

WATERTOWN INDUSTRIAL
CENTER LOCAL DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS

June 30, 2015

Table of Contents

WATERTOWN INDUSTRIAL CENTER 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 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
SCHEDULE OF FINDINGS AND RESPONSES	17



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of **WATERTOWN INDUSTRIAL CENTER LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statements of financial position as of June 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 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.

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

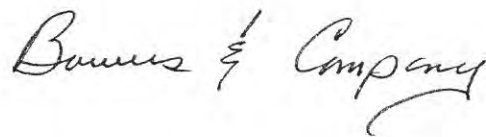
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Industrial Center Local Development Corporation as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Watertown Industrial Center Local Development Corporation's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it had been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2015, on our consideration of Watertown Industrial Center 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 Watertown Industrial Center Local Development Corporation's internal control over financial reporting and compliance.



Watertown, New York
September 15, 2015

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

June 30, 2015 with Comparative Totals for 2014

	ASSETS	
	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 284,957	\$ 265,016
Accounts Receivable	1,959	84
Rents Receivable	4,347	3,445
Prepaid Insurance	10,978	-
Total Current Assets	302,241	268,545
Receivable - Leasehold Improvement	547,840	32,683
Property and Equipment, Net	2,595,141	2,353,825
TOTAL ASSETS	\$ 3,445,222	\$ 2,655,053
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 18,871	\$ 104,524
Accrued Expenses	3,465	3,371
Deferred Revenue:		
Prepaid Rent	1,078	14,723
Current Portion of Long-Term Debt	59,271	16,421
Total Current Liabilities	82,685	139,039
Long-Term Debt	744,174	331,044
Deferred Revenue - Leasehold Improvement	547,840	32,683
Total Liabilities	1,374,699	502,766
NET ASSETS		
Unrestricted Net Assets:		
Operating	(88,421)	(221,860)
Board Designated	367,248	367,787
Fixed Assets	1,791,696	2,006,360
Total Unrestricted Net Assets/Total Net Assets	2,070,523	2,152,287
TOTAL LIABILITIES AND NET ASSETS	\$ 3,445,222	\$ 2,655,053

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES

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

	2015	2014
Revenues and Support:		
Rental Income	\$ 499,502	\$ 444,115
Investment Income	158	40
Miscellaneous	<u>19,802</u>	<u>26,341</u>
Total Revenues and Support	<u>519,462</u>	<u>470,496</u>
Expenses:		
Program Services - Development of Industrial Center	572,578	700,929
Support Services - General and Administrative	<u>28,648</u>	<u>31,470</u>
Total Expenses	<u>601,226</u>	<u>732,399</u>
Changes in Net Assets	(81,764)	(261,903)
Net Assets, Beginning of Year	<u>2,152,287</u>	<u>2,414,190</u>
Net Assets, End of Year	<u>\$ 2,070,523</u>	<u>\$ 2,152,287</u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES

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

	Program Services	Management and General	Totals	
			2015	2014 (Summarized)
Salaries	\$ 89,993	\$ -	\$ 89,993	\$ 109,402
Employee Benefits	10,461	-	10,461	33,070
Depreciation	221,843	-	221,843	220,058
Professional Services	5,404	12,460	17,864	18,059
Repairs and Maintenance	85,516	-	85,516	50,866
Insurance	32,614	2,149	34,763	47,332
Office Expense	-	12,744	12,744	10,039
Payroll Taxes	12,144	-	12,144	14,595
Miscellaneous	-	1,295	1,295	1,383
Telephone and Utilities	64,207	-	64,207	85,101
Real Property Taxes	28,521	-	28,521	28,672
Interest Expense	14,500	-	14,500	10,684
Materials and Equipment	5,773	-	5,773	5,363
Bad Debt Expense	1,602	-	1,602	97,775
Total	<u>\$ 572,578</u>	<u>\$ 28,648</u>	<u>\$ 601,226</u>	<u>\$ 732,399</u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015 with Comparative Totals for 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (81,764)	\$ (261,903)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	221,843	220,058
Bad Debt Expense	1,602	97,775
(Increase) Decrease in:		
Accounts Receivable	(1,875)	51,983
Rents Receivable	(2,504)	(86,857)
Prepaid Insurance	(10,978)	13,755
Receivable - Leasehold Improvement	(515,157)	6,049
Increase (Decrease) in:		
Accounts Payable	(85,653)	89,861
Other Payables	94	2,313
Deferred Revenue - Rent	(13,645)	2,733
Deferred Revenue - Leasehold Improvement	515,157	(6,049)
	<u>27,120</u>	<u>129,718</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Property and Equipment Acquisitions	<u>(463,159)</u>	<u>(111,020)</u>
Net Cash (Used) in Investing Activities	<u>(463,159)</u>	<u>(111,020)</u>
Cash Flows from Financing Activities:		
Net Proceeds (Payments) on Long-Term Debt	<u>455,980</u>	<u>(15,937)</u>
Net Cash Provided by (Used) in Financing Activities	<u>455,980</u>	<u>(15,937)</u>
Net Increase in Cash and Cash Equivalents	19,941	2,761
Cash and Cash Equivalents - Beginning of Year	<u>265,016</u>	<u>262,255</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 284,957</u></u>	<u><u>\$ 265,016</u></u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 with Comparative Totals for 2014

NOTE 1 – NATURE OF OPERATIONS

Watertown Industrial Center Local Development Corporation (the “Corporation”) is a non-profit organization, which was incorporated in New York State on June 7, 1994. The Organization is involved in developing an industrial center in the City of Watertown, NY by providing low cost rental space to industry.

The mission of the Watertown Industrial Center Local Development Corporation is to facilitate job creation and retention in the community by providing eligible businesses with suitable leased facilities at rents and under conditions that help them succeed.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Watertown Industrial Center 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 Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Tax Status

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

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 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.

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 include tenant rents receivable, tenant utilities receivable, and other short-term receivables that are non-interest bearing. Accounts 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 accounts receivable when management determines the receivable will not be collected.

Support and Revenue

Watertown Industrial Center Local Development Corporation receives substantially all its revenue from the leasing of office and manufacturing space in four buildings owned by the Organization.

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.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 with Comparative Totals for 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment

Property and equipment are recorded at cost or fair value at the date of acquisition. Watertown Industrial Center 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
Buildings and Improvements	5 - 30
Furniture, Fixtures, and Equipment	5 - 10

Fair Value of Financial Instruments

The carrying value of the note payable approximates fair value because it bears interest at a rate that approximates current market rates for notes with similar maturities and credit quality.

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 include 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 June 30, 2014, from which the summarized information was derived.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 with Comparative Totals for 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Unrestricted Net Assets

Undesignated net assets include revenue and support to develop and maintain the industrial center and for general operating purposes.

Board-designated net assets have been appropriated by the Board from undesignated net assets for specific future needs as of June 30, are as follows:

	2015	2014
Leasehold Improvement	\$ 140,211	\$ 183,551
Capital Improvement Fund	<u>227,037</u>	<u>184,236</u>
Total	<u>\$ 367,248</u>	<u>\$ 367,787</u>

The net investment in property and equipment consists of property and equipment, net of accumulated depreciation, and any other resources dedicated to property and equipment, net of related liabilities.

Statement of Cash Flows

There were no noncash investing and financing activities during 2015 and 2014.

	2015	2014
Cash Paid During the Year For:		
Interest	<u>\$ 14,500</u>	<u>\$ 10,684</u>

Date of Management's Review

Management has evaluated subsequent events through September 15, 2015, the date which the financial statements were available to be issued.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 with Comparative Totals for 2014

NOTE 3 – FIXED ASSETS

The major categories of fixed assets as of June 30, are as follows:

	2015	2014
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	5,323,522	4,785,376
Furniture, Fixtures and Equipment	54,571	54,571
Construction in Progress	23,052	98,039
	<hr/>	<hr/>
Total	5,606,145	5,142,986
Less: Accumulated Depreciation	(3,011,004)	(2,789,161)
	<hr/>	<hr/>
Net Fixed Assets	<u>\$ 2,595,141</u>	<u>\$ 2,353,825</u>

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

Jefferson County Local Development Corporation rents office space from the Organization under a five-year lease agreement. The current lease was executed for the period July 1, 2010 through June 30, 2015. At June 30, 2015, current monthly rental payments are \$1,351. Rental income, including rent surcharges, received during the years ended June 30, 2015 and 2014 was approximately \$16,000 and \$14,000, respectively.

In 2010, the Organization entered into a participation loan with Watertown Local Development Corporation and Jefferson County Local Development Corporation in the amount of \$400,000. The loan was obtained in order to finance the replacement of the Building A roof. The note is for a 20-year term, with payments beginning January 1, 2011 through January 1, 2031 at an interest rate of 3.00%. During the years ended June 30, 2015 and 2014, the Organization made principal and interest payments of approximately \$26,600 in both years.

In 2015, the Organization entered into a loan with Watertown Local Development Corporation in the amount of \$482,791. The loan was for renovations of office space for the use of Jefferson County Local Development Corporations. The note is for a 10 year term, with payments beginning May 1, 2015 through April 1, 2025 at an interest rate of 3.00%. During the year ended June 30, 2015, the Organization made principal and interest payments of approximately \$14,000.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 with Comparative Totals for 2014

**NOTE 4 – RELATED PARTY AGREEMENTS AND
TRANSACTIONS - CONTINUED**

The following is outstanding at year end:

Note Payable	Interest Rate	June 30, 2015		June 30, 2014	
		Current	Long-Term	Current	Long-Term
WLDC Loan #1	3.00%	\$ 16,921	\$ 314,123	\$ 16,421	\$ 331,044
WLDC Loan #2	3.00%	<u>42,350</u>	<u>430,051</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 59,271</u>	<u>\$ 744,174</u>	<u>\$ 16,421</u>	<u>\$ 331,044</u>

The future scheduled maturities of long-term debt as of June 30, are as follows:

2016	\$ 59,271
2017	61,073
2018	62,931
2019	64,844
2020	66,817
Thereafter	<u>488,509</u>
	<u>\$ 803,445</u>

NOTE 5 – PROPERTY ON OPERATING LEASES

The following schedule provides an analysis of the Organization's investment in property on operating leases as of June 30, 2015:

Land	\$ 205,000
Buildings and Improvements	<u>5,323,522</u>
Total	5,528,522
Less: Accumulated Depreciation	<u>(2,962,082)</u>
Net Property on Operating Leases	<u>\$ 2,566,440</u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 with Comparative Totals for 2014

NOTE 6 – RENTALS UNDER OPERATING LEASES

The scheduled future rental payments under current operating leases as of June 30, are as follows:

2016	\$ 400,546
2017	405,596
2018	351,814
2019	318,734
2020	267,996
2021 - 2023	<u>742,783</u>
	<u>\$ 2,487,469</u>

NOTE 7 – 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. All deposits are fully insured as of June 30, 2015.

**NOTE 8 – RECEIVABLE LEASEHOLD IMPROVEMENTS/
DEFERRED REVENUE LEASEHOLD IMPROVEMENTS**

At June 30, 2015 and 2014, the receivable and corresponding deferred revenue were recorded in the amount of \$547,840 and \$32,683, respectively, on the Statements of Financial Position. The amount represents the additional rent surcharge to be collected from tenants over their lease terms. The additional rent surcharges were the result of building additions completed, as requested by tenants. The Organization has consistently recorded all building improvements done for tenants as an addition to the Organization's fixed assets and charged rent surcharges to the tenants to cover the cost of the improvements.

The Organization decided to record the rent surcharge amount as receivable and deferred revenue on the Statements of Financial Position to better track the status of additional rent surcharges. There is no effect on the Statements of Activities as a result of recording the receivable and related deferred revenue. The additional rent surcharge payments received from tenants has been consistently recorded as rental income on the Statements of Activities.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 with Comparative Totals for 2014

NOTE 9 – 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 June 30, 2015 and 2014, the Organization made contributions in the amount of \$5,913 and \$8,231, respectively.