

ROCKLAND ECONOMIC
DEVELOPMENT CORPORATION

INDEPENDENT AUDIT REPORT

DECEMBER 31, 2014



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Rockland Economic Development Corporation
Pearl River, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rockland Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rockland Economic Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rockland Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Rockland Economic Development Corporation'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Korn Rosenbaum LLP".

Korn Rosenbaum LLP
Pomona, NY
March 13, 2015



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rockland Economic Development Corporation
Pearl River, New York

We have audited the accompanying financial statements of Rockland Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and December 31, 2013, and the related statements of activities, changes in net position and cash flows for the years then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Rockland Economic Development Corporation's 2013 financial statements and, in our report dated March 19, 2014, we expressed an unqualified opinion on those 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 of 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 of 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 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 Rockland Economic Development Corporation as of December 31, 2014 and 2013, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of Rockland Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockland Economic Development Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Korn Rosenbaum LLP". The signature is written in a cursive, flowing style.

Korn Rosenbaum LLP

Pomona, NY

March 13, 2015

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 544,225	\$ 472,511
Cash - Westchester Rockland Revolving Loan Fund	67,555	43,251
Grants and Accounts Receivable	44,783	81,419
Loans Receivable - Westchester Rockland Revolving Loan Fund (net of allowance for doubtful accounts)	369,473	393,039
Equipment and Improvements (net of accumulated depreciation) (Note G)	<u>8,633</u>	<u>24,120</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 1,034,669</u>	 <u>\$ 1,014,340</u>
 <u>LIABILITIES</u>		
Accounts Payable	\$ 18,530	\$ 5,100
Deferred Revenue - External Marketing Fund	<u>-</u>	<u>47,875</u>
 <u>TOTAL LIABILITIES</u>	 <u>\$ 18,530</u>	 <u>\$ 52,975</u>
 <u>NET POSITION</u>		
Unrestricted	\$ 579,103	\$ 525,075
Temporarily Restricted - Westchester Rockland Revolving Loan Fund	<u>437,036</u>	<u>436,290</u>
 <u>TOTAL NET POSITION</u>	 <u>\$ 1,016,139</u>	 <u>\$ 961,365</u>
 <u>TOTAL LIABILITIES AND NET POSITION</u>	 <u>\$ 1,034,669</u>	 <u>\$ 1,014,340</u>

See accompanying notes.

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total December 31, 2013 for Comparative Purposes Only</u>
<u>Revenues and Gains:</u>				
Local Governmental Grants - County of Rockland	\$ 382,500		\$ 382,500	\$ 332,500
Local Governmental Grants - County of Orange	-	28,000	28,000	28,000
Local Governmental Grants - County of Westchester	-	64,000	64,000	34,000
Federal Grant	-	167,854	167,854	130,789
Program Services (Note J)	161,896	-	161,896	177,562
External Marketing Fund	85,500	-	85,500	-
Interest Income - Operating	23	-	23	28
Interest Income - Westchester Rockland Revolving Loan Fund	-	13,550	13,550	17,460
Industrial Development Agency Administrative Support	38,000	-	38,000	38,000
TOTAL REVENUES AND GAINS	\$ 667,919	\$ 273,404	\$ 941,323	\$ 758,339
 <u>Net Assets Released from Restriction</u>	 <u>\$ 272,658</u>	 <u>\$ (272,658)</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Salaries	 \$ 423,004	 \$ -	 \$ 423,004	 \$ 394,099
Fringe Benefits & Payroll Taxes	100,308	-	100,308	96,564
Office Supplies/Administrative Costs	10,865	-	10,865	13,490
Postage	467	-	467	535
Insurance - General, D & O	2,660	-	2,660	5,516
Telephone	8,343	-	8,343	7,050
Office Space	49,146	-	49,146	49,762
Auditing Fees	5,200	-	5,200	5,100
Payroll Fees/Bookkeeping	9,315	-	9,315	6,613
Compliance/Legal Fees	11,250	-	11,250	11,710
Association Dues	1,880	-	1,880	1,200
Publications and Subscriptions	534	-	534	1,419
Travel	9,818	-	9,818	10,130
Annual Awards Luncheon	19,745	-	19,745	18,547
PTAC Counselor	17,000	-	17,000	21,952
Advertising	1,989	-	1,989	1,762
Courses and Conferences	3,506	-	3,506	2,410
Repairs and Maintenance	-	-	-	407
Equipment Rentals/Lease (Note E)	5,727	-	5,727	5,809
Equipment Expenses	1,053	-	1,053	1,688
REDC Board of Directors	2,760	-	2,760	5,178
Softshare BID Alert	10,092	-	10,092	10,000
Information Technology	23,380	-	23,380	6,723
Forty Under Forty Program	8,717	-	8,717	15,339
Auto Allowance	6,394	-	6,394	4,680
External Marketing Fund Expenses	135,222	-	135,222	-
Community Outreach/Marketing	2,687	-	2,687	4,072
Miscellaneous	-	-	-	764
Depreciation	15,487	-	15,487	15,487
TOTAL OPERATING EXPENSES	\$ 886,549	\$ -	\$ 886,549	\$ 718,006
 Increase (Decrease) in Unrestricted Net Position	 <u>\$ 54,028</u>	 <u>\$ 746</u>	 <u>\$ 54,774</u>	 <u>\$ 40,333</u>

See accompanying notes.

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
Net Position, Beginning of Year	\$ 961,365	\$ 921,032
Increase (Decrease) in Net Position	<u>54,774</u>	<u>40,333</u>
<u>NET POSITION, END OF YEAR</u>	<u>\$ 1,016,139</u>	<u>\$ 961,365</u>

See accompanying notes.

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
<u>OPERATING ACTIVITIES</u>		
Increase in Net Assets	\$ 54,774	\$ 40,333
Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	15,487	15,487
Decrease (Increase) in Grants and Accounts Receivable	36,636	(28,215)
Increase (Decrease) in Deferred Revenue - External Marketing Fund	(47,875)	47,875
Increase (Decrease) in Accounts Payable	<u>13,430</u>	<u>(11,393)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 72,452</u>	<u>\$ 64,087</u>
<u>FINANCING ACTIVITIES</u>		
Net Activity in Loans Receivable - Westchester Rockland Revolving Loan Fund	<u>\$ 23,566</u>	<u>\$ (424)</u>
<u>NET CASH (UTILIZED) BY FINANCING ACTIVITIES</u>	<u>\$ 23,566</u>	<u>\$ (424)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of Plant, Property, & Equipment	<u>\$ -</u>	<u>\$ -</u>
<u>NET CASH UTILIZED BY INVESTING ACTIVITIES</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>\$ 96,018</u>	<u>\$ 63,663</u>
CASH - BEGINNING OF YEAR	<u>515,762</u>	<u>452,099</u>
CASH - END OF YEAR	<u>\$ 611,780</u>	<u>\$ 515,762</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION:</u>		
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The books of the Rockland Economic Development Corporation (REDC) are maintained on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.
2. Fixed assets are recorded in the Equipment Fund and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.
3. For purposes of the statement of cash flows, the REDC considers all highly liquid short-term investments with an original maturity of twelve months or less to be cash equivalents.

NOTE B NATURE OF ORGANIZATION

The Rockland Economic Development Corporation (REDC) was formed as a nonprofit organization in 1987 to provide the guidance and support necessary for the development of the County of Rockland's economy. The REDC focuses on attracting new businesses to the County and retaining existing area companies.

NOTE C INCOME TAXES

The REDC is exempt from Federal income taxes under the provision of Section 501 (c)(3) of the Internal Revenue Code on its exempt function income. Federal taxes are required to be paid on the organization's unrelated business income of mailing list sales and certain advertising revenues.

NOTE D EMPLOYEE BENEFIT PLANS

The REDC has a noncontributory unqualified simplified employee pension plan (SEP) covering all employees who have met the minimum requirements for inclusion. The annual contribution was 10% percent of covered compensation. Total pension costs for years ended December 31, 2014 and 2013 were \$32,907 and \$34,631 respectively. This SEP is a defined contribution plan at management's discretion, not a defined benefit plan.

The organization maintains a cafeteria plan under IRC Section 125 covering the employees' share of health insurance premiums.

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE E LEASE OBLIGATIONS

Operating Lease

In November, 2013, the organization entered into a 60 month lease for the rental of a digital printer/copier. Monthly payments equal \$319.00 and the future minimum rental commitment of this lease is \$14,993.

NOTE F SUMMARIZED FINANCIAL INFORMATION FOR 2013

The financial information for the year ended December 31, 2013 presented for comparative purposes is not intended to be a complete financial statement presentation.

NOTE G EQUIPMENT FUND

Expenditures for equipment and improvements are stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation.

Plant Fund assets are summarized as follows:

	<u>2014</u>	<u>2013</u>
Computer Equipment and Furniture	\$ 96,217	\$ 96,217
Leasehold Improvements	<u>13,340</u>	<u>13,340</u>
	\$ 109,557	\$ 109,557
Less: Accumulated Depreciation	<u>100,924</u>	<u>85,437</u>
	<u>\$ 8,633</u>	<u>\$ 24,120</u>

NOTE H ADVERTISING

The organization markets its services through advertisements in trade publications.

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE I CASH

The REDC maintained the following interest bearing cash balances at December 31:

	<u>2014</u>	<u>2013</u>
Money Market/Savings Accounts	\$ 16,307	\$ 16,284
General Checking	<u>527,918</u>	<u>456,227</u>
	<u>\$ 544,225</u>	<u>\$ 472,511</u>

NOTE J PROGRAM SERVICES

The REDC's program services consist of an annual conference for which advertising revenue and registration fees are collected. The REDC currently receives an administrative fee for administration of an escrow fund and also receives revenue through sales of manufacturing and service industry mailing lists. The revenue earned from these services was as follows:

	<u>2014</u>	<u>2013</u>
Annual Conference/Luncheon	\$ 142,745	\$148,275
Forty Under Forty Program	15,085	19,220
Escrow Administration	<u>4,066</u>	<u>10,067</u>
	<u>\$ 161,896</u>	<u>\$177,562</u>

NOTE K WESTCHESTER ROCKLAND REVOLVING LOAN FUND

The Westchester Rockland Revolving Loan Fund (WRRLF) is a loan program administered by the REDC and the Westchester County Association (WCA). This lending program was implemented to promote small business growth and economic development in Rockland County and Westchester County. The program is designed to assist companies located in either Rockland or Westchester that do not qualify for conventional financing. Funds may be used for working capital, inventory, leasehold improvements to owner-occupied real estate, equipment or mezzanine financing. The use of these funds must result in the retention and/or creation of jobs in Rockland County or Westchester County. This program was established with a grant from the Empire State Development Corporation. REDC services these loans and acts as a conduit for the disbursement of the loan proceeds and for the repayment of the principal and interest.

ROCKLAND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE L CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the organization to concentrations of credit risk consist primarily of cash and cash equivalents. The organization's cash and cash equivalents are maintained in several major financial institutions. In certain instances, the organization's balance exceeds the maximum balance insured by FDIC. However, all financial institutions utilized by REDC are federally rated, as well capitalized, and the risk of loss of capital is assessed as low.