

**ONTARIO COUNTY FOUR SEASONS LOCAL
DEVELOPMENT CORP.**

CANANDAIGUA, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2014 AND 2013



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ontario County Four Seasons Local Development Corp.

We have audited the accompanying financial statements of Ontario County Four Seasons Local Development Corp., which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and changes in net assets, 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. 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 Ontario County Four Seasons Local Development Corp. as of September 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.

Other Matter

The financial statements of Ontario County Four Seasons Local Development Corp. for the year ended September 30, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on November 25, 2013.

Mengel, Metzger, Barw & Co. LLP

Canandaigua, New York
December 2, 2014

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Unrestricted cash and cash equivalents	\$ 725,615	\$ 481,265
Prepaid expenses	<u>7,746</u>	<u>7,886</u>
TOTAL CURRENT ASSETS	733,361	489,151
<u>PROPERTY AND EQUIPMENT, NET</u>	309,460	317,810
<u>OTHER ASSETS</u>		
Restricted cash and cash equivalents	<u>8,864</u>	<u>123,366</u>
TOTAL ASSETS	<u>\$ 1,051,685</u>	<u>\$ 930,327</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 21,230	\$ 15,588
Accrued expenses	23,780	16,146
Unearned revenue	<u>259,251</u>	<u>225,901</u>
TOTAL CURRENT LIABILITIES	304,261	257,635
<u>OTHER LIABILITIES</u>		
Cooperative regional programs	8,864	123,366
<u>NET ASSETS</u>		
Unrestricted - Undesignated	502,100	327,976
Unrestricted - Board designated	<u>236,460</u>	<u>221,350</u>
TOTAL UNRESTRICTED NET ASSETS	<u>738,560</u>	<u>549,326</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,051,685</u>	<u>\$ 930,327</u>

The accompanying notes are an integral part of the financial statements.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>Year ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>SUPPORT AND REVENUE:</u>		
County contract	\$ 927,593	\$ 847,027
NYS matching fund grants	46,625	45,263
Other grants	38,500	-
Program service fees	57,842	34,808
Donated services and merchandise	6,372	40,074
Reimbursement of shared costs	-	21,146
Interest income	391	311
Other revenue	<u>3,775</u>	<u>5,530</u>
TOTAL SUPPORT AND REVENUE	1,081,098	994,159
 <u>EXPENSES</u>		
Program services	769,034	835,473
Administrative and general	<u>122,830</u>	<u>102,788</u>
TOTAL EXPENSES	<u>891,864</u>	<u>938,261</u>
CHANGE IN NET ASSETS	189,234	55,898
Net assets at beginning of year	<u>549,326</u>	<u>493,428</u>
NET ASSETS AT END OF YEAR	<u>\$ 738,560</u>	<u>\$ 549,326</u>

The accompanying notes are an integral part of the financial statements.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

STATEMENTS OF FUNCTIONAL EXPENSES

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Total 2014</u>	<u>Program Services</u>	<u>Administrative and General</u>	<u>Total 2013</u>
Bank charges	\$ -	\$ 197	\$ 197	\$ -	\$ 1,070	\$ 1,070
Communications	7,044	1,761	8,805	7,546	1,886	9,432
Depreciation	18,385	6,128	24,513	15,367	5,122	20,489
Dues, fees and subscriptions	15,391	575	15,966	22,154	1,319	23,473
Insurance	4,193	4,029	8,222	3,859	3,707	7,566
Interest expense	-	-	-	-	566	566
Mailing	7,503	-	7,503	12,647	-	12,647
Marketing:						-
Advertising and branding	94,617	-	94,617	91,912	-	91,912
Audio/visual production	3,392	-	3,392	26,942	-	26,942
Brochures	66,175	-	66,175	81,717	-	81,717
Websites	33,502	-	33,502	26,324	-	26,324
Miscellaneous	-	4,492	4,492	-	1,233	1,233
Non-cash donation expense	6,372	-	6,372	40,074	-	40,074
Office supplies	6,932	4,621	11,553	4,146	2,764	6,910
Professional development	5,166	4,729	9,895	12,503	4,262	16,765
Professional services	-	13,541	13,541	-	8,514	8,514
Public relations	61,632	-	61,632	55,524	-	55,524
Real estate taxes	3,644	1,214	4,858	4,214	1,404	5,618
Repairs and maintenance	19,275	6,425	25,700	14,480	4,826	19,306
Research	18,120	-	18,120	15,280	-	15,280
Salaries and wages	275,313	59,202	334,515	288,478	53,694	342,172
Taxes and benefits	63,278	13,607	76,885	59,372	11,049	70,421
Travel, trade show and information center	52,174	-	52,174	48,816	-	48,816
Utilities	6,926	2,309	9,235	4,118	1,372	5,490
TOTAL EXPENSES	<u>\$ 769,034</u>	<u>\$ 122,830</u>	<u>\$ 891,864</u>	<u>\$ 835,473</u>	<u>\$ 102,788</u>	<u>\$ 938,261</u>

The accompanying notes are an integral part of the financial statements.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

STATEMENTS OF CASH FLOWS

	<u>Year ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 189,234	\$ 55,898
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	24,513	20,489
Loss on disposal of property and equipment	723	-
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	-	946
Prepaid expenses	140	606
Accounts payable	5,642	3,289
Accrued expenses	7,634	(2,670)
Unearned revenue	33,350	11,312
	<u>261,236</u>	<u>89,870</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES		
	261,236	89,870
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(16,886)</u>	<u>(36,571)</u>
	(16,886)	(36,571)
NET CASH USED FOR INVESTING ACTIVITIES		
	(16,886)	(36,571)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on note payable - windows	-	(7,544)
Payments on mortgage payable	<u>-</u>	<u>(15,118)</u>
	-	(22,662)
NET CASH USED FOR FINANCING ACTIVITIES		
	<u>-</u>	<u>(22,662)</u>
	244,350	30,637
NET INCREASE IN CASH		
	244,350	30,637
Unrestricted cash and cash equivalents at beginning of year	<u>481,265</u>	<u>450,628</u>
	481,265	450,628
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>\$ 725,615</u>	<u>\$ 481,265</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 566</u>
	-	566
<u>NON-CASH OPERATING ACTIVITY</u>		
Donated services and merchandise	<u>\$ 6,372</u>	<u>\$ 40,074</u>
	6,372	40,074

The accompanying notes are an integral part of the financial statements.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Ontario County Four Seasons Local Development Corp. (the Organization) is a non-profit agency and was incorporated in June 1984 and organized under section 501(c)(3) of the Internal Revenue Code. The Organization is located in Canandaigua, New York and conducts business under the name "Finger Lakes Visitors Connection". Funding is primarily provided by Ontario County, located in the Finger Lakes Region of upstate New York. The Organization's purpose is to promote tourism in Ontario County.

Basis of accounting

The Organization maintains its books and records on the accrual basis of accounting.

Financial statement presentation

The Organization 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.

Unrestricted net assets: Represents all resources over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established for the Organization. The Board may designate portions of the unrestricted net assets for specific purposes, projects or investments. As of September 30, 2014 and 2013, \$236,460 and \$221,350 were restricted to use for major repairs and maintenance to its capitalized property and equipment as further described in the Reserve Policy note.

Temporarily restricted net assets: Consists of all resources currently available for use, but limited by donor imposed restrictions that expire by the passage of time or can be fulfilled or otherwise removed by actions of the Organization. The Organization had no temporarily restricted net assets at September 30, 2014 and 2013.

Permanently restricted net assets: Represents the principal amount of gifts and bequests accepted with the donor-stipulation that the principal be maintained intact in perpetuity and that only the investment income earned may be expended for general purposes. The Organization had no permanently restricted net assets at September 30, 2014 and 2013.

Cash and cash equivalents

Cash balances are maintained at financial institutions located in upstate New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2014 AND 2013

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Property and equipment

Property and equipment, including major renewals and betterments are recorded on the basis of cost.

The Organization's policy is to capitalize all expenditures for property and equipment with a cost over \$1,000. Routine maintenance and repairs are charged to operations as they are incurred. Expenditures that extend the useful life of the asset are capitalized. Upon sale or retirement, the related cost and accumulated depreciation are removed from the accounts and any related gain or loss is reflected in activities. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Estimated useful lives of property and equipment are as follows:

Building and improvements	39 Years
Furniture and equipment	5 - 7 Years
Vehicle	5 Years

Reserve policy

The Organization has established procedures or set aside funds for major repairs and maintenance to its capitalized property and equipment as per the Organization's Reserve Policy. The Organization sets aside an amount determined by the Board in a cash account classified as unrestricted and is included in unrestricted cash and cash equivalents.

In accordance with the Reserve Policy, the designated amount is \$236,460 and \$221,350 as of September 30, 2014 and 2013, respectively.

Income tax exemption

The Organization is organized as a nonprofit corporation, and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations.

The Organization files tax returns in the U.S. federal jurisdiction and in New York State. With few exceptions, as of September 30, 2014, the Organization is no longer subject to U.S. federal or state tax examinations by tax authorities for the years ended prior to September 30, 2011. The tax returns for the years ended September 30, 2011 through September 30, 2014 are still subject to potential audit by the IRS and the taxing authorities in New York State. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2014 AND 2013

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue and support recognition

The Organization receives funding from Ontario County under an annually renewable contract. Revenues are requested periodically under the terms of the contract in anticipation of expenses to be incurred. The contract amounted to \$950,678 and \$858,339 for the Ontario County period ending December 31, 2014 and 2013, respectively. Deferred revenue amounted to \$237,670 and \$214,585 at September 30, 2014 and 2013, respectively.

Restricted resources

The Organization has an informal alliance with other organizations in the surrounding counties. The multi-county funds are held and managed by the Organization for joint promotional work for tourism and are considered restricted. The majority of these funds were transferred to an unrelated not-for-profit organization during the year ended September 30, 2014.

In-kind donations

The Organization receives various in-kind donations consisting of merchandise or gift certificates as promotional materials from various businesses during the year. These items are given to various tourists in conjunction with promoting the Finger Lakes area in Ontario County. Contributions of donated non-cash assets and services are recorded at their fair market values in the period received.

Advertising, branding and marketing

The Organization expenses all advertising related costs as they are incurred.

Functional allocation of expenses

The cost of providing program services of the Organization have been summarized on a functional basis in the accompanying statement of functional expenses. Certain costs have been allocated among the program and supporting services based on certain statistics and estimates made by the Organization's management.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 at September 30, 2014 and 2013 and the reported amounts of revenues and expenses for the years then ended. Actual results could differ from those estimates.

Reclassifications

Certain 2013 amounts have been reclassified to conform with the 2014 presentation.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through December 2, 2014, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2014 AND 2013

NOTE B: PROPERTY AND EQUIPMENT

The composition of property and equipment is as follows:

	September 30,	
	2014	2013
Land	\$ 14,000	\$ 14,000
Building and improvements	320,390	316,197
Furniture and Equipment	89,165	81,280
Vehicle	30,356	30,356
	<u>453,911</u>	<u>441,833</u>
Less accumulated depreciation and amortization	144,451	124,023
	<u>\$ 309,460</u>	<u>\$ 317,810</u>

NOTE C: LINE OF CREDIT

The Organization has available a demand line of credit in the amount of \$75,000 as of September 30, 2014 and 2013 with interest at the prime rate (an effective rate of 3.25% at September 30, 2014). The line is secured by all business assets. There were no amounts outstanding on the line of credit at September 30, 2014 and 2013.

NOTE D: CONCENTRATION

The Organization receives a substantial amount of its support from state and local governments. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities. State and local government grants require fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill these conditions may result in the return of these funds to the grantors.

NOTE E: SHARED PROJECTS AND COOPERATIVE REGIONAL FUNDING

In its assigned function, the Organization acts jointly with other tourist promotion groups, such as the local Chambers of Commerce and the Finger Lakes Tourism Promotion Agencies Council. Thus, expenditures are incurred for marketing activities, matching grants and cooperative projects, some of which were reimbursed from cooperating agencies in 2013. There were no reimbursements received in 2014.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2014 AND 2013

NOTE E: SHARED PROJECTS AND COOPERATIVE REGIONAL FUNDING, Cont'd

The Organization acted as regional administrator for these funds through June 2014. At that time the funds relating to the regional programs were transferred to a new non-profit entity established to manage these funds. The Organization continues to administer small joint promotional activities with surrounding counties. As administrator, the Organization holds bank accounts under the name of the organization and expenses are paid as incurred. The accounts are restricted for the purpose of the shared costs.

The balance of the restricted bank accounts are \$8,864 and \$123,366 as of September 30, 2014 and 2013, respectively.

Only the shared portion of expenses belonging to the Organization is reported as expenses on the Statement of Activities.

NOTE F: NEW YORK STATE TOURISM MATCHING FUNDS PROGRAM

The Organization applied for and received grants from the New York State Department of Economic Development. The grants amounted to \$56,890 for 2014 and \$45,263 for 2013. Deferred revenue amounted to \$21,581 and \$11,316 at September 30, 2014 and 2013, respectively.

The grants are required to be matched by local funds in order to be received. The program is designed to promote tourism on a cooperative basis. Matching funds were provided by Ontario County and various private sectors and other local organizations. The state requires that 100% of the grant be used for approved marketing program activities.

NOTE G: RETIREMENT PLANS

The Organization sponsors a SEP (Simplified Employee Pension) plan that covers all employees who have worked for a minimum of three years for the Organization. The Organization contributes up to 5% of an employee's salary if matched by employee contribution to their 403(b). The Organization contributed \$11,929 and \$10,949 in 2014 and 2013, respectively.

The Organization also sponsors a 403(b) plan which is funded solely through employee deferrals.