

**LOCAL DEVELOPMENT CORPORATION  
OF  
EAST NEW YORK**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2014**

# LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

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**RONALD L WILSON**  
Certified Public Accountant  
25 Pointe Circle, Jackson, NJ 08527

**Independent Auditor's Report on Financial Statements**

**Board of Directors**

**Local Development Corporation of East New York**

***Report on the Financial Statements***

We have audited the accompanying financial statements of Local Development Corporation of East New York which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Local Development Corporation of East New York as of June 30, 2014, 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.

***Ronald L Wilson CPA***

Jackson, NJ  
April 24, 2015

**LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30,2014**

**ASSETS**

Cash and cash equivalents	\$ 69,905
Due from agencies	257,661
Equipment (less accumulated depreciation of \$125,447)	6,738
Revolving Loan Fund	6,324
Restricted cash	<u>32,784</u>
 Total Assets	 <u><u>\$ 373,412</u></u>

**LIABILITIES**

Accounts payable and accrued expenses	\$ 6,409
Due to Citibank	35,084
Deferred revenue	210,799
Other liabilities	42,294
Notes payable	<u>6,324</u>
 Total Liabilities	 <u>300,910</u>

**NET ASSETS**

Unrestricted Net Assets	<u>72,502</u>
 Total Net Assets - unrestricted	 72,502
 Total Liabilities and Net Assets	 <u><u>\$ 373,412</u></u>

*See accompanying notes to the financial statements.*

**LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK  
STATEMENT OF ACTIVITIES**

For the year ended June 30

2014

Unrestricted Net Assets

Revenues

Government Grants	\$ 357,480
Contributions	206,511
Program revenue	68,012
Special events - (net of direct cost of \$4,061)	11,012
In-kind contributions	34,500
Other Income	4,565
Total revenues and other support	<u>682,080</u>

Expenses

Program services

Entrepreneur development	265,357
Sandy Recovery project	251,378

Supporting services

Management and general	101,336
Fundraising	36,703
Total expenses	<u>654,773</u>

Increase in Unrestricted Net Assets \$ 27,307

Net Assets - beginning of year 45,195

Net Assets - end of year \$ 72,502

*See accompanying notes to the financial statements.*

**LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK  
STATEMENT OF CASH FLOWS**

For the year ended June 30	<u>2014</u>
<b>Cash flows provided from operating activities:</b>	
Change in Net Assets	\$ 27,307
Adjustments to reconcile change in net assets	1,908
Decrease in deferred revenue	(106,893)
Decrease in accounts receivable	(55,882)
Decrease in accounts payable/accrued expenses	(34,892)
<b>Net cash provided for by Operating Activities</b>	<u><u>(168,452)</u></u>
<b>Cash flows used for Investment Activities:</b>	
Investment in fixed assets	(2,108)
<b>Net cash used for Investment Activities</b>	<u><u>(2,108)</u></u>
<b>Cash flows used for Financing Activities:</b>	
Increase in Due to Citibank	33,549
Increase in restricted cash	<u>(32,784)</u>
<b>Net cash provided by Financing Activities</b>	<u><u>766</u></u>
<b>Net cash increase for the period</b>	(169,795)
Cash and cash equivalents, beginning of the year	239,700
<b>Cash and cash equivalents, end of the year</b>	<u><u>\$ 69,905</u></u>
<b>Supplemental data:</b>	
Interest Capitalized	\$ -
Taxes Paid	\$ -

*See accompanying notes to the financial statements.*

**LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**JUNE 30, 2014**

	PROGRAMS	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
Salaries	275,589	39,924	5,446	320,958
Fringe Benefits	49,937	9,549	583	60,069
Audit Fee	7,405	2,500	395	10,300
Accounting Fees	6,000	-	-	6,000
Consultant Fees	107,406	-	18,905	126,310
Cleaning Services	1,585	380	-	1,965
Depreciation	-	-	1,908	1,908
Equipment Maintenance & Repair	1,557	559	-	2,116
Utilities	4,621	1,800	-	6,421
Rent, Parking	5,234	5,000	-	10,234
Marketing & Promotions	23,525	-	620	24,145
Books, Subscriptions, Reference	426	60	-	486
Bank Charges	852	-	1,427	2,279
Payroll Processing Fee	4,579	200	64	4,843
Internet Usages	3,406	720	-	3,626
Postage, Mailing Service	954	625	-	1,579
Printing and Copying	2,787	-	87	2,874
Supplies	3,704	346	1,284	5,335
Telephone, Telecommunications	4,874	1,660	-	6,534
Filing fees	50	35	-	85
Website & Technology	-	190	-	190
Software	462	-	-	462
Insurance	3,831	1,539	-	5,370
Event	-	688	2,189	2,877
In-Kind service rent	-	34,500	-	34,500
Miscellaneous Expenses	3,445	646	1,569	5,660
Travel and Meetings	5,005	415	4,415	9,835
<b>Total Expense</b>	<b>516,734</b>	<b>101,336</b>	<b>36,703</b>	<b>654,773</b>



# **LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

### **NOTE 1. ORGANIZATION**

Local Development Corporation of East New York (“LDCENY”) was incorporated under the laws of the State of New York as a not-for-profit Corporation. LDCENY currently receives grants from federal, state and local government agencies.

LDCENY works to enhance the local business environment, encouraging job creation and business investment within East New York. LDCENY addresses this objective through the administration of a number of economic development activities. Those activities can be categorized as either entrepreneurial or industrial development. At times, the LDCENY receives funds for other non-recurring activities. Those activities and related programs are as follows:

#### **Entrepreneur Development**

##### **The Women’s Business Center Program**

An important component of the LDC’s assistance to businesses is the Small Business Administration-funded Women’s Business Center. This program, which has operated for the past 13 years, provides services to women business owners and assists them in starting and expanding their businesses. The Women’s Business Center offers services in English, Spanish, Portuguese, French and Creole. The WBC serves approximately 2,000 clients a year.

##### **NYS Entrepreneurial Assistance Program (EAP)**

The LDCENY trains minorities and women to start and manage their own businesses. The program consists of 60 hours of classroom training and 15 hours of one-on-one counseling to program participants. The training includes information on marketing, sales, management, operations, development of financial statements and practical information on starting and staying in business. Emphasis is placed upon developing effective business plans, loan packaging and obtaining financing.

# **LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

### **NOTE 1. ORGANIZATION (CONT'D)**

#### **U.S. Small Business Administration- Sandy Relief Grant**

Funded by the U.S. Small Business Administration (SBA), the program sought to provide counseling and technical assistance to businesses in the Coney Island, Canarsie, and Gerritsen beach neighborhoods of Brooklyn that were affected by Superstorm Sandy.

#### **Citi- Intensive Sales Training**

The Intensive Sales Training program placed low-to-moderate income entrepreneurs through an intensive sales training course that supplied participants with the skills necessary to enhance their selling ability and potential.

#### **Citi- Mentoring Training**

New entrepreneurs are paired with experience business owners who provide guidance and assistance in helping the new entrepreneurs to develop a business.

#### **Avenue NYC- Pitkin Avenue**

The Avenue NYC Pitkin Avenue program was developed to conceptualize the leading causes of the depressed nature of the west end of Pitkin Avenue as a means to facilitate commercial revitalization, business attraction and reduce business vacancies.

#### **Small Business Services - Technology Coalition**

Funded by Small Business Services, this program offered low-to-moderate income business owners the necessary skills to utilize the latest business software technology as a means to enhance the effectiveness and productivity of their day-to-day business operations.

# LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 1. ORGANIZATION (CONT'D)

#### **HSBC's Money Management Program**

This program addresses personal money management issues such as credit, budgeting, debt and tax management. Participants attend an 18-hour money management workshop and receive one-on-one counseling to improve credit scores and manage finances and investments. Working with counselors, participants receive assistance in negotiating debt repayment, including credit card and other debt as well as assistance in preventing foreclosures.

#### **Individual Development Account Programs**

Under this program, funded by Citigroup, the savings of low-income individuals are matched one to one by the LDCENY to promote long-term economic self-sufficiency. Participants save up to \$2,000 and receive a payment of up to \$4,000. Funds can be used to invest in a business.

#### **New York Women's Foundation – Money Management**

This program addresses personal money management issues such as credit, budgeting, debt and tax management. Participants attend an 18-hour money management workshop and receive one-on-one counseling to improve credit scores and manage finances and build assets. Working with counselors, participants receive assistance in negotiating debt repayment, obtain mortgage loan and avoid home foreclosures.

**Basis of Accounting** – The financial statements are prepared on the accrual basis.

# LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Public Support and Revenue Recognition**

Contributions are recognized when the donor makes a promise to give the Corporation an unconditional contribution that is in substance. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2014, there were no temporarily restricted net assets.

State and city grant awards are classified as refundable advances until expended for the purpose of the grant since they are conditional promises to give.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the date of financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Fixed assets** – Fixed assets are recorded at cost. Items with a cost of \$1,000 and an estimated useful life of more than one year are capitalized.

**Depreciation and amortization** – Depreciation and amortization are provided on the straight-line method over that following estimated useful lives:

Furniture and equipment	3-5 years
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**Unrestricted net assets** – Unrestricted net assets include funds that have no restriction as to use or purpose imposed by donors.

**Temporarily restricted net assets** – Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

**Revenues from government agencies** – Revenues from government agencies are recognized when earned. Expense-based grants are recognized as allowable expenses when incurred.

**Functional expenses** – The costs of providing the organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Subsequent events** – Subsequent events have been evaluated through April 27, 2015, which is the date the financial statements were available to be issued.

**LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 3. DUE FROM AGENCIES**

Due from agencies as of June 30, 2014 consists of amounts due from federal, state and city sources.

**NOTE 4. NOTES RECEIVABLE**

Under the Minority and Women Revolving Loan Program, funded by the Empire State Development Corporation (“the Agency”), the Corporation made two loans as follows:

**Loan #1**

The Corporation made a \$5,000 loan to a fashion designer business owner. Under the terms of the agreement, the borrower was required to deposit \$1,000 with the Corporation to be disbursed as need and the Corporation was to pay \$1,000 directly to a showroom for rental space on behalf of the borrower. Since that \$2,000 was not used, the Corporation returned the \$2,000 to Empire State Development Corporation during fiscal year that ended June 30, 2008. The borrower actually received \$3,000. As of June 30, 2014 there were no repayment on this loan.

**Loan #2**

The Corporation made \$5,000 loan to pastry business owner. The monthly note is \$104. The date of the loan is March 15, 2012. As of June 30, 2014 that outstanding balance was \$3,324.

No reserve has been established for these non-performing loans. These loans are non-recourse for the LDCENY as the agency assumes all risk of loss related to them.

**LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 5. FIXED ASSETS**

At June 30, 2014 fixed assets consisted of the following:

	<u>2014</u>
<b>Equipment</b>	\$ 121,592
<b>Furniture</b>	<u>12,500</u>
	134,092
<b>Less: Accumulated depreciation</b>	<u>127,354</u>
	<u>\$ 6,738</u>

Depreciation expense for the years ended June 30, 2014 amounted to \$1,908.

**NOTE 6. NOTES PAYABLE**

Notes payable consists of the following:

The Empire State Development Corporation advanced the Corporation interest free funds to make loans to eligible business owners. The funds are to be repaid in quarterly installments over the loan period the Corporation negotiated with the business owners.

2014

6,324

\$ 6,324

# LOCAL DEVELOPMENT CORPORATION OF EAST NEW YORK

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 7. SERVICE REVENUE

LDCENY, under an agreement with Citibank, occupies office space located at 80 Jamaica Avenue, Brooklyn, New York. Under the terms of the agreement LDCENY does not pay any rent. The rental value of the space is estimated at \$34,500 for the year ended June 30, 2014. This value is reflected in the financial statement as service revenue and occupancy expense, respectively.

### NOTE 8. CITIBANK RESTRICTED CASH/NOTE PAYABLE

These funds represent the residual monies from the IDA program sponsored by Citibank that has been discontinued. In lieu of returning the funds to Citibank, Citibank has allowed LDCENY to retain such funds as the jointly develop the Rainy Day Fund Program. This program will encourage low to moderate income to save money. This program is not yet fully operational.

### NOTE 9. RELATED ENTITIES

The LDCENY share office space, administrative services, certain personnel and management with two other related entities, East Brooklyn District Management Corporation and East Brooklyn Housing Development Fund. The EBDMA pays the LDCENY an annual management fee to offset the cost of services provided. Each of the boards of these organizations operates independently as there are no common members.

### NOTE 10. SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through April 24, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through April 24, 2015 that would require adjustment or disclosure in the financial statements.



**RONALD L WILSON**  
Certified Public Accountant  
25 Pointe Circle, Jackson, NJ 08527

**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**

Independent Auditor's Report

**Board of Directors  
Local Development Corporation of East New York**

We have audited, 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, the financial statements of Local Development Corporation of East New York, which comprise the statement of financial position as of June 30, 2014, 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 April 24, 2015.

***Internal Control Over Financial Reporting***

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Local Development Corporation of East New York'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.

***Ronald L Wilson CPA***

Jackson, NJ  
April 24, 2015