



# *Annual Report 2012*



**Matthew T. Ryan, Mayor**  
Merry Harris, Executive Director

# **BINGHAMTON LOCAL DEVELOPMENT CORPORATION**

## **BOARD OF DIRECTORS AND MEMBERS 2012**

President	Timothy Grippen, <i>NYS Department of Labor</i>
Vice-President	Debra Andrako – <i>NBT Bank</i>
Secretary	Don Bergin, <i>Community Leader</i>
Treasurer	Chet Schultz, <i>HSBC Bank</i>
Director	Tarik Abdelazim, <i>Director PH/CD(left April 2012)</i>
Director	Caroline Quidort, <i>Acting Director PH/CD</i>
Director	Matthew Ryan <i>Mayor</i>
Director	Patricia Cummings, <i>Lawyer</i>
Director	Ken Frank, <i>City of Binghamton Corporation Counsel</i>
Director	Lea Webb, <i>City Council Representative</i>
Director	Chris Papastrat, <i>City Council Representative</i>
Director	John Cox, <i>City Comptroller (left February 2012)</i>
Director	Charles Pearsall, <i>Acting Comptroller</i>
Director	Marie McKenna, <i>Business Owner</i>
Director	Scott Hancock, <i>Binghamton University</i>
Member	Sylvia Kerber, <i>Community Leader (resigned August 2012)</i>
Member	Ron Sall, <i>Community Leader</i>
Member	John Patterson, <i>Community Leader</i>
Member	Sean Massey, <i>Business Owner</i>

### **ADMINISTRATIVE STAFF** **Office of Economic Development**

Executive Director	Merry Harris
Assistant Director	Joel Boyd
Financial Analyst	Omar Sanders
Economic Dev. Specialist	Mary Ellen Mauro (Retired May 2012)

# BLDC

Binghamton Local Development Corporation

November 29, 2012

I am pleased to present the Annual Report which highlights the activities and accomplishments of the Binghamton Local Development Corporation for the fiscal year September 2011 through August 2012.

The leadership of the Board continues to be consistently positive and innovative, as well as supportive of the efforts by staff. When FY 2011-12 began with the devastating flood from tropical storm Lee, the Strategic Priorities Committee responded by initiating a special "Business-Restart" loan program to help businesses affected. Although only one business completed the loan process, the effort was appreciated and later in the year the Board approved a permanent **Business Re-start Loan Program** that can be activated at the time of a significant natural disaster.

The office was very aggressive in reaching out to businesses affected by the flooding in both the South Bridge and Upper Court Street commercial districts. Staff and interns made multiple visits to flooded businesses in the early days after the disaster to bring them information about Federal and State relief programs. BEDO followed up with affected businesses to guide them through application processes and assure that they were aware when any additional funding became available. The office carried information on the website and social media outlet *Binghamton Linked* as businesses re-opened and encouraged "shop local" initiatives.

**Loan activity** was somewhat slower than prior years, however the office remained busy sponsoring technical workshops, promotional campaigns, the 4<sup>th</sup> Annual Business Plan Competition, concert series, grant applications to expand resources, and business location assistance.

The Board approved three loans during the fiscal year for a total of \$99,000 for projects totaling \$537,537 for a leverage of \$438,537.

BLDC has **leveraged essential resources** to foster entrepreneurship and innovation and create new and improved job opportunities. During FY 37, BLDC successfully applied for a \$60,000 matching grant from the United States Department of Agriculture Rural Business Enterprise Program. Grant funds were used towards the development of a **Green Jobs Revolving Loan Fund**. The fund offers low-interest loans to Building Performance Institute (BPI) certified contractors to purchase equipment necessary to start or expand their energy upgrade operations. The program provides a multi-purpose benefit of encouraging business development and job opportunities in the green industry, meeting the demand of consumers pursuing residential/commercial energy retrofits, and assisting with the City's long term sustainable development initiatives of reduced energy consumption and gas emissions.

The BLDC was unsuccessful in receiving the **NYS Main Street grant** applied for in 2011; however it submitted an application under the 2012 funding cycle. The application requests \$250,000 to support commercial and residential revitalization efforts along the Court Street, Chenango Street and State Street target area. This particular area is benefitting from a significant public infrastructure investment from the \$3M federally supported Court Street Gateway Project. If favorable consideration is received from the State, grant funds will be used to support façade, residential retrofits, and street scape improvements in the target area.

In February 2011, the Mayor had appointed City Council and BLDC Board member Sean Massey and BLDC Executive Director Merry Harris to co-chair the **Commission on Downtown Binghamton Development**. The thirty-some member commission was charged with developing a blueprint that will catalyze the private investment being made in downtown and guide development during the next five years. BLDC members Marie McKenna, Ron Sall and Sylvia Kerber also were active on the commission which continued to meet through September of 2012. The effort involved several very productive collaborations with Binghamton University. One project with a graduate class in the College of Community and Public Affairs Masters in Public Administration program resulted in creation of an on-line interactive matrix that provides information to potential developers on **public incentives** available from the city, county and state along with quick links to sites and e-mail that is now on the BLDC website. Additional projects involving an interactive map of the target area and branding for the downtown are ongoing.

The office continued its practice of engaging with **Binghamton University** in multiple ways. Several BU student and grad student interns work in the office throughout both semesters and the summer on projects ranging from loan analysis, financial trend research and annual financial review to organizing workshops, business outreach and special events. Three students in the CCPA MPA program used their internships as the basis for their capstone projects. The office again participated in the **BU CIC2020 Leadership Institute** including coaching for individual projects.

As always the office engaged in many outreach activities, special events and promotions which are covered further on in the report.

Efforts continue to locate a full service grocery store on the city's North Side. The office worked with a Pennsylvania based wholesale supplier for independent grocers for much of the year to connect a retailer with property on W State Street. The deal did not go through and the office is now working again to facilitate the sale of an underused property adjacent to the BLDC owned W State Street site to the Supervalu Company, parent to Save-A-Lot.

Cooperation with our economic development partners in the community is essential to long term success. The Executive Director attended meetings of the Southern Tier Economic Partnership (STEP) with the Mayor and served on the board of the statewide Urban Council an

organization that focuses on downtown development. Staff actively participated in efforts to connect city enterprises with funding via the Regional Economic Development Council.

The City and consequently the BLDC received an even more significant cut in Community Development Block Grant (CDBG) funds in 2012, resulting in no additional contribution to the BLDC loan fund and the elimination of one full time Economic Development Specialist position in May after the retirement of Mary Ellen Mauro following fifteen years at the city. Mary Ellen was emblematic of the "go the extra mile" attitude of the BEDO-BLDC staff and we miss her vitality and institutional knowledge. She was able to come in weekly over a couple of months to help with the transition and training of our new part time Account Clerk Sabina Mora who is a welcome addition to the staff.

The uptick in investment in the city continues despite funding challenges. We are always looking for new ways to promote the BLDC and improve our programs to support small businesses, industry, green jobs, entrepreneurship and the creative economy in our city. Given the decrease in staff resources I especially appreciate and recognize the work that my staff Joel Boyd, Omar Sanders and now Sabina generate in providing a myriad of services to the business community. With the support of such an active and innovative Board of Directors I am confident we will continue to be a positive force in the City of Binghamton. I look forward to another energizing and productive year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Merry A. Harris".

Merry A. Harris  
Executive Director

## ACTIVITY REPORT OF THE BLDC IN 2012

The BLDC was founded in 1982 as a public benefit corporation to promote employment and economic development in the City of Binghamton. Its mission as updated in 2011 is:



*The Binghamton Local Development Corporation exists to further sustainable development in the City of Binghamton by attracting new business,*

*retaining and growing existing businesses, building industrial and commercial capacity, promoting employment and fostering entrepreneurship and innovation.*

Each year the City executes an agreement with the BLDC to manage the City's low interest loan programs and economic development activities. The BLDC is a 501(c)3 non-profit corporation directed by a board of municipal and business leaders. Members currently include 13 Directors (voting members) and three additional members-at-large (non-voting). Four Directors serve by virtue of their elected or appointed positions in City government: The Mayor, the Director of Planning Housing & Community Development, the Finance Director and the Corporation Counsel. Seven additional Directors representing finance, small business, professionals and the low-to-moderate income sector are appointed by the Mayor to serve two-year terms. The President of City Council appoints two members to serve one-year terms, one each from the majority and minority party. The Mayor appoints the community members who also serve two-year terms. In the 2011-2012 fiscal years, the Board held 11 regular meetings, three special meetings and the Annual Meeting. Standing Committees of the BLDC include: Loan, Strategic Priorities, Governance, Outreach & Communications and Audit.

The City's Economic Development Office provides technical assistance to businesses locating in the City of Binghamton and serves as staff for the BLDC. The City's Economic Development Director serves as the Executive Director of the BLDC. At the beginning of FY 37, the City's Economic Development Staff included the Executive Director, Merry Harris, Assistant Director Joel Boyd, Economic Development Specialist Business Development Mary Ellen Mauro and Economic Development Specialist Financial Analyst, all full-time positions. In June, Mary Ellen retired and due to declining investment in the CDBG program and the constraints of the City's general fund to absorb additional personnel positions, the position was not re-filled. The Financial Analyst assumed additional responsibilities and the office hired or hire a part-time account clerk, Sabina Mora in September to assist with administrative responsibilities. However the Board of Directors has noted that staff will have a significant work load shift due to the change.

The BLDC's revenue sources are derived from current and prior year CDBG funding, CDBG program income generated from the repayments on loans, and program income generated from the Urban Development Action Grant (UDAG) program. BLDC requires owner participation of at least 10% equity in the project cost for all loans funded with CDBG. Revolving Loan Fund loans are typically subordinate to bank financing.

The BLDC currently operates six loan programs:

- The **Microenterprise Loan Program** targets small and start-up businesses. Loans are offered up to \$24,000.00 with a 5-year term, fixed interest at Wall Street Journal prime rate or 4% (whichever is greater). Microenterprise loans can be used for purchase of fixed assets, working capital and inventory. UDAG funds provide the source for Microenterprise loans.

- The **Commercial Façade Improvement Loan Program** targets exterior building improvements particularly in the City's historic districts. BLDC finances up to 75% of total project capped at \$100,000, 7-year term, fixed interest at Wall Street Journal prime rate 4% (whichever is greater). Borrower's equity contribution and non-BLDC funding must be invested and documented prior to any BLDC funds being advanced; 1/3 draw can be made with presentation of verifiable invoices, interest-only payments begin on aggregate principal advanced; the second 1/3 draw with verifiable invoices; final 1/3 draw following invoices and inspection by City Building Department; then, principal and interest payments begin. UDAG funds provide the source for Commercial Façade Improvement loans.
- The **Revolving Fund Loan Program** is available to a proprietorship, partnership or a corporation engaged in commercial activity. BLDC will finance up to 40% of total project cost capped at a maximum of \$250,000. Loans are collateralized by fixed assets for a term compatible with bank lending or depreciable life of machinery/equipment based on specific projects up to 20 years, fixed interest at Wall Street Journal prime rate or 4% (whichever is greater). Jobs hiring individuals from low-to-moderate income brackets (see note) must be created within 3 years of securing funding at a ratio of 1 job per \$35,000.00 of funds borrowed. Loans may be used for buying a building, purchasing machinery or fixtures; development, rehabilitation, renovation or improvement of land, buildings and facilities; or other eligible activities within the project scope. CDBG funds provide the source for Revolving Fund loans.
- The **Special Project Loan Program** provides flexibility for the BLDC to partner in projects that have a significant economic impact, meet a defined need or address a strategic focus, such as mixed use development, blight reduction, or green/sustainable development that may not fit into one of the other loan programs. Special Project loans may be structured more creatively to take advantage of other funding sources and project scenarios. UDAG funds provide the source for Special Project loans.
- The **Green Jobs Revolving Loan Fund** is dedicated to the start-up/expansion of Building Performance Institute (BPI) certified businesses within the City of Binghamton. The fund is supported from two sources: \$60,000 from the USDA Rural Business Enterprise Grant and \$60,000 from the BLDC's Urban Development Action Grant. The minimum loan amount is \$5,000, the maximum is \$80,000 and every \$35,000 must create at least one full-time job. The loan requires 10% owner equity and carries a 3% fixed interest rate.
- The **Business Restart Loan Program** is a special reserve account of \$100,000 to provide below market rate loans to small businesses impacted by natural disasters that are in need of assistance with reopening their businesses. This loan program was created initially as a temporary fund in response to the significant flooding event on September 7, 2011 which affected the operations of many small businesses. In May 2012, the Board approved making the reserve fund and loan program permanent. The restart loan provides local qualified businesses up to \$10,000 to cover restart costs including the purchase/repairs of business equipment, paying fees for professional service related to flood damage and covering capital shortfalls as a result of the flood. BLDC waives the usual application fees and no equity investment is required under this program. The rates are 1% fixed interest for the 1 year term and 3% fixed interest for terms greater than one-year. All loans will include deferment of principal and interest payments for the first three months from the date that the loan proceeds are disbursed. The loan balance then will be amortized over the remaining term of the loan.

Because most BLDC loans require a written business plan, BLDC works closely with the BU Small Business Development Center and SCORE to assist clients in developing the plans and projections needed to ensure success. Façade loans require contractor estimates, architectural drawings and/or site plans. The City's Economic Development Office monitors and facilitates review by the Planning staff and Commission, and as needed by the Zoning Board, Commission on Architecture & Urban Design and Waterfront Advisory Commission. BLDC only finances projects prior to commencement of work. The Corporation does not engage in refinancing.

Loans in excess of \$25,000 must be further approved by City Council prior to final commitment and closing. The Executive Director and Financial Analyst present to Council the loan summary prepared for the BLDC Board, excluding personal or proprietary financial information, at a Work Session; generally the Council votes on loan approval at the next regular Business meeting.

## BLDC Supported Economic Development Projects – 2012



### Water Street Brewing

*168 Water Street*

Loan Fund: Revolving (CDBG)

Name of Loan Recipient: Bleichert Brewing, Inc.

Amount of Loan: \$70,000

Total Project: \$320,537

Leverage: \$250,537

Purpose of Loan: Purchase of equipment and working capital

Date Approved: May 26, 2011

Date Closed: September 27, 2011

Project Description: The borrower received a Revolving Fund Loan in the amount of \$70,000 to assist in the purchase of brewing equipment and provide working capital to support the business operations. The full project includes interior renovation, equipment and working capital. The applicant secured primary financing through NBT Bank. The project will result in an onsite beer brewing operation and a brew pub with food.

### Tom's Coffee, Cards & Gifts

*184 Main Street*

Loan Fund: Microenterprise  
(UDAG)

Name of Loan Recipient: Kell  
Enterprise

Amount of Loan: \$24,000

Total Project: \$174,000

Leverage: \$150,000

Purpose of Loan: Working Capital  
to help manage short-term  
liabilities and maintain business  
cash flow





Date Approved: June 23, 2012  
Date Closed: October 25, 2011

Project Description: The borrower received a working capital loan to assist the business Tom's Coffee, Cards and Gifts manage its short term liabilities and maintain the business cash flow. The funds were used toward inventory purchase for the fall and winter shopping seasons, which are the busiest time of the year for the business which opened in 1982 and has been a mainstay of the city unique retail market.

## 1184 Vestal Avenue

Loan Fund: Business Re-Start (UDAG)  
Name of Borrower: Joseph Francis Garbarino  
(property owner)  
Amount of Loan: \$5,000  
Total Project: \$43,000  
Leverage: \$38,000  
Purpose of Loan: To assist in the replacement of electrical work and appliances damaged by the September 2011 flood.  
Date Approved: October 20, 2011  
Date Closed: November 16, 2011



Project Description: The borrower received a Business Re-Start Loan, part of the special flood program initiated by the BLDC, to provide funding towards the renovations and equipment replacement required due to damage by the flood of September 2011. The repairs to the heating systems and interior were necessary to enable the reopening of the tenant business, Emil's Jewelry Design.

## Broome Enterprise Triad

In 2012, the BLDC again was the grant administrator for the New York State Entrepreneurial Assistance Program of Empire State Development Corporation. The prime contractor for this program is the Broome Enterprise Triad which consists of Broome Community College, the BC Urban League and Broome-Tioga Workforce New York. Two 60-hour classes were conducted by BCC staff and contract professionals covering a range of topics including marketing, finance, and market analysis which result in participants producing a completed business plan. The program provides individualized and specific assistance to newly opened businesses and ongoing support through weekly “Master Mind” groups and monthly meetings with the client advisory group. The Fall 2010 and Spring 2011 sessions resulted in 20 graduates.



## Special Events



The BLDC and Binghamton Economic Development Office continued its assistance and participation in multiple community events designed to attract people to the city and the downtown dining and shopping district. The office staff has complemented the efforts of the Downtown Binghamton Business Association (DBBA) in presenting the Columbus Day Parade and organizing the Italian Festival. Unfortunately the 2011 event was canceled due to the 2011 flood. The office assists with July Fest, including organizing the Parlor City 5K Run. This year the July Fest/Jazz Fest a three day event drew over 20,000 people. The Friday lunch-time

“Brown Bag Concert Series” held in conjunction with the weekly Farmers’ Market is coordinated by the office. The office organized a September series of Casual Concerts on the River Trail. The first, by the Binghamton Philharmonic Brass Ensemble was a great success, however the flooding “washed out” the final three concerts where Binghamton University musical groups were scheduled to perform. The office participates in the Greater Binghamton Chamber of Commerce Annual Business Show in April with economic development partners such as the Broome County Industrial Development Agency, Broome County Planning & Economic Development and the NYS Department of Labor. We partner with the County STOP-DWI Program and community sponsors for the annual Chris Thater Memorial Races in August, with marketing support, set up and race day staffing and an information booth. The office participates in the Binghamton University’s annual “University Fest”, a late summer welcome back day that draws approximately 5000 new and returning college undergraduates to generate awareness about the local community and maintain strong relationships with local academic institutions. The event provides students with “passports” to city cultural centers and events along with event calendars and a game in which student won \$5 gift cards to many city businesses. The event introduces students to academic, social, volunteer, and career opportunities available both on and off campus: great activities, shopping, dining, and living opportunities that are available in the City.

In addition the BEDO-BLDC supported the Gorgeous Washington Street Association's monthly First Fridays, a monthly mini-cultural festival that draws people to the downtown's art galleries, cultural amenities and restaurants.



We partner with Binghamton restaurants to produce the biannual "Restaurant Week" which promotes downtown dining with a fixed price menu available from over a dozen participating restaurants with a portion of proceeds benefitting the Binghamton Boys & Girls Club in the spring and CHOW in the fall. In October, the office coordinated with the Preservation Association of the Southern Tier (PAST) to host an inaugural "Loft Life" tour of downtown loft residences to encourage regional heritage tourism, interest in residential living and business opportunities in the downtown. In December the office coordinated a Holiday Shop Local



campaign with WBNG-TV. In addition, the office coordinated the relocation and marketing of the Otsiningo Farmers Market Association to host a Binghamton Winter Farmers Market at the Metrocenter which provided downtown residents with fresh produce and helped market an

underutilized foreclosed downtown property. In December the office organized a Small Business, Minority & Women Business Workshop which featured speakers from Binghamton University and New York State. The office designed and installed three decorative kiosks that present historic information, guides to businesses and parking, at Hawley and Washington, Court and Washington and Front and Main, as the final phase of the NYS Office of Community Housing and Community Renewal Main Street grant. Local artist Chris Long created original stained glass art motifs around the historic themes of cigar manufacturing, the Chenango Canal, and Swamp Root - the elixir that made Jonas Kilmer a fortune. Each kiosk offers a historic narrative and directs patrons to nearby businesses, attractions and parking. CDBG funds were used to support this effort. BEDO-BLDC continued to ramp up use of the social media site *Binghamton Linked* with targeted electronic advertising in the NY Times, regional Business Journals and the Press and Sun Bulletin. New formatting and features have been added and Facebook pages created for special events. Quarterly newsletters highlight events and draw in new followers.



### **Fund Administration**

The staff of the Binghamton Economic Development Office administers the funds allocated to the BLDC for loan programs as well as City of Binghamton Loans issued in the past. Through the BLDC the office administers several special funds: Broome Enterprise Triad for EAP, Columbus Day Parade account for the DBBA, River Trails/Martin Luther King, Jr. Memorial account (statue and commemorative plaques) and currently the NYS Office of Community Renewal Main Street Grant. The audit of the financial statements for the year ending August 31, 2012 has been performed by Ciaschi Dietershagen Little Mickelson & Company, LLP. Included in the

administration function is maintaining an accurate record of operations such as receivables/expenditures, loan repayments, banking and monthly accounting, documentation and monitoring of insurance coverage, UCC continuations, and job creation/retention for BLDC CDBG funded loans. The accounting is recorded in Quickbooks. Monthly reports are made to the BLDC Board of Directors which is responsible for protecting the integrity of the loan portfolio. Since 2009 the function has increased to encompass the annual reporting requirements generated by the NYS Public Authorities Accountability Act using the Public Access Records and Information System (PARIS).

### **Business Visitations**

Prior to the decrease in staffing the Economic Development Specialist for Business Development made personal visits to newly opened businesses and rotated through many existing businesses to share and gather information. During the Court Street Gateway reconstruction project March – October - the Director met with stakeholders and communicated regularly via e-mail to keep them updated on the status of the project. Staff tried to trouble shoot wherever possible to provide support for the businesses affected by the significant upgrade to the city's main commercial corridor. Along with these visits our staff attends monthly meetings of the Gorgeous Washington Street Association and the Downtown Binghamton Business Association. In September 2011 following the widespread river flooding caused by Hurricane Irene and Tropical Storm Lee, office staff visited dozens of businesses in flood ravaged portions of the south and east sides to assess damage, provide information about municipal resources and financial assistance from FEMA and State government as well as the BLDC's Business Restart Loan program.



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## Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### MANAGEMENT COMMENT LETTER

Board of Directors  
Binghamton Local Development Corporation  
Binghamton, New York

In planning and performing our audit of the financial statements of the Binghamton Local Development Corporation (the Corporation) for the year ended August 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

However, during our audit, we became aware of a matter that provides an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our current year and the current status of prior year comments by other auditors and recommendations regarding these matters. This letter does not affect our report dated November 26, 2012 on the financial statements of the Binghamton Local Development Corporation.

#### **OTHER MATTERS**

##### **Current and Prior Year Discussion Point**

###### Internal Financial Reporting and Internal Controls

###### Issue:

During our current and other auditors' prior year audits, it was noted that the Corporation's internally prepared financial statements do not reflect all transactions of the Corporation. Monthly expenses incurred by the Corporation and reimbursed by the City are not reported in the internal financial statements; in addition, the Corporation's investment in land on West State Street is not reported as an asset on the internal financial statements.

###### Recommendation:

We recommend the Corporation work with the City to determine a means of reporting the activity not currently reported; we also recommend adjusting the internally prepared financial statements to reflect the real estate investment.

##### **Prior Year Comment - Resolved**

###### Compliance with NYSABO Requirements

###### Issue:

The prior years' auditor noted many of the items required to be posted by the New York State Authorities Budget Office (NYSABO) were not posted on the Corporation's website.

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#### **WATKINS GLEN**

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Resolution:

During the current year, we noted annual reports and audited financial statements have been posted to the Corporation's website.

We would like to thank management and staff for the courtesies extended to us during our audit.

This report is intended solely for the information and use of the Board of Directors and management of the Binghamton Local Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Cianchi, D'Intino, Little, Miodini, & Company, LLP*

November 26, 2012  
Ithaca, New York

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Frederick J. Ciaschi, C.P.A.

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors  
Binghamton Local Development Corporation  
Binghamton, New York

We have audited the statement of financial position of the Binghamton Local Development Corporation (the Corporation) for the year ended August 31, 2012, and have issued our report thereon dated November 26, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 2, 2012.

### Qualitative Aspects of Accounting Practices

#### **Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements are the allowance for uncollectible loans and the current portion of loans receivable.

Management's estimate of the allowance for uncollectible loans is based on historical collection rates and an analysis of the collectibility of individual loans. The current portion of loans receivable is estimated based on payment histories and amortization schedules. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### **Disclosures**

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is loans receivable, the detail of which is presented in Note 2.

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### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Corrected misstatements noted during the audit included recognition of City of Binghamton grant activity, and recognition of the sale of land.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 26, 2012.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We would like to thank you and your staff for the cooperation and support given to us during the course of the audit. We appreciate the opportunity to be of service to you and look forward to our continued involvement.

This information is intended solely for the use of the Board of Directors and management of the Binghamton Local Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Cianchi, D'Andrea, Little, Miodini, & Company, LLP*

November 26, 2012  
Ithaca, New York



**BINGHAMTON LOCAL  
DEVELOPMENT CORPORATION**

**Binghamton, New York**

**FINANCIAL REPORT**

**For the Year Ended  
August 31, 2012**

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

AUGUST 31, 2012

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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Binghamton Local Development Corporation  
Binghamton, New York

We have audited the Statement of Financial Position of the Binghamton Local Development Corporation (the Corporation), a component unit of the City of Binghamton, as of August 31, 2012, and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. The financial statements of the Corporation as of August 31, 2011 were audited by other auditors, whose report dated November 9, 2011 expressed an unqualified opinion on those statements. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Binghamton Local Development Corporation as of August 31, 2012, and the results of their activities, changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's financial statements as a whole. The supplementary financial information on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Ciaschi, Dietershagen, Little, Mickelson, & Company, LLP*

November 26, 2012  
Ithaca, New York

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BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 38,922	\$ 1,566,130	\$ 1,605,052
Loans receivable, net, current portion		302,636	302,636
Grants receivable		29,000	29,000
	<hr/>	<hr/>	<hr/>
Total Current Assets	38,922	1,897,766	1,936,688
Noncurrent Assets:			
Restricted cash		5,000	5,000
Investments		136,954	136,954
Loans receivable, net of noncurrent portion and allowance for doubtful accounts of \$254,000		1,264,299	1,264,299
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 38,922</u>	<u>\$ 3,304,019</u>	<u>\$ 3,342,941</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current Liabilities:			
Accounts payable	\$ 36,750	\$ 535	\$ 37,285
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	36,750	535	37,285
Net Assets:			
Unrestricted	2,172		2,172
Temporarily restricted		3,303,484	3,303,484
	<hr/>	<hr/>	<hr/>
Total Net Assets	2,172	3,303,484	3,305,656
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 38,922</u>	<u>\$ 3,304,019</u>	<u>\$ 3,342,941</u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
AUGUST 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Interest and fees on loans	\$	\$ 65,446	\$ 65,446
Grant income - Broome Enterprise Triad	110,250		110,250
UDAG repayments		59,160	59,160
CDBG HUD funds		302,044	302,044
Interest	6	1,035	1,041
Miscellaneous income	860	546	1,406
Gain on sale of land		172,000	172,000
Net assets released from restriction	<u>390,390</u>	<u>(390,390)</u>	<u>-0-</u>
 Total Revenues	 <u>501,506</u>	 <u>209,841</u>	 <u>711,347</u>
Expenses:			
Facilities, personnel, materials, and supplies - CDBG HUD funds	302,044		302,044
Broome Triad Expense	110,250		110,250
Marketing	9,746		9,746
Travel	599		599
Office expenses	1,763		1,763
Program expenses	9,750		9,750
Bad debt	68,333		68,333
Transfer to other organization	3,541		3,541
Other	<u>622</u>		<u>622</u>
 Total Expenses	 <u>506,648</u>	 <u>-0-</u>	 <u>506,648</u>
 Total (Decrease) Increase in Net Assets	 (5,142)	 209,841	 204,699
 Net Assets, Beginning of Year	 <u>7,314</u>	 <u>3,093,643</u>	 <u>3,100,957</u>
 Net Assets, End of Year	 <u>\$ 2,172</u>	 <u>\$ 3,303,484</u>	 <u>\$ 3,305,656</u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
STATEMENT OF CASH FLOWS  
AUGUST 31, 2012

Cash Flows from Operating Activities:	
Change in net assets	\$ 204,699
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debts expense	68,333
(Gain) on sale of land	(172,000)
Increase (decrease) in:	
Accounts payable	<u>37,043</u>
Net Cash Provided by Operating Activities	<u>138,075</u>
Cash Flows from Investing Activities:	
New loans	(99,000)
Loan repayments	212,956
Proceeds from sale of land	<u>240,000</u>
Net Cash Provided by Investing Activities	<u>353,956</u>
Net Cash Provided by Financing Activities	<u>-0-</u>
Net Increase in Cash and Cash Equivalents	492,031
Cash and Cash Equivalents, Beginning of Year	<u>1,118,021</u>
Cash and Cash Equivalents, End of Year	<u>\$ <u>1,610,052</u></u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2012

Note 1 - Summary of Significant Accounting Policies

Purpose of the Corporation

The Binghamton Local Development Corporation (the Corporation) is a not-for-profit corporation formed to further sustainable economic development in the City of Binghamton by attracting new business, retaining and growing established business, building industrial and commercial capacity, promoting employment, and fostering entrepreneurship and innovation.

The Corporation is a nonprofit corporation, and is a component unit of the City of Binghamton (City). The financial activities of the Corporation are combined with the financial activities of the City in the City's financial statements.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Corporation is required to report 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. The Corporation has no permanently restricted net assets. Temporarily restricted net assets represent resources received from Community Development Block Grants (CDBG) and Urban Development Action Grants (UDAG) which are restricted as to their use.

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.

Cash and Cash Equivalents

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

Investments

Investments consist of real estate that was purchased with the intent to resell. The investment is recorded at cost; unrealized gains or losses related to changes in market value are not recorded for this investment.

Concentrations of Risk and Investments

Cash Balances

The Corporation maintains its accounts at a single financial institution. The Corporation has bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits, and maintains a collateralization agreement with this financial institution for cash balances in excess of FDIC limits. At August 31, 2012, \$-0- was uncollateralized and uninsured.

Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to loans receivable.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
AUGUST 31, 2012

Fixed Assets

At August 31, 2012, the Corporation had no capitalized fixed assets. Land held as of August 31, 2011 was sold during the current fiscal year.

Support and Revenue

The Corporation is funded principally through grants from the City of Binghamton CDBG program. The Corporation recognizes grant funds for CDBG upon receipt, which coincides with the disbursement of the funds by the Corporation.

The Corporation also received revenue in the form of repayments on loans originally granted by the City of Binghamton from UDAG program funds. Program income from UDAG loan repayments is recognized as revenue when received.

The City of Binghamton contributes office space; other expenses of the Corporation are paid from the aforementioned CDBG program grants.

Income Tax Status

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

The Corporation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending August 31, 2009, 2010 and 2011 is subject to examination by the IRS, generally for three years post filing.

Subsequent Events

The Corporation has evaluated subsequent events for reporting and disclosure through November 26, 2012, the date which the financial statements were available to be issued.

Note 2 - Loans Receivable

Loans receivable at August 31, 2012 consisted of the following:

Total Loans Receivable, beginning of year	\$ 2,003,224
Loan advances	99,000
Writeoffs	(68,333)
Principal repayments	<u>(212,956)</u>
Total Loans Receivable, end of year	<u>1,820,935</u>
Less Allowance for Doubtful Accounts	<u>(254,000)</u>
Loans Receivable, net of allowance	1,566,935
Less current portion	<u>(302,636)</u>
Loans receivable, net of current portion	<u><u>\$ 1,264,299</u></u>



BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
AUGUST 31, 2012

The principal balance at August 31, 2012 includes \$1,095,610 loaned from CDBG funds and \$725,325 loaned from UDAG funds.

The allowance for doubtful accounts has been established for loans of borrowers who have filed for bankruptcy or are otherwise considered doubtful of collection. During the year ended August 31, 2012, \$68,333 in CDBG loans was written off as uncollectible. The allowance is considered adequate by management to cover all currently delinquent loans, and others which may become doubtful during the year.

Note 3 - Grants Receivable

Grants receivable at August 31, 2012 consisted of a \$29,000 grant from New York State. The Corporation is in the process of requesting reimbursement from the State for these funds.

Note 4 - City of Binghamton Agreement

The Corporation executed and renewed an agreement with the City regarding the use of CDBG and UDAG funds for various economic development programs. The current agreement expires November 30, 2012; however, either party can terminate the agreement with 30 days notice. If the agreement is terminated, all loans outstanding become the property of the City.

Pursuant to the agreement, the Corporation has been allocated funding from the City's CDBG and UDAG funds. In addition, loan repayments from City UDAG program loans are committed for use by the Corporation. The Corporation received \$70,601 during the year ended August 31, 2012 representing principal and interest; these funds have been recognized as revenue.

Note 5 - Commitments

At August 31, 2012, the Corporation had approved loans which were not yet disbursed. These commitments will be funded upon satisfaction of loan provisions by the applicant and the availability of funds at the time of closing.

Note 6 - Investments

In accordance with section 2925(6) of the Public Authorities Law for New York State, Public Authorities, the Corporation reports one investment as of and for the year ended August 31, 2012. The Corporation has an investment in real estate which it intends to resell; total costs accumulated to date are \$136,954. Investment policies are reviewed annually.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
SCHEDULE OF LOANS RECEIVABLE  
AUGUST 31,

	<u>8/31/2011</u>				<u>8/31/2012</u>
	Principal Balance	Advances	Repayments	Writeoffs	Principal Balance
<u>CDBG Loans:</u>					
Bearcats Development Group, LLC	\$ 154,733	\$	\$ 13,216	\$	\$ 141,517
Bleichert Brewing, Inc.		70,000	823		69,177
Bubbles Professional Autocare, LLC	90,096		133		89,963
Innovation in Imaging, Inc.	208,497		17,491		191,006
Kanenas, LLC	55,483		5,334		50,149
Robert & Celeste Mack	13,939		5,327		8,612
T. Mitchell Holdings	14,141		3,965		10,176
Net2000 Computers	10,136		2,040		8,096
On the Rocks, Inc.	19,997		1,542		18,455
RCT Development	13,095		13,095		-0-
REAJ Realty, LLC	86,575		10,568		76,007
Renkan Holdings	18,314		4,407		13,907
Sedona Enterprises, LLC	59,607		6,051		53,556
William R. Smith	11,274		3,609		7,665
Wisteria House	32,426		2,013		30,413
Kilmer Brasserie	68,333			68,333	-0-
VMR Electronics, LLC	76,502		11,136		65,366
VMR Realty Management, LLC	269,487		7,942		261,545
Total CDBG Loans	1,202,635	70,000	108,692	68,333	1,095,610

See Independent Auditor's Report

BINGHAMTON LOCAL DEVELOPMENT CORPORATION  
SCHEDULE OF LOANS RECEIVABLE  
(CONTINUED)  
AUGUST 31,

	<u>8/31/2012</u>				<u>8/31/2012</u>
	Principal				Principal
	Balance	Advances	Repayments	Writeoffs	Balance
<u>UDAG Loans:</u>					
142 Court Street, LLC	\$ 26,454	\$	\$ 1,746	\$	\$ 24,708
142 Court Street, LLC	65,535		3,881		61,654
295 Court St. Associates - 2	101,590		5,775		95,815
DDBing Properties, LLC	145,379		6,001		139,378
PS & V Realty Co. Inc.	8,769		4,664		4,105
Sall-Stearns, Inc.	662		662		-0-
Burger Monday, LLC	20,000		3,783		16,217
Kell Enterprises		24,000	3,302		20,698
Thomas & Antoinette Dunn	14,504		3,191		11,313
Bearcats Development Group, LLC	38,095		14,286		23,809
Thomas Haines	55,357		10,714		44,643
Wisteria House, LLC	81,106		12,930		68,176
Tartu Properties	180,570		10,356		170,214
Books on the River, LLC	9,128		9,128		-0-
Rogers JFT, LLC	36,402		7,300		29,102
Lindsey, Floyd	6,844		3,830		3,014
On the Roxx Bar & Grill, LLC	10,194		1,605		8,589
Joseph F. Garbarino		5,000	1,110		3,890
	<u>800,589</u>	<u>29,000</u>	<u>104,264</u>	<u>-0-</u>	<u>725,325</u>
Total UDAG Loans					
	<u>800,589</u>	<u>29,000</u>	<u>104,264</u>	<u>-0-</u>	<u>725,325</u>
Total Loans Receivable	<u>\$ 2,003,224</u>	<u>\$ 99,000</u>	<u>\$ 212,956</u>	<u>\$ 68,333</u>	<u>\$ 1,820,935</u>

See Independent Auditor's Report