

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

CANANDAIGUA, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2017 AND 2016



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, 2017 and 2016, 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 audits 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, 2017 and 2016, 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, Baw & Co. LLP

Canandaigua, New York
December 6, 2017

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Unrestricted cash and cash equivalents	\$ 770,199	\$ 932,712
Accounts receivable	57,360	1,050
Prepaid expenses	<u>10,406</u>	<u>10,520</u>
TOTAL CURRENT ASSETS	837,965	944,282
<u>PROPERTY AND EQUIPMENT, NET</u>	349,967	342,423
<u>OTHER ASSETS</u>		
Restricted cash and cash equivalents	<u>3,783</u>	<u>3,902</u>
TOTAL ASSETS	<u>\$ 1,191,715</u>	<u>\$ 1,290,607</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 7,953	\$ 2,857
Accrued expenses	20,594	21,580
Unearned revenue	<u>-</u>	<u>247,443</u>
TOTAL CURRENT LIABILITIES	28,547	271,880
<u>OTHER LIABILITIES</u>		
Cooperative regional programs	3,783	3,902
<u>NET ASSETS</u>		
Unrestricted - Undesignated	681,094	537,023
Unrestricted - Board designated	<u>478,291</u>	<u>477,802</u>
TOTAL UNRESTRICTED NET ASSETS	<u>1,159,385</u>	<u>1,014,825</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,191,715</u>	<u>\$ 1,290,607</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>2017</u>	<u>2016</u>
<u>SUPPORT AND REVENUE:</u>		
County contract	\$ 1,002,034	\$ 963,018
NYS matching fund grants	62,682	66,148
Program service fees	7,393	30,591
Donated services and merchandise	20,652	9,835
Other grants	21,000	-
Interest income	743	713
Other revenue	<u>-</u>	<u>302</u>
TOTAL SUPPORT AND REVENUE	1,114,504	1,070,607
 <u>EXPENSES</u>		
Program services	826,192	744,783
Administrative and general	<u>143,752</u>	<u>138,871</u>
TOTAL EXPENSES	<u>969,944</u>	<u>883,654</u>
CHANGE IN NET ASSETS	144,560	186,953
Net assets at beginning of year	<u>1,014,825</u>	<u>827,872</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,159,385</u>	<u>\$ 1,014,825</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, 2017			Year ended September 30, 2016		
	Program Services	Administrative and General	Total	Program Services	Administrative and General	Total
Salaries and wages	\$ 261,503	\$ 68,550	\$ 330,053	\$ 307,288	\$ 71,942	\$ 379,230
Taxes and benefits	67,539	17,659	85,198	72,903	16,439	89,342
Marketing:						
Advertising and branding	179,724	-	179,724	87,116	1,773	88,889
Brochures	94,296	-	94,296	70,129	-	70,129
Mailing	10,926	-	10,926	11,939	-	11,939
Travel, trade show and information center	16,593	943	17,536	25,528	1,347	26,875
Websites	39,342	-	39,342	39,436	-	39,436
Audio/visual production	11,643	-	11,643	11,903	-	11,903
Research	4,080	-	4,080	4,711	-	4,711
Public Relations	30,762	3,233	33,995	16,241	769	17,010
Brand development/strategic plan	11	-	11	8,097	-	8,097
Professional development	4,697	1,566	6,263	1,703	-	1,703
Professional services	2,152	19,377	21,529	5,025	22,338	27,363
Dues, fees and subscriptions	3,046	1,015	4,061	5,555	-	5,555
Non-cash donation expense	5,652	-	5,652	5,245	-	5,245
Insurance	6,373	2,125	8,498	6,058	2,019	8,077
Office expenses	4,003	1,335	5,338	5,398	2,076	7,474
Telephone and internet	8,605	2,868	11,473	6,303	2,101	8,404
Repairs and maintenance	30,831	10,278	41,109	19,939	6,646	26,585
Real estate taxes	5,434	1,811	7,245	4,680	1,560	6,240
Utilities	5,225	1,741	6,966	4,171	1,390	5,561
Depreciation	33,755	11,251	45,006	25,415	8,471	33,886
TOTAL EXPENSES	\$ 826,192	\$ 143,752	\$ 969,944	\$ 744,783	\$ 138,871	\$ 883,654

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>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 144,560	\$ 186,953
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation	45,006	33,886
Donated equipment	(15,000)	(4,590)
Loss on fixed asset disposals	704	-
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(56,310)	(1,050)
Prepaid expenses	114	(3,252)
Accounts payable	5,096	(9,580)
Accrued expenses	(986)	(8,754)
Unearned revenue	(247,443)	24,505
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(124,259)	218,118
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(38,254)	(38,795)
NET CASH USED FOR INVESTING ACTIVITIES	(38,254)	(38,795)
NET (DECREASE) INCREASE IN CASH	(162,513)	179,323
Unrestricted cash and cash equivalents at beginning of year	932,712	753,389
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 770,199</u>	<u>\$ 932,712</u>
<u>NON-CASH OPERATING ACTIVITY</u>		
Donated services and merchandise	<u>\$ 5,652</u>	<u>\$ 5,245</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITY</u>		
Donated equipment	<u>\$ 15,000</u>	<u>\$ 4,590</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, 2017 AND 2016

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, 2017 and 2016, \$478,291 and \$477,802 were restricted to use for emergency purposes and 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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 AND 2016

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 if purchased or at fair value at the date of the gift, if donated.

The Organization's policy is to capitalize all expenditures for property and equipment with a cost over \$2,500. 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 emergency operating purposes as well as major repairs and maintenance to its capitalized property and equipment in accordance with the Organization's Reserve Policy. The Organization sets aside amounts determined by the Board in cash accounts classified as unrestricted and included in unrestricted cash and cash equivalents.

In accordance with the Reserve Policy, the amount designated for emergency purposes is \$352,707 and \$352,531 as of September 30, 2017 and 2016, respectively. The amount designated for major repairs and maintenance to its capitalized property and equipment is \$125,584 and \$125,271 as of September 30, 2017 and 2016, 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 Form 990 tax returns in the U.S. federal jurisdiction and in New York State.

With few exceptions, as of September 30, 2017, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended prior to 2014. The tax returns for years ended September 30, 2014 through September 30, 2017 are still subject to potential audit by the IRS and taxing authorities in New York State. Management of the Organization believes they have no material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2017 AND 2016

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 \$1,006,121 and \$989,774 for the Ontario County period ending December 31, 2017 and 2016, respectively. Revenue recognized during the years ended September 30, 2017 and 2016 is \$1,002,034 and \$963,018, respectively. Deferred revenue amounted to \$247,443 as of September 30, 2016. Accounts receivable amounted to \$57,360 as of September 30, 2017.

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, 2017 and 2016 amounted to approximately \$179,700 and \$88,900, 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, 2017 and 2016 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 6, 2017, 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, 2017 AND 2016

NOTE B: PROPERTY AND EQUIPMENT

The composition of property and equipment is as follows:

	September 30,	
	2017	2016
Land	\$ 14,000	\$ 14,000
Building and improvements	347,263	333,838
Furniture and equipment	84,690	108,914
Vehicle	35,707	30,356
Website development	58,450	58,450
	<u>540,110</u>	<u>545,558</u>
Less accumulated depreciation and amortization	190,143	203,135
	<u>\$ 349,967</u>	<u>\$ 342,423</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, 2017 and 2016 with interest at the prime rate (an effective rate of 4.25% at September 30, 2017). The line is secured by all business assets. There were no amounts outstanding on the line of credit at September 30, 2017 and 2016.

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, 2017 AND 2016

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 2017 or 2016.

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 \$3,783 and \$3,902 as of September 30, 2017 and 2016, 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 \$62,682 for 2017 and \$66,148 for 2016. There was no deferred revenue related to the grant at September 30, 2017 or September 30, 2016. Revenue recognized during the years ended September 30, 2017 and 2016 is \$62,682 and \$66,148, 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 sponsored a SEP (Simplified Employee Pension) plan that covered 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 contributed up to 5% of an employee's salary if matched by the employee contribution to their 403(b). The Organization contributed \$8,027 and \$12,839 to the SEP plan in 2017 and 2016, respectively.

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

Effective May 1, 2017, the Board of Directors replaced the Organization's SEP and 403(b) plans with a defined contribution 401(k) plan for eligible participants. The Plan allows eligible participants to make voluntary contributions of compensation subject to Internal Revenue Code limitations. The Organization contributes up to 5% of an employee's salary if matched by the employee contribution to their 401(k). The Organization contributed \$5,824 to the 401(k) plan for the year ended September 30, 2017.

ONTARIO COUNTY FOUR SEASONS LOCAL DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2017 AND 2016

NOTE H: COMMITMENTS

The Organization has entered into a website consulting, content management solutions and customer relationship management agreement at a quarterly cost of \$10,500 through June 2018.

The future minimum payments on this agreement are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2018	<u>\$ 31,500</u>