

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2010**

# DUNKIRK LOCAL DEVELOPMENT CORPORATION

## TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



JOHNSON, MACKOWIAK  
AND ASSOCIATES, LLP  
Certified Public Accountants & Consultants

70 East Main Street / Fredonia, New York 14063 / 716-672-4770 / Fax 716-679-1512

## INDEPENDENT AUDITOR'S REPORT

July 23, 2011

Dunkirk Local Development Corporation  
City Hall  
Dunkirk, New York 14048

We have audited the accompanying statement of financial position of the Dunkirk Local Development Corporation (a nonprofit organization) as of December 31, 2010, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Dunkirk Local Development Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dunkirk Local Development Corporation, as of December 31, 2010 and the changes in its nets assets and its cash flows for the year then ended in conformity with accounting principles accepted in the United States of America.

*Stephen Mackowiak & Associates, LLP*

JOHNSON, MACKOWIAK AND ASSOCIATES, LLP

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2010**

ASSETS

**CURRENT ASSETS**

Cash and cash equivalents	\$ 10,399
Restricted cash	170
Current portion of loans receivable	86,328
Total current assets	<u>96,897</u>

**OTHER ASSETS**

Loans receivable, non-current	584,173
Investment property - Flickenger Building	50,990
Investment property - Bertges Building	636,425
Investment property - Other	16,000
Forfeited assets	<u>31,613</u>
Total other assets	<u>1,319,201</u>

**TOTAL ASSETS**

**\$ 1,416,098**

LIABILITIES AND NET ASSETS

**CURRENT LIABILITIES**

Accounts payable	\$ 47,600
Accrued interest	4,469
Current portion of long-term debt	<u>50,000</u>
Total current liabilities	102,069

**LONG-TERM DEBT, net of current portion**

Total liabilities	<u>225,000</u>
	<u>327,069</u>

**NET ASSETS**

Unrestricted	1,088,859
Temporarily restricted	170
Permanently restricted	<u>-</u>

**TOTAL NET ASSETS**

1,089,029

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 1,416,098**

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

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
City of Dunkirk - CDBG	\$ -	\$ 458,835	\$ -	\$ 458,835
Donations	16,350	-	-	16,350
Interest and earnings	25,355	-	-	25,355
Administrative fees	845	-	-	845
Rental income	11,785	-	-	11,785
Festival sponsorships and donations	76,789	-	-	76,789
Miscellaneous income	1,500	-	-	1,500
Miscellaneous City reimbursements	29,180	-	-	29,180
Net assets released from restrictions	494,257	(494,257)	-	-
Total revenues, gains, and other support	<u>656,061</u>	<u>(35,422)</u>	<u>-</u>	<u>620,639</u>
<b>EXPENSES - PROGRAM SERVICES</b>				
DLDC Program	151,291	-	-	151,291
Festivals Program	82,327	-	-	82,327
Total expenses	<u>233,618</u>	<u>-</u>	<u>-</u>	<u>233,618</u>
<b>CHANGE IN NET ASSETS</b>	422,443	(35,422)	-	387,021
<b>NET ASSETS, beginning of year</b>	<u>666,416</u>	<u>35,592</u>	<u>-</u>	<u>702,008</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,088,859</u>	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ 1,089,029</u>

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

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2010**

	DLDC Program	Festivals Program	Total
<b>EXPENSES</b>			
Grants	\$ 8,687	\$ -	\$ 8,687
Advertising	-	26,087	26,087
Office expenses	21,856	-	21,856
Maintenance and supplies	40,631	-	40,631
Utilities	3,945	-	3,945
Legal and professional	39,617	-	39,617
Rent expense	11,919	-	11,919
Festivals and entertainment	-	56,240	56,240
Insurance expense	3,282	-	3,282
Interest expense	4,641	-	4,641
Real estate taxes	16,713	-	16,713
Total functional expenses	<u>\$ 151,291</u>	<u>\$ 82,327</u>	<u>\$ 233,618</u>

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

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Grants and donations received	\$ 475,185
Receipts from customers	120,099
Payments to suppliers	(229,149)
Net cash provided by operating activities	<u>366,135</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	25,355
Issuance of new loans	(150,500)
Repayment of loans	61,514
Purchase of investment property	(652,425)
Net cash used by investing activities	<u>(716,056)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Issuance of investment property debt	400,000
Payment of investment property debt	(125,000)
Net cash provided by financing activities	<u>275,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(74,921)
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>85,490</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u><u>\$ 10,569</u></u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 387,021
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Interest income	(25,355)
Change in assets and liabilities:	
Accrued interest	<u>4,469</u>
Net cash used by operating activities	<u><u>\$ 366,135</u></u>

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

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES** - The Dunkirk Local Development Corporation ("DLDC") is a special purpose, local development corporation organized by the City of Dunkirk (the "City") under the Not-For-Profit Corporation Law of the State of New York. The DLDC is a nonstock membership entity governed by a board of directors, consisting of various community members and ex - officio members of the City of Dunkirk.

The DLDC was created to purchase, lease, sublease, own, hold, sell, assign, or pledge various real property throughout the City of Dunkirk. Additionally, the DLDC has been authorized to offer low interest loans to small businesses to help spur economic development throughout the City.

**BASIS OF ACCOUNTING** - The financial statements of the Dunkirk Local Development Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**BASIS OF PRESENTATION** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of FASB ASC 958-210 (formerly Financial Accounting Standards (SFAS) No. 117), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210, the Corporation is required to report 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 which are described as follows:

**PERMANENTLY RESTRICTED NET ASSETS** - Contributions and other inflows of assets whose use by the DLDC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Corporation.

**TEMPORARILY RESTRICTED NET ASSETS** - Contributions and other inflows of assets whose use by the DLDC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the DLDC pursuant to those stipulations.

**UNRESTRICTED NET ASSETS** - Neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**CASH AND CASH EQUIVALENTS** - For purposes of the statement of cash flows, the DLDC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**USE OF ESTIMATES** - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates and those differences could be significant.



**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**  
**(Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**DONATED PROPERTY AND EQUIPMENT** - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the DLDC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The DLDC reclassifies temporarily restricted net assets to unrestricted net assets at that time. In 2010 three properties were acquired by the DLDC from the County of Chautauque, New York.

**DONATED SERVICES** - No amounts have been reflected in the financial statements for donated services. The DLDC pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the DLDC with specific assistance programs, campaign solicitations and various committee assignments.

**EXPENSE ALLOCATION** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**FUND ACCOUNTING** - The accounts of the DLDC are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each program described as follows:

**DLDC PROGRAM** - This program is used for the general operations of the DLDC. Major operating revenues include interest income on outstanding loans and administrative fees for managing these loans. Legal and professional expenses and rental expenses are the major operating costs of this program.

**FESTIVALS PROGRAM** - This program is used for promoting economic development and providing entertainment to the citizens of the City of Dunkirk. Major operating revenues include donations from various local companies while entertainment costs are the major operating costs of this program.

**INCOME TAX STATUS** - The DLDC is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and from New York State taxes under , and therefore is not subject to income taxes.

The DLDC adopted the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48) *Accounting for Uncertainty in Income Taxes*, on January 1, 2008. There was no impact on the DLDC's financial statements as a result of the implementation of FASB ASC 740-10.

Any penalties and interest associated with uncertain tax positions would be included as part of any income tax provision. For 2010, there were no penalties and interest recognized related to uncertain tax positions.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The DLDC files exempt organization returns with the U.S. federal and New York State tax jurisdictions. The DLDC's returns prior to 2008 are closed.

**PROPERTY AND EQUIPMENT** - Furnishings and equipment acquired by the DLDC are stated at cost. Depreciation is computed using the straight-line method over the useful lives of the respective assets. Estimated useful lives are as follows:

Equipment	5 - 10 years
Furnishings	7 years
Leasehold improvements	5 - 39 years

**RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**NOTE 2 - LOANS RECEIVABLE**

Loans receivable at December 31, 2010 are as follows:

Envirotekknix	\$ 47,698
Lightning Circuits International, Inc.	31,851
Demetri's on the Lake	64,360
Dunkirk Metal Products, Inc.	97,562
SUNY Fredonia Incubator	6,000
Sound Chaser Systems	8,566
G&E Tents	20,340
Chautauqua Woods	13,815
Peyin's Deli	6,334
Lakeshore Grillworks	10,885
Chautauqua Health and Fitness	35,239
Rookies Sports Bar	6,058
Clarion Hotel	175,000
Old Sarge's Drop Zone	10,795
Rem-tronics, Inc.	125,000
Subtotal	659,503
Plus: accrued interest	10,998
Less: current portion	(86,328)
Total loans receivable, net	<u>\$ 584,173</u>

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**  
**(Continued)**

---

**NOTE 2 - LOANS RECEIVABLE, continued**

The DLDC currently has an agreement with Sound Chaser Systems to pay off its existing debt. Terms of this agreement state that the Sound Chasers will pay \$500 per month with all the payment being applied to principal until the loan is paid off.

During 2007 the Dunkirk Local Development Corporation issued a loan to the SUNY Fredonia Incubator Project. This loan is a five year \$6,000 loan with a nominal annual interest rate of 5%. Terms of this loan state that if its new building is occupied for 18 months the loan will then become a grant. As of December 31, 2009 this loan has accrued \$749 of interest resulting in a total balance outstanding of \$6,749.

During 2009, a loan to the G.F. Management (the "Clarion Hotel") was issued by the DLDC. This is a \$175,000 three year loan with a nominal interest rate of 4.5%. Terms of this loan state that if the hotel creates ten jobs after three years, \$50,000 will be deducted from the outstanding balance. As of December 31, 2009 this loan has accrued \$1,671 of interest resulting in a total balance outstanding of \$176,671.

A loan to Rem-tronics, Inc. was issued in 2010 by the DLDC. This loan is a \$125,000 three year loan with a nominal interest rate of 4.5%. Terms of this loan state that if 5 jobs are created within three years, the loan will become a grant. As of December 31, 2010 this loan has accrued \$167 of interest resulting in a total balance outstanding of \$125,167.

**NOTE 3 - INVESTMENT IN LIMITED LIABILITY COMPANY**

The DLDC has an interest in the Washington Avenue Revitalization Company, LLC. This company was established in 2009 to rehabilitate certain commercial real estate (the "Flickenger Building") in the City of Dunkirk. The DLDC has a 100% ownership interest in the Washington Avenue Revitalization Company, LLC and records net income or loss from this investment in accordance with its ownership interest. Future earnings will be included in the activity of DLDC.

The DLDC also has an interest in the DLDC Real Property, LLC. This company was established in 2010 to rehabilitate certain commercial real estate in the City of Dunkirk. The DLDC has a 100% ownership interest in the DLDC Real Property, LLC and records net income or loss from this investment in accordance with its ownership interest. Future earnings will be included in the activity of DLDC.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**  
(Continued)

**NOTE 3 - INVESTMENT IN LIMITED LIABILITY COMPANY, continued**

The following is a summary of selected financial information from the accounts of the LLC:

	<u>2010</u>
<b>Washington Avenue Revitalization Company, LLC</b>	
Assets (100%)	\$ 50,990
Debt (100%)	-
Members' equity (100%)	<u>\$ 50,990</u>
Revenue (100%)	<u>\$ -</u>
Net income (100%)	<u>\$ -</u>
Company share of net income (100%)	<u>\$ -</u>
<b>DLDC Real Property, LLC</b>	
Assets (100%)	\$ 652,425
Debt (100%)	<u>279,469</u>
Members' equity (100%)	<u>\$ 372,956</u>
Revenue (100%)	<u>\$ -</u>
Net income (100%)	<u>\$ -</u>
Company share of net income (100%)	<u>\$ -</u>

**NOTE 4 - LONG-TERM DEBT**

Long-term debt at December 31, 2010 consisted of the following:

	<u>2010</u>
Note payable to Bertges Family Limited Partnership. Payments are due annually. Interest is accrued annually at various rates and is due with last payment. The note is secured by commercial property in Dunkirk, New York. Final payment is due September 2015.	\$ 275,000
Less current maturities	<u>50,000</u>
<b>TOTAL LONG-TERM DEBT</b>	<u><u>\$ 225,000</u></u>

DUNKIRK LOCAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

**NOTE 4 - LONG-TERM DEBT, continued**

The following payments must be made in the next five years:

Year ended December 31,	
2011	\$ 50,000
2012	50,000
2013	50,000
2014	50,000
2015	75,000
	<u>\$ 275,000</u>

**NOTE 5 - CONTINGENCIES**

**A. Litigation**

The DLDC is party to various legal proceedings which normally occur in governmental operations. The DLDC believes that its ultimate liability, if any, in connection with these matters, will not have a material effect on the DLDC's financial condition or results of

**B. Lease Commitments and Leased Assets**

The DLDC entered a lease agreement for office space with Palmer Bryant Realty in April of 2008. Terms of this agreement state that rent will increase annually throughout the term of the lease. Total rental expense for the year ending December 31, 2010 was \$11,919.

The minimum future non-cancelable operating lease payments are as follows:

Year ending, December 31,	
2011	\$ 11,993
2012	11,993
2013	3,997

A portion of the above lease is reimbursed by the Chautauqua County Industrial Development Agency, Inc. and the Dunkirk Sheridan Empire Zone who both share office space with the DLDC.

**C. Environmental Remediation**

The DLDC's policy is not to take possession or ownership of properties with potential or known pollutions remediation issues. The DLDC currently does not have any properties with pollution remediation obligations where the DLDC retains ownership rights that have either been remediated or have grant funding in place to be remediated. Any potential future environmental remediation is considered to be de minimus to the DLDC.

#### NOTE 6 - SUBSEQUENT EVENTS

Management of the DLDC has reviewed events and transactions that occurred between January 1, 2001 and July 23, 2011, which is the date the financial statements were available to be issued for the purpose of determining whether there were any events or transactions that might require disclosure in these financial statements. No such events or transactions were noted.