

CARTHAGE INDUSTRIAL
DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS

December 31, 2020

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CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

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**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, 2020, 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

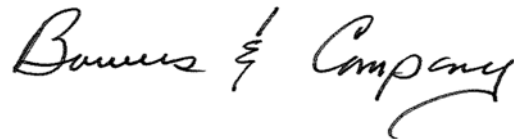
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carthage Industrial Development Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Carthage Industrial Development Corporation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 4, 2021 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.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
March 4, 2021

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

December 31, 2020 with Comparative Totals for 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 335,318	\$ 284,505
Certificate of Deposits	628,168	407,987
Restricted Cash	149,174	-
Rents Receivable	6,126	17,935
Accrued Interest Receivable	6,599	2,989
Note Receivable, Current Portion	31,997	30,439
Due From Carthage Development Group L.P., Current Portion	-	56,034
Total Current Assets	<u>1,157,382</u>	<u>799,889</u>
Property and Equipment, Net	<u>2,916,057</u>	<u>3,101,919</u>
OTHER ASSETS		
Certificate of Deposit	-	217,109
Note Receivable, Net of Current Portion	33,623	65,631
Due From Carthage Development Group, L.P., Net of Current Portion	-	2,617,070
Lease Acquisition Costs, Net	<u>29,008</u>	<u>30,423</u>
Total Other Assets	<u>62,631</u>	<u>2,930,233</u>
TOTAL ASSETS	<u>\$ 4,136,070</u>	<u>\$ 6,832,041</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Tenants' Security Deposits	\$ -	\$ 3,745
Current Portion of Long-Term Debt	<u>8,333</u>	<u>-</u>
Total Current Liabilities	<u>8,333</u>	<u>3,745</u>
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	<u>8,333</u>	<u>-</u>
Total Liabilities	<u>16,666</u>	<u>3,745</u>
NET ASSETS		
Net Assets Without Donor Restrictions	3,970,230	6,828,296
Net Assets With Donor Restrictions	<u>149,174</u>	<u>-</u>
Total Net Assets	<u>4,119,404</u>	<u>6,828,296</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,136,070</u>	<u>\$ 6,832,041</u>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020 with Summarized Totals at 2019

	Without Donor Restrictions	With Donor Restrictions	Totals 2020	2019 (Summarized)
SUPPORT AND REVENUE				
Ground Lease - Rental Income	\$ 30,045	\$ -	\$ 30,045	\$ 76,664
Rental Income	-	-	-	42,487
Interest Income	11,170	34	11,204	66,204
Other Income	-	149,140	149,140	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Support and Revenue	41,215	149,174	190,389	185,355
EXPENSES				
Program Services	2,795,028	-	2,795,028	191,008
Management and General	13,477	-	13,477	12,240
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	2,808,505	-	2,808,505	203,248
	<hr/>	<hr/>	<hr/>	<hr/>
Loss on Lease Termination	90,776	-	90,776	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses and Losses	2,899,281	-	2,899,281	203,248
CHANGE IN NET ASSETS				
	(2,858,066)	149,174	(2,708,892)	(17,893)
NET ASSETS, BEGINNING OF YEAR				
	6,828,296	-	6,828,296	6,846,189
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 3,970,230</u>	<u>\$ 149,174</u>	<u>\$ 4,119,404</u>	<u>\$ 6,828,296</u>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020 with Summarized Totals at 2019

	Program Services	Management and General	Totals	
			2020	2019 (Summarized)
Accounting Fees	\$ 4,038	\$ 4,037	\$ 8,075	\$ 9,100
Contract Services	6,000	6,000	12,000	12,000
Dues	-	250	250	-
Filing Fees	-	275	275	275
Grants to Others	15,000	-	15,000	15,000
Insurance	4,286	-	4,286	4,246
Legal Fees	-	1,500	1,500	-
Master Lease Expense	-	-	-	62,220
Other Expenses	37,982	-	37,982	-
Real Estate Taxes	229	-	229	223
Bad Debt Expense	2,632,407	-	2,632,407	-
Depreciation and Amortization	95,086	1,415	96,501	100,184
Total Expenses	<u>\$ 2,795,028</u>	<u>\$ 13,477</u>	<u>\$ 2,808,505</u>	<u>\$ 203,248</u>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020 with Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,708,892)	\$ (17,893)
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities:		
Bad Debt Expense	2,632,407	-
Loss on Lease Termination	90,776	-
Depreciation and Amortization	96,501	100,184
(Increase) Decrease in Operating Assets:		
Rents Receivable	11,409	14,470
Grants Receivable	-	105,095
Accrued Interest Receivable	(3,610)	3,174
Other Receivable	-	19,561
Due From Carthage Development Group, L.P.	57,763	(87,352)
Decrease in Operating Liabilities:		
Tenants' Security Deposits	(3,745)	-
	<u>172,609</u>	<u>137,239</u>
Net Cash Provided By Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturity of Certificate of Deposits	407,987	613,863
Purchase of Certificate of Deposits	(411,059)	(623,473)
Collection on Note Receivable	30,450	28,958
	<u>27,378</u>	<u>19,348</u>
Net Cash Provided By Investing Activities		
Net Increase in Cash	199,987	156,587
CASH, BEGINNING OF YEAR	<u>284,505</u>	<u>127,918</u>
CASH, END OF YEAR	<u>\$ 484,492</u>	<u>\$ 284,505</u>
Cash	\$ 335,318	\$ 284,505
Restricted Cash	<u>149,174</u>	<u>-</u>
TOTAL CASH	<u>\$ 484,492</u>	<u>\$ 284,505</u>

See notes to financial statements.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

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.

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 two classes of net assets: net assets without donor restrictions and net asset with 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.

Net Assets With Donor Restrictions – These are net assets whose use is limited by donor-imposed purpose restrictions.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2020 and 2019.

Restricted Cash

During the year ended December 31, 2020, the lease of the hydro facility assigned membership interest to Dichotomy Power, LLC and upon the transfer, the parties agreed to transfer the capital reserve fund from Northbrook Carthage, LLC to the Organization. The Organization is required to hold the capital reserve fund to be used strictly for capital improvements to the West End Dam as outlined in the lease agreement and from which no withdrawal can be made without the consent of both parties.

Certificates of Deposit

Certificates of deposit consist of two certificates that bear interest ranging from 0.49% to 1.95% and have maturities ranging from one month to four months, with penalty for early withdrawal. Any penalty would not have a material effect on the financial statements.

Rents Receivable

Rents receivable represent amounts that have been paid or billed under contracts 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.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Note Receivable

Note receivable is stated at the amount the Organization expected to collect from the outstanding balance. As of December 31, 2020 and 2019, 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 the years ended December 31, 2020 and 2019, depreciation expense totaled \$95,086 and \$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.

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, 2020 and 2019, 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.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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 16% and 41% of total revenue for the years ended December 31, 2020 and 2019, respectively.

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

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 2019, 2018, and 2017 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, 2019 from which the summarized information was derived.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Impact of COVID-19 Pandemic on Financial Statements

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including but not limited to the duration, spread, severity, and impact of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Carthage Industrial Development Corporation's financial position, changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Subsequent Events

Subsequent events have been evaluated through March 4, 2021 which is the date the financial statements were available to be issued.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

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

	2020	2019
Land	\$ 206,885	\$ 206,885
West End Dam Hydroelectric Facility	4,774,378	4,774,378
Leasehold Improvements	<u>-</u>	<u>142,027</u>
Less: Accumulated Depreciation	<u>(2,065,206)</u>	<u>(2,021,371)</u>
Property and Equipment, Net	<u><u>\$ 2,916,057</u></u>	<u><u>\$ 3,101,919</u></u>

During 2020, the master lease disclosed in Note 10 was not renewed, therefore the related leasehold improvements were written off in the current year in the net amount of \$90,776.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

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, 2020 and 2019 was \$65,620 and \$96,070, respectively.

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

2021	\$	31,997
2022		33,623
		<hr/>
	\$	65,620
		<hr/> <hr/>

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.

The Organization had also advanced Carthage Development Group, L.P. additional funds to cover unexpected expenditures. There is no formal agreement for repayment terms, but the Organization expected repayment in 2020 and such was classified as a current asset on the Statement of Financial Position for 2019.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

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

- Continued

During the year ended December 31, 2020, CDG began the process of dissolution and liquidated and distributed all of its assets. During the year ended December 31, 2020, the Organization collected \$66,472 from CDG as repayment for the above advances. No additional assets will be available for collection from CDG and the remaining receivables were deemed uncollectible and written off in 2020.

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

	2020	2019
Note 1:		
Principal	\$ -	\$ 1,257,969
Interest	-	678,442
Note 2:		
Principal	-	320,000
Interest	-	53,788
Other Unsecured, Non-Interest Bearing Advances	-	362,905
Total Due from Carthage Development Group, L.P.	<u>\$ -</u>	<u>\$ 2,673,104</u>

NOTE 6 – LONG-TERM DEBT

The Organization was a guarantor on a \$125,000 note owed to the Village of Carthage by Carthage Development Group, L.P. CIDC agreed to assign its rental and lease income as collateral on the note. The CIDC had been making principal and interest payments on CDG's behalf to the Village of Carthage in prior years. These amounts paid on behalf of CDG were included in Due from Carthage Development Group, L.P. on the Statement of Financial Position as of December 31, 2019 and prior years. During the year ended December 31, 2020, the CDG began the process of dissolution and the Organization has agreed to make the final payments on the outstanding loan to the Village of Carthage as the guarantor. Therefore, during the year ended December 31, 2020, the outstanding debt was transferred to the guarantor.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 6 – LONG-TERM DEBT - Continued

The following summarizes the long-term debt payable as of December 31:

	2020	2019
Note Payable to Village of Carthage, due in annual installments of \$8,333, plus interest of 1.5%	<u>\$ 16,666</u>	<u>\$ -</u>
Total Long-Term Debt	<u><u>\$ 16,666</u></u>	<u><u>\$ -</u></u>

Scheduled long-term debt maturities are as follows for the years ended December 31:

2021	\$ 8,333
2022	<u>8,333</u>
	<u><u>\$ 16,666</u></u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2020	2019
Capital Reserve, Hydro Facility	<u><u>\$ 149,174</u></u>	<u><u>\$ -</u></u>

NOTE 8 – 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.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 8 – GROUND LEASE - RENTAL INCOME - Continued

During the year ended December 31, 2020, the lease assigned and transferred membership interests to Dichotomy Power, LLC. Northbrook Carthage will continue to be the tenant under the lease, but simply not be owned by Dichotomy Power, LLC.

Ground lease rental income was \$30,045 and \$76,664 for the years ended December 31, 2020 and 2019, 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 9 – RENTAL INCOME

As described below in Note 10, the Organization entered into a master lease with CDG. The Organization is authorized to sublet the property. For the year ended December 31, 2019, there were 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.
- 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.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 9 – RENTAL INCOME – Continued

As of January 1, 2020, all sublet agreements were payable to Carthage Development Group as the master lease noted within Note 10 was terminated. Therefore, CIDC did not collect any payments in 2020 and will not collect any future payments from such tenants.

NOTE 10 – 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 leased the commercial space from CDG for a base rent of \$62,220 per year for fifteen years. The lease expired in March 2020 and will not be renewed. For the years ended December 31, 2020 and 2019, master lease expense was \$-0- and \$62,220, respectively.

NOTE 11 – GRANTS TO OTHERS

For the years ended December 31, 2020 and 2019, the Organization granted the Town of Wilna \$15,000 for each year, 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 12 – CONTRACT SERVICES

For the years ended December 31, 2020 and 2019, 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, 2020 and 2019, contract service expenditures totaled \$12,000, respectively.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 13 – 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, 2020 and 2019, there were deposits in excess of FDIC coverage. The bank pledges securities as additional collateral.

Balances at December 31, 2020 are as follows:

	Bank Balances	Insured by FDIC	Collateralized by Bank
Checking	<u>\$ 130,453</u>	<u>\$ 130,453</u>	<u>\$ -</u>
Money Market and Certificates of Deposit	<u>\$ 988,806</u>	<u>\$ 250,000</u>	<u>\$ 738,806</u>

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>

NOTE 14 – 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.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 15 – STATEMENT OF CASH FLOWS

During the year ended December 31, 2020, the Organization accepted responsibility of an outstanding loan payable as guarantor in the amount of \$16,666. See note 6. There were no noncash financing activities during the year ended December 31, 2019.

There were no noncash investing activities during the years ended December 31, 2020 and 2019.

NOTE 16 – RELATED PARTY TRANSACTIONS

The Organization's Board of Directors also serve as the Board of Directors for Carthage Development Group, L.P. See note 6 for detail of the receivable from Carthage Development Group, L.P. The CDG is in the process of dissolution as of December 31, 2020.

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, 2020 and 2019, the accounts totaled over \$1,112,000 and \$909,000, respectively.

CARTHAGE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 with Comparative Totals for 2019

NOTE 17 – 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, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date.

	2020	2019
Financial Assets:		
Cash	\$ 335,318	\$ 284,505
Certificates of Deposit	628,168	625,096
Restricted Cash	149,174	-
Rents Receivable	6,126	17,935
Accrued Interest Receivable	6,599	2,989
Note Receivable, Net	65,620	96,070
Due From Carthage Development Group L.P., Current Portion	-	56,034
	<u>1,191,005</u>	<u>1,082,629</u>
Financial Assets as of December 31		
Less Those Unavailable for General Expenditures Within One Year:		
Certificate of Deposit with Maturity Greater Than One Year	-	(217,109)
Purpose Restriction - Capital Reserve, Hydro Facility	(149,174)	-
Note Receivable, Long-Term Portion	<u>(33,623)</u>	<u>(65,631)</u>
Financial Assets Available to Meet Cash Needs For General Expenditures Within One Year	<u>\$ 1,008,208</u>	<u>\$ 799,889</u>



**BOWERS & COMPANY
CPAs PLLC**

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, 2020, 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 4, 2021.

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) 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 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.

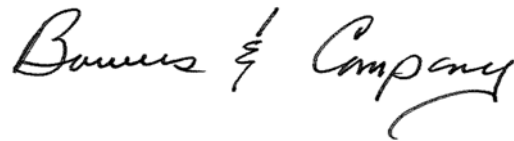
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 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*.

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.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned to the right of the main text block.

Watertown, New York
March 4, 2021



BOWERS & COMPANY
CPAs PLLC

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, 2020, 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. This letter does not affect our report dated March 4, 2021, on the financial statements of Carthage Industrial Development Corporation.

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.

QuickBooks Software

The QuickBooks general ledger software being used is a version more than three years old.

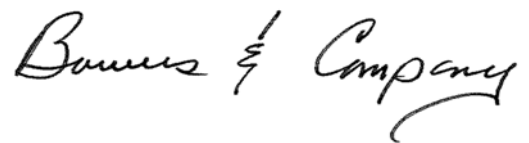
Recommendation

We recommend that all Organizations update their QuickBooks software at least every three years to keep up with the current versions and developments within the software.

We will review the status of these comments during our next audit engagement. We have already discussed 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 4, 2021



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

March 4, 2021

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, 2020, and have issued our report thereon dated March 4, 2021. 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 December 29, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. No new accounting policies were adopted and the application of existing policies was not changed during 2020. 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 4, 2021.

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 4, 2021
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	95,086.00
	6061	Amortization	1,415.00
	1046	Accum Depr. Dam/Hydro	
	1053	Capital cost-Northbrook lease: Accum Amortization	95,086.00
			1,415.00
Total			96,501.00

Adjusting Journal Entries JE # 2			
To write off outstanding CDG loans, uncollectible upon CDG dissolution			
	6062	Bad Debt	2,617,070.00
	1061	Receivable from CDG	
			2,617,070.00
Total			2,617,070.00

Adjusting Journal Entries JE # 4			
To write-off leasehold improvements related to Master Lease			
	1047	Accumulated depreciation	51,251.00
	6070	Loss on Disposal of Master Lease - Leasehold Improvements	
	1045	leasehold Improvements	90,776.00
			142,027.00
Total			142,027.00