

WATERTOWN INDUSTRIAL
CENTER LOCAL DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS

June 30, 2020

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WATERTOWN INDUSTRIAL CENTER LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS
WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

Report on the Financial Statements

We have audited the accompanying financial statements of **WATERTOWN INDUSTRIAL CENTER LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 from 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

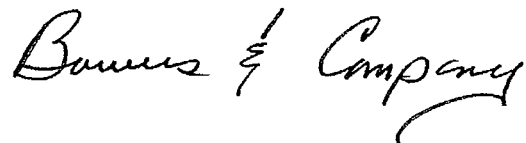
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Industrial Center Local Development Corporation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Watertown Industrial Center Local Development Corporation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 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 September 15, 2020, on our consideration of Watertown Industrial Center Local 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 Watertown Industrial Center Local 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 Watertown Industrial Center Local Development Corporation's internal control over financial reporting and compliance.



Watertown, New York
September 15, 2020

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

June 30, 2020 with Comparative Totals for 2019

	ASSETS	
	2020	2019
CURRENT ASSETS		
Cash	\$ 291,097	\$ 177,445
Accounts Receivable	5,505	249
Rents Receivable	11,408	23,290
	<hr/>	<hr/>
Total Current Assets	308,010	200,984
Receivable - Leasehold Improvement Loans	476,311	589,527
Property and Equipment, Net	2,241,751	2,375,138
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,026,072	\$ 3,165,649
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 10,025	\$ 17,499
Accrued Expenses	1,480	1,476
Deferred Revenue - Prepaid Rent	1,079	1,079
Refundable Advance	60,000	-
Current Portion of Long-Term Debt	107,457	104,099
	<hr/>	<hr/>
Total Current Liabilities	180,041	124,153
Long-Term Debt	519,632	627,089
Deferred Revenue - Leasehold Improvement Loans	476,311	589,527
	<hr/>	<hr/>
Total Liabilities	1,175,984	1,340,769
	<hr/>	<hr/>
NET ASSETS		
Net Assets Without Donor Restrictions		
Operating	94,134	83,675
Board Designated	141,292	97,255
Investment in Property and Equipment	1,614,662	1,643,950
	<hr/>	<hr/>
Total Net Assets	1,850,088	1,824,880
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 3,026,072	\$ 3,165,649
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See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020 with Comparative Totals at June 30, 2019

	2020	2019
REVENUES AND SUPPORT		
Rental Income	\$ 611,457	\$ 589,741
Other Income	16,704	16,914
Total Revenues and Support	<u>628,161</u>	<u>606,655</u>
EXPENSES		
Program Services - Development of Industrial Center	539,568	548,969
Support Services - General and Administrative	63,385	69,403
Total Expenses	<u>602,953</u>	<u>618,372</u>
Changes in Net Assets	25,208	(11,717)
Net Assets, Beginning of Year	<u>1,824,880</u>	<u>1,836,597</u>
Net Assets, End of Year	<u>\$ 1,850,088</u>	<u>\$ 1,824,880</u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020 with Summarized Totals at June 30, 2019

	Program Services	Management and General	Totals	
			2020	2019 (Summarized)
Salaries	\$ 69,485	\$ 30,685	\$ 100,170	\$ 93,455
Employee Benefits	5,464	1,671	7,135	6,250
Payroll Taxes	8,359	2,556	10,915	10,627
Depreciation	157,284	1,589	158,873	159,233
Insurance	52,608	2,593	55,201	52,329
Interest Expense	21,287	-	21,287	22,565
Materials and Equipment	8,560	86	8,646	11,826
Miscellaneous	-	682	682	2,383
Office Expense	-	13,176	13,176	13,966
Professional Services	2,176	8,181	10,357	13,951
Real Property Taxes	35,395	358	35,753	29,346
Repairs and Maintenance	89,153	901	90,054	111,775
Telephone and Utilities	89,797	907	90,704	90,666
TOTAL EXPENSES	<u><u>\$ 539,568</u></u>	<u><u>\$ 63,385</u></u>	<u><u>\$ 602,953</u></u>	<u><u>\$ 618,372</u></u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020 with Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets Without Donor Restrictions	\$ 25,208	\$ (11,717)
Adjustments to Reconcile Changes in Net Assets To Net Cash Provided by Operating Activities:		
Depreciation	158,873	159,233
(Increase) Decrease in Assets:		
Accounts Receivable	(5,256)	(6)
Rents Receivable	11,882	(7,866)
Receivable - Leasehold Improvement Loans	113,216	(211,058)
Increase (Decrease) in Liabilities:		
Accounts Payable	(7,474)	(114,820)
Accrued Expenses	4	(6)
Deferred Revenue - Leasehold Improvement Loans	(113,216)	211,058
Refundable Advance	60,000	-
	<u>243,237</u>	<u>24,818</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and Equipment Acquisitions	<u>(25,486)</u>	<u>(21,416)</u>
	<u>(25,486)</u>	<u>(21,416)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Long-Term Debt	-	196,166
Payments on Long-Term Debt	<u>(104,099)</u>	<u>(88,947)</u>
	<u>(104,099)</u>	<u>107,219</u>
Net Increase in Cash	113,652	110,621
Cash - Beginning of Year	<u>177,445</u>	<u>66,824</u>
Cash - End of Year	<u>\$ 291,097</u>	<u>\$ 177,445</u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 1 – NATURE OF OPERATIONS

Watertown Industrial Center Local Development Corporation (the Corporation) is a non-profit organization, which was incorporated in New York State on June 7, 1994. The Corporation is involved in developing an industrial center in the City of Watertown, NY by providing low cost rental space to industry.

The mission of the Watertown Industrial Center Local Development Corporation is to facilitate job creation and retention in the community by providing eligible businesses with suitable leased facilities at rents and other conditions that help them succeed.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Watertown Industrial Center Local Development Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Corporation 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 – Are currently available for operating purposes subject only to the broad limits resulting from the nature of the organization or invested in property and equipment. Net assets without donor restrictions generally result from rental revenue, less expenses incurred in providing program-related services and performing administrative functions.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents for the years ended June 30, 2020 and 2019.

Income Tax Status

The Corporation is a not-for-profit organization and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Open Tax Years

The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2019, 2018, and 2017 are subject to examination by the IRS, generally for 3 years after they were filed. Based on its analysis, the Organization determined that there were no uncertain tax positions and that the Organization should prevail upon examination by the taxing authorities.

Estimates

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

Accounts Receivable

Accounts receivable include tenant rents receivable, tenant utilities receivable, and other short-term receivables that are non-interest bearing. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Refundable Advance

The Corporation is a recipient of a grant that requires the grantee's tenant to maintain a certain level of employment over the period of January 1, 2020 through December 31, 2021. If the tenant fails to maintain the required employment levels the grantor is entitled to a right of return of the grant funds disbursed.

Support and Revenue

Watertown Industrial Center Local Development Corporation receives substantially all of its revenue from the leasing of office and manufacturing space in four buildings owned by the Corporation.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses

Expenses consist of costs related to providing economic development and administrative functions. The Corporation's operating costs have been allocated based on direct identification when possible, and allocation if a single expenditure benefits more than one function. Expenditures that require allocation are allocated on either a personnel-cost or square-footage basis, whichever is more reasonable for the expenditure. Compensation and benefits are allocated based on estimates of time and effort. Occupancy costs and depreciation are allocated on a square footage basis.

Property and Equipment

Property and equipment are recorded at cost or fair value at the date of acquisition. Watertown Industrial Center Local Development Corporation follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Category	Recovery Period Years
Buildings and Improvements	5 - 30
Furniture, Fixtures, and Equipment	5 - 10

Fair Value of Financial Instruments

The carrying value of the notes payable approximates fair value because it bears interest at a rate that approximates current market rates for notes with similar maturities and credit quality.

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 Corporation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Pronouncement

On July 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 July 1, 2019, the Organization adopted Topic 606, using the modified retrospective method applied to contracts that were not completed as of July 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 July 1, 2019, the Organization had no material remaining performance obligations.

Revenue Recognition

In accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the Organization recognizes revenue when control of the promised goods or services are transferred to the Organization’s outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized when performance obligations within a contract are satisfied.

Statement of Cash Flows

There were no noncash investing and financing activities during 2020 and 2019.

	2020	2019
Cash Paid During the Year For:		
Interest	\$ 21,287	\$ 22,565

Date of Management’s Review

Management has evaluated subsequent events through September 15, 2020, the date which the financial statements were available to be issued. Management has determined such events have occurred as described in Note 14.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 3 – CASH

Cash consists of the following at December 31:

	2020	2019
Checking Accounts	\$ 91,239	\$ 95,869
Savings Accounts	<u>199,858</u>	<u>81,576</u>
	<u><u>\$ 291,097</u></u>	<u><u>\$ 177,445</u></u>

NOTE 4 – PROPERTY AND EQUIPMENT

The major categories of property and equipment as of June 30, are as follows:

	2020	2019
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	5,882,199	5,859,108
Furniture, Fixtures and Equipment	63,719	63,719
Construction in Progress	<u>4,985</u>	<u>2,591</u>
Total	6,155,903	6,130,418
Less: Accumulated Depreciation	<u>(3,914,152)</u>	<u>(3,755,280)</u>
Net Property and Equipment	<u><u>\$ 2,241,751</u></u>	<u><u>\$ 2,375,138</u></u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

**NOTE 5 – RELATED PARTY AGREEMENTS AND
TRANSACTIONS**

In 2014, the Corporation entered into a ten-year lease agreement with Jefferson County Local Development Corporation, who rents office space from the Corporation. The current lease was executed for the period October 1, 2014 through September 30, 2024. Monthly rental payments were \$1,460 for the months July through September of the current year, and \$1,480 thereafter. Rental income, including rent surcharges, received during the years ended June 30, 2020 and 2019 was approximately \$18,000 and \$17,000, respectively.

In 2010, the Corporation entered into a participation loan with Watertown Local Development Corporation and Jefferson County Local Development Corporation in the amount of \$400,000. The loan was obtained in order to finance the replacement of the Building A roof. The note is for a 20-year term, with payments beginning January 1, 2011 through January 1, 2031 at an interest rate of 3.00%. During the years ended June 30, 2020 and 2019, the Corporation made principal and interest payments of approximately \$27,000 in both years.

In 2015, the Corporation entered into a loan with Watertown Local Development Corporation in the amount of \$482,791. The loan was for renovations of office space for the use of Jefferson County Local Development Corporation. The note is for a 10-year term, with payments beginning May 1, 2015 through April 1, 2025 at an interest rate of 3.00%. During the year ended June 30, 2020 and 2019, the Corporation made principal and interest payments of approximately \$56,000 in both years.

In 2018, the Corporation entered into a loan with Jefferson County Local Development Corporation in the amount of \$196,165. The loan was for renovations to Building A owned by the Corporation. The note is for a 5-year term, with payments beginning on October 1, 2018 through September 1, 2023 at an interest rate of 3.5%. During the years June 30, 2020 and 2019, the Corporation made principal and interest payments of approximately \$43,000 and \$29,000, respectively.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

**NOTE 5 – RELATED PARTY AGREEMENTS AND
TRANSACTIONS - Continued**

The following is outstanding at year-end:

Note Payable	Interest Rate	June 30, 2020		June 30, 2019	
		Current	Long-Term	Current	Long-Term
WLDC Loan #1	3.00%	\$ 19,655	\$ 221,480	\$ 19,075	\$ 241,135
WLDC Loan #2	3.00%	49,071	202,336	47,623	251,407
JCLDC Loan	3.50%	<u>38,731</u>	<u>95,816</u>	<u>37,401</u>	<u>134,547</u>
Total		<u>\$ 107,457</u>	<u>\$ 519,632</u>	<u>\$ 104,099</u>	<u>\$ 627,089</u>

The future scheduled maturities of long-term debt as of June 30, are as follows:

2021	\$ 107,457
2022	110,906
2023	114,506
2024	89,362
2025	68,142
Thereafter	<u>136,716</u>
	<u>\$ 627,089</u>

NOTE 6 – PROPERTY ON OPERATING LEASES

The following schedule provides an analysis of the Corporation's investment in property on operating leases as of June 30:

	2020	2019
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	<u>5,882,199</u>	<u>5,859,108</u>
Total	6,087,199	6,064,108
Less: Accumulated Depreciation	<u>(3,858,686)</u>	<u>(3,703,556)</u>
Net Property on Operating Leases	<u>\$ 2,228,513</u>	<u>\$ 2,360,552</u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 7 – RENTALS UNDER OPERATING LEASES

The scheduled future rental payments under current operating leases as of June 30, are as follows:

2021	\$ 531,857
2022	463,111
2023	410,831
2024	261,233
2025	184,344
2026 - 2027	<u>92,557</u>
	<u>\$ 1,943,933</u>

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

The Corporation maintains its cash balances in financial institutions located in Watertown, NY. Interest-bearing deposits and non-interest-bearing deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. All deposits are fully insured for both years ended June 30, 2020 and 2019.

**NOTE 9 – RECEIVABLE LEASEHOLD IMPROVEMENTS/
DEFERRED REVENUE LEASEHOLD IMPROVEMENTS**

At June 30, 2020 and 2019, the receivable and corresponding deferred revenue were recorded in the amount of \$476,311 and \$589,527, respectively, on the Statement of Financial Position. The amount represents the additional rent surcharge to be collected from tenants over their lease terms. The additional rent surcharges were the result of building additions completed, as requested by tenants. The Corporation has consistently recorded all building improvements made for tenants as an addition to the Corporation's fixed assets and charged rent surcharges to the tenants to cover the cost of the improvements.

The Corporation decided to record the rent surcharge amount as a receivable and deferred revenue on the Statement of Financial Position to better track the status of additional rent surcharges. There is no effect on the Statement of Activities as a result of recording the receivable and related deferred revenue. The additional rent surcharge payments received from tenants has been consistently recorded as rental income on the Statement of Activities.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 10 – REFUNDABLE ADVANCE

The Corporation received a \$60,000 grant from New York Empire State Development Corporation on January 1, 2020. The grant was for a facilities expansion project. The grant contains a condition that certain employment levels are maintained by a tenant. The amount received is recorded as a refundable advance until the conditions are met. For the years ended June 30, 2020 and 2019, the refundable advance was \$60,000 and \$0, respectively.

NOTE 11 – RETIREMENT PLAN

In 2013, the Corporation established a 401(k) Profit Sharing Pension Plan. The Plan is administered by RBC Wealth Management. The employer contribution was set at 4% of the employees' annual salary. All full-time employees are covered by the Plan. For the years ended June 30, 2020 and 2019, the Corporation made contributions in the amount of \$7,047 and \$5,385 respectively.

NOTE 12 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Undesignated net assets include revenue and support to develop and maintain the industrial center and for general operating purposes.

Board designated net assets that have been appropriated by the Board from undesignated net assets for specific future needs as of June 30, are as follows:

	2020	2019
Leasehold Improvement	\$ 101,426	\$ 72,523
Capital Improvement Fund	<u>39,866</u>	<u>24,732</u>
Total	<u>\$ 141,292</u>	<u>\$ 97,255</u>

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation 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 Corporation's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because the assets are not convertible to cash within one year.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 with Comparative Totals for 2019

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - Continued

	2020	2019
Financial Assets:		
Cash	\$ 291,097	\$ 177,445
Other Receivable	5,505	249
Rent Receivable	11,408	23,290
Leasehold Improvement Receivable	<u>476,311</u>	<u>589,527</u>
Financial Assets, End of Year	<u>784,321</u>	<u>790,511</u>
Less Those Unavailable for General Expenditures Within One Year, Due to:		
Leasehold Improvement Receivable Greater Than One Year	<u>(361,356)</u>	<u>(476,506)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 422,965</u>	<u>\$ 314,005</u>

The Corporation has adopted a balanced budget and operates within their budget on an annual basis. The Corporation has sufficient revenue sources to fund general expenditures throughout the year. Refer to the Statement of Cash Flows which identifies the sources and uses of the Corporation's cash and shows a positive cash flow generated by operations for the years ended June 30, 2020 and 2019.

NOTE 14 – SUBSEQUENT EVENTS

In recent months, the COVID-19 outbreak in the United States has resulted in business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Organization expects this matter to negatively impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.



**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
WATERTOWN INDUSTRIAL CENTER
LOCAL 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 Watertown Industrial Center Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 September 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watertown Industrial Center Local Development Corporation's internal control over financial reporting (internal control) to determine the audit 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 Watertown Industrial Center Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is 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 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 were not 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, 2020-1 and 2020-2.

Compliance and Other Matters

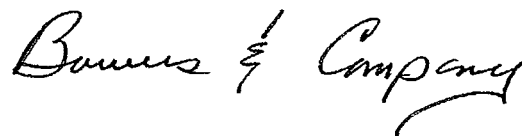
As part of obtaining reasonable assurance about whether Watertown Industrial Center Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 or other matters that are required to be reported under *Government Auditing Standards*.

Watertown Industrial Center Local Development Corporation's Response to Findings

Watertown Industrial Center Local Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of finding and responses. Watertown Industrial Center Local 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Watertown, New York
September 15, 2020

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2020

Internal Control Over Financial Reporting

Significant Deficiencies

2020 -1 Segregation of Duties

Condition: Due to the small size of the entity there is limited segregation of duties. The Corporation's management consists of one person who is responsible for all accounting functions, including disbursements, payroll, accruals, and making all journal entries during the year.

Criteria: Segregation of duties is a primary internal control intended to prevent, or decrease the risk of, errors or irregularities; identify problems; and ensure that corrective action is taken. This is done by assuring that no single individual should have control over all phases of a transaction.

Effect: Limited internal control is a potential risk to physical assets and presents the risk for both intentional and unintentional errors to be made that go undetected.

Recommendation: The Board of Directors should be aware that this condition is a significant deficiency and will be in future years due to the small size of the Corporation.

Response: The Corporation recognizes that this is viewed as a significant deficiency; however, it is not financially feasible to hire additional staff to further separate accounting duties.

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2020

Significant Deficiencies

2020 -2 Preparation of Financial Statements

Condition: Due to time constraints as well as qualifications of staff, the Corporation does not prepare their own financial statements.

Criteria: Preparation of financial statements is an internal control intended to identify irregularities or misstatements in financial records, as well as ensure that nonprofit generally accepted accounting principles are being followed by the Corporation.

Effect: Limited internal control is a potential risk to the Corporation's financial records and presents the risk for both intentional and unintentional errors to be made that go undetected due to staff's inability to properly review financial statements.

Recommendation: The Board of Directors should be aware that this condition is a significant deficiency and will be in future years due to the qualifications of staff at the Corporation.

Response: The Corporation recognizes that this is viewed as a significant deficiency; however, it is not financially feasible to hire qualified staff to prepare financial statements.



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

September 15, 2020

To the Board of Directors
Watertown Industrial Center Local Development Corporation

We have audited the financial statements of Watertown Industrial Center Local Development Corporation for the year ended June 30, 2020, and have issued our report thereon dated September 15, 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 June 2, 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 Watertown Industrial Center Local Development Corporation are described in Note 2 to the financial statements. As described in Note 2, Watertown Industrial Center changed accounting policies related to revenue recognition by adopting FASB Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)* in 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.

Management's estimate of depreciation is based on an analysis of fixed assets and depreciation calculations. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the 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 misstatement detected as a result of audit procedures was 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 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 September 15, 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.

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 Watertown Industrial Center Local 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

Material Adjusting Journal Entry for Year Ending June 30, 2020:

Adjusting Journal Entries JE #4

to adjust grant income for refundable advance.

405501	Misc Income – Operations & Admin	60,000.00	
270000	Refundable Advance		60,000.00
Total		<u>60,000.00</u>	<u>60,000.00</u>