

**TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION**

**FINANCIAL REPORT**

**DECEMBER 31, 2014**

**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, 2014 and the related statements of activities and cash flows for the period April 1, 2014 (inception) to December 31, 2014 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 audits 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, 2014 and the respective changes in activities and cash flows thereof for the period April 1, 2014 (inception) to December 31, 2014 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 January 18, 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. Hadjioannou, CPA  
Castleton, New York  
January 18, 2016

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014

<u>ASSETS</u>		<u>2014</u>
Assets		
Cash		\$ 373,621
Loans Receivable, net		426,929
		<u>\$ 800,550</u>

<u>LIABILITIES AND NET ASSETS</u>		
Accounts Payable		\$ 450
Unrestricted Net Assets		800,100
		<u>\$ 800,550</u>

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD APRIL 1, 2014 (INCEPTION) TO DECEMBER 31, 2014

	<u>2014</u>
Revenues:	
Interest Income	<u>\$ 20,399</u>
Expenses:	
Professional Fees	25,683
Supplies	<u>311</u>
	<u>25,994</u>
Change in Net Assets	(5,595)
Contributed Assets	805,695
Net Assets, Beginning of Year	<u>-</u>
Net Assets, End of Year	<u><u>\$ 800,100</u></u>

TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD APRIL 1, 2014 (INCEPTION) TO DECEMBER 31, 2014

	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>	
Change in Net Assets	\$ (5,595)
Increase in Accounts Payable	<u>450</u>
Net Decrease in Cash from Operating Activities	<u>(5,145)</u>
<b>Cash Flows from Financing and Investing Activities:</b>	
Loan Repayments	15,206
New Loans issued	(222,434)
Cash Contributed by Town of Waterford Industrial Development Agency	<u>585,994</u>
Net Increase from Financing and Investing Activities	<u>378,766</u>
Net Increase in Cash	373,621
Cash, Beginning of Year	<u>-</u>
Cash, End of Year	<u><u>\$ 373,621</u></u>
<b>Supplemental Schedule of Non Cash Investing Activities</b>	
Transfer of Loans from Town of Waterford Industrial Development Agency	<u><u>\$ 219,704</u></u>

**TOWN OF WATERFORD CAPITAL RESOURCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**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 and 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, 2014.

**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, 2014.

**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, 2014.



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**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, 2014 was \$ 476,929. A reserve for uncollectable Loans was established as of December 31, 2014 for \$50,000. Management believes that the reserve is adequate. The loan balances range from approximately \$14,000 to \$217,000 and interest rates range from 3.25% to 4.85% with variable maturities. 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.

**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.

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**7. Subsequent Events**

Management has evaluated subsequent events or transactions as to any potential material impact on operation or financial position occurring through January 18, 2016, the date the financial statements were available to be issued. One of the loans receivable in the amount of approximately \$102,000 is in default and management is in the process of liquidating the collateral pledged against the loan. Management believes that the proceeds from the pending liquidation will satisfy the balance due. No other 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 period April 1, 2014 (inception) to December 31, 2014, and the related notes to the financial statements, and have issued my report dated January 18, 2016.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered TWCRC's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of TWCRC's internal control over financial reporting.

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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. 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.

A handwritten signature in black ink, appearing to read "C. Hadjioannou", with a stylized flourish extending to the right.

C. Hadjioannou, CPA  
Castleton, New York  
January 18, 2016