

**SENECA KNIT
DEVELOPMENT CORPORATION**

**Financial Statements
as of December 31, 2016 and 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 29, 2017

To the Board of Directors of
Seneca Knit Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Seneca Knit Development Corporation (the Corporation) (a New York non-profit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and change in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 the Corporation as of December 31, 2016 and 2015, 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Correction of an Error

As described in Note 3 to the financial statements, the Corporation corrected an error related to the reported value of historical property held for development in noncurrent assets. Our opinion is not modified with respect to this matter.

SENECA KNIT DEVELOPMENT CORPORATION

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u> (Restated)
ASSETS		
CURRENT ASSETS:		
Cash	\$ <u>83,875</u>	\$ <u>86,375</u>
Total current assets	<u>83,875</u>	<u>86,375</u>
NON-CURRENT ASSETS:		
Historical property held for development	<u>257,381</u>	<u>257,381</u>
Total assets	<u>341,256</u>	<u>343,756</u>
NET ASSETS		
NET ASSETS - UNRESTRICTED	<u>\$ 341,256</u>	<u>\$ 343,756</u>

The accompanying notes are an integral part of these statements.

SENECA KNIT DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u> (Restated)
OPERATING REVENUE:		
Donations	\$ 4,500	\$ 5,500
Contributed services	<u>1,731</u>	<u>2,049</u>
Total operating revenue	<u>6,231</u>	<u>7,549</u>
OPERATING EXPENSES:		
Program -		
Loan interest	-	623
Maintenance and repairs	1,731	1,982
Other	<u>\$ 1,750</u>	<u>1,803</u>
Total program expenses	<u>3,481</u>	<u>4,408</u>
Management and general -		
Professional services	<u>5,250</u>	<u>4,500</u>
Total management and general expenses	<u>5,250</u>	<u>4,500</u>
Total operating expenses	<u>8,731</u>	<u>8,908</u>
NON-OPERATING EXPENSES:		
Closing costs	-	10,972
Loss on sale of property	<u>-</u>	<u>202,428</u>
Total non-operating expense	<u>-</u>	<u>213,400</u>
CHANGE IN NET ASSETS	<u>(2,500)</u>	<u>(214,759)</u>
NET ASSETS - beginning of year, as previously reported	343,756	795,486
Prior period adjustment (Note 3)	<u>-</u>	<u>(236,971)</u>
NET ASSETS - beginning of year, as restated	<u>343,756</u>	<u>558,515</u>
NET ASSETS - end of year	<u>\$ 341,256</u>	<u>\$ 343,756</u>

The accompanying notes are an integral part of these statements.

SENECA KNIT DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u> (Restated)
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,500)	\$ (214,759)
Adjustments to reconcile change in net assets to net cash flow from operating:		
Loss on disposal of historical property held for development	<u>-</u>	<u>202,428</u>
Net cash flow from operating activities	<u>(2,500)</u>	<u>(12,331)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayments on line-of-credit	<u>-</u>	<u>(26,488)</u>
Net cash flow from financing activities	<u>-</u>	<u>(26,488)</u>
CASH FLOW FROM INVESTMENT ACTIVITIES		
Proceeds from sale of historical property held for development	<u>-</u>	<u>125,000</u>
Net cash flow from investing activities	<u>-</u>	<u>125,000</u>
CHANGE IN CASH	(2,500)	86,181
CASH - beginning of year	<u>86,375</u>	<u>194</u>
CASH - end of year	<u>\$ 83,875</u>	<u>\$ 86,375</u>

The accompanying notes are an integral part of these statements.

SENECA KNIT DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. THE CORPORATION

Seneca Knit Development Corporation (the Corporation) was created as a New York non-profit local development corporation on June 29, 2000. The purpose for which the corporation was formed and operates is exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Corporation's purpose is to relieve and reduce unemployment, promote and provide for additional and maximum employment, better maintain job opportunities, and lessen the burdens of government and act in the public interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The Corporation 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. Temporarily restricted contributions that are used in the same period they are received are recorded as unrestricted support. At December 31, 2016 and 2015, all of the Corporation's net assets were unrestricted.

Cash

Cash consists of bank demand deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Historical Property Development

The Corporation maintains certain historical property which has been contributed to the organization for future development and enhancement of that property as historical landmarks within the Seneca County area. Any improvements which are made to this property will be capitalized as part of the investment and used to calculate any gain or loss on the ultimate sale or disposition.

Income Taxes

The Corporation is a not-for-profit corporation exempt from income taxes as an organization qualified under section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recorded at the time the cash is received, or when the Corporation receives unconditional promises to give.

Contributed Services

The Corporation records contributions of services as both revenue and expense to the extent that services require skills and would have been purchased by the organization if not donated.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. PRIOR PERIOD ADJUSTMENT

Correction of an Error

The Corporation has restated its December 31, 2014 net assets by \$236,971 to decrease the carrying value of historical property held for development related to properties that were sold in prior years, where the total cost of the project was not removed from the books when the sale occurred.

Restatement of 2015 Financial Statements

As a result of an internal review of the historical property held for development, the Corporation has elected to restate the 2015 financial statements to reflect adjustments needed to reduce the value of the asset for sales of property. In 2015, property was sold and the total cost of the asset was not eliminated. Therefore, the loss on sale was restated to reflect a loss of \$202,418, instead of the \$32,543 as originally reported. Property held for development was restated to \$257,381 from the amount originally reported as \$664,237. Net assets were adjusted accordingly as a result of these items.

5. HISTORICAL PROPERTY DEVELOPMENT

The following is a summary of the historical property development at December 31, 2016 and 2015:

Balance at <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2016</u>
<u>\$ 257,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,381</u>
Balance at <u>1/1/2015</u> (as restated)	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2015</u>
<u>\$ 584,809</u>	<u>\$ -</u>	<u>\$ (327,428)</u>	<u>\$ 257,381</u>

6. RELATED PARTY TRANSACTIONS

In 2016 and 2015, \$1,731 and \$2,049 respectively, of the Corporation's total operating revenue was donated by the President of the Corporation and a separate Corporation, which the President manages.

7. COMMITMENTS

Leaseback

On November 1, 2003, the Corporation entered into a leaseback arrangement with the Seneca County Industrial Development Agency (the Agency) which expired December 31, 2014. The Corporation requested the assistance of the Agency in order to acquire and renovate certain parcels within the limits of the former Village of Seneca Falls, as well as the former Seneca Knitting Mill Facility, into public and private mixed use office, commercial, and a museum facility. The Agency has taken title to the properties and subsequently leased them back to the Corporation at \$1.00 per annum rent. To the extent incurred, the Corporation also agreed to pay, as additional rent, amounts related to costs of ownership or leasing of the facility, and in connection with carrying out the duties and obligations under the agreement. On January 1, 2015 the property title reverted back to the Corporation, therefore no lease payments expenses occurred during 2016.

PILOT

Simultaneously with entering into the leaseback arrangement described previously, the Agency and the Corporation entered into a Payment-in-lieu-of-taxes (PILOT) agreement for covering the same parcels. The PILOT agreement was in effect through December 31, 2014 and required the Corporation pay \$1.00 annually in lieu of actual tax payments. No new agreement was entered into subsequently. Due to sale of land during 2015, no PILOT payments were made during 2016.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 29, 2017, which is the date the financial statements were available to be issued.