

WATERTOWN LOCAL
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

December 31, 2024

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WATERTOWN LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR’S REPORT

BOARD OF DIRECTORS WATERTOWN LOCAL DEVELOPMENT CORPORATION

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **WATERTOWN LOCAL DEVELOPMENT CORPORATION**, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Watertown Local Development Corporation as of December 31, 2024, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Watertown Local Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown Local Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Watertown Local Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown Local Development Corporation's ability to continue as a going concern for a reasonable period of time.

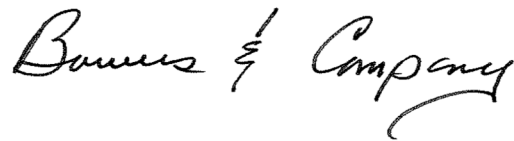
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Watertown Local Development Corporation's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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 7, 2025, on our consideration of Watertown 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 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 Local Development Corporation's internal control over financial reporting and compliance.

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 main text block.

Watertown, New York
March 7, 2025

WATERTOWN LOCAL DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

December 31, 2024 with Comparative Totals for 2023

	2024	2023
ASSETS		
Cash	\$ 500,338	\$ 360,144
Temporary Cash Investments	1,399,029	1,498,776
Investments	2,349,990	2,176,602
Accrued Investment Interest Receivable	15,420	15,124
Accounts Receivable	11	-
Loans Receivable, Net	5,709,593	5,386,336
Equipment and Leasehold Improvements, Net	4,470	-
Right of Use Asset, Operating Lease	268,321	278,005
TOTAL ASSETS	<u>\$ 10,247,172</u>	<u>\$ 9,714,987</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Other Liabilities	\$ -	\$ 6,174
Operating Lease Liability	273,696	279,648
Total Liabilities	<u>273,696</u>	<u>285,822</u>
Net Assets		
Net Assets Without Donor Restrictions	<u>9,973,476</u>	<u>9,429,165</u>
Total Net Assets	<u>9,973,476</u>	<u>9,429,165</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,247,172</u>	<u>\$ 9,714,987</u>

See notes to financial statements.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2024 with Comparative Totals for 2023

	2024	2023
SUPPORT AND REVENUE:		
Interest Income:		
Interest on Loans	\$ 274,878	\$ 222,538
Investment Income, Net	107,946	96,522
Realized and Unrealized Gain		
on Investments, Net	207,136	165,965
Grant Revenue - DRI Program	-	379,290
Credit Recovery	39,367	37,514
Other Income	8,922	8,704
	<hr/>	<hr/>
Total Support and Revenue	638,249	910,533
	<hr/>	<hr/>
EXPENSES:		
Program Services	10,240	885,241
Management and General	83,698	175,248
	<hr/>	<hr/>
Total Expenses	93,938	1,060,489
	<hr/>	<hr/>
Change in Net Assets	544,311	(149,956)
Net Assets, Beginning of Year	9,429,165	9,579,121
	<hr/>	<hr/>
Net Assets, End of Year	\$ 9,973,476	\$ 9,429,165
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See notes to financial statements.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024 with Summarized Totals for December 31, 2023

	Program Services	Management and General	Totals 2024	Totals 2023 (Summarized)
Salaries	\$ 141,307	\$ 35,327	\$ 176,634	\$ 159,708
Payroll Taxes and Employee Benefits	55,176	13,794	68,970	86,293
Façade and Rental Assistance Program	-	-	-	365,472
Advertising	3,065	-	3,065	-
Filing Fees	-	590	590	250
Insurance	-	3,415	3,415	3,416
Janitorial Expense	1,268	317	1,585	3,992
Loss on Disposal	-	-	-	366
Miscellaneous	15,583	2,611	18,194	17,849
Occupancy Expense	844	211	1,055	2,674
Office Expense	17,466	4,366	21,832	14,097
Operating Lease Expense	17,718	4,430	22,148	19,964
Professional Fees	7,109	17,942	25,051	22,328
Credit Losses (Recoveries)	(253,186)	-	(253,186)	322,563
Thompson Park Grant	-	-	-	40,000
Travel and Entertainment	3,551	610	4,161	271
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	9,901	83,613	93,514	1,059,243
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	339	85	424	1,246
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ 10,240	\$ 83,698	\$ 93,938	\$ 1,060,489

See notes to financial statements.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2024 with Comparative Totals for 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 544,311	\$ (149,956)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	424	1,246
Loss on Disposal	-	366
Provision for Credit Losses	(253,186)	322,563
Unrealized Gain on Investments	(143,737)	(150,988)
Realized Gain on Sale of Investments	(63,399)	(14,977)
Operating Lease Expense	9,684	3,959
(Increase) Decrease in Assets:		
Accrued Investment Interest Receivable	(296)	(120)
Accounts Receivable	(11)	-
Grants Receivable	-	41,129
Increase (Decrease) in Liabilities:		
Other Liabilities	(6,174)	6,174
Operating Lease Liability	(5,952)	(2,316)
	<u>81,664</u>	<u>57,080</u>
Net Cash Provided By Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Originations	(1,133,039)	(1,464,371)
Principal Collections on Loans	1,062,968	1,070,027
Purchase of Investments	(1,371,901)	(849,115)
Proceeds from Sales of Investments	1,505,396	1,142,253
Purchase of Equipment	(4,894)	-
Net Cash Provided By (Used In) Investing Activities	<u>58,530</u>	<u>(101,206)</u>
Net Increase (Decrease) in Cash	140,194	(44,126)
Cash, Beginning of Year	<u>360,144</u>	<u>404,270</u>
Cash, End of Year	<u>\$ 500,338</u>	<u>\$ 360,144</u>

See notes to financial statements.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 1 – NATURE OF ACTIVITIES

The Watertown Local Development Corporation (the LDC) was incorporated under Section 1411 of the not-for-profit corporation law on November 14, 1982. Their mission is to foster an environment of cooperation between the City government, economic development agencies and the private sector with the goal of promoting economic expansion and prosperity in the City of Watertown. Moreover, the LDC uses financial resources to leverage other investments, with the goal of job creation, retention and elimination of blight.

500 Newell Street LLC, a New York Limited Liability Company (LLC), was organized on June 29, 2004. The LDC is 100% owner of 500 Newell Street LLC. The primary purpose of the LLC is to hold real estate acquired as a result of foreclosure sales and judgments against borrowers that have defaulted on their loans with the LDC. At December 31, 2024 and 2023, the LLC held no property. The activity in the LLC is not material to the LDC financial statements, and therefore is not reflected in the accompanying financial statements.

The LDC functions as a lending institution, making low interest loans for real estate, machinery and equipment purchases, working capital and housing.

- Repayment terms for real estate range from 10 to 20 years.
- Repayment terms for machinery and equipment purchases and working capital range from 7 to 10 years.

Maximum loan amounts are limited to 40% of project costs or 10% of the total LDC assets, whichever is lower. Interest rates on the LDC loans will be determined by the Board of Directors and will be on a fixed rate basis. The loans are made to businesses and industries which have an economic impact on the Watertown area. Any commitment by the LDC for a project located outside the corporate limits of the City of Watertown must be made subject to a majority approval of the City Council. Exceptions to loan policy terms and loan amounts may be approved at the discretion of the Board of Directors.

In addition, the following programs were established:

- The Board granted the CEO authority to approve loans in the amount of \$10,000 or less.
- The Factory Street Loan Program to give loans to small businesses that were affected by road construction in the City of Watertown. The maximum loan is for \$10,000 at 3% interest and for a maximum of 5 years. Loans are no longer being originated under this program.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 1 – NATURE OF ACTIVITIES - Continued

- The DRI Façade and Rental Assistance Program is designated for businesses in the downtown boundaries. Façade and rental assistance expense was \$-0- and \$365,472 for the years ended December 31, 2024 and 2023, respectively.
- The Public Square Rent Assistance Program for new businesses to be located within the program boundary or for existing businesses planning to relocate within the program boundary. Lease payments in year one will be subsidized at 50% or \$1,000 per month, whichever is less. Subsidy decreases in year two to 25% or \$500 per month, whichever is less.
- The Downtown Micro Loan Program designated for businesses in the Watertown area. The maximum loan is for \$40,000 at 3% interest for a maximum of 6 years.
- The Emergency Working Capital Program is designed to give loans to small businesses that were affected by the COVID-19 pandemic in the City of Watertown. The maximum loan is for \$10,000 at 3% interest with no payments for 3 months and interest only for the next 9 months. After the first 12 months, the loan will be amortized over 5 years.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The LDC reports information regarding its financial positions 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. Net assets without donor restrictions generally result from rental revenue, income from investments and interest income from notes receivables, less expenses incurred in providing program-related services and performing administrative functions.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The LDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

The LDC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2023, 2022, and 2021 are subject to examination by the IRS, generally for 3 years after they were filed. Based on its analysis, the LDC determined that there were no uncertain tax positions and that the LDC should prevail upon examination by the taxing authorities.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of 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.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those financial instruments. Refer to Note 12 for fair value of temporary cash investments and investments.

Cash

The LDC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2024 and 2023.

Loans Receivable and Allowance for Credit Losses

Loans receivable are stated at unpaid principal balances, less an allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Loans Receivable and Allowance for Credit Losses – Continued

Loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a provision for credit losses based on its assessment of the current status of individual accounts. The LDC uses a loan rating system as a method for calculating their required reserve. Loan rating classifications are 1) Satisfactory, 2) Watch, and 3) Substandard. A percentage of each loan is allocated to the reserve calculation based on its classification. Management's periodic evaluation of the loan risk ratings is based on specific criteria such as past credit loss experience, known and other risks inherent in the portfolio, cash flows, and estimated value of any underlying collateral. A considerable amount of judgement is required when determining expected credit losses. Estimates of such losses are recorded when management believes a customer, or group of customers, may not be able to meet their financial obligations due to deterioration in financial condition or credit rating. Factors relevant to the assessments include prior collection history with customers, the related aging of past due balances, projections of credit losses based on historical trends in credit quality indicators or past events, forecasts of future economic conditions, trends in loan volume and terms, and management transitions.

Equipment

Equipment has been recorded at cost. Repairs and maintenance not prolonging the useful life of the asset are charged to expense in the year incurred and improvements, which extend the useful life of the assets, are capitalized. Assets are depreciated over their estimated useful lives of three to seven years using the straight-line depreciation method. Generally, equipment, which have a cost of \$1,000 or more at the date of acquisition and have an expected useful life of greater than one year, are capitalized.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the LDC's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

Expenses consist of costs related to providing economic development and administrative functions. The LDC'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.

Concentrations of Credit Risk

The LDC typically maintains cash deposits in local federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. As of December 31, 2024 and 2023, the LDC's deposits in excess of FDIC limits totaled approximately \$-0- and \$40,689, respectively.

The LDC has investments which consist of investments in governmental and corporate fixed income instruments, and certificates of deposit. The certificates of deposit held are covered by FDIC limits at each banking institution. Other investments are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. The investments are held at RBC Wealth Management, a division of RBC Capital Markets Corporation. RBC has purchased an additional policy to physically protect assets in excess of the coverage provided by the SIPC. Cash balances at RBC are covered by FDIC insurance at each program bank.

Statement of Cash Flows

Supplemental disclosures of noncash investing and financing activities for the years ended December 31 are as follows:

	2024	2023
Right of Use Asset - Operating Lease in Exchange for Operating Lease Liability	<u>\$ -</u>	<u>\$ 281,964</u>
Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities:		
Cash Paid for Amounts Included in Operating Lease Liability	<u>\$ 18,416</u>	<u>\$ 7,585</u>

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

The majority of the LDC's revenue stream is generated from investment income, interest income on loans, and recovery of credit losses which are outside the scope of ASU 2014-9 "Revenue from Contracts with Customers" (Topic 606).

In accordance with ASU 2018-08, "Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" (Topic 958), the LDC recognizes nonreciprocal transactions at the time of the transaction.

Grant Revenue

Grants revenue result from cost-reimbursable grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the LDC has incurred expenditures in compliance with specific grant or contract provisions.

Operating Leases

The LDC leases office space. The LDC determines if an arrangement is a lease at inception. Operating leases are included in right of use (ROU) asset – operating lease and operating lease liability on the statement of financial position.

ROU assets represent the LDC's right to use an underlying asset for the lease term and lease liabilities represent the LDC's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The ROU asset also includes any lease payments made and excludes lease incentives. The LDC's lease terms may include options to extend or terminate the lease when it is reasonably certain that the LDC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the ROU asset and operating lease liability, the LDC uses rates implicit in the lease, or if not readily available, the LDC adopted the accounting policy available to non-public entities which allows the use of a risk-free rate. The risk-free rate is the incremental borrowing rate of the LDC for the same period of time as the lease term. The LDC has elected to use the risk-free rate based on the commencement date.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Date of Management's Review

Management has evaluated subsequent events and transactions that occurred between December 31, 2024 through March 7, 2025, the date which the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures necessary.

NOTE 3 – LOANS RECEIVABLE, NET

Loans receivable at December 31 are summarized as follows:

	2024	2023
Real Estate, Machine and Equipment	\$ 5,822,253	\$ 5,799,739
Downtown Micro Loan	171,007	141,232
Factory Street Program	-	20
Total Loans Receivable	<u>5,993,260</u>	<u>5,940,991</u>
Less: Allowance for Credit Losses	<u>(283,667)</u>	<u>(554,655)</u>
Total Loans Receivable, Net	<u>\$ 5,709,593</u>	<u>\$ 5,386,336</u>

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 3 – LOANS RECEIVABLE, NET - Continued

Age Analysis of Past Due Financing Receivables

An aging of past due loans as of December 31 is summarized as follows:

	2024				
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Current	Total
Loans Receivable	<u>\$185,075</u>	<u>\$ 13,022</u>	<u>\$ 3,412</u>	<u>\$ 5,791,751</u>	<u>\$ 5,993,260</u>

	2023				
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Current	Total
Loans Receivable	<u>\$ -</u>	<u>\$ 269,976</u>	<u>\$ 5,458</u>	<u>\$ 5,665,557</u>	<u>\$ 5,940,991</u>

Credit Quality Information

Credit quality indicators as of December 31, 2024 and 2023 are as follows:

Internally assigned grade:

Satisfactory – loans in this category show the borrower is responsible for the credit, financial statements are current, of good quality and in adequate detail, financial condition is generally on par with the industry average, earnings are generally profitable, cash flow is sufficient, borrower adheres to repayment schedule and loan covenants, integrity and ability of management are good, and collateral is adequate.

Watch – loans in this category contain higher risk profiles but credit is generally current and the loan is being paid as agreed. These loans may be missing current financial statements, financial condition is below industry average, the borrower is experiencing negative trends or unstable financial performance, cash flow may be potentially inadequate, borrower adheres to repayment schedule but may have violated loan covenants, integrity of management is good, collateral is moderate, and the business may be closing.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 3 – LOANS RECEIVABLE, NET - Continued

Credit Quality Information – Continued

Substandard – loans in this category are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These loans hold the distinct possibility that the LDC will sustain some losses if the deficiencies are not corrected.

Credit risk profile by internally assigned grade as of December 31 is summarized as follows:

	2024			
	Satisfactory	Watch	Substandard	Total
Loans Receivable	<u>\$ 5,700,042</u>	<u>\$ 165,433</u>	<u>\$ 127,785</u>	<u>\$ 5,993,260</u>
	2023			
	Satisfactory	Watch	Substandard	Total
Loans Receivable	<u>\$ 5,119,153</u>	<u>\$ 453,713</u>	<u>\$ 368,125</u>	<u>\$ 5,940,991</u>

Allowance for Credit Losses

Activity in the allowance for credit losses for the years ended December 31 is as follows:

	2024	2023
Balance at Beginning of Year	\$ 554,655	\$ 335,853
Provision for Credit Losses	(292,553)	285,049
Recoveries	39,367	37,514
Credit Losses	<u>(17,802)</u>	<u>(103,761)</u>
Balance at End of Year	<u>\$ 283,667</u>	<u>\$ 554,655</u>

Recoveries on loans previously written off are presented as support and revenue in the Statement of Activities.

The provision for credit losses is the estimate of the lifetime expected credit losses and adjustment to the allowance account and is shown as an increase (decrease) of the credit loss expense in the statement of functional expenses of (\$253,186) and \$322,563 for the years ended December 31, 2024 and 2023, respectively.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 4 – COMMITMENTS

Loan

The LDC had approximately \$690,000 and \$794,000 of outstanding commitments to grant loans at December 31, 2024 and 2023, respectively.

NOTE 5 – TEMPORARY CASH INVESTMENTS

The LDC invests in certificates of deposit. These investments are stated at fair value. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values and unrealized depreciation at December 31, 2024 and 2023 are summarized as follows:

	Cost	Fair Values	Unrealized Appreciation (Depreciation)
2024			
Certificates of Deposit with Maturities Greater than Three Months	<u>\$ 1,420,679</u>	<u>\$ 1,399,029</u>	<u>\$ (21,650)</u>
2023			
Certificates of Deposit with Maturities Greater than Three Months	<u>\$ 1,574,412</u>	<u>\$ 1,498,776</u>	<u>\$ (75,636)</u>

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 6 – INVESTMENTS

The LDC invests in obligations of the United States government and federal agencies, corporate bonds, and equities. Investments are stated at fair value. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair values and unrealized appreciation (depreciation) at December 31, 2024 and 2023 are summarized as follows:

	Cost	Fair Values	Unrealized Appreciation (Depreciation)
2024			
Equities	\$ 532,975	\$ 843,863	\$ 310,888
Fixed Income Funds	<u>1,533,146</u>	<u>1,506,127</u>	<u>(27,019)</u>
Total Investments	<u>\$2,066,121</u>	<u>\$2,349,990</u>	<u>\$ 283,869</u>
2023			
Equities	\$ 628,311	\$ 872,045	\$ 243,734
Fixed Income Funds	<u>1,358,317</u>	<u>1,304,557</u>	<u>(53,760)</u>
Total Investments	<u>\$1,986,628</u>	<u>\$2,176,602</u>	<u>\$ 189,974</u>

NOTE 7 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

Equipment and leasehold improvements at December 31 consist of the following:

	2024	2023
Equipment	\$ 6,073	\$ 2,113
Less: Accumulated Depreciation	<u>(1,603)</u>	<u>(2,113)</u>
Total	<u>\$ 4,470</u>	<u>\$ -</u>

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 8 – OPERATING LEASES

During 2023, the Organization leased office space on a month-to-month basis at \$1,764 per month from BYNOW, Inc. through May 31, 2023.

Effective June 1, 2023, the Organization leased office space with 259 JB Wise Partners, LLC, under a 10-year lease agreement, with two 5-year renewal options. The LDC recognized on June 1, 2023 a lease liability of \$281,964, which represents the present value of the remaining operating lease payments of \$439,276, discounted using the risk-free-rate of 4.5%, and a right of use asset of \$281,964.

As of December 31, 2024, the operating lease ROU asset and operating lease liability related to this agreement was \$268,321 and \$273,696, respectively. As of December 31, 2023 the operating lease ROU asset and operating lease liability was \$278,005 and \$279,648, respectively.

Other information related to the lease for the years ended December 31 are as follows:

	2024	2023
Weighted Average Remaining Lease Term		
Operating Lease	18.5 Years	19.5 Years
Weighted Average Discount Rate		
Operating Lease	4.5%	4.5%

Operating lease expense for the years ended December 31, 2024 and 2023 was \$22,148 and \$19,964, respectively.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 8 – OPERATING LEASES- Continued

Future minimum lease payments under non-cancellable leases as of December 31, 2024 are as follows:

2025	\$ 18,785
2026	19,160
2027	19,544
2028	19,934
2029	20,333
Thereafter	<u>315,518</u>
Total Future Minimum Lease Payments	413,274
Less Imputed Interest	<u>(139,578)</u>
Total	273,696
Less Current Portion	<u>(6,602)</u>
Total Long-Term Operating Lease Liability	<u><u>\$ 267,094</u></u>

NOTE 9 – RETIREMENT PLAN

On March 7, 2013, the LDC established a 401K Profit Sharing Pension Plan. The Plan is administered by RBC Wealth Management. For the years ended December 31, 2024 and 2023, the employer contribution was set at 5% and 25%, respectively, of the employees' annual salary. For the years ended December 31, 2024 and 2023, the LDC made contributions in the amount of \$23,717 and \$39,901, respectively.

NOTE 10 – ADVANCES TO PUBLIC SQUARE DEVELOPERS, L.P.

Beginning June 2002, Watertown Local Development Corporation, as the sole member of Public Square Developers, L.P., began to acquire, hold, improve and develop a parcel of real property in Watertown, NY known as the Franklin Building. Effective December 1, 2009, the LDC transferred 100% of their ownership interest in Public Square Developers, L.P. to Neighbors of Watertown, Inc. Upon transfer of ownership, the development costs incurred by Watertown Local Development Corporation became a loan receivable from Public Square Developers, L.P. Repayment terms for the loan are as follows; \$636,507 to be paid using funds from closing of construction financing, \$331,277 to be paid at the completion of the Franklin Building project once permanent funding is obtained, and the remaining \$743,789 will be a mortgage loan with the LDC at 1% interest deferred until 2027.

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 10 – ADVANCES TO PUBLIC SQUARE DEVELOPERS, L.P. –

Continued

In 2010, the LDC also loaned the \$375,000 Community Development Block Grant (“CDBG”) they received to Public Square Developers at 1% interest until 2027. The deferred mortgage loan portion of the LDC’s initial investment in the project of \$743,789 and the \$375,000 loan of CDBG monies have been deemed uncollectible. In a prior year, a reserve has been established in the full amounts of \$743,789 for the initial investment and \$375,000 for the loan receivable. At December 31, 2024 and 2023, the investment in and advances to Public Square Developers, L.P. was \$0, net of the reserve for uncollectible amounts at December 31, 2024 and 2023 of \$1,118,789. Accrued interest receivable on the above loans was deemed uncollectible and a reserve has been established in the full amount for both years ending December 31, 2024 and 2023, respectively.

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The LDC 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 LDC’s financial assets as of December 31, 2024 and 2023, 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.

	2024	2023
Financial Assets:		
Cash	\$ 500,338	\$ 360,144
Temporary Cash Investments	1,399,029	1,498,776
Investments	2,349,990	2,176,602
Accrued Investment Interest Receivable	15,420	15,124
Accounts Receivable	11	-
Loans Receivable, Net	<u>5,709,593</u>	<u>5,386,336</u>
Financial Assets, at Year - End	<u>9,974,381</u>	<u>9,436,982</u>
Less those unavailable for general expenditures within one year, due to:		
Investments with liquidity horizons greater than one year	(2,349,990)	(2,176,602)
Loans receivable collectible beyond one year	<u>(5,560,141)</u>	<u>(5,121,612)</u>
Financial Assets Available to Meet Cash Needs For General Expenditures Within One Year	<u>\$ 2,064,250</u>	<u>\$ 2,138,768</u>

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 12 – FAIR VALUE MEASUREMENTS

FASB ASC No. 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. In cases where quoted market prices are not readily available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The LDC uses a three tier value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value, as follows.

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the LDC has the ability to access.

- Level 2 Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

- Level 3 Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Temporary cash investments are not subject to withdrawal limitations although withdrawal before maturity usually results in a loss of a portion of the interest earned. As penalties for early withdrawal are not significant, the carrying amount of temporary cash investments approximates fair value.

The following are measured at fair value on a recurring basis at December 31, 2024:

	Fair Value	Level 1	Level 2	Level 3
Temporary Cash				
Investments	<u>\$ 1,399,029</u>	<u>\$ -</u>	<u>\$ 1,399,029</u>	<u>\$ -</u>
Investments	<u>\$ 2,349,990</u>	<u>\$ 2,349,990</u>	<u>\$ -</u>	<u>\$ -</u>

WATERTOWN LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 with Comparative Totals for 2023

NOTE 12 – FAIR VALUE MEASUREMENTS - Continued

The following are measured at fair value on a recurring basis at December 31, 2023:

	Fair Value	Level 1	Level 2	Level 3
Temporary Cash				
Investments	<u>\$ 1,498,776</u>	<u>\$ -</u>	<u>\$ 1,498,776</u>	<u>\$ -</u>
Investments	<u>\$ 2,176,602</u>	<u>\$ 2,176,602</u>	<u>\$ -</u>	<u>\$ -</u>

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

**BOARD OF DIRECTORS
WATERTOWN 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 the Watertown Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the organization’s basic financial statements and have issued our report thereon dated March 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Watertown Local Development Corporation’s internal control over financial reporting (internal control) as a basis for designing 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 the Watertown 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.

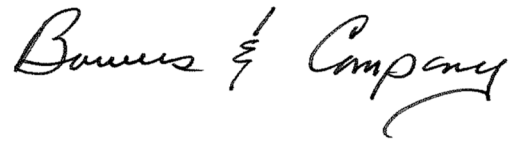
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Watertown 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 financial statement. 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*.

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.

A handwritten signature in cursive script that reads "Banner & Company". The ampersand is stylized with a vertical line through it.

Watertown, New York
March 7, 2025

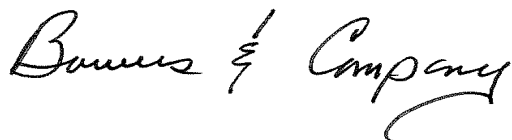
**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH SECTION 2925(3)(F)
OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

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

We have audited, 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, the financial statements of Watertown Local Development Corporation, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements and have issued our report thereon dated March 7, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the Organization failed to comply with the Organization’s Investment Policy, The New York State Comptroller’s Investment Guidelines, and Section 2925(3)(F) of the NYS Public Authorities Law during the year ended December 31, 2024. However, our audit was not directed primarily toward obtaining knowledge of noncompliance with such investment guidelines. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization’s noncompliance with the above rules and regulations.

This report is intended solely for the information and use of management of the Organization, the Board of Directors, and the Office of the State Comptroller of the State of New York. It is not intended to be, and should not be, used by anyone other than these specified parties.



Watertown, New York
March 7, 2025

March 7, 2025

To Management and the Board of Directors of
Watertown Local Development Corporation

In planning and performing our audit of the financial statements of Watertown Local Development Corporation as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Watertown Local Development 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.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment and suggestion regarding the matter.

Journal Entries

There is not a review and approval process over the preparation of general journal entries. The CFO is preparing and recording all journal entries.

Recommendation

For internal control purposes, there should be dual control over all journal entries. Due to the size and staffing of the Organization, our recommendation would be for the CEO or Treasurer to review and approve a report of all general journal entries on a monthly basis as part of the monthly financial reporting. This would provide dual control over the journal entries and a review and approval process by a second individual. We also recommend that support and backup for any entries recorded be maintained and available upon request for audit.

Management and Board of Directors
Watertown Local Development Corporation
March 7, 2025
Page 2

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Organization personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation.

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 black ink that reads "Banner & Company". The signature is written in a cursive style with a large, stylized initial 'B' and a flourish at the end.

Watertown, New York
March 7, 2025

March 7, 2025

To the Board of Directors of
Watertown Local Development Corporation

We have audited the financial statements of Watertown Local Development Corporation for the year ended December 31, 2024 and have issued our report thereon dated March 7, 2025. 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 January 6, 2025. 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 Local 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 2024. 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 estimates affecting the financial statements were:

Management's estimate of the allowance for credit losses is based on the collectability of the loan portfolio. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Board of Directors of
Watertown Local Development Corporation
March 7, 2025
Page 2

Management's estimate of depreciation is based on the straight-line method over the capital asset's useful life. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of present value of right of use leased assets and lease liability is based on the discount rate or implicit rate within the agreements in accordance with FASB ASC 842, *Leases*.

Management's estimate of the functional expense allocation is based on time and effort or square footage basis. We evaluated the methods, assumptions, and data used to develop the expense allocations 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 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 disagreement on 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 March 7, 2025.

To the Board of Directors of
Watertown Local Development Corporation
March 7, 2025
Page 3

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 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

Attached Material Adjusting Entries:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust allowance for credit losses to actual at yearend and organize accounts, one allowance account going forward as not segregated on calculation by client			
✓ 154	Allowance for Bad Debts:Factory St. Reserve	2,564.00	
✓ 155	Allowance for Bad Debts:General Reserve	229,048.00	
✓ 153	Allowance for Bad Debts		191,544.00
✓ 157	Allowance for Bad Debts:Downtown Micro Loan Reserve		18,359.00
✓ 570	Bad Debt Expense		21,709.00
Total		231,612.00	231,612.00
Adjusting Journal Entries JE # 8			
To adjust allowance based on board approval			
✓ 155	Allowance for Bad Debts:General Reserve	231,477.00	
✓ 570	Bad Debt Expense		231,477.00
Total		231,477.00	231,477.00