

**CANTON CAPITAL RESOURCE CORPORATION**

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

**DECEMBER 31, 2011**

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

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Canton Capital Resource Corporation

We have audited the accompanying statements of financial position of Canton Capital Resource Corporation (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A large, stylized handwritten signature in blue ink. The signature appears to read "Reece & Robinson, CPA's, P.C." with a large, sweeping flourish at the beginning.

Potsdam, New York  
June 14, 2012

## **CANTON CAPITAL RESOURCE CORPORATION**

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# CANTON CAPITAL RESOURCE CORPORATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2011 AND 2010

	<u>12/31/2011</u>	<u>12/31/2010</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 10,010	\$ 10,010
Total Current Assets	<u>\$ 10,010</u>	<u>\$ 10,010</u>
Total Assets	<u><u>\$ 10,010</u></u>	<u><u>\$ 10,010</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>	\$ 10,010	\$ 10,010
<b>LONG-TERM DEBT (Net of Current Portion)</b>	-	-
Total Liabilities	<u>\$ 10,010</u>	<u>\$ 10,010</u>
<b>NET ASSETS:</b>		
Unrestricted	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u><u>\$ 10,010</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, 2011 AND 2010**

	<u>12/31/2011</u>	<u>12/31/2010</u>
<b>SUPPORT AND REVENUE:</b>		
Program Service Fees	\$ -	\$ 100,000
Contributions	-	-
	<hr/>	<hr/>
Total Support and Revenue	<u>\$ -</u>	<u>\$ 100,000</u>
 <b>OPERATING EXPENSES:</b>		
Management and General	\$ -	\$ 100,000
	-	-
	<hr/>	<hr/>
Total Operating Expenses	<u>\$ -</u>	<u>\$ 100,000</u>
Net Income from Operations	\$ -	\$ -
 <b>CHANGE IN NET ASSETS</b>	\$ -	\$ -
<b>NET ASSETS - Beginning of Year</b>	<hr/> -	<hr/> -
<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, 2011 AND 2010**

	December 31, 2011			December 31, 2010		
	Financing	Management and General	Total	Financing	Management and General	Total
<b>OPERATING EXPENSES:</b>						
Marketing	\$ -		\$ -	\$ -	\$ 90,000	\$ 90,000
Professional Services		-			10,000	10,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</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, 2011 AND 2010**

	<u>12/31/2011</u>	<u>12/31/2010</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>                    </u>	<u>10,010</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 10,010</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>\$ -</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 10,010</u></u>	<u><u>\$ 10,010</u></u>

**SUPPLEMENTAL CASH FLOW DISCLOSURES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 AND 2010**

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, 2011

### 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 is in the process of applying for Federal Government recognition of tax exempt status under the provisions of IRS Code Section 501.

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. Its 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. Bond proceeds were to be used for the purchase of land, construction thereon, and acquisition and installation therein and thereon of certain machinery and equipment for a suite style student housing complex. The complex would contain approximately 83 student suites for a total of 304 rental housing units, all of which would serve the needs of the students of the State University of New York at Canton. Grasse River, LLC would own the complex and the State University of New York at Canton would be the operator. The Corporation served only as a conduit for the issuance of the bonds.

#### 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, 2011**

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

#### **Income Taxes**

Once the Corporation completes the Federal application process and obtains Federal recognition as a tax exempt entity, then the Corporation will pay no Federal or New York State income tax for activities and operations related to its tax exempt purpose. For 2010 and 2011, 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.

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, 2010 and 2011, 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.

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.

The tax years ended December 31, 2010 and 2011 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.

#### **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, 2010 and 2011 would be considered collectible, but they are \$0.

# **CANTON CAPITAL RESOURCE CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

### **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, 2010 and 2011 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, 2010 and 2011 through June 14, 2011 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, 2011**

### **NOTE C - INVESTMENTS**

Policy is to carry investments at market value. At December 31, 2010 2011 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 require fair value measurements for the years ended December 31, 2010 and 2011.

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

The Corporation has no line of credit as of December 31, 2010 and 2011.

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

The Corporation has no long-term notes payable at December 31, 2010 and 2011.

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

The Corporation has no donated services or goods as of December 31, 2010 and 2011.

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

The Corporation has no employees for the years ended December 31, 2010 and 2011. As a result, there were no benefit plans for retirement, insurance, or otherwise.

### **NOTE I - UNCERTAINTIES**

The Corporation has no immediate plans to issue any revenue bonds or package loans for economic development. As a result, the future of the Corporation is uncertain. Management has considered the alternative of dissolution if no further revenue bonds or loan packages will be issued. At this time, management plans to pursue the option of maintaining viability in order to provide bond issuance and/or loan packaging services in the event these opportunities arise.



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June 14, 2012

To the Board of Directors  
Canton Capital Resource Corporation  
60 Main St.  
Canton, NY 13617

We have audited the financial statements of Canton Capital Resource Corporation for the years ended December 31, 2010 and 2011, and have issued our report thereon dated June 14, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 February 15, 2012. 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. All accounting policies were new in 2010, and no new accounting policies were adopted in 2011. The application of existing policies was not changed during 2010 or 2011. 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 the completion of the federal tax exempt application and the audits of the years ended December 31, 2010 and 2011. 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 of federal tax exempt status not yet attained. In Note A to the financial statements The Corporation has committed to complete this process and it expects the application to be completed within 60 days with approval following shortly after..

### *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 known and likely misstatements identified during the audit, other than those that are 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, professional standards define a disagreement with management as 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 June 14, 2012.

#### *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.

#### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 blue ink that reads "Reece & Robinson, CPA's, P.C." The signature is stylized and cursive.

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

**CANTON CAPITAL RESOURCE CORPORATION**

**RECAP OF AUDIT ADJUSTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Preliminary Change in Net Assets	\$	-
Adjust Revenue	\$	(100,000)
Adjust Expenses		<u>100,000</u>
		-
Audited Change in Net Assets	\$	<u>-</u>

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

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



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To the Board of Directors  
and Management of Canton Capital Resource Corporation

In planning and performing our audits of the financial statements of Canton Capital Resource Corporation as of and for the years ended December 31, 2010 and 2011, 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 our auditing procedures 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

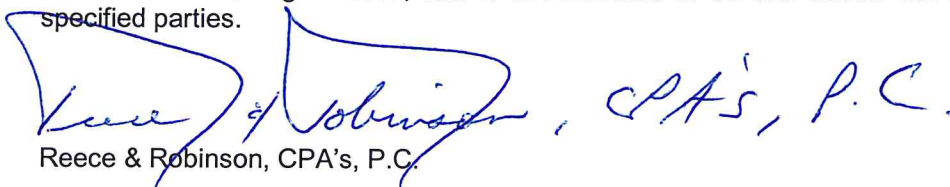
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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. 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 significant deficiencies:

## 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.



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

Potsdam, New York

June 14, 2012