

Clayton Local Development Corporation
(A Non-Profit Corporation)

Financial Statements

For The Year Ended
December 31, 2018

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
FINANCIAL STATEMENTS

Contents

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statement of Financial Position December 31, 2018.....	3
Statement of Activities For The Year Ended December 31, 2018.....	4
Statement of Functional Expenses For The Year Ended December 31, 2018.....	5
Statement of Cash Flows For The Year Ended December 31, 2018.....	6
Notes to the Financial Statements.....	7-12
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</i> <i>Auditing Standards</i>	13-14
Other Information:	
Schedule of Findings and Questioned Costs.....	15

INDEPENDENT AUDITORS' REPORT

To The Board Members
CLAYTON LOCAL DEVELOPMENT CORPORATION
Clayton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Clayton Local Development Corporation (a Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2018, 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.

To The Board Members
CLAYTON LOCAL DEVELOPMENT CORPORATION

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 Clayton Local Development Corporation as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Clayton Local Development Corporation has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019 on our consideration of Clayton 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 solely 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 effectiveness of Clayton Local Development Corporation's 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 Clayton Local Development Corporation's internal control over financial reporting and compliance.

DiMARCO, ABIUSI & PASCARELLA, P.C.

DiMarco, Abiusi & Pascarella, P.C.

Syracuse, New York
March 4, 2019
Audit Principal: Maria Snyder
Federal Employer Identification Number: 16-1427749

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

	2018
ASSETS	
Cash	\$ 14,172
Utility Deposit	100
Equipment, Net	48,572
TOTAL ASSETS	\$ 62,844

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 2,584
Deferred income	10,000
TOTAL LIABILITIES	12,584
NET ASSETS	
Without donor restrictions	50,260
TOTAL NET ASSETS	50,260
TOTAL LIABILITIES AND NET ASSETS	\$ 62,844

See Auditors' Report and Accompanying Notes.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
STATEMENTS OF ACTIVITIES
For The Year Ended December 31, 2018

	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUE	
Grant revenue	\$ 20,000
Contracted services	10,000
Lease Revenue	4,675
Contributions	5,000
Interest	13
TOTAL REVENUE WITHOUT DONOR RESTRICTIONS	39,688
EXPENSES	
Program Service - Local Development	38,973
Management and general	11,417
TOTAL EXPENSES	50,390
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(10,702)
NET ASSETS - BEGINNING OF YEAR	60,962
NET ASSETS - END OF YEAR	\$ 50,260

See Auditors' Report and Accompanying Notes.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A LIMITED PARTNERSHIP)
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018

	Program Service Local Development	Management and General	2018
	<u>Development</u>	<u>General</u>	<u>2018</u>
Fees and permits	\$ -	\$ 75	\$ 75
Insurance	-	1,337	1,337
Leased management fee	26,830	2,981	29,811
Legal fees	-	60	60
Office	-	1,200	1,200
Printing and advertising	-	378	378
Professional fees	-	5,386	5,386
Depreciation	12,143	-	12,143
	<u>12,143</u>	<u>-</u>	<u>12,143</u>
	<u>\$ 38,973</u>	<u>\$ 11,417</u>	<u>\$ 50,390</u>

See Auditors' Report and Accompanying Notes.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A LIMITED PARTNERSHIP)
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (10,702)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	12,143
Increase (decrease) in:	
Deferred income	10,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,441
 NET INCREASE IN CASH	 11,441
 CASH - BEGINNING OF YEAR	 2,731
 CASH - END OF YEAR	 \$ 14,172

See Auditors' Report and Accompanying Notes.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Clayton Local Development Corporation, (the "Corporation"), operates to relieve and reduce unemployment; to promote and provide for additional and maximum employment; to better and maintain job opportunities; to carry on research for the purpose of aiding the communities of the Town and Village of Clayton, New York by attracting business opportunities to said communities or encouraging the development of new, or retention of existing, business opportunities in the communities; lessening the burdens of government; and, to act in the public interest including, promoting reuse of brownfield sites within the Town and Village of Clayton, New York.

The Corporation generates revenue primarily from grants and by providing grant administrative services through partnerships with the Town and Village of Clayton, New York.

The Corporation's operations are concentrated in the Town and Village of Clayton, New York and such territory in proximity to these municipalities in which the use of the Corporation's funds will have substantial positive impact on the economic welfare and prosperity of the Town and Village of Clayton, New York and its inhabitants.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Accounting Method

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

See Auditors' Report.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Receivables

The Corporation considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Equipment

Equipment has been recorded at cost. Repairs and maintenance not prolonging the useful life of assets are charged to expense in the year incurred and improvements, which extend the useful life of assets, are capitalized. Assets are depreciated over their estimated useful lives using the straight-line depreciation method. Generally, equipment, which has a cost of \$500 or more at the date of acquisition and has an expected useful life of greater than one year, is capitalized.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Advertising Costs

The Corporation uses advertising to notify the public of grant opportunities and to make public announcements. Advertising costs were expensed as incurred. Advertising expense was \$379 for December 31, 2018.

Income Taxes

The Non-Profit Corporation is exempt from income taxes, under section 501(c)(3) of the Internal Revenue Code classified by the Internal Revenue Services as other than a private foundation.

See Auditors' Report.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Impairment of Long-Lived Assets

The Corporation reviews its equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the asset's carrying value over its estimated fair value. No impairment loss has been recognized by the Corporation for the year ended December 31, 2018.

Subsequent Events

The Corporation has evaluated events and transactions that occurred between December 31, 2018 and February 21, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Note 2. STATEMENT OF FINANCIAL POSITION, ACTIVITIES AND FUNCTIONAL EXPENSES ACCORDING TO FASB ASU 2016-14

Basis of Presentation

The financial statements presented reflect Clayton Local Development Corporation's financial assets as of December 31, 2018 in accordance with the Financial Statement Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-For-Profit Entities*. The ASU provides that financial assets as of the balance sheet date are reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. There were no such restrictions as of December 31, 2018.

Clayton Local Development Corporation manages its liquid resources by relying on local banks insured with the Federal Deposit Insurance Corporation (FDIC). Cash balances do not exceed FDIC limits at December 31, 2018. The Board prepares an annual detailed budget to ensure adequate resources to cover programs and collects receivables timely to maximize cash due. In addition, the Board directs payments timely to maximize the time they have access to available cash. Financial assets available within one year of the statement of position date include end of year cash and cash equivalents.

Clayton Local Development Corporation elects to use the indirect method of presenting the statement of cash flows.

See Auditors' Report.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2018

Note 2. STATEMENT OF FINANCIAL POSITION, ACTIVITIES AND FUNCTIONAL EXPENSES
ACCORDING TO FASB ASU 2016-14 - CONTINUED

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is constantly applied. The expenses that are allocated include lease management fee, which is allocated on the basis of estimates of time and effort.

Statement of Cash Flows

There were no non-cash investing or financing activities during 2018.

Note 3. CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalent balances at Watertown Savings Bank. At December 31, 2018, there was not any balance that was in excess of FDIC coverage.

Note 4. EQUIPMENT

Equipment consists of the following as of December 31, 2018:

Equipment	\$ 85,000
Accumulated Depreciation	<u>(36,428)</u>
Equipment, Net	<u>\$ 48,572</u>

The Corporation's equipment is being leased to the Wood Boat Brewery LLC under an agreement signed March 1, 2015, terminating on March 1, 2022. Lease payments are received annually over the seven-year useful life period, beginning on March 1, 2017 in the amount of \$4,675. The lease agreement contains a bargain purchase option at the end of the lease term.

See Auditors' Report.

CLAYTON LOCAL DEVELOPMENT CORPORATION
 (A NON-PROFIT CORPORATION)
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended December 31, 2018

Note 4. EQUIPMENT - CONTINUED

The following is a schedule by years of future minimum payments required under the lease:

Year Ending December 31:

	2019		\$	4,675
	2020			4,675
	2021			4,675
	2022			4,675
				4,675
Total Minimum Lease Payments			\$	<u>18,700</u>

Note 5. ACCOUNTS PAYABLE

Accounts payable at December 31, 2018 consist of the following:

Management leasing	\$ <u>2,584</u>
--------------------	-----------------

Note 6. BOARD DESIGNATED NET ASSETS

The Clayton Local Development Corporation's Board has designated \$6,513 from net assets without donor restrictions for specified Board purposes as of December 31, 2018.

Note 7. DEFERRED INCOME

Deferred income at December 31, 2018 consists of the following:

Grant revenue - Village of Clayton	\$ <u>10,000</u>
------------------------------------	------------------

Note 8. MEMORANDA OF UNDERSTANDING

The Corporation entered into agreement with the Town of Clayton, New York to be reimbursed for expenses related to the economic development of the Town of Clayton for up to \$10,000 for the year ended December 31, 2018.

The Corporation entered into agreement with the Village of Clayton, New York to perform grant writing efforts reimbursable up to \$10,000 for the year ended December 31, 2018.

The Corporation entered into agreement with the Village of Clayton, New York to expand and develop the local economic base reimbursable up to \$10,000 for the year ended December 31, 2018.

See Auditors' Report.

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2018

Note 9. RELATED PARTY TRANSACTION

The Corporation's Board of Directors includes officials from the Town and Village of Clayton, New York. Any agreements and arrangements the Corporation maintains with these entities are considered related party transactions.

The Corporation had the following transactions with related parties during the year ended December 31, 2018:

Town or Clayton, New York	
Grant Revenue	\$ 10,000
Village of Clayton, New York	
Grant Revenue	\$ 10,000
Contracted Services Revenue	\$ 10,000
Riverside Media Group	
Printing and Advertising Expense	\$ 195

The Corporation also has a management leasing agreement with Clayton Improvement Association (CIA) to provide professional staffing and support services to the Corporation. CIA charged the Corporation for the cost of compensating the leased employees. The leased management fee was \$31,011 for the year ended December 31, 2018.

Note 10. CONCENTRATIONS

The Corporation conducts a major portion of its business with related party customers. Approximately 87% of total revenue was received from contracts with these related parties. In addition, these annual contracts are with local government and are subject to change based on changes in economic conditions or by an act at the local government. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional cost to comply with a change.

See Auditors' Report.

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 *GOVERNMENT AUDITING STANDARDS*

To The Board Members
CLAYTON LOCAL DEVELOPMENT CORPORATION
Clayton, NY

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 Clayton Local Development Corporation (a Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clayton 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 Clayton Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Clayton 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To The Board Members
CLAYTON LOCAL DEVELOPMENT CORPORATION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clayton 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DiMARCO, ABIUSI & PASCARELLA, P.C.

DiMarco, Abiusi & Pascarella, P.C.

Syracuse, New York
March 4, 2019

OTHER
INFORMATION

CLAYTON LOCAL DEVELOPMENT CORPORATION
(A NON-PROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Clayton Local Development Corporation.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Clayton Local Development Corporation were disclosed during the audit.
4. Clayton Local Development Corporation was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None.