

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

CANANDAIGUA, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2015 AND 2014



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9

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 statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mengel, Metzger, Barw & Co. LLP

Canandaigua, New York
December 9, 2015

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	September 30,	
	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Unrestricted cash and cash equivalents	\$ 753,389	\$ 725,615
Prepaid expenses	<u>7,268</u>	<u>7,746</u>
TOTAL CURRENT ASSETS	760,657	733,361
<u>PROPERTY AND EQUIPMENT, NET</u>	332,924	309,460
<u>OTHER ASSETS</u>		
Restricted cash and cash equivalents	<u>4,485</u>	<u>8,864</u>
TOTAL ASSETS	<u>\$ 1,098,066</u>	<u>\$ 1,051,685</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 12,437	\$ 21,230
Accrued expenses	30,334	23,780
Unearned revenue	<u>222,938</u>	<u>259,251</u>
TOTAL CURRENT LIABILITIES	265,709	304,261
<u>OTHER LIABILITIES</u>		
Cooperative regional programs	4,485	8,864
<u>NET ASSETS</u>		
Unrestricted - Undesignated	597,036	502,100
Unrestricted - Board designated	<u>230,836</u>	<u>236,460</u>
TOTAL UNRESTRICTED NET ASSETS	<u>827,872</u>	<u>738,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,098,066</u>	<u>\$ 1,051,685</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>2015</u>	<u>2014</u>
<u>SUPPORT AND REVENUE:</u>		
County contract	\$ 899,734	\$ 927,593
NYS matching fund grants	80,760	46,625
Other grants	-	38,500
Program service fees	44,271	57,842
Donated services and merchandise	39,044	6,372
Interest income	442	391
Other revenue	<u>2,855</u>	<u>3,775</u>
TOTAL SUPPORT AND REVENUE	1,067,106	1,081,098
 <u>EXPENSES</u>		
Program services	845,513	769,034
Administrative and general	<u>132,281</u>	<u>122,830</u>
TOTAL EXPENSES	<u>977,794</u>	<u>891,864</u>
CHANGE IN NET ASSETS	89,312	189,234
Net assets at beginning of year	<u>738,560</u>	<u>549,326</u>
NET ASSETS AT END OF YEAR	<u>\$ 827,872</u>	<u>\$ 738,560</u>

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

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended September 30, 2015			Year ended September 30, 2014		
	Program Services	Administrative and General	Total	Program Services	Administrative and General	Total
Bank charges	\$ -	\$ 51	\$ 51	\$ -	\$ 197	\$ 197
Communications	6,748	2,249	8,997	7,044	1,761	8,805
Depreciation	18,599	6,199	24,798	18,385	6,128	24,513
Dues, fees and subscriptions	10,380	678	11,058	15,391	575	15,966
Insurance	3,858	3,707	7,565	4,193	4,029	8,222
Mailing	7,297	-	7,297	7,503	-	7,503
Marketing:						
Advertising and branding	167,114	-	167,114	94,617	-	94,617
Audio/visual production	7,825	-	7,825	3,392	-	3,392
Brochures	36,861	-	36,861	66,175	-	66,175
Websites	23,070	-	23,070	33,502	-	33,502
Miscellaneous	-	1,421	1,421	-	4,492	4,492
Non-cash donation expense	39,044	-	39,044	6,372	-	6,372
Office supplies	5,027	1,392	6,419	6,932	4,621	11,553
Professional development	2,130	5,493	7,623	5,166	4,729	9,895
Professional services	-	15,858	15,858	-	13,541	13,541
Public relations	60,452	-	60,452	61,632	-	61,632
Real estate taxes	4,425	1,475	5,900	3,644	1,214	4,858
Repairs and maintenance	19,250	4,153	23,403	19,275	6,425	25,700
Research	28,276	-	28,276	18,120	-	18,120
Salaries and wages	295,772	66,957	362,729	275,313	59,202	334,515
Taxes and benefits	58,717	19,572	78,289	63,278	13,607	76,885
Travel, trade show and information center	45,101	1,220	46,321	52,174	-	52,174
Utilities	5,567	1,856	7,423	6,926	2,309	9,235
TOTAL EXPENSES	\$ 845,513	\$ 132,281	\$ 977,794	\$ 769,034	\$ 122,830	\$ 891,864

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>2015</u>	<u>2014</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 89,312	\$ 189,234
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	24,798	24,513
Loss on disposal of property and equipment	-	723
Changes in certain assets and liabilities affecting operations:		
Prepaid expenses	478	140
Accounts payable	(8,793)	5,642
Accrued expenses	6,554	7,634
Unearned revenue	(36,313)	33,350
NET CASH PROVIDED FROM OPERATING ACTIVITIES	76,036	261,236
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(48,262)	(16,886)
NET CASH USED FOR INVESTING ACTIVITIES	(48,262)	(16,886)
NET INCREASE IN CASH	27,774	244,350
Unrestricted cash and cash equivalents at beginning of year	725,615	481,265
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 753,389</u>	<u>\$ 725,615</u>
<u>NON-CASH OPERATING ACTIVITY</u>		
Donated services and merchandise	<u>\$ 39,044</u>	<u>\$ 6,372</u>

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

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

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, 2015 and 2014, \$230,836 and \$236,460 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, 2015 and 2014.

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, 2015 and 2014.

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, 2015 AND 2014

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
Website	3 Years

Reserve policy

The Organization has established procedures or set aside funds for major repairs and maintenance to its capitalized property and equipment in accordance with 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 \$230,836 and \$236,460 as of September 30, 2015 and 2014, 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, 2015, 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, 2012. The tax returns for the years ended September 30, 2012 through September 30, 2015 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, 2015 AND 2014

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 \$882,752 and \$950,678 for the Ontario County period ending December 31, 2015 and 2014, respectively. Revenue recognized during the years ended September 30, 2015 and 2014 is \$899,734 and \$927,593, respectively. Deferred revenue amounted to \$220,688 and \$237,670 at September 30, 2015 and 2014, respectively.

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. Advertising costs for the years ended September 30, 2015 and 2014 amounted to approximately \$167,100 and \$94,600, respectively.

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, 2015 and 2014 and the reported amounts of revenues and expenses for the years then ended. Actual results could differ from those estimates.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through December 9, 2015, 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, 2015 AND 2014

NOTE B: PROPERTY AND EQUIPMENT

The composition of property and equipment is as follows:

	September 30,	
	2015	2014
Land	\$ 14,000	\$ 14,000
Building and improvements	326,608	320,390
Furniture and equipment	99,734	89,165
Vehicle	30,356	30,356
Website development	<u>31,475</u>	<u>-</u>
	502,173	453,911
Less accumulated depreciation and amortization	<u>169,249</u>	<u>144,451</u>
	<u>\$ 332,924</u>	<u>\$ 309,460</u>

At September 30, 2015, approximately \$31,500 is included in website development which relates to costs incurred in developing a new website which is projected to launch in the spring of 2016. No provision for amortization is made on website development costs until such time as the relevant asset is completed and put into use. As of September 30, 2015, the Organization has commitments of approximately \$22,000 of remaining one-time development fee costs related to the website contract. Along with this commitment, there are also annual fees that are anticipated to begin during the spring of 2016 and will be paid quarterly at \$10,500 in accordance with a contract through June 2018.

NOTE C: LINE OF CREDIT

The Organization has available a demand line of credit in the amount of \$75,000 as of September 30, 2015 and 2014 with interest at the prime rate (an effective rate of 3.25% at September 30, 2015). The line is secured by all business assets. There were no amounts outstanding on the line of credit at September 30, 2015 and 2014.

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.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2015 AND 2014

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 are reimbursed from cooperating agencies. There were no reimbursements received in 2015 or 2014.

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 \$4,485 and \$8,864 as of September 30, 2015 and 2014, respectively.

Only the shared portion of expenses belonging to the Organization are 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 \$59,153 for 2015 and \$56,890 for 2014. There was no deferred revenue related to the grant at September 30, 2015. Deferred revenue amounted to \$21,581 at September 30, 2014. Revenue recognized during the years ended September 30, 2015 and 2014 is \$80,760 and \$46,625, 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. Effective during April 2015, the Organization reduced the minimum requirement to one year of service to be eligible for the SEP plan. The Organization contributes up to 5% of an employee's salary if matched by employee contribution to their 403(b). The Organization contributed \$12,586 and \$11,929 in 2015 and 2014, respectively.

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