ontario for various economic development programs in Ontario County. These grants are received by the Ontario County Economic Development Corporation, and then loaned to other organizations once the conditions of the grants are met.

The Corporation receives application fees from organizations for the various economic deals the OCEDC participates in.

The Corporation receives interest on the loans given out to the various organizations.

(Note 2) **Detail Notes on All Funds and Account Groups:**

A. Assets

1. Cash and Investments

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The Statement of Cash Flows uses the indirect method of reporting cash flows.

Deposits at year-end were not entirely covered by federal depository insurance. The Deposits and investments consisted of:

(Note 2) (Continued)

Deposits - All deposits are carried at cost and covered by FDIC insurance.

	Five Star Bank	Canandaigua National Bank	Lyons National Bank
Cash	\$ 240,405	\$ 241,276	\$ 441,236
Less: FDIC Insurance	(240,405)	(241,276)	(250,000)
Under Insured	\$ -	\$ -	\$ 191,236

(Note 3) **Due From Other Governments:**

Due From Other Governments represents the expenses incurred by the EDC that are reimbursed by Ontario County and are due to the EDC as of December 31, 2012.

As of December 31, the OCEDC had the following:

Ontario County	\$ 5,224
Total	\$ 5,224

(Note 4) **Loans Receivable:**

The OCEDC has outstanding notes receivable from the revolving loan program that have various maturities through 2025. As of December 31st the OCEDC had the following:

Notes Receivable	\$ 2,326,423
Interest Receivable	3,758
Less: Current Portion	(580,434)
Long-Term Portion	\$ 1,749,747

Principal maturities are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 576,676
2014	326,004
2015	335,919
2016	346,136
2017	273,985
Thereafter	467,703
Total	\$ 2,326,423

(Note 5) **Net Assets:**

A. **Unrestricted Net Assets**

Operating – represents funds available for operations.

(Note 5) (Continued)

Designated – represents funds which have been designated to offset outstanding loan balances made with local dollars.

B. Temporarily Restricted Net Assets

Temporarily restricted net assets represents community development block grants drawn down from Ontario County and loaned to other organizations that are restricted until they are defederalized when repaid. At December 31, 2012 the outstanding balance is as follows:

Office of Community Renewal (OCR)	\$ 462,707
HUD	1,646,187
Total	<u>\$ 2,108,894</u>

During the year \$731,999 were released from restriction as a result of principal repayments.

(Note 6) Master Agreement with Ontario County:

The OCEDC executed an agreement with Ontario County in which the County would provide office, parking, and storage space and managerial and administrative services. The County would also arrange to host and update a webpage for the OCEDC on the same website used by the ED Department. In exchange for the services rendered by the County a \$40,000 retainer was paid to the County in 2011 and 2012 and was payable in equal monthly installments of \$3,333.33. If the total amount of expense incurred in 2011 or 2012 exceeds the retainer amount of \$40,000 calculated in accordance with the reimbursement schedule in Schedule A of the agreement then the excess amount will be paid to the County at the discretion of the OCEDC Board based on ability to pay from the current year earnings. A copy of the agreement can be obtained from the Ontario County Board of Supervisors office. In accordance with this agreement, the OCEDC paid \$45,213 and \$49,952 to Ontario County for 2012 and 2011, respectively.

(Note 7) Commitment and Contingencies:

Management is not aware of any pending or threatening litigation as of the date of this report.

(Note 8) Foreign Trade Zone:

In 2012 the OCEDC began the process of developing a foreign trade zone. A formal application to the federal government is expected to be submitted in 2013.

(Note 9) Subsequent Events:

Events and transactions which have been evaluated by the Corporation's management for the purpose of determining whether there were any events that might require disclosure in these financial statements. On December 18, 2012 the Board approved a \$461,881 loan to a company with contingencies, but has not closed on the loan.