

**SENECA KNIT  
DEVELOPMENT CORPORATION**

**Financial Statements  
as of December 31, 2013 and 2012  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

March 5, 2014

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 balance sheets as of December 31, 2013 and 2012, 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 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 the Corporation as of December 31, 2013 and 2012, 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.

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## INDEPENDENT AUDITOR'S REPORT

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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014 on our consideration of the 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 the Corporation's internal control over financial reporting and compliance.

*Bonadio & Co., LLP*

# SENECA KNIT DEVELOPMENT CORPORATION

## BALANCE SHEETS DECEMBER 31, 2013 AND 2012

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	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ <u>1,778</u>	\$ <u>2,339</u>
Total current assets	<u>1,778</u>	<u>2,339</u>
<b>NON-CURRENT ASSETS:</b>		
Historical property development	<u>821,780</u>	<u>821,780</u>
Total assets	<u>\$ 823,558</u>	<u>\$ 824,119</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ -	\$ 11,451
Line-of-credit	<u>31,500</u>	<u>34,000</u>
Total current liabilities	<u>31,500</u>	<u>45,451</u>
Total liabilities	31,500	45,451
NET ASSETS - UNRESTRICTED	<u>792,058</u>	<u>778,668</u>
Total liabilities and net assets	<u>\$ 823,558</u>	<u>\$ 824,119</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, 2013 AND 2012

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	<u>2013</u>	<u>2012</u>
OPERATING REVENUE:		
Donations	\$ 22,550	\$ 97,110
Contributed services	<u>7,750</u>	<u>9,594</u>
Total operating revenue	<u>30,300</u>	<u>106,704</u>
OPERATING EXPENSES:		
Program -		
Site development	3,325	103,726
Loan interest	1,394	1,445
Maintenance and repairs	6,000	-
Other	<u>1,601</u>	<u>1,984</u>
Total program expenses	<u>12,320</u>	<u>107,155</u>
Management and general -		
Professional services	<u>4,590</u>	<u>16,526</u>
Total management and general expenses	<u>4,590</u>	<u>16,526</u>
Total operating expenses	<u>16,910</u>	<u>123,681</u>
CHANGE IN NET ASSETS	<u>13,390</u>	<u>(16,977)</u>
NET ASSETS - beginning of year	<u>778,668</u>	<u>795,645</u>
NET ASSETS - end of year	<u>\$ 792,058</u>	<u>\$ 778,668</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, 2013 AND 2012

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	<u>2013</u>	<u>2012</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 13,390	\$ (16,977)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Accounts payable	<u>(11,451)</u>	<u>11,451</u>
Net cash flow from operating activities	<u>1,939</u>	<u>(5,526)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayments on line-of-credit	<u>(2,500)</u>	<u>-</u>
Net cash flow from financing activities	<u>(2,500)</u>	<u>-</u>
CHANGE IN CASH	(561)	(5,526)
CASH - beginning of year	<u>2,339</u>	<u>7,865</u>
CASH - end of year	<u>\$ 1,778</u>	<u>\$ 2,339</u>

The accompanying notes are an integral part of these statements.

# SENECA KNIT DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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### 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, 2013 and 2012, 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.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. At December 31, 2013 and 2012, the Corporation does not have a liability for unrecognized tax benefits. The Corporation is subject to U.S. federal and state tax examinations by tax authorities for all years after 2009.

## 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. HISTORICAL PROPERTY DEVELOPMENT

The following is a summary of the historical property development at December 31, 2013 and 2012:

Balance at <u>1/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2013</u>
\$ <u>821,780</u>	\$ <u>1,493</u>	\$ <u>(1,493)</u>	\$ <u>821,780</u>
Balance at <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2012</u>
\$ <u>821,780</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>821,780</u>



#### **4. FINANCING ARRANGEMENTS**

##### **Line-of-Credit**

The Corporation has a \$100,000 revolving line-of-credit dated July 6, 2010 from a bank to help finance the renovation of the 14 East Bayard Street property. This line is collateralized by commercial real estate and interest is payable monthly on outstanding balances using a variable interest rate as obtained from the Wall Street Journal published prime rate daily (3.25% at December 31, 2013 and 2012). The line-of-credit also requires that no amounts will be outstanding for at least one 30-day period during the fiscal year. The Corporation was not in compliance with this covenant for the years ended December 31, 2013 and 2012, and has obtained a bank waiver for both years. There was \$31,500 and \$34,000 outstanding under the terms of this line-of-credit arrangement at December 31, 2013 and 2012, respectively.

The bank has a First Position Blanket Collateral Real Estate Mortgage in the amount of \$100,000 on the following New York properties:

1. 1 Canal Street, Seneca Falls, New York
2. 14 East Bayard Street, Seneca Falls, New York
3. 11 Bridge Street, Seneca Falls, New York

##### **Cash Paid for Interest**

The Corporation paid \$1,394 and \$1,445 for interest during the years ended December 31, 2013 and 2012, respectively.

#### **5. CONCENTRATIONS AND RELATED PARTY TRANSACTIONS**

In 2013 and 2012, 69% and 77%, respectively, of the Corporation's total operating revenue was donated by the President of the Corporation and a separate Corporation which the President manages.

In 2013, 35% of the Corporation's total purchases were from one vendor. In 2012, 78% of the Corporation's total purchases were from two vendors. In 2012, 43% of the Corporation's accounts payable consisted of a purchase from one of these vendors.

#### **6. COMMITMENTS**

##### **Leaseback**

On November 1, 2003, the Corporation entered into a leaseback arrangement with the Seneca County Industrial Development Agency (the Agency) which expires 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 agrees 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.

##### **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 is in effect through December 31, 2014 and requires the Corporation to pay \$1.00 annually in lieu of actual tax payments.

## **7. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 5, 2014, which is the date the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S 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**

March 5, 2014

To the Board of Directors of the  
Seneca Knit Development Corporation:

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 Seneca Knit Development Corporation (the Corporation) (a New York not-for-profit corporation), which comprise the balance sheet as of December 31, 2013, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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**INDEPENDENT AUDITOR'S 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**  
(Continued)

**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*.

**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.

*Bonadio & Co., LLP*