

CARTHAGE INDUSTRIAL
DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS

December 31, 2019

Table of Contents

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

INDEPENDENT AUDITOR'S REPORT	1
AUDITED FINANCIAL STATEMENTS	3
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19
SCHEDULE OF FINDING AND RESPONSE	21



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS
CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION**

Report on the Financial Statements

We have audited the accompanying financial statements of **CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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

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 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 we 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, 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

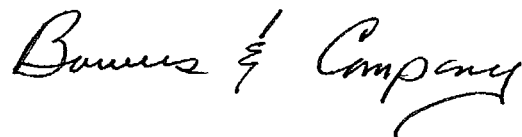
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carthage Industrial Development Corporation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Carthage Industrial Development Corporation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020 on our consideration of the Carthage Industrial Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Carthage Industrial Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carthage Industrial Development Corporation's internal control over financial reporting and compliance.



Watertown, New York
March 10, 2020

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION**AUDITED FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

December 31, 2019 with Comparative Totals for 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 284,505	\$ 127,918
Certificate of Deposit	407,987	615,486
Rents Receivable	17,935	32,405
Grants Receivable	-	105,095
Accrued Interest Receivable	2,989	6,163
Other Receivable	-	19,561
Note Receivable, Current Portion	30,439	28,958
Due From Carthage Development Group L.P., Current Portion	56,034	-
Total Current Assets	<u>799,889</u>	<u>935,586</u>
Property and Equipment, Net	<u>3,101,919</u>	<u>3,200,688</u>
OTHER ASSETS		
Certificate of Deposit	217,109	-
Note Receivable, Net of Current Portion	65,631	96,070
Due From Carthage Development Group, L.P., Net of Current Portion	2,617,070	2,585,752
Lease Acquisition Costs, Net	<u>30,423</u>	<u>31,838</u>
Total Other Assets	<u>2,930,233</u>	<u>2,713,660</u>
TOTAL ASSETS	<u><u>\$ 6,832,041</u></u>	<u><u>\$ 6,849,934</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Tenants' Security Deposits	<u>\$ 3,745</u>	<u>\$ 3,745</u>
Total Current Liabilities	<u>3,745</u>	<u>3,745</u>
NET ASSETS		
Net Assets Without Donor Restrictions	<u>6,828,296</u>	<u>6,846,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,832,041</u></u>	<u><u>\$ 6,849,934</u></u>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019 with Summarized Totals at 2018

	2019	2018 (Summarized)
SUPPORT AND REVENUE		
Ground Lease - Rental Income	\$ 76,664	\$ 104,092
Grant Revenue	-	33,949
Rental Income	42,487	40,983
Interest Income	66,204	71,056
	<hr/>	<hr/>
Total Support and Revenue	185,355	250,080
EXPENSES		
Program Services	191,008	291,050
Management and General	12,240	12,286
	<hr/>	<hr/>
Total Expenses	203,248	303,336
CHANGE IN NET ASSETS	(17,893)	(53,256)
NET ASSETS, BEGINNING OF YEAR	6,846,189	6,899,445
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 6,828,296	\$ 6,846,189
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 with Summarized Totals at 2018

	Program Services	Management and General	Totals	
			2019	2018 (Summarized)
Accounting Fees	\$ 4,550	\$ 4,550	\$ 9,100	\$ 8,400
Contract Services	6,000	6,000	12,000	12,000
Dues	-	-	-	100
Filing Fees	-	275	275	275
Grants to Others	15,000	-	15,000	35,000
Insurance	4,246	-	4,246	3,908
Legal Fees	-	-	-	2,624
Losses on Loan Guarantee	-	-	-	50,000
Main Street Grant Program	-	-	-	26,449
Master Lease Expense	62,220	-	62,220	62,220
Office Supplies	-	-	-	296
Real Estate Taxes	223	-	223	223
Bad Debt Expense	-	-	-	1,657
Depreciation and Amortization	98,769	1,415	100,184	100,184
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 191,008</u>	<u>\$ 12,240</u>	<u>\$ 203,248</u>	<u>\$ 303,336</u>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019 with Comparative Totals for 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (17,893)	\$ (53,256)
Reconciliation of Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Bad Debt Expense	-	1,657
Depreciation and Amortization	100,184	100,184
(Increase) Decrease in Operating Assets:		
Rents Receivable	14,470	(11,049)
Grants Receivable	105,095	(33,949)
Accrued Interest Receivable	3,174	(5,993)
Other Receivable	19,561	(19,561)
Due From Carthage Development Group, L.P.	(87,352)	(93,511)
Decrease in Operating Liabilities:		
Accounts Payable	-	(58,000)
Accrued Expenses	-	(181)
	<u>137,239</u>	<u>(173,659)</u>
Net Cash Provided By (Used In) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturity of Certificate of Deposits	613,863	212,320
Purchase of Certificate of Deposits	(623,473)	(615,486)
Collection on Note Receivable	28,958	27,549
	<u>19,348</u>	<u>(375,617)</u>
Net Cash Provided By (Used In) Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Long-Term Debt	-	(12,084)
	<u>-</u>	<u>(12,084)</u>
Net Cash Used In Financing Activities		
Net Increase (Decrease) in Cash	156,587	(561,360)
CASH, BEGINNING OF YEAR	<u>127,918</u>	<u>689,278</u>
CASH, END OF YEAR	<u>\$ 284,505</u>	<u>\$ 127,918</u>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 1 – NATURE OF OPERATIONS

The Carthage Industrial Development Corporation (CIDC or the Organization) was incorporated under the not-for profit laws of the State of New York on August 26, 1998. The CIDC was formed to relieve and reduce unemployment, to promote and provide for additional and maximum employment, to better and to maintain job opportunities, to carry on scientific research for the purpose of aiding the communities of Carthage, West Carthage, the Town of Wilna and the Town of Champion by attracting industry or by encouraging the development of, or retention of, an industry to lessen the burdens of government and to act in the public interest.

The CIDC's initial activity was accepting title to the 66-acre former Fort James Paper Mill. Today, the CIDC manages the remaining properties including the West End Dam Hydroelectric Facility. The CIDC also is engaged in community development activities including the redevelopment of the downtown area of the Villages of Carthage and West Carthage and the development of industrial properties. The CIDC's major source of operating revenue is the ground lease payments received from West End Dam Associates relating to the West End Dam Hydroelectric Facility. The CIDC also receives governmental grants and monthly rentals from four commercial store fronts.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to one class of net assets: net assets without donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations. They are currently available for operating purposes subject only to the broad limits resulting from the nature of the Organization.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncement

On January 1, 2019, the Organization adopted ASU No. 2014-09, “*Revenue from Contracts with Customers*” (Topic 606) and all subsequent ASUs that modified Topic 606, which supersedes previous revenue recognition guidance. Topic 606, “*Revenue from Contracts with Customers*”, requires that an Organization recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services. On January 1, 2019, the Organization adopted Topic 606, using the modified retrospective method applied to contracts that were not completed as of January 1, 2019. Comparative financial information has not been restated and continues to be reported in accordance with the historic accounting under Topic 605. The Organization did not recognize any adjustment to the opening balance of net assets upon adoption of Topic 606. There was no material impact to the Organization’s net income on adoption of this new standard in 2019. As of January 1, 2019, the Organization had no material remaining performance obligations.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization reported no cash equivalents at December 31, 2019 and 2018.

Certificates of Deposit

Certificates of deposit consist of two certificates that bear interest ranging from 1.95% to 2.00% and have maturities ranging from twelve months to fifteen months, with penalty for early withdrawal. Any penalty would not have a material effect on the financial statements. One certificate will mature in April 2020 and is classified as a current asset. The second certificate will mature in January 2021 and is classified as a long-term asset.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Rents Receivable and Grants Receivable

Rents receivable and grants receivable represent amounts that have been paid out or billed under contracts, grant agreements, or lease agreements as of the date of the financial statements. Receivables are stated at the gross amount and deemed to be fully collectible. Bad debts are directly expensed rather than using an allowance for estimated losses.

Other Receivable

Other receivable represents amounts due from property owners/recipients of the New York State Rural Area Revitalization Projects for expenditures incurred in excess of the grant portion of the agreements. The Organization has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Note Receivable

Note receivable is stated at the amount the Organization expected to collect from the outstanding balance. As of December 31, 2019 and 2018, the Organization has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. Bad debts will be directly expensed when determined uncollectible.

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments that extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Organization does not have a formal capitalization policy. Depreciation is computed on a straight-line basis over their estimated useful lives of 15- 50 years. For each year ended December 31, 2019 and 2018, depreciation expense totaled \$98,769, respectively.

Donated fixed assets are carried at fair market value at time of donation, if that value is readily determinable. The West End Dam Hydroelectric Facility is recorded based on the value established by the New York State Office of Real Property Services Utility Valuation Unit using the income approach to value.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Lease Acquisition Costs

Lease acquisition costs in the amount of \$42,451, are being amortized on a straight-line basis over the thirty-year term of the West End Dam Hydroelectric Facility lease. For the years ended December 31, 2019 and 2018, amortization expense for the West End Dam Hydroelectric Facility lease was \$1,415, respectively.

Revenue Recognition

The majority of the Organization's revenue stream is generated from lease income and interest income on loans which are outside the scope of Topic 606. Lease income is recognized at the time it is received by the Organization.

Donated Services

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

Functional Allocation of Expenses

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. Certain categories of expenses are directly attributable to community development and rental programs, and therefore as classified as direct program service expenditures. Other costs have been allocated among the program and supporting services benefited based on estimates of time and effort, including accounting fees and contract services.

Current Vulnerability Due to Certain Concentrations

The Organization's primary asset is the West End Dam Hydroelectric Facility. The revenue generated by the ground lease represented approximately 42% of total revenue for both years ended December 31, 2019 and 2018.

The Organization operates in the Northern New York area and such operations may be affected by local economic conditions.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status and Open Tax Years

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2018, 2017, and 2016 are subject to examination by the IRS, generally for 3 years after they were filed.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated through March 10, 2020 which is the date the financial statements were available to be issued.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of December 31:

	2019	2018
Land	\$ 206,885	\$ 206,885
West End Dam Hydroelectric Facility	4,774,378	4,774,378
Leasehold Improvements	<u>142,027</u>	<u>142,027</u>
Less: Accumulated Depreciation	<u>(2,021,371)</u>	<u>(1,922,602)</u>
Property and Equipment, Net	<u><u>\$ 3,101,919</u></u>	<u><u>\$ 3,200,688</u></u>

NOTE 4 – NOTE RECEIVABLE

On July 24, 2012, CIDC approved a short-term demand note to Meadowbrook Terrace, Inc. in the amount of \$250,000. Meadowbrook Terrace, Inc. requested the funds on behalf of its owner, Carthage Area Hospital, to assist with cash flow, and increase working capital. This is part of a larger participation agreement with three other organizations which provides a total of \$1,000,000 working capital for Carthage Area Hospital. Per terms of the agreement, commencing on January 1, 2014, monthly installments of principal and interest of \$11,517 will be due, of which 25% will be disbursed to CIDC. The entire principal balance plus accrued, but unpaid interest is due on January 1, 2023. The note receivable balance as of December 31, 2019 and 2018 was \$96,070 and \$125,028, respectively.

Future minimum receipts of the note receivable at December 31 are as follows:

2020	\$ 30,439
2021	31,997
2022	<u>33,634</u>
	<u><u>\$ 96,070</u></u>

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 5 – DUE FROM CARTHAGE DEVELOPMENT GROUP, L.P.

The Organization made the following advances to Carthage Development Group, L.P. (“CDG”), a related party, in prior years.

Note 1 Sponsor note receivable in the amount of \$1,464,425, due December 31, 2021. The note is unsecured and accrues interest at 4% on the principal balance.

Note 2 A 32-year nonrecourse note receivable in the amount of \$320,000, due December 31, 2036. The note is unsecured and accrues interest at 1% on the principal balance.

During the years ended December 31, 2019 and 2018, the Organization advanced Carthage Development Group, L.P. \$25,000 and \$31,034, respectively, to cover unexpected expenditures. There is no formal agreement for repayment terms, but the Organization expects repayment in 2020 and such as been classified as a current asset on the Statement of Financial Position.

The following summarizes the amount due from Carthage Development Group, L.P. as of December 31:

	2019	2018
Note 1:		
Principal	\$ 1,257,969	\$ 1,257,969
Interest	678,442	628,123
Note 2:		
Principal	320,000	320,000
Interest	53,788	50,558
Other Unsecured, Non-Interest Bearing Advances	<u>362,905</u>	<u>329,102</u>
Total Due from Carthage Development Group, L.P.	<u>\$ 2,673,104</u>	<u>\$ 2,585,752</u>

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 6 – GROUND LEASE - RENTAL INCOME

The Organization has a thirty-year lease agreement with Northbrook Carthage, LLC (“the project”) which expires June 30, 2041. The lease was amended on October 28, 2016 to provide a more stable financial structure to protect operations of the project. The rent is paid quarterly based on an amount equal to a percentage of the gross energy sales. The percentage varies with the average realized dollar per project megawatt-hour for the relevant trailing four quarters, calculated by dividing total gross energy sales allocable to such trailing four quarter period by the total megawatt-hour sales from the project for such trailing four quarter period.

Ground lease rental income was \$76,664 and \$104,092 for the years ended December 31, 2019 and 2018, respectively.

Due to the nature and calculations required for future ground lease payments, we are not able to calculate such amounts to disclosure future minimum lease payments. As noted above, the lease is expected to continue through June 30, 2041.

NOTE 7 – RENTAL INCOME

As described below in Note 8, the Organization entered into a master lease with CDG. The Organization is authorized to sublet the property. As of December 31, 2019, there are four written leases for subletting the property.

- Sublet 1. The first lease with a commencement date of approximately September 1, 2005 was for a term of five years with renewal rights for three additional five-year periods. The original lease was extended for two additional five-year terms, through 2035. Effective September 1, 2019 and 2018 monthly rents were \$1,445 and \$1,395 and increase annually effective September 1.
- Sublet 2. The second lease with a renewed commencement date of approximately May 1, 2017 was for a term of sixty months. Effective May 1, 2019 and 2018 monthly rents were \$800 and \$750 and increase annually effective May 1.
- Sublet 3. The third lease with a commencement date of approximately March 1, 2013 was for a term of thirty (30) months with renewal rights for an additional two consecutive five-year terms. Effective September 1, 2015, a five-year renewal was executed. Effective September 1, 2019 and 2018 monthly rents were \$900 and \$875 and increase annually effective September 1.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 7 – RENTAL INCOME - Continued

Sublet 4. The fourth lease with a renewed commencement date of approximately November 1, 2017 was for a term of 13 months, with renewal rights for an additional two-year period. Effective January 1, 2019 monthly rents were \$500, with an increase to \$550 effective January 1, 2020.

As of January 1, 2020, all sublet agreements are payable to Carthage Development Group as the master lease noted within Note 8 is set to terminate in March 2020. Therefore, CIDC will not collect any future payments from such tenants.

NOTE 8 – MASTER LEASE

CIDC entered into a Master Lease with CDG for commercial space at 256-260, 262-264 State Street, Carthage, New York. The master lease was established to assist in securing limited partners for CDG's project. CIDC is leasing the commercial space from CDG for a base rent of \$62,220 per year for fifteen years. The lease expires in March 2020 and will not be renewed. CIDC is authorized to sublet the property for retail, office or other legal and non-hazardous rental use. Rental expense relating to the lease totaled \$62,220 for the years ended December 31, 2019 and 2018, respectively.

Future minimum rentals at December 31, 2019 are as follows:

2020	\$ <u>15,555</u>
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NOTE 9 – GRANTS TO OTHERS

For the years ended December 31, 2019 and 2018, the Organization granted the Town of Wilna \$15,000 and \$35,000, respectively, to support the coordinated economic and community development projects and programs for the Village of Carthage, West Carthage, and the Towns of Champion and Wilna.

NOTE 10 – CONTRACT SERVICES

For the years ended December 31, 2019 and 2018, the Organization contracted administrative and bookkeeping services per the administrative services contract, in order to establish effective internal controls and proper segregation of duties. For both years ended December 31, 2019 and 2018, contract service expenditures totaled \$12,000, respectively.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 11 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits in one local federally insured bank. At times, the balances in these accounts may be in excess of federally insured limits. At December 31, 2019 and 2018, there were deposits in excess of FDIC coverage. The bank pledges securities as additional collateral.

Balances at December 31, 2019 are as follows:

	Bank Balances	Insured by FDIC	Collateralized by Bank
Checking	<u>\$ 131,956</u>	<u>\$ 131,956</u>	<u>\$ -</u>
Money Market and Certificates of Deposit	<u>\$ 777,645</u>	<u>\$ 250,000</u>	<u>\$ 527,645</u>

Balances at December 31, 2018 are as follows:

	Bank Balances	Insured by FDIC	Collateralized by Bank
Checking	<u>\$ 76,025</u>	<u>\$ 76,025</u>	<u>\$ -</u>
Money Market and Certificates of Deposit	<u>\$ 667,379</u>	<u>\$ 250,000</u>	<u>\$ 417,379</u>

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Deficit Guarantee Agreement

CIDC and 256 West Main Street, LLC entered into an Unconditional Guaranty Agreement with NDC Corporation Equity Fund VI, L.P., the 99.99% owner of CDG. Advances made, shall be non-interest-bearing loans repayable in accordance with the Limited Partnership Agreement. Management has created a \$100,000 reserve fund in a certificate of deposit to ensure funds will be available to meet obligations under this agreement if necessary.

Guarantee of the Indebtedness of Another

CIDC is a guarantor on a \$125,000 note owed to the Village of Carthage by Carthage Development Group, L.P. CIDC agrees to assign its rental and lease income as collateral on the note. For the years ended December 31, 2019 and 2018, CIDC, on CDG's behalf, made annual principal payments of \$8,333 and interest payments of \$500 and \$625, respectively, to the Village of Carthage. These amounts paid on behalf of CDG are included in Due from Carthage Development Group, L.P. on the Statement of Financial Position.

NOTE 13 – STATEMENT OF CASH FLOWS

There were no noncash investing and financing activities during the years ended December 31, 2019 and 2018.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Organization's Board of Directors also serve as the Board of Directors for Carthage Development Group, L.P. See note 5 for detail of the receivable from Carthage Development Group, L.P.

The Organization holds all cash accounts at Carthage Federal Savings & Loan. These are related business transactions as the Bank President is also a board member of the Organization. As of December 31, 2019 and 2018, the accounts totaled over \$909,000 and \$749,000, respectively.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 with Comparative Totals for 2018

NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The following table reflects the Organization’s financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date.

	2019	2018
Financial Assets:		
Cash	\$ 284,505	\$ 127,918
Certificates of Deposit	625,096	615,486
Rents Receivable	17,935	32,405
Grant Receivable	-	105,095
Accrued Interest Receivable	2,989	6,163
Other Receivable	-	19,561
Note Receivable, Net	96,070	125,028
Due From Carthage Development Group L.P., Current Portion	56,034	-
	<hr/>	<hr/>
Financial Assets as of December 31	1,082,629	1,031,656
	<hr/>	<hr/>
Less Those Unavailable for General Expenditures Within One Year:		
Grant Receivable, Funds Restricted for Specific Purpose	-	(105,095)
Other Receivable, Funds Restricted for Specific Purpose	-	(19,561)
Certificate of Deposit with Maturity Greater Than One Year	(217,109)	-
Note Receivable, Long-Term Portion	(65,631)	(96,070)
	<hr/>	<hr/>
Financial Assets Available to Meet Cash Needs For General Expenditures Within One Year	<u>\$ 799,889</u>	<u>\$ 810,930</u>

Grant receivable and other receivable are deemed subject to contractual restrictions as described in the agreements with New York State and the property owners related to the Rural Area Revitalization Projects, see further information at Note 2. The funds will be received as reimbursement for the Rural Area Revitalization Project expenditures incurred and are not financial assets available for general expenditures.



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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

TO THE BOARD OF DIRECTORS
CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

We 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 Carthage Industrial Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carthage Industrial Development Corporation's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carthage Industrial Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carthage Industrial Development Corporation'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement 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.

Our 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of finding and response that we consider to be a significant deficiency, 2019-001.

Compliance and Other Matters

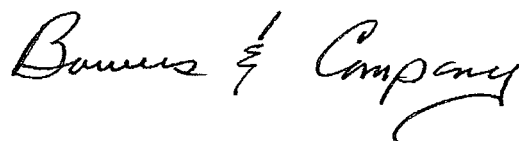
As part of obtaining reasonable assurance about whether Carthage Industrial Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Response to Finding

Carthage Industrial Development Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. Carthage Industrial Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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 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 purpose.



Watertown, New York
March 10, 2020

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDING AND RESPONSE

December 31, 2019

Significant Deficiency

2019-001 Preparation of Financial Statements

Condition: Management is unable to prepare the financial statements in accordance with GAAP and relies on the external auditor to prepare the financial statements, which also includes preparation of various journal entries.

Criteria: Management needs to exercise control over the preparation of its financial statements. To exercise control, management must possess the necessary accounting expertise to prevent, detect, and correct a potential misstatement in the financial statements.

Cause: While it is common practice for the auditor to prepare the financial statements; management's choice to have the auditor prepare the financial statements may be considered a significant deficiency.

Effect: Management may not be able to detect and correct potential misstatements in its financial statements.

Recommendation: An appropriate control could be hiring additional staff with the knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

Management's Response: It is felt that contracting with another accounting firm to prepare the yearend adjustments and financial statements for the CIDC may be beneficial going forward.



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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Directors
Carthage Industrial Development Corporation

In planning and performing our audit of the financial statements of Carthage Industrial Development Corporation as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Carthage Industrial Development Corporation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. A separate letter dated March 10, 2020 contains our communication of significant deficiencies in the Organization's internal control. This letter does not affect our report dated March 10, 2020, on the financial statements of Carthage Industrial Development Corporation.

Lease Agreements

It was found that two tenants had not been paying the correct monthly rent amount per the signed lease agreements. The annual rent increase was not reflected in rent payments for two months with one tenant and four months for the other tenant.

Recommendation

Management should be tracking rent rates per signed lease agreements to ensure tenants are making payments based on the required annual rent increases.

Account Numbers

We noted that within the general ledger there are not account numbers used or a uniform chart of accounts.

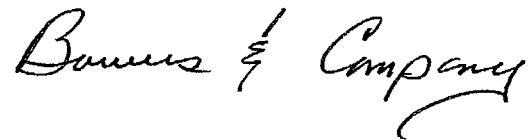
Recommendation

A standardized chart of accounts with account numbers within the general ledger would enhance the general ledger and ensure accurate reporting between the audited financial statements and the general ledger.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the "Sincerely," text.

Watertown, New York
March 10, 2020



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

March 10, 2020

To the Board of Directors of
Carthage Industrial Development Corporation

We have audited the financial statements of Carthage Industrial Development Corporation for the year ended December 31, 2019, and have issued our report thereon dated March 10, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carthage Industrial Development Corporation are described in Note 2 to the financial statements. As described in Note 2, the Organization changed accounting policies related to revenue recognition by adopting FASB Accounting Standards Update (ASU) No. 2014-19, *Revenue from Contracts with Customers (Topic 606)* in 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of depreciation on property and equipment is based on the estimated useful life of the respective assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

The Board of Directors
Carthage Industrial Development Corporation
March 10, 2020
Page 3

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Carthage Industrial Development Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Attached Material Misstatements:

Adjusting Journal Entries JE # 1			
To record current year depreciation			
	6060	Depreciation expense	98,769.00
	6061	Amortization	1,415.00
	1046	Accum Depr. Dam/Hydro	95,086.00
	1047	Accumulated depreciation	3,683.00
	1053	Capital cost-Northbrook Lease: Accum Amortization	1,415.00
Total			<u><u>100,184.00</u></u> <u><u>100,184.00</u></u>
Adjusting Journal Entries JE # 2			
To record interest for 2019 on amounts due from CDG			
	1061	Receivable from CDG	53,519.00
	5032	Interest income - CDG	53,519.00
Total			<u><u>53,519.00</u></u> <u><u>53,519.00</u></u>