

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2015

**TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION
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CHARALAMBOS HADJIOANNOU

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Town of Waterford Capital Resource Corporation
Waterford, New York

Report on the Financial Statements

I have audited the accompanying financial statements of Town of Waterford Capital Resource Corporation (TWCRC) (a non-profit corporation) which comprise the statement of financial position as of December 31, 2015 and the related statements of activities 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TWCRC as of December 31, 2015 and the respective changes in activities and 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, I have also issued my report dated July 29, 2016 on my consideration of the TWCRC's internal control over financial reporting and on my tests of its compliance with certain provisions of the laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering TWCRC's internal control over financial reporting and compliance.



C. Hadjoannou, CPA
Castleton, New York
July 29, 2016

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Assets

Cash	\$ 294,416
Prepaid Expenses	2,943
Loans Receivable, net	355,128
Property Held for Sale	104,603
	<u>\$ 757,090</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 4,091
Unrestricted Net Assets	752,999
	<u>\$ 757,090</u>

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues:

Interest Income	<u>\$ 17,403</u>
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Expenses:

Professional Fees	12,558
Insurance	2,065
Community Events	15,000
Property Related Write Down	30,600
Maintenance and Other	<u>4,281</u>
	<u>64,504</u>

Change in Net Assets	(47,101)
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Net Assets, Beginning of Year	<u>800,100</u>
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Net Assets, End of Year	<u><u>\$ 752,999</u></u>
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TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities:

Change in Net Assets	\$ (47,101)
Increase in Prepaid Expenses	(2,943)
Increase in Accounts Payable	<u>3,641</u>
Net Decrease in Cash from Operating Activities	<u>(46,403)</u>

Cash Flows from Investing Activities:

Loan Repayments	92,198
New Loan issued	<u>(125,000)</u>
Net Decrease from Financing and Investing Activities	<u>(32,802)</u>
Net Decrease in Cash	(79,205)
Cash, Beginning of Year	<u>373,621</u>
Cash, End of Year	<u><u>\$ 294,416</u></u>

Supplemental Schedule of Non Cash Investing Activities

Transfer of Mortgaged Property	<u><u>\$ 104,603</u></u>
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TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Town of Waterford Capital Resource Corporation (TWCRC) was formed in October 2013 as a not-for-profit local development corporation. TWCRC is a public instrumentality of, but separate and apart from, Town of Waterford, governed by five directors. The Town of Waterford Industrial Development Agency (IDA) transferred cash and loans receivable in the amount of \$805,695 on April 1, 2014. TWCRC's purpose is to promote community and economic development and the creation and maintenance of job opportunities in the Town by developing and providing programs for non-profit and commercial organizations to access low interest tax-exempt and non-tax-exempt financing.

Basis of Accounting and Reporting

The financial statements of the TWCRC have been prepared on the accrual basis. Net assets of the TWCRC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Any limitations placed on the use of a contribution that are no more specific than the broad limits of the TWCRC's purpose or mission are reported as unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the TWCRC and/or the passage of time. The TWCRC had no temporary restricted net assets as of December 31, 2015.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the TWCRC. Generally, the donors of these assets permit the TWCRC to use all or part of the income earned on related investments for general or specific purposes. The TWCRC had no permanently restricted net assets as of December 31, 2015.

2. Cash

The Organization maintains cash in one bank. These balances were fully insured by the Federal Deposit Insurance Corporation and collateralized as of December 31, 2015.

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. Loans Receivable

Loans receivable represent multiple loans made to local businesses in accordance with the mission of TWCRC. The loan balances as of December 31, 2015 was \$405,128 . A reserve for uncollectable Loans was established as of December 31, 2015 for \$50,000. Management believes that the reserve is adequate. The loan balances range from approximately \$7,000 to \$145,000 and interest rates range from 3.50% to 4.85% with variable maturities. The current portion is \$120,395. All loans receivable are collateralized by real estate and/or personal guarantees.

4. Fair Value

The Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level-hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the TWCRC would receive upon selling an asset or be paid to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The carrying value of cash and loans receivable approximates fair value, however the Property Held for Sale was written down to its estimated realizable value.

5. Income Taxes

TWCRC is an affiliate of a governmental unit and as such is exempt from Federal income taxes pursuant to section 501 (a) of the internal revenue code and is not required to file annual information returns on Form 990.

6. Use of 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 the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. Property Held for Sale

The Agency had a mortgage on a property that was foreclosed. The Agency acquired the property for the mortgage amount of \$104,603 and delinquent taxes of \$30,600. The delinquent taxes portion of the purchase price was expensed and accounted for as property related write downs. The mortgage portion of the purchase price has been reclassified as Property Held for Sale in the statement of Financial Position. Based on a market value analysis, management believes the overall selling price will approximate its cost basis.

8. Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on the statements of activities or financial position occurring through July 29, 2016. the date the financial statements were available to be issued. No major subsequent events were identified.

CHARALAMBOS HADJIOANNOU

Certified Public Accountant

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

Board of Directors
Town of Waterford Capital Resource Corporation

I 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 Town of Waterford Capital Resource Corporation (TWCRC) as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued my report thereon dated July 29, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered TWCRC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TWCRC's internal control. Accordingly, I do not express an opinion on the effectiveness of TWCRC'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 reasonable possibility that material misstatements 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.

My consideration of internal control over financial reporting 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 my audit I did not identify any deficiencies in internal control that I 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 TWCRC's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



C. Hadjioannou, CPA
Castleton, New York
July 29, 2016