

**CANTON CAPITAL RESOURCE CORPORATION**

**FINANCIAL STATEMENTS,  
AUDITORS' COMMUNICATION LETTER  
AND OTHER COMMUNICATIONS**

**DECEMBER 31, 2012**

## **CANTON CAPITAL RESOURCE CORPORATION**

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# REECE & ROBINSON, CPA'S, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Larry C. Reece, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Canton Capital Resource Corporation

We have audited the accompanying financial statements of Canton Capital Resource Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years 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

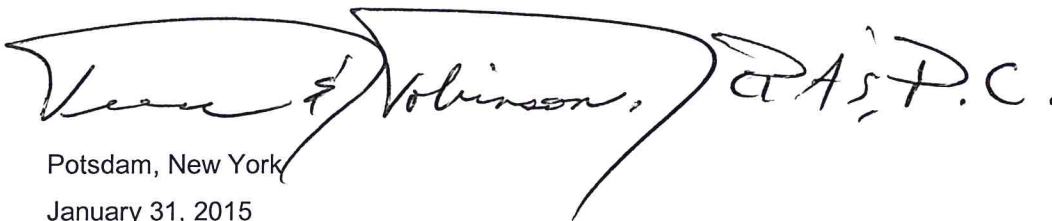
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Canton Capital Resource Corporation as of December 31, 2012 and 2011, 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.



Potsdam, New York  
January 31, 2015

# CANTON CAPITAL RESOURCE CORPORATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2012 AND 2011

	<u>12/31/2012</u>	<u>12/31/2011</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 5,068	\$ 10,010
Total Current Assets	<u>\$ 5,068</u>	<u>\$ 10,010</u>
Total Assets	<u><u>\$ 5,068</u></u>	<u><u>\$ 10,010</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>	\$ 5,068	\$ 10,010
<b>LONG-TERM DEBT (Net of Current Portion)</b>	-	-
Total Liabilities	<u>\$ 5,068</u>	<u>\$ 10,010</u>
<b>NET ASSETS:</b>		
Unrestricted	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u><u>\$ 5,068</u></u>	<u><u>\$ 10,010</u></u>

The accompanying notes are an integral part of these financial statements

**CANTON CAPITAL RESOURCE CORPORATION**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>12/31/2012</u>	<u>12/31/2011</u>
<b>SUPPORT AND REVENUE:</b>		
Program Service Fees	\$ -	\$ -
Contributions	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>\$ -</u>	<u>\$ -</u>
<b>OPERATING EXPENSES:</b>		
Management and General	<u>-</u>	<u>\$ -</u>
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>
Net Income from Operations	\$ -	\$ -
<b>CHANGE IN NET ASSETS</b>	\$ -	\$ -
<b>NET ASSETS - Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>NET ASSETS - End of Year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

**CANTON CAPITAL RESOURCE CORPORATION**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	December 31, 2012			December 31, 2011		
	Financing	Management and General	Total	Financing	Management and General	Total
<b>OPERATING EXPENSES:</b>						
Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**CANTON CAPITAL RESOURCE CORPORATION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>12/31/2012</u>	<u>12/31/2011</u>
<b>OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ -	\$ -
<b>ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Accounts Payable and Accrued Liabilities	<u>(4,942)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ (4,942)</u>	<u>\$ -</u>
<b>INVESTING ACTIVITIES:</b>		
	<u>\$ -</u>	<u>\$ -</u>
Net Cash Used by Investing Activities	<u>\$ -</u>	<u>\$ -</u>
<b>FINANCING ACTIVITIES:</b>		
	<u>\$ -</u>	<u>\$ -</u>
Net Cash Used by Financing Activities	<u>\$ -</u>	<u>\$ -</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ -</u>	<u>\$ -</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>\$ 10,010</u>	<u>\$ 10,010</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 5,068</u></u>	<u><u>\$ 10,010</u></u>

**SUPPLEMENTAL CASH FLOW DISCLOSURES**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Cash Paid During the Year for:

Operating Interest	\$ -	\$ -
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**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Noncash Investing and Financing Activity:

Purchase of Fixed Assets with Loan Proceeds	\$ -	\$ -
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The accompanying notes are an integral part of these financial statements



# CANTON CAPITAL RESOURCE CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization -

The Canton Capital Resource Corporation (the "Corporation") is a not-for-profit, tax exempt organization that was incorporated on May 5, 2010. It was organized under the laws of the State of New York as a Type C Corporation. It received its tax exempt status from the Federal Government's Department of the Treasury on August 8, 2012. This recognition was granted under Internal Revenue Code Section 501 ( c ) ( 3 ). The Corporation may accept tax deductible contributions under Section 170 of the Internal Revenue Service Code since it is classified as a public charity. In addition, it is qualified to receive tax deductible bequests, devises, transfers or gifts under sections 2055, 2106, or 2522 of the Internal Revenue Service Code.

The Corporation is a local authority pursuant to Section 2(2) of New York State's Public Authorities Law. As such, it is subject to the statute's public disclosure, reporting, and corporate governance provisions. It's sole member is the Town of Canton.

The Corporation pursues economic development bond and loan activities. Its revenues are primarily derived from fees for issuing bonds. The only revenue of the Corporation occurred in 2010 from the issuance of housing bonds, the proceeds of which went exclusively to Grasse River, LLC. Grasse River, LLC is a New York limited liability company whose sole member is the Canton College Foundation, Inc., a not-for-profit corporation organized under the laws of the State of New York. After the financing was completed, the Corporation made a payment of \$90,000 to the Town of Canton.

#### Basis of Accounting -

The financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

#### Basis of Presentation -

Financial statement presentation follows the recommendations of Financial Accounting Standards (FAS) Codification Topic 958, *Not-for-Profit Entities*. Accordingly, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets:

- 1) Unrestricted Net Assets
- 2) Temporarily Restricted Net Assets
- 3) Permanently Restricted Net Assets.

Currently, the Corporation has no Unrestricted Net Assets.



# **CANTON CAPITAL RESOURCE CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Income Taxes**

Since the Corporation has completed the Federal application process and obtained Federal recognition as a tax exempt entity, the Corporation pays no Federal or New York State income tax for activities and operations related to its tax exempt purpose. For 2011 and 2012, there was no net income to recognize, from related or unrelated business activities, therefore no income tax was due. However a minimum tax was due and paid to New York State for both 2010 and 2011. This was prior to the Corporation's acceptance as a tax exempt entity.

The Corporation performs an evaluation of all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2011 and 2012, the Corporation does not believe that it has taken any positions that would require the recording of any tax liability or tax benefit, other than the minimum tax due to New York State for 2011.

If there were to be an assessment, the Corporation's policy is to classify income tax related interest and penalties in interest expense and miscellaneous expenses, respectively. For the purpose of the New York State minimum tax this expense was grouped in a general account for professional services.

The tax years ended December 31, 2011 and 2012 are subject to examination by federal and state tax jurisdictions.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Balances at December 31, 2011 and 2012 were \$0.

#### **Accounts Receivable**

Accounts receivable for services are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances. Balances at December 31, 2011 and 2012 were \$0.

## CANTON CAPITAL RESOURCE CORPORATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2012

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets having a unit cost of \$1,500 or more and an estimated useful life of three or more years are capitalized at cost. Depreciation is provided by the straight-line method over the estimated useful life of the asset as follows:

Building	39 years
Equipment	3 - 10 years
Vehicles	5 years

Depreciation of fixed assets charged to operations for the years ended December 31, 2011 and 2012 was \$0 and \$0, respectively.

#### Donated Services

The Corporation does not receive a significant amount of volunteer services from its members or the community. As a result, no provision for volunteer services has been made in the financial statements.

#### Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks and savings instruments with a maturity of less than three months.

#### Subsequent Events

The Corporation has reviewed and evaluated subsequent events from December 31, 2011 and 2012 through January 31, 2015 the date the financial statements were available to be issued, for possible disclosure and/or recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

#### NOTE B - RESTRICTED CASH - REPLACEMENT RESERVES

There are no loan resolution security agreements or bond issuance covenants requiring the Corporation to fund reserve accounts for the use of equipment replacement or for payments on loans or bonds.

# **CANTON CAPITAL RESOURCE CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

### **NOTE C - INVESTMENTS**

Policy is to carry investments at market value. At December 31, 2011 and 2012 the Corporation had no investments to report.

As a result, there was no investment income to report for either year.

### **NOTE D - FAIR VALUE MEASUREMENTS**

Fair value is an exit price, which represents the amount that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants.

The Corporation has no transactions that required fair value measurements for the years ended December 31, 2011 and 2012.

### **NOTE E - LINE OF CREDIT**

The Corporation had no line of credit as of December 31, 2011 and 2012.

### **NOTE F - LONG-TERM NOTES**

The Corporation had no long-term notes payable at December 31, 2011 and 2012.

### **NOTE G - DONATED GOODS AND SERVICES**

The Corporation had no donated services or goods as of December 31, 2011 and 2012.

### **NOTE H - EMPLOYEE BENEFIT PLANS**

The Corporation had no employees for the years ended December 31, 2011 and 2012. As a result, there were no benefit plans for retirement, insurance, or otherwise.

### **NOTE I - UNCERTAINTIES**

At December 31, 2012, the Corporation had no immediate plans to issue any revenue bonds or package loans for economic development. Management believes however, that even though there may be no income from these revenue streams in the foreseeable future, the Town of Canton is committed to the Corporation's financial support because of the large payment the Corporation made to the Town after issuing its last revenue bond financing. As a result of this support, the Corporation is likely to continue as a going concern for the foreseeable future and management plans to pursue the financial support from the Town in order to provide bond issuance and/or loan packaging services when these opportunities arise.



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Larry C. Reece, CPA

Member American Institute of Certified Public Accountants

January 31, 2015

To the Board of Directors  
Canton Capital Resource Corporation

We have audited the financial statements of Canton Capital Resource Corporation for the years ended December 31, 2011 and 2012, and have issued our report thereon dated January 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 January 15, 2015. 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 Canton Capital Resource Corporation are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011 and 2012. 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 the professional fees to accrue for operations and completion of the audit of the years ended December 31, 2011 and 2012. This estimate is based on the time required to complete these tasks at market billing rates. We evaluated the key factors and assumptions used to develop the accrual for professional fees in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure that, when considered in the aggregate and in combination with the expected financial support of the Town of Canton, the lack of current revenues and low expectation of the issuance of future development bonds do not indicate a substantial doubt about Canton Capital Resource Corporation's ability to continue as a going concern for a reasonable period of time. This disclosure appears in Note I to the financial statements.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *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 January 31, 2015.

#### *Management Consultations with Other Independent Accountants*

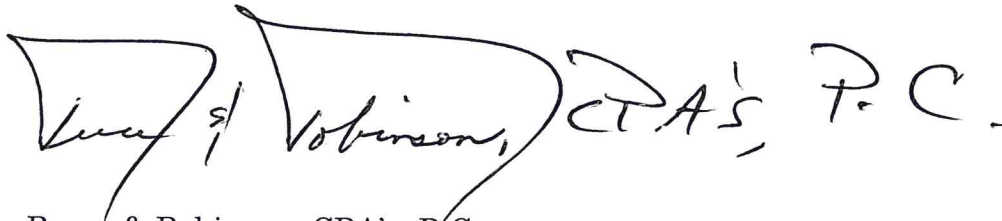
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination 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

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

Very truly yours,

A handwritten signature in dark ink. The signature is written in a cursive style. It begins with a large, stylized 'R' that loops around the word 'Reece'. Following 'Reece' is an ampersand '&' and then the word 'Robinson,'. To the right of 'Robinson,' are the letters 'CPA's' and 'P.C.' separated by a comma. The entire signature is written in a fluid, connected manner.

Reece & Robinson, CPA's, P.C.



**CANTON CAPITAL RESOURCE CORPORATION**

**RECAP OF AUDIT ADJUSTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Preliminary Change in Net Assets		\$	-
Adjust Revenue	\$	-	
Adjust Expenses		-	
			<u>-</u>
Audited Change in Net Assets		\$	<u>-</u>

**RECAP OF AUDIT ADJUSTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Preliminary Change in Net Assets			\$(4,942.00)
Adjust Revenue			
Adjust Expenses		4,942	
			<u>4,942</u>
Audited Change in Net Assets		\$	<u>-</u>

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Larry C. Reece, CPA

Member American Institute of Certified Public Accountants

To the Board of Directors  
of Canton Capital Resource Corporation

In planning and performing our audit of the financial statements of Canton Capital Resource Corporation as of and for the years ended December 31, 2011 and 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Canton Capital Resource Corporation's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

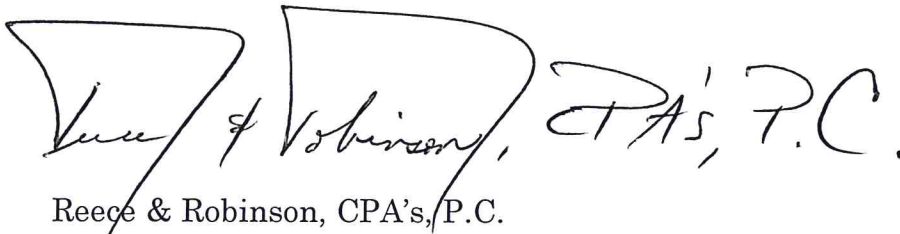
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Canton Capital Resource Corporation's internal control to be a significant deficiency:

## Deficiency in the Design of Internal Controls

Like many smaller nonprofit organizations without a professional accounting staff, the Corporation has relied on its independent auditors for guidance in the preparation of financial statements and

footnote disclosures. The professional guidance in this area clearly states that if outside auditors are engaged to assist in the preparation of the financial statements that there is a significant deficiency in the organization's system of internal controls.

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.

A handwritten signature in black ink that reads "Reece & Robinson, CPA's, P.C.". The signature is written in a cursive, flowing style with large, connected letters.

Reece & Robinson, CPA's, P.C.

Potsdam, New York

January 31, 2015