



**Buffalo and Erie County Regional Development Corporation
Meeting of the Membership
March 25, 2020 @ 12:00 p.m.**

Via Conference Call

1.0 Call to Order

2.0 Approval of Minutes

- 2.1 Approval of the January 22, 2020 Minutes of the Meeting of the Membership (Action Item) (Pages 2-4)

3.0 Reports / Action Items / Information Items:

- 3.1 Financial Report (Informational) (Pages 5-8)
- 3.2 Finance & Audit Committee Update (Informational) (Pages 9-10)
 - a) Committee Self-Evaluation (Informational) (Pages 11-14)
- 3.3 Audited Financial Statements (Action Item) (Pages 15-55)
- 3.4 2019 – Investment Report (Action Item) (Pages 56-60)
- 3.5 Governance Committee Report (Informational) (Pages 61-62)
 - a) Committee Self-Evaluation (Informational) (Pages 63-67)
 - b) Board Self-Evaluation (Informational)
- 3.6 2020 Loan Status Report (Informational) (Page 68)
- 3.7 Approval of Board Certification of RLF Plan (Pages 69-75)

4.0 Review and Adoption of Policies, Reports and Committee Charters: (Separate Package)

- 1. 2019 - Mission Statement, Performance Measures and Results (Action Item) (Pages 2-8)
- 2. 2020 - Mission Statement and Performance Measures (Action Item) (Pages 9-16)
- 3. 2019 - Public Authorities Report (Action Item) (Pages 17-64)
- 4. Code of Ethics & Conflict of Interest Policy (Action Item) (Pages 65-70)

Re-Adopt Policies & Charters

- 5. Investment & Deposit Policy (Action Item) (Pages 71-78)
- 6. Procurement Policy (Action Item) (Pages 79-82)
- 7. Whistleblower Policy and Procedures (Action Item) (Pages 83-85)
- 8. Defense & Indemnification Policy (Action Item) (Page 86)
- 9. Finance & Audit Committee Charter (Action Item) (Pages 87-91)
- 10. Governance Committee Charter (Action Item) (Pages 92-95)
- 11. Property Disposition Guidelines (Action Item) (Pages 96-102)
- 12. Real Property Acquisition Policy (Action Item) (Pages 103-104)
- 13. Board Member Compensation, Reimbursement & Attendance Policy (Action Item) (Page 105)
- 14. Employee Compensation Program (Action Item) (Pages 106-107)
- 15. Travel, Conferences, Meals & Entertainment Policy (Action Item) (Pages 108-114)
- 16. Statement of Duties & Responsibilities of the Board of Directors (Action Item) (Pages 115-117)
- 17. Statement of the Competencies & Personal Attributes Required of Board Members (Action Item) (Page 118)
- 18. Corporate Credit Card Policy (Action Item) (Pages 119-122)

5.0 Adjournment - Next Meeting April 22, 2020 (Annual Meeting)

**MINUTES OF THE
BOARD OF DIRECTORS
OF THE
BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
(RDC)**

DATE AND PLACE: January 22, 2020, at the Erie County Industrial Development Agency, 95 Perry Street, 5th Floor ESD Conference Room, Buffalo, New York 14203

PRESENT: Denise Abbott, Hon. Diane Benczkowski, Hon. Joseph H. Emminger, Dottie Gallagher, Hon. Howard Johnson, Tyra Johnson, Richard Lipsitz, Jr., Brenda W. McDuffie, Hon. Mark C. Poloncarz, Sister Denise Roche, Kenneth A. Schoetz and Art Wingerter

EXCUSED: Rev. Mark E. Blue, Hon. Bryon W. Brown, James F. Doherty, Hon. Brian J. Kulpa, Hon. Glenn R. Nellis, Hon. Darius G. Pridgen and Charles F. Specht

OTHERS PRESENT: Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Mollie Profic, Chief Financial Officer; Atiq Abidi, Assistant Treasurer; Gerald Manhard, Chief Lending Officer; Daryl Spulecki, Credit Analyst; Beth O'Keefe, Business Development Officer; Grant Lesswing, Business Development Officer; and Karen M. Fiala, Assistant Treasurer/Secretary

GUESTS: Pietra G. Zaffram, Esq., General Counsel/Harris Beach PLLC; Kevin Zanner, Hurwitz & Fine; Maria Whyte, Deputy County Executive; Andrew Federick, Erie County Senior Economic Development Specialist; Tom Collella, on behalf of Highway Rehab Corporation

At 12:14 pm, Ms. McDuffie called the meeting to order, noting that there was no quorum, and the members assembled would proceed with informational items on the agenda.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Financial Report. Ms. Profic noted there is no formal report this month as she is working on closing out 2019. Audit fieldwork will begin in February. At the February meeting, she will have January numbers and a preliminary 2019 financial report, with final reports in March. Ms. McDuffie directed that the summary be received and filed.

2019 Loan/Portfolio Status Report. Mr. Manhard reviewed this report and noted there are no loans approved. Mr. Manhard also advised that one of the loan recipients, WNY Medical Management, has closed.

Mr. Weathers advised that Loan A is 150+ days past due. There were two loans in which summary judgment motions were filed.

Mr. Poloncarz asked if the Agency has been in contact with the companies whose loans are in default. Mr. Weathers advised that for Buffalo Forklift, the only recourse was to pursue summary judgment as owner had personally filed bankruptcy. The Agency is taking all steps to recover funds.

Mr. Poloncarz noted the bankruptcy will result in a discharge of the debt against the personal guarantor. Mr. Zanner noted he has received a response from opposing counsel on the summary judgment motion, and there is a court appearance scheduled on 1/29/2020 before Judge Walker.

Mr. Manhard advised that company is trying to sell some equipment and may have some recovery within 30 days.

Mr. Poloncarz thanked staff and counsel and appreciated their efforts but he is not optimistic.

Mr. Wingerter stated that the total for the two loans in default should be \$1,750,000 not \$2,750,000 as stated on the report.

Ms. McDuffie directed that the reports be received and filed.

At this point in time, Sister Denise joined the meeting.

There being a quorum present at 12:22 p.m., the meeting of the RDC Board of Directors was called to order by its Chair, Ms. McDuffie.

MINUTES

The Minutes of the November 20, 2019, meeting of the Board of Directors of the RDC were presented. Mr. Lipsitz moved, and Mr. Poloncarz seconded, to approve of the minutes. Ms. McDuffie called for the vote and the minutes were unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Highway Rehab Corp., 100 Stradtman Street, Cheektowaga, New York, \$1,600,000.00, 10 year Term Loan, Secured and Guaranteed. Mr. Manhard reviewed this \$1,600,000 loan request, proceeds of which will assist in the purchase of the business by the VP of Operations and the President from the owner in order to keep the business in Western New York. The owner has received several offers from companies located throughout New England. The total cost of the stock purchase is \$9,000,000 and the RDC term loan will fill the financial gap as KeyBank will not lend the total amount needed because of its leverage and collateral coverage

ratio requirements. Mr. Manhard advised that the RDC Loan Committee approved the loan request at its most recent meeting.

Mr. Poloncarz requested clarification on the location of application, as the business is based in Cheektowaga with headquarters in Brewster. Mr. Manhard advised that the company is closing the Brewster office and moving the staff to the Cheektowaga facility. In response, Mr. Collella, on behalf of Highway Rehab Corporation, stated that the Brewster office has three employees and they will stay in Brewster.

Mr. Poloncarz inquired if there will be any jobs lost as a result of the restructuring and Mr. Collella replied there would not be any jobs lost.

Mr. Poloncarz inquired as to where the company does business, and Mr. Collella replied 70% in New York and some in New England.

General discussion ensued.

Ms. Benczkowski moved and Ms. Gallagher seconded to approve of the loan as proposed. Ms. McDuffie called for the vote and the requested loan was unanimously approved.

There being no further business to discuss, Ms. McDuffie then adjourned the meeting at 12:33 p.m.

Dated: January 22, 2020

Karen M. Fiala, Secretary

Regional Development Corporation

Financial Statements

As of February 29, 2020

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet

February 29, 2020

	February 2020	January 2020	December 2019
ASSETS:			
Restricted Cash**	\$ 9,280,078	\$ 9,204,674	\$ 7,650,215
Direct Loans *	9,854,528	9,957,694	11,430,831
50/50 Bank Participation Loans *	176,966	180,853	184,723
Reserve for Loan losses	(1,895,963)	(1,895,963)	(1,895,963)
Total Loan Assets, net	<u>8,135,531</u>	<u>8,242,583</u>	<u>9,719,590</u>
TOTAL ASSETS	<u><u>\$ 17,415,609</u></u>	<u><u>\$ 17,447,258</u></u>	<u><u>\$ 17,369,805</u></u>
 LIABILITIES & NET ASSETS			
Accounts Payable	\$ -	\$ 65,000	\$ 23,723
Due to ECIDA	360,399	331,791	303,021
Total Liabilities	<u>360,399</u>	<u>396,791</u>	<u>326,743</u>
Restricted Fund Balance	<u>17,055,209</u>	<u>17,050,467</u>	<u>17,043,062</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 17,415,609</u></u>	<u><u>\$ 17,447,258</u></u>	<u><u>\$ 17,369,805</u></u>

* Loan Portfolio Summary:	February 2020	January 2020	December 2019
# of Direct Loans	36	36	39
# of 50/50 Bank Participation Loans	1	1	1
	<u>37</u>	<u>37</u>	<u>40</u>

** Cash is invested in interest bearing accounts at M&T Bank. The maximum FDIC insured amount is \$250,000, with the remainder collateralized with government obligations by the financial institution.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Income Statement
 Month of February 2020

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 28,939	\$ 39,167	\$ (10,228)
Interest Income - Cash & Inv.	3,945	1,417	2,528
Administrative Fees	8,000	833	7,167
Other Income	400	1,250	(850)
Total Revenues	41,283	42,667	(1,384)
EXPENSES:			
Management Fee - ECIDA*	26,667	26,667	0
Rent & Facilities Expenses	2,083	2,083	(0)
Professional Services	3,825	6,325	(2,500)
General Office Expenses	106	200	(94)
Other Expenses	3,860	606	3,254
Total Expenses	36,541	35,881	659
NET INCOME/(LOSS):	\$ 4,742	\$ 6,785	\$ (2,043)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2020 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Income Statement
Year to Date: February 29, 2020

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 60,971	\$ 78,333	\$ (17,362)	\$ 60,971	\$ 87,096	\$ (26,125)
Interest Income - Cash & Inv.	7,887	2,833	5,054	7,887	6,717	1,170
Administrative Fees	8,000	1,667	6,333	8,000	700	7,300
Other Income	599	2,500	(1,901)	599	388	212
Total Revenues	<u>77,458</u>	<u>85,333</u>	<u>(7,875)</u>	<u>77,458</u>	<u>94,900</u>	<u>(17,442)</u>
EXPENSES:						
Management Fee - ECIDA*	53,333	53,333	0	53,333	58,400	(5,067)
Rent & Facilities Expenses	4,167	4,167	(0)	4,167	3,800	367
Professional Services	3,825	8,825	(5,000)	3,825	2,960	865
General Office Expenses	106	400	(294)	106	678	(572)
Other Expenses	3,880	1,213	2,668	3,880	70	3,810
Total Expenses	<u>65,311</u>	<u>67,938</u>	<u>(2,627)</u>	<u>65,311</u>	<u>65,908</u>	<u>(597)</u>
NET INCOME/(LOSS):	<u>\$ 12,148</u>	<u>\$ 17,396</u>	<u>\$ (5,248)</u>	<u>\$ 12,148</u>	<u>\$ 28,992</u>	<u>\$ (16,845)</u>

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2020 budgeted figures.



To: ECIDA, RDC & ILDC Board of Directors
From: Michael Szukala, Chair
Date: March 25, 2020
Re: Finance & Audit Committee Report

In accordance with its Committee Charter, the Finance & Audit Committee is required to “report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Finance and Audit Committee and when otherwise requested by the Board”. This report is prepared to satisfy this requirement.

A joint meeting of the ECIDA, RDC & ILDC Finance & Audit Committee was held on March 9, 2020. Committee members present were: Michael Szukala, Chair, Glenn Nellis, Art Wingerter and William Witzleben. The following items were reviewed:

- 1) Freed Maxick CPAs Report including Draft 2019 Audited Financial Statements
The Agency’s auditors presented the Draft 2019 Audited Financial Statements for ECIDA, RDC, and ILDC (copies of which are included in respective Board packages).
 - Auditors expressed an unmodified (clean) opinion:
The auditors expressed an unmodified opinion on the financial statements. This type of opinion indicates that the financial statements present fairly, in all material respects, the financial position of the corporations as of December 31, 2019 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.
 - No uncorrected audit adjustments were noted.
 - No significant deficiencies or material weaknesses in internal controls noted.
- 2) Public Authorities 2019 Report
The joint Finance & Audit Committee approved the Public Authorities 2018 Report required under the Public Authorities Law and recommended that it be approved by their respective Boards.
- 3) 2019 Investment Reports
The joint Finance & Audit Committee approved the 2019 Investment Reports, which are required under the Public Authorities Law and recommended that they be approved by their respective Boards.
- 4) Investment and Deposit Policy (Re-adoption)
The joint Finance & Audit Committee reviewed the Investment and Deposit Policy and recommended that it be approved by their respective Boards.
- 5) Finance & Audit Committee Charter (Re-adoption)
The joint Finance & Audit Committee reviewed the joint Committee Charter and recommended that it be approved by their respective Boards.
- 6) Corporate Credit Card Policy (Re-adoption)
The joint Finance & Audit Committee approved the Corporate Credit Card policy and reviewed the card activity over the past year as required by the policy.

7) Finance & Audit Committee Self-Evaluation

The joint Finance & Audit Committee prepared a report that documents the Committee's activities for 2019 as required under the Public Authorities Law.

- 8) The Committee reviewed Management's Assessment of the Effectiveness of Internal Controls, a document prepared by management based on internal control processes and procedures of the organization. The document will be posted on the website as required by the ABO.
- 9) The Committee reviewed a document entitled "The Strategic Audit Committee" by Deloitte's Center for Board Effectiveness to satisfy the educational requirements set forth in the Finance & Audit Committee Charter.

**Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County
Regional Development Corporation (RDC), and Buffalo and Erie County
Industrial Land Development Corporation (ILDC)**

2019 Finance & Audit Committee Self-Evaluation

Responsibilities of the Finance & Audit Committee:

The core responsibilities of the Finance & Audit Committee, as mandated under Section 2825 of the New York Public Authorities Law, are set forth in the Bylaws and include: (i) providing assistance to members of the Agency in fulfilling their fiduciary responsibilities relating to accounting, reporting, and regulatory compliance practices; (ii) maintaining, through regular meetings, direct communication between the members of the Agency and the Agency’s independent accountants and auditors; (iii) maintaining direct communication between members of the Agency and the governmental authorities having audit authority or fiscal oversight of the Agency; (iv) approving the budget of the Agency for submission to the Board; (v) approving and/or directing the transfers of moneys under the budget; (vi) recommending to the Board the level of cash reserves and the level of fund balances of the Agency.

Finance & Audit Committee Self-Evaluation	Yes	No	Pen ding	Comments
1. Are the members of the Finance & Audit Committee appointed in accordance with the Bylaws and do individuals appointed to the Finance & Audit Committee possess the necessary skills to understand the duties and functions of the Finance & Audit Committee and are familiar with corporate financial and accounting practices?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Is each member of the Finance & Audit Committee an “independent member” within the meaning of, and to the extent required by, Section 2825 of the New York Public Authorities Law, as amended from time to time? Did Finance & Audit Committee members, who are members of the Agency, comply with the conflict of interest provisions applicable to public officers under Article 18 of the New York General Municipal Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Did the Finance & Audit Committee meet a minimum of twice each calendar year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Finance & Audit Committee met on 2/20/19 (no quorum), 2/27/19, 3/21/19, 7/16/19, 8/22/19, 9/16/19, and 10/9/19.

Finance & Audit Committee Self-Evaluation	Yes	No	Pending	Comments
<p>4. Were meeting notices and agendas prepared for each meeting and provided to Finance & Audit Committee members by electronic or regular mail at least five (5) days in advance of the scheduled meeting? Were minutes of all meetings recorded by the Secretary or any Assistant Secretary of the Agency? Did all meetings comply with the requirements of the Open Meetings Law?</p>	☒	<input type="checkbox"/>	<input type="checkbox"/>	
<p>5. Did the Finance & Audit Committee develop the Agency's audit practices, which should address independent auditors and financial statements; internal controls, compliance, and risk assessment; special investigations; and other responsibilities?</p>	☒	<input type="checkbox"/>	<input type="checkbox"/>	See Questions #6-#10 below.
<p>6. Did the Finance & Audit Committee:</p> <p>(a) Recommend to the Board the appointment of independent auditors, establish the compensation to be paid to the auditors, and provide oversight of the audit services provided by the independent auditor?</p> <p>(b) Establish procedures for the engagement of the independent auditors to provide permitted audited services?</p> <p>(c) Review and approve the Agency's audited financial statements, associated management letter, and all other auditor communications?</p> <p>(d) Review significant accounting and reporting issues and understand their impact on the financial statements of the Agency?</p> <p>(e) Meet with the Agency's independent auditor at least annually to discuss the financial statements of the Agency and any issues that may have arisen during the audit?</p> <p>(f) Review and discuss any significant risks reported in the independent audit and assess the responsiveness of management's follow-up activities regarding same?</p>	☒	<input type="checkbox"/>	<input type="checkbox"/>	<p>In February of 2019, Freed Maxick completed audits of the ECIDA, RDC, and ILDC for the year ended 12/31/18. The auditors issued an unmodified (clean) opinion that the statements fairly presented the financial position of the above referenced corporations/fund. The auditors also indicated that the audits did not uncover any material weaknesses in internal control and there were no instances of non-compliance with generally accepted accounting principles.</p>

Finance & Audit Committee Self-Evaluation	Yes	No	Pending	Comments
<p>7. Did the Finance & Audit Committee review management's assessment of the effectiveness of the Agency's internal controls and review the actions taken by management on the independent accountants' and auditors' suggestions for correcting weaknesses in the Agency's internal controls, regulatory compliance, and organizational structure and operations?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Per the March 2019 audit reports, no significant weaknesses in internal controls were noted.
<p>8. Did the Finance & Audit Committee:</p> <p>(a) Ensure that the Agency has a confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest by directors, officers, or employees of the Agency or anyone having business dealings with the Agency?</p> <p>(b) Develop procedures for the receipt, retention, investigation, or referral of complaints concerning accounting, internal controls, and auditing?</p> <p>(c) Request and oversee special investigations as needed or refer specific issues to the Board or appropriate committee for further investigation?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The ECIDA adopted a Whistleblower Policy in March of 2012. The Policy describes the process for reporting suspected fraudulent activities and describes the protections afforded to individuals who report suspected fraudulent activities. The Policy was re-adopted by the Board of Directors on 3/27/19.
<p>9. Did the Finance & Audit Committee obtain information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process, internal controls, and appropriate level of familiarity in financial reporting standards and processes?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	On 3/21/19, the Committee reviewed an article entitled, "Overseeing the External Auditors" published by the Governance Insights Center.

Finance & Audit Committee Self-Evaluation	Yes	No	Pending	Comments
<p>10. Did the Finance & Audit Committee:</p> <p>(a) Report its actions and recommendations to the Board?</p> <p>(b) Report to the Board at least annually regarding any changes to the Finance & Audit Committee Charter?</p> <p>(c) Provide a self-evaluation to the Board on an annual basis?</p> <p>(d) Report to the Board at least annually on the findings of its independent auditors?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>On 3/27/19, the Audit & Finance Committee reported on its activities to the ECIDA Board of Directors. These activities included the: (1) Audit & Finance Committee self-evaluation; (2) Audit & Finance Committee Charter; (3) draft 2018 financial statements audited by Freed Maxick; (4) Corporate Credit Card Policy; (5) 2018 Public Authorities Annual Report; (6) Investment & Deposit Policy; and (7) 2018 Investment Report.</p>

Finance & Audit Committee Self-Evaluation
<p>Other Self-Evaluation Notes</p> <p>In addition to the above:</p> <ul style="list-style-type: none"> • During its 3/21/19 meeting, the Committee reviewed drafts of the 2018 audited financial statements for the ECIDA, RDC, and ILDC. The Committee also reviewed the 2018 PAAA Annual Report, 2018 Investment Reports, Investment & Deposit Policy, Finance & Audit Committee Charter, Corporate Credit Card Policy, and the 2018 Finance & Audit Self-Evaluation. • During its 7/16/19 meeting, the Committee discussed the rationale for calculating the ECIDA's administrative fees. The Committee also discussed other options for collecting administrative fees and the generation of new fees. The Committee voted to keep the ECIDA's current schedule for collecting administrative fees. • During its 8/22/19 meeting, ECIDA staff discussed the ECIDA, RDC, and ILDC budget review process and the timelines for obtaining approval for those budgets. The Committee also reviewed drafts of the 2020 ECIDA, RDC, and ILDC operating and capital budgets and three-year forecasts. • During its 9/16/19 meeting, the Committee reviewed drafts of the 2020 ECIDA, RDC, and ILDC operating and capital budgets and three-year forecasts. The Committee also approved an extension for Freed Maxick to provide auditing services to the ECIDA, RDC, and ILDC in 2019. • During the 10/9/19 meeting, Freed Maxick reviewed the ECIDA's 2019 Audit Plan. The Committee also approved a motion to allow Freed Maxick to expand its scope of services to conduct additional testing to satisfy the annual certification of the RDC's Revolving Loan Fund.

REPORT TO THE BOARD OF DIRECTORS

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BUFFALO AND ERIE COUNTY INDUSTRIAL LAND
DEVELOPMENT CORPORATION
BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT
CORPORATION**

DECEMBER 31, 2019

XXXXX XX, 2020

To the Members of the Board of Directors
Erie County Industrial Development Agency
Buffalo and Erie County Industrial Land Development Corporation
Buffalo and Erie County Regional Development Corporation
95 Perry Street, Suite 403
Buffalo, New York 14203

Members of the Board:

We are pleased to present this report related to our audits of the financial statements of Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Industrial Land Development Corporation (ILDC), and Buffalo and Erie County Regional Development Corporation (RDC), as of and for the year ended December 31, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for ECIDA/ILDC/RDC's financial reporting process.

This report is intended solely for the information and use of ECIDA/ILDC/RDC and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to ECIDA/ILDC/RDC.

Very truly yours,

Freed Maxick CPAs, P.C.

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DRAFT

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditors Communications with Those Charge with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated January 6, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices
	Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.
	Adoption of, or Change in, Accounting Policies
	Management has the ultimate responsibility for the appropriateness of the accounting policies used by ECIDA/ILDC/RDC. ECIDA/ILDC/RDC did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current year.
Basis of Accounting	Significant or Unusual Transactions
	We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Basis of Accounting	Management's Judgments and Accounting Estimates
	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."
Basis of Accounting	The financial statements were prepared on assumption that the entity will continue as a going concern.

Required Communications (Continued)

Area	Comments
Audit Adjustments	We are not aware of nor have we proposed any audit adjustments as a result of our audit.
Uncorrected Misstatement	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of the representation letter provided to us by management is attached as Exhibit A.

**Erie County Industrial Development Agency
 Buffalo and Erie County Industrial Land Development Corporation
 Buffalo and Erie County Regional Development Corporation
 Summary of Significant Accounting Estimates
 Year Ended December 31, 2019**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the ECIDA/ILDC/RDC's December 31, 2019, financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciation of Property, Plant & Equipment (ECIDA & ILDC)	Management depreciates property, plant and equipment over the estimated lives of the assets.	Useful lives were assigned based on ECIDA/ILDC's useful life policy. Management was consistent in calculating depreciation based on the useful lives assigned to each asset.	The methods and lives used to estimate depreciation expense appears reasonable.
Allowance for Uncollectible Accounts	Management estimates collectability of receivables based on knowledge of past history.	Management reviews prior year write-off information and loan payment histories and uses this to estimate the allowance needed in the current year for the ECIDA/ILDC/RDC.	Management's process to estimate the allowance for uncollectible accounts appears reasonable.
Investments (ECIDA)	Investments are valued at 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. Additionally, ECIDA recognizes investments in accordance with GASB Statement No. 72, "Fair Value Measurements" as it defines the fair value and establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels of Level 1, 2 or 3.	Management has described the valuation techniques used for valuing investments at fair value in the financial statements ECIDA Note 7. Additionally, management has broken out the investments into Level 1, 2 or 3 based upon the valuation hierarchy.	Management's process to evaluate fair value and establish the fair value hierarchy of investments appears reasonable.

Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by the ECIDA/ILDC/RDC. The ECIDA/ILDC/RDC's management has not yet determined the effect these Statements will have on the ECIDA/ILDC/RDC's financial statements. However, the ECIDA/ILDC/RDC plans to implement all standards by the required dates. The Statements which might impact the ECIDA/ILDC/RDC are as follows:

Summary of GASB Statement No. 87, Leases

This Statement issued in June 2017 will be effective for ECIDA/ILDC/RDC with its fiscal year ending December 31, 2020. This Statement better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Summary of GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period

This Statement issued in June 2018 will be effective for ECIDA/ILDC/RDC beginning with its fiscal year ending December 31, 2020. The primary objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of GASB Statement No. 89 are effective for financial periods beginning after December 15, 2019. Earlier application is encouraged.

Summary of GASB Statement No. 91, *Conduit Debt Obligations*

This Statement issued in May 2019 will be effective for ECIDA/ILDC/RDC beginning with its fiscal year ending December 31, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of GASB Statement No. 91 are effective for financial periods beginning after December 15, 2020. Earlier application is encouraged.

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XXXXX XX, 2020

The Finance & Audit Committees, Boards of Directors, and Management
Erie County Industrial Development Agency
Buffalo and Erie County Regional Development Corporation
Buffalo and Erie County Industrial Land Development Corporation

In planning and performing our audits of the financial statements of Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Regional Development Corporation, and Buffalo and Erie County Industrial Land Development Corporation (collectively, ECIDA/ILDC/RDC), business-type activities, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organizations' 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 opinions on the separate financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' 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.

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

This communication is intended solely for the information and use of management, the Finance & Audit Committees, Boards of Directors, and others within ECIDA/ILDC/RDC. It is not intended to be, and should not be, used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

**EXHIBIT A – SIGNIFICANT WRITTEN COMMUNICATION
BETWEEN MANAGEMENT AND OUR FIRM**

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**AUDITED
FINANCIAL STATEMENTS**

**BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION**

DECEMBER 31, 2019

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**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Buffalo and Erie County Regional Development Corporation
Buffalo, New York 14203

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo and Erie County Regional Development Corporation (RDC), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements which collectively comprise the RDC's basic financial statements as listed in the table of contents.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RDC, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated XXXXXX, 2020 on our consideration of the RDC'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 the RDC'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 the RDC's internal control over financial reporting and compliance.

Buffalo, New York
XXXXX, 2020

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF NET POSITION
DECEMBER 31,

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash	\$ 7,650,215	\$ 5,963,260
Loans receivable	1,441,199	1,282,624
Total current assets	<u>9,091,414</u>	<u>7,245,884</u>
Noncurrent assets:		
Loans receivable, net	<u>8,278,392</u>	11,430,656
Total assets	<u>\$ 17,369,806</u>	<u>\$ 18,676,540</u>
LIABILITIES		
Accounts payable	\$ 23,723	\$ 315
Due to affiliate	303,021	353,527
Total liabilities	<u>326,744</u>	<u>353,842</u>
NET POSITION		
Restricted	17,043,062	18,322,698
Total net position	<u>17,043,062</u>	<u>18,322,698</u>
Total liabilities and net position	<u>\$ 17,369,806</u>	<u>\$ 18,676,540</u>

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See accompanying notes.

**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE		
Interest from loans	\$ 490,376	\$ 449,706
Loan commitment fees	9,190	26,150
Total operating revenues	<u>499,566</u>	<u>475,856</u>
OPERATING EXPENSES		
General and administrative	376,636	388,791
Loan loss expense, net recoveries	1,440,676	38,243
Total operating expenses	<u>1,817,312</u>	<u>427,034</u>
Operating income (loss)	(1,317,746)	48,822
NONOPERATING REVENUES		
Interest income	38,110	28,000
Total nonoperating revenues	<u>38,110</u>	<u>28,000</u>
Change in net position	(1,279,636)	76,822
Net position - beginning of year	<u>18,322,698</u>	<u>18,245,876</u>
Net position - end of year	<u>\$ 17,043,062</u>	<u>\$ 18,322,698</u>

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See accompanying notes.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments collected on loans receivable	\$ 4,890,136	\$ 1,743,330
Loan interest and fees	499,566	475,856
Loans awarded	(3,342,600)	(5,591,295)
Payments to vendors and affiliates	(403,734)	(407,169)
Loan loss recoveries	5,477	2,269
Net cash provided (used) by operating activities	<u>1,648,845</u>	<u>(3,777,009)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>38,110</u>	<u>28,000</u>
Net cash provided by investing activities	<u>38,110</u>	<u>28,000</u>
Net increase (decrease) in cash	1,686,955	(3,749,009)
Cash - beginning of year	5,963,260	9,712,269
Cash - end of year	<u>\$ 7,650,215</u>	<u>\$ 5,963,260</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,317,746)	\$ 48,822
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Provision for uncollectible loans	1,446,153	40,512
Change in assets and liabilities:		
(Increase) decrease in:		
Loans receivable	1,547,536	(3,847,965)
Increase (decrease) in:		
Accounts payable	23,408	65
Due to affiliate	(50,506)	(18,443)
Net cash provided (used) by operating activities	<u>\$ 1,648,845</u>	<u>\$ (3,777,009)</u>

See accompanying notes.

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**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Buffalo and Erie County Regional Development Corporation (RDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the RDC's accounting policies are described below.

A. REPORTING ENTITY

Buffalo and Erie County Regional Development Corporation (RDC) was incorporated for the purpose of encouraging the expansion of existing companies in target areas of the County of Erie (the County) by establishing an Industrial Revolving Loan Fund from which RDC makes loans to individual companies. RDC manages a revolving loan program maintained under an established loan administration plan approved by the grantor governing the management of the revolving loan program.

RDC has related party relationships with the Erie County Industrial Development Agency (ECIDA) and Buffalo and Erie County Industrial Land Development Corporation (ILDC). All three entities are managed by the same personnel and RDC currently shares a common board with ECIDA. These entities share the same mission, which is to provide the resources that encourage investment, innovation, growth, and global competitiveness, thereby creating a successful business climate that benefits the residents of the region.

In accordance with accounting standards, RDC is not considered a component unit of another entity.

B. BASIS OF PRESENTATION

Revenues from administrative fees and interest on loans are reported as operating revenues. All expenses related to operating the RDC are reported as operating expenses. Certain other transactions are reported as nonoperating activities including RDC's interest income from deposits.

When both restricted and unrestricted resources are available for use, it is the RDC's policy to use restricted resources first, then unrestricted resources as they are needed.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

RDC is considered a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the RDC are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred; regardless of when the cash transaction takes place.

Nonexchange transactions, in which the RDC gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

D. INCOME TAXES

RDC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and the income realized will not be subject to New York State corporate franchise tax.

E. LOANS RECEIVABLE

Loans receivable are stated at the principal amount outstanding, net of a provision for loan loss. The allowance method is used to compute the provision for loan loss.

Determination of the balance of the provision for loan loss is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are written off when, in management's judgment, no legal recourse is available to collect the amount owed.

**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Accrual of interest ceases when management adjusts a loan reserve to 50% or more of the loan's outstanding balance. RDC is not accruing interest on any loans as of December 31, 2019 or 2018.

F. INSURANCE

RDC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage.

G. STOCK WARRANTS

In connection with certain loans, RDC has received, at no cost, stock purchase warrants from the borrowers. The borrower is sometimes given the right to repurchase these warrants from RDC at a predetermined price. RDC also receives rights to convert certain loans to equity of the borrower.

H. NET POSITION

Equity is classified as net position and displayed in two components:

- a. Restricted – Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted – all other net positions that do not meet the definition of “restricted.”

I. STATEMENTS OF CASH FLOWS

For the purposes of the statement of cash flows, the RDC considers all cash to be unrestricted including demand accounts and certificates of deposit with an original maturity of generally three months or less.

J. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

K. ACCOUNTING PRONOUNCEMENTS

The RDC has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which became effective for the fiscal year ended December 31, 2019, and determined that they have no significant impact on the RDC's financial statements.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

The following are GASB Statements that have been issued recently and are currently being evaluated, by the RDC, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2021.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2021.

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND INVESTMENTS

RDC's investment policies are governed by State statutes. In addition, RDC has its own written investment policy. RDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. RDC's Chief Financial Officer is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

As of December 31, 2019 and 2018, the RDC's aggregate bank deposits were considered fully collateralized.

Investment and Deposit Policy

RDC follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Chief Financial Officer of the Buffalo and Erie County Regional Development Corporation.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. RDC's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

RDC's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. RDC's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with RDC's investment and deposit policy, all deposits of RDC including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. RDC restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

2. LOANS RECEIVABLE

The revolving loan program was originally established through multiple grants received between 1979 and 1983 from the U.S. Economic Development Administration (EDA) amounting to \$7,000,000. Matching funds totaling \$5,250,500 were also received from various sources.

During 2016 an amendment to the EDA award was approved by the EDA and the U.S. Department of Housing and Urban Development (HUD). As a result, RDC returned \$2,667,590 of original HUD matching funds to the County. RDC also returned \$1,546,423 to the U.S. Treasury for interest earned on deposits. ILDC then granted \$287,432 to RDC in order to maintain the appropriate local match. As a result, the loan fund is no longer subject to HUD regulations.

RDC provides low interest loans to businesses located in Erie County in order to encourage economic development. Loans receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Total loans receivable	\$ 11,615,554	\$ 13,163,090
Less: provision for loan loss	<u>1,895,963</u>	<u>449,810</u>
Loans receivable, net	9,719,591	12,713,280
Less: current portion	<u>1,441,199</u>	<u>1,282,624</u>
Loans receivable - long-term	<u>\$ 8,278,392</u>	<u>\$ 11,430,656</u>

The RDC's policy is to present loans receivable net of a provision for loan loss. At December 31, 2019 and 2018, the allowance for uncollectible loans was \$1,895,963 and \$449,810, respectively.

At December 31, 2019, the loans awarded to local businesses bear interest at rates ranging from 4% to 6.5% with varying payment terms. All loans are classified as commercial.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Scheduled maturities of principal for these notes for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,393,580	\$ 485,445
2021	992,322	434,700
2022	940,215	385,396
2023	931,424	334,891
2024	705,067	296,163
Thereafter	6,468,222	573,288
Total	\$ <u>11,430,830</u>	\$ <u>2,509,883</u>

This schedule does not include the variable interest rate loans that are administered by various financial institutions. The total outstanding balance of those loans is \$184,724 at December 31, 2019 with a current portion in the amount of \$47,619.

B. EXPENSES

ECIDA allocates a portion of its personnel and overhead costs to RDC based on a cost allocation plan. Costs allocated by ECIDA amounted to \$302,332 and \$352,716 for the years ended December 31, 2019 and 2018, respectively. Amounts owed to ECIDA at December 31, 2019 and 2018 totaled \$303,021 and \$353,527, respectively.

NOTE 3. CONTINGENCIES

Economic Development Administration Revolving Loan Fund Risk Analysis System

RDC is required to comply with EDA regulations regarding the utilization of revolving loan funds. These regulations are based on measures applied by the EDA's risk analysis system. This RDC received a risk rating of Level A based on information submitted to the EDA for the year ending December 31, 2018. This risk analysis will be updated on an annual basis determined by reports submitted by the RDC to the EDA within 90 days following the RDC year end.

NOTE 4. COMMITMENTS

Outstanding loan commitments approved but not yet paid total \$480,070 at December 31, 2019.

NOTE 5. SUBSEQUENT EVENT

These financial statements have not been updated for subsequent events occurring after XXXXXXXX, 2020 which is the date these financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

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BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce <i>Passed through Erie County Industrial Development Agency</i> Economic Adjustment Assistance	11.307	Various	--	\$ 14,731,801
Total Expenditures of Federal Awards				\$ <u>14,731,801</u>

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See notes to Schedule of Expenditures of Federal Awards.

**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of the federal financial assistance programs administered by the Buffalo and Erie County Regional Development Corporation (RDC), an entity as defined in Note 1 to the RDC's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Federal awards passed through from other governmental agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of RDC, it is not intended and does not present the financial position, changes in net position, or cash flows of RDC.

NOTE 2 - BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting. The amounts reported as federal expenditures were obtained from RDC's financial reporting system, which is the source of RDC's financial statements.

NOTE 3 - ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

The Economic Adjustment Assistance program, administered by the U.S. Economic Development Administration (EDA), specifically requires the amount on the Schedule to be calculated as follows:

EDA grants	\$ 12,466,574
Total revolving loan funds	16,622,098
Total EDA share	<u>75%</u>
Cash	\$ 7,650,215
Outstanding loans receivable 12/31/19	11,615,554
Administrative cost allowance	376,632
Loan write-offs	-
Sum of EDA dollars/Total project costs	<u>19,642,401</u>
Total EDA share (noted above)	75%
Total economic adjustment assistance	<u>\$ 14,731,801</u>

NOTE 4 - INDIRECT COST RATE

RDC has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE

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**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**

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Buffalo and Erie County Regional 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 Buffalo and Erie County Regional Development Corporation (RDC), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise RDC's financial statements, and have issued our report thereon dated XXXXXX, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of RDC's internal control. Accordingly, we do not express an opinion of the effectiveness of RDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the RDC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 RDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Buffalo, New York
XXXXXX, 2020

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Buffalo and Erie County Regional Development Corporation

Report on Compliance for Each Major Federal Program

We have audited the Buffalo and Erie County Regional Development Corporation's (RDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RDC's major federal programs for the year ended December 31, 2019. RDC's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on RDC's compliance.

Opinion on Each Major Federal Program

In our opinion, RDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of RDC is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RDC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Buffalo, New York
XXXXXXX, 2020

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**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report(s) issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program

11.307

Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A

\$ 750,000

Auditee qualified as low-risk auditee?

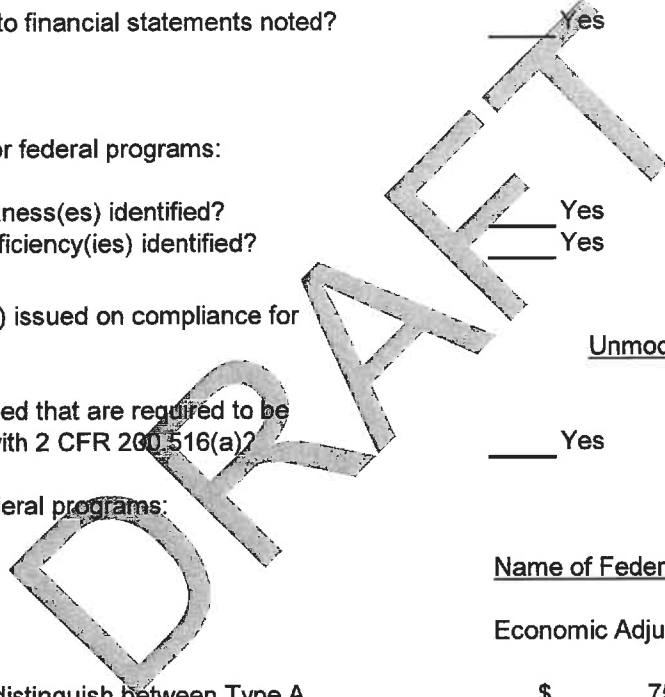
Yes No

II. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted for the year ended December 31, 2019.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

There were no findings or questioned costs related to federal awards noted for the year ended December 31, 2019.



**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

I. FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted for the year ended December 31, 2018.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

There were no findings or questioned costs related to federal awards noted for the year ended December 31, 2018.

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INDEPENDENT ACCOUNTANT'S REPORT

To the Members of the Board of Directors
Buffalo and Erie County Regional Development Corporation
95 Perry Street, Suite 403
Buffalo, New York 14203

We have examined Buffalo and Erie County Regional Development Corporation's (the RDC) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") during the period January 1, 2019 through December 31, 2019. Management of the RDC is responsible for the RDC's compliance with the specified requirements. Our responsibility is to express an opinion on the RDC's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the RDC complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the RDC complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the RDC's compliance with specified requirements.

In our opinion, the RDC complied, in all material respects, with the Investment Guidelines during the period of January 1, 2019 through December 31, 2019.

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

Buffalo, New York
XXXX XX, 2020

**Erie County Industrial Development Agency
Buffalo & Erie County Regional Development Corporation
Buffalo & Erie County Industrial Land Development Corporation**

Investment Reports
For the year ended December 31, 2019

**Erie County Industrial Development Agency
Buffalo & Erie County Regional Development Corp. (RDC)
Buffalo & Erie County Industrial Land Development Corp. (ILDC)**

2019 Annual Investment Report

Purpose of Report:

Under Section 2925(6) of the Public Authorities Law, the ECIDA and its affiliates (RDC & ILDC) are required to prepare and approve an annual Investment Report. The investment report is to include: ECIDA's Investment Guidelines (see below), the results of the annual independent investment audit (see below), a list of the total investment income received by the corporation and a list of the fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the corporation since the last Investment Report.

The attached schedule details the corporation's investment income and related fees for the year ended December 31, 2019 and were approved by the Board of each corporation on March 25, 2020.

Investment Guidelines:

In accordance with Section 2925 of the Public Authorities Law, the ECIDA and its affiliates are required to adopt Investment Guidelines which detail its operative policy and instructions to staff regarding the investing, monitoring and reporting of funds of the corporation. In addition, the ECIDA is subject to the deposit and investment restrictions contained in Sections 10 and 11 of the General Municipal Law. The ECIDA's affiliates have elected to follow the deposit and investment restrictions contained in Sections 10 and 11 of the General Municipal Law as a "best practice."

The Investment Guidelines were approved by the Board of each corporation on March 25, 2020 and are posted on the ECIDA website at <https://www.ecidany.com/about-us-corporate-policies>. The Investment Guidelines for the ECIDA and its affiliates are consistent with the prior Guidelines adopted on March 27, 2019.

Investment Audit:

The auditors for the ECIDA and its affiliates have audited the corporation's compliance with the Investment Guidelines for Public Authorities. In their report dated March __, 2020, Freed Maxick CPAs indicated that the Agency complied, in all material respects, with these Investment Guidelines.

Erie County Industrial Development Agency (ECIDA)
Annual Investment Report
For the year ended December 31, 2019

Account Type	Financial Institution	G/L Balance 1/1/2019	G/L Balance 12/31/2019	Interest Rate* Dec 2019	2019		Restricted	Purpose	
					Investment Income	Fees			
1 Checking	M&T Bank	1,554,196	1,166,769	0.03%	527	-		General ECIDA Checking account	
2 Savings	M&T Bank	5,171,577	6,409,760	0.65%	38,183	-		General ECIDA Savings account	
3 Checking	M&T Bank	468,624	411,957	0.03%	122	-	✓	ECIDA UDAG Fund checking/investment account	
4 Savings	M&T Bank	10,113,059	11,034,672	0.65%	68,130	-	✓	ECIDA UDAG Fund Savings/investment account	
5 Checking	M&T Bank	131,441	153,503	0.03%	38	-	✓	Restricted account for Erie County shortline railroad related activities	
6 Savings	M&T Bank	2,045,460	979,274	0.65%	12,421	-	✓	Restricted account for BLCP, Riverbend and Northland development	
7 Savings	M&T Bank	1,219,329	1,525,156	0.65%	7,705	-	✓	Restricted account for North Youngmann Commerce Center & designated Erie County projects	
8 Savings	M&T Bank	17,068	-	0.00%	84	-	✓	Restricted account for Buffalo Economic Renaissance Corporation**	
9 Savings	M&T Bank	102,960	17,531	0.65%	669	-	✓	Restricted account for Buffalo Urban Development Corporation	
10 Savings	M&T Bank	1,942,236	2,747,105	0.65%	13,699	-	✓	Restricted account for Infrastructure Improvements in the Main Street District	
11 Savings	M&T Bank	909,358	1,516,590	0.65%	7,943	-	✓	Restricted account for Infrastructure Improvements in the Seneca Street Corridor District	
12 Preferred Custody Account	Citibank	1,000,000	1,000,000	0.00%	-	-	✓	Held in escrow in accordance with Gemcor II sale agreement	
					<u>\$ 149,521</u>	<u>\$ -</u>			

Notes:

* The Interest Rate is the annualized rate for the month of December 2019 and is prior to the deduction of any fees.

** Account closed September 2019 after funds were fully disbursed.

Buffalo & Erie County Regional Development Corporation (RDC)

Annual Investment Report

For the year ended December 31, 2019

Account Type	Financial Institution	G/L Balance		Interest Rate** Dec 2019	2019		Restricted	Purpose
		1/1/2019	12/31/2019		Investment Income	Fees		
1 Checking	M&T Bank	437,405	1,086,466	0.03%	216	-	√	EDA Loan Fund Checking/Investment account
2 Savings	M&T Bank	5,525,855	6,563,749	0.65%	37,894	-	√	EDA Loan Fund Savings/Investment account
		<u>\$ 5,963,260</u>	<u>\$ 7,650,215</u>		<u>\$ 38,110</u>	<u>\$ -</u>		

Notes:

* The Interest Rate is the annualized rate for the month of December 2019 and is prior to the deduction of any fees.

Buffalo & Erie County Industrial Land Development Corporation (ILDC)

Annual Investment Report
For the year ended December 31, 2019

Account Type	Financial Institution	G/L Balance		Interest Rate** Dec 2019	2019 Investment			Restricted	Purpose
		1/1/2019	12/31/2019		Income	Fees	Purpose		
1 Checking	M&T Bank	189,138	186,326	0.03%	54	\$ -		√	Erie County BDF Microenterprise Loan account
2 Checking	M&T Bank	38,825	21,313	0.03%	14	-		√	General ILDC checking account
		\$ 227,963	\$ 207,639		\$ 68	\$ -			

Notes:

* The Interest Rate is the annualized rate for the month of December 2019 and is prior to the deduction of any fees.



To: ECIDA, RDC, and ILDC Board of Directors
From: Governance Committee – Brenda McDuffie (Chair)
Date: March 25, 2020
Re: Governance Committee Report

In accordance with the Governance Committee Charter, the Governance Committee is required to “report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Governance Committee and when otherwise requested by the Board”. This report is prepared to satisfy this requirement.

The ECIDA/RDC/ILDC Governance Committee met on March 10, 2020. Governance Committee Chair Brenda McDuffie and the Committee members present reviewed the following items:

- 1) 2019 PAAA Annual Report: The Governance Committee reviewed the ECIDA/RDC/ILDC 2019 PAAA Annual Report. They did not recommend any changes. The PAAA Annual Report will be reviewed by the full board during the March 25, 2020 Board meeting.
- 2) 2019 Board of Directors’ Self-Evaluation: The Governance Committee reviewed the Summary Sheets and comments for the ECIDA, RDC, and the ILDC board self-evaluations. They did not note any major issues. The Governance Committee Chair will forward the Summary Sheets to the Authority Budget Office (ABO) as required.
- 3) 2019 Governance Committee Self-Evaluation: The Governance Committee reviewed the 2019 Governance Committee Self-Evaluation. The evaluation documented the activities of the Governance Committee during 2019.
- 4) Annual Re-Adoption of Policies, Charters & Guidelines: The Governance Committee reviewed the following policies of the ECIDA/RDC/ILDC:
 - Whistleblower Policy;
 - Governance Committee Charter;
 - Property Disposition Guidelines;
 - Property Acquisition Policy;
 - Defense & Indemnification Policy;
 - Board Member Compensation, Reimbursement & Attendance Policy;
 - ECIDA Employee Compensation Policy;
 - Travel, Conferences, Meals & Entertainment Policy;
 - Statement of the Duties & Responsibilities of the Board of Directors;
 - Statement of the Competencies & Personal Attributes Required of Board Members; and
 - Procurement Policy.

The Agency’s Compliance Officer informed the Committee that ECIDA Counsel Harris Beach reviewed the above referenced policies and did not recommend any changes. She added that the ABO did not publish any new Recommended Guidance for any of these policies. No changes were recommended by the Committee. The Board will review these policies during the March 25, 2020 Board meeting.

- 5) Adoption of Policies, Charters & Guidelines: ECIDA staff and Counsel Harris Beach recommended two revisions to the Code of Ethics. One revision resulted from an ABO Recommended Guidance for a Conflict of Interest Policy. Staff and Counsel reviewed the ABO’s proposed policy and noted that the recommended provisions were already incorporated in the ECIDA/RDC/ILDC’s current Code of Ethics. Accordingly, Staff and Counsel recommended renaming the Code of Ethics to “Code of Ethics & Conflict of Interest Policy.” Staff and Counsel also recommended adding a sentence to the Whistleblower section of the Code of Ethics to more clearly reflect that the ECIDA/RDC/ILDC has a separate Whistleblower Policy. The Committee supported these recommendations. The revised policy will be reviewed by the full board during the March 25, 2020 Board meeting.
- 6) PARIS Report Update: The Governance Committee received an update on the status of the ABO’s reporting requirements through PARIS, the Public Authorities Reporting Information System (PARIS). The Agency’s Compliance Officer informed the Committee that the Agency is on track to complete the ECIDA, RDC, and ILDC PARIS reports on or before the March 31, 2020 deadline.

- 7) 2019 Local Labor Report Update: The Governance Committee received an update on the status of the 2019 Local Labor reports. The Agency's Compliance Officer reported that the Agency was following up on two delinquent reports. The results from the companies that submitted reports revealed that approximately 98% of the contractors/sub-contractors who worked on IDA supported construction projects resided within the eight counties of WNY and approximately 74% of all contractors and subcontractors resided within Erie County.
- 8) Board Member PAAA Training Update: The Governance Committee received an update on the status of the required ABO board member training. The Agency's Compliance Officer informed the Committee that seven board members received training in 2019. The Agency's Compliance Officer also reported that she regularly forwards the training schedule to board members who have not had the required training and to those who have not had training within the last three years.
- 9) Results of ECIDA's 2019 Performance Measures: The Governance Committee reviewed the results of the ECIDA's 2019 Performance Measures. They did not recommend any changes. The results of the 2019 Performance Measures will be reviewed by the full board during the March 25, 2020 Board meeting.
- 10) Mission Statement & 2020 Performance Measures: The Governance Committee met on November 19, 2019, December 11, 2019, and February 10, 2020 to discuss the ECIDA/RDC/ILDC Mission Statement and 2020 Performance Measures. During those months, the Committee:
 - Revised the mission statement to include a commitment to growth, economic stability, and job creation and retention for businesses and individuals.
 - Revised the metrics relating to private investments and innovation goals.
 - Added additional metrics relating to loans, tax incentives, and other support to women and minority businesses.
 - Requested that creation and retention of jobs referenced in the job growth section be broken down into categories.
 - Added several Agency and client compliance related goals.
 - Updated individual performance objectives to reflect which organization(s) they apply to (ECIDA, RDC, and/or ILDC).
 - Revisited the methodology for goal setting. Where applicable, the Committee recommended methodologies other than the previously used three year rolling averages.

A draft of the revisions discussed during the November, December, and February meetings were presented at the March 10 Governance Committee meeting. The Committee reviewed the new draft. They did not recommend any additional changes. The 2020 Mission Statement & Performance Measures will be reviewed by the full board during the March 25, 2020 Board meeting.

Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Regional Development Corporation (RDC), and Buffalo and Erie County Industrial Land Development Corporation (ILDC)

2019 Governance Committee Self-Evaluation

Responsibilities of the Governance Committee:

The core responsibilities of the Governance Committee, as mandated under Section 2824(7) of the New York Public Authorities Law, are set forth in the Bylaws and include: (i) keeping the Board informed of current best governance practices; (ii) reviewing corporate governance trends; (iii) updating the Agency’s corporate governance principles; and (iv) advising those responsible for appointing members to the Board on the skills and experiences necessary required of potential Board members.

Governance Committee Self-Evaluation	Yes	No	Pen ding	Comments
1. Are the members of the Governance Committee appointed in accordance with the Bylaws and are individuals appointed to the Governance Committee knowledgeable, or have expressed a willingness to become knowledgeable, in matters pertaining to governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Is each member of the Governance Committee an "independent member" within the meaning of, and to the extent required by, Section 2825 of the New York Public Authorities Law, as amended from time to time? Did Governance Committee members, who are members of the Agency, comply with the conflict of interest provisions applicable to public officers under Article 18 of the New York General Municipal Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Did the Governance Committee meet a minimum of once (1) each calendar year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Governance Committee met on 1/23/19, 3/20/19 (no quorum), 11/19/19, and 12/11/19.
4. Were meeting notices and agendas prepared for each meeting and provided to Governance Committee members by electronic or regular mail at least five (5) days in advance of the scheduled meeting? Were minutes of all meetings recorded by the Secretary or any Assistant Secretary of the Agency? Did all meetings comply with the requirements of the Open Meetings Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Governance Committee Self-Evaluation	Yes	No	Pending	Comments
5. Did the Governance Committee develop the Agency's governance practices, which should address transparency, independence, accountability, fiduciary responsibilities and management oversight?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	See Questions #6-#9 below.
6. Did the Governance Committee develop a statement of the competencies and personal attributes required of Board members to assist those authorized to appoint members to the Board in identifying qualified individuals (it being acknowledged that membership in the Agency is determined pursuant to Section 891-a of the General Municipal Law)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A Statement of the Competencies and Personal Attributes is posted on the ECIDA website. It was approved by the ECIDA Board of Directors on 2/16/10. Revisions to this document were not necessary in 2019.
7. Did the Governance Committee develop and recommend to the Board any revisions to the number and/or structure of Board committees?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No additional committees were recommended by the Governance Committee in 2019.
8. Did the Governance Committee develop and provide recommendations to the Board regarding Board member education, including new member orientation and regularly scheduled Board member training to be obtained from state-approved trainers as required under Section 2824(2) of the New York Public Authorities Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>New Board members attend an orientation session hosted by ECIDA staff and are provided with a New Member Orientation Manual.</p> <p>As of 12/31/19, 18 of 19 ECIDA/RDC Board members and 5 of 7 ILDC Board members have received the PAAA required training. All Board members who have not received the training received notifications throughout the year regarding PAAA training session dates.</p>
9. Did the Governance Committee develop, review and recommend to the Board the adoption and/or revisions to the following: (i) the Agency's Code of Ethics. (ii) written policies regarding conflicts of interest.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Governance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>(iii) written policies regarding the protection of whistleblowers from retaliation.</p> <p>(iv) equal opportunity and affirmative action policies.</p> <p>(v) written policies regarding procurement of goods and services, including policies relating to the disclosure of persons who attempt to influence the Agency's procurement process.</p> <p>(vi) written policies regarding the disposition of real and personal property and the acquisition of property.</p> <p>(vii) committee charters, including this Charter.</p>				<p>Items i) & ii) are included in the ECIDA Code of Ethics. The Governance Committee reviewed the Code of Ethics during its 3/20/19 Committee meeting. The Committee did not recommend any changes. The Code was re-adopted by the full Board during its 3/27/19 Board meeting.</p> <p>(iii) In 2012, the Governance Committee approved a formal Whistleblower Policy. The Committee did not recommend any changes. The Policy was re-adopted by the full Board during its meeting on 3/27/19.</p> <p>iv) The ECIDA's EEO policy is included in the Personnel Handbook and the Procurement Policy.</p> <p>v) The ECIDA Procurement Policy (which includes lobbying law restrictions) was reviewed by the Governance Committee on 3/20/19. ECIDA staff and counsel recommended adding a section entitled "Preferred Source Procurement" to satisfy a Recommended Guidance published by the ABO. The Committee agreed with the recommended change. The new Policy was adopted by the full Board during its 3/27/19 Board meeting.</p> <p>vi) The ECIDA Property Disposition Guidelines were reviewed by the Governance Committee on 3/20/19. It was re-adopted by the full Board during its 3/27/19 Board meeting.</p> <p>vii) The ECIDA Governance Committee Charter was reviewed by the Governance Committee on 3/20/19. It was re-adopted by the full Board during its 3/27/19 Board meeting.</p>

Governance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>(viii) any other policies or documents relating to the governance of the Agency, including rules and procedures for conducting the business of the Agency's Board, including the Agency's Bylaws. The Governance Committee will oversee the implementation and effectiveness of the Bylaws and other governance documents and recommend modifications to the Board as necessary or appropriate.</p>				<p>viii) The Governance Committee did not approve any additional policies in 2019.</p>
<p>10. Did the Governance Committee:</p> <p>(i) report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Governance Committee and when otherwise requested by the Board.</p> <p>(ii) report to the Board, at least annually, regarding any proposed changes to this Charter.</p> <p>(iii) provide a self-evaluation of the Governance Committee's functions to the Board on an annual basis.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>i) & ii) As stated above, all policies/ guidelines referenced above were adopted or re-adopted by the Board on 3/27/19.</p> <p>iii) On 3/20/19, the Committee performed a Self-Evaluation for the calendar year 2018 and provided a status report to the Board on 3/27/19.</p>

Other Self-Evaluation Notes

- 1) During its 1/23/19 meeting, ECIDA staff discussed its legal RFP process, criteria for rating law firms, results of the interviews, and staff recommendations. The Committee agreed with all staff recommendations.
- 2) In February 2019, the Governance Committee performed a 2018 Board Member Self-Evaluation for the ECIDA, RDC, and ILDC boards. The Committee discussed the results of these evaluations during the 3/27/19 board meeting.
- 3) In addition to the above referenced policies, the Governance Committee discussed the following items during its meeting on 3/20/19: (1) 2018 Performance Measures Report & Results; (2) 2019 Mission Statement & Performance Measures; (3) 2018 PAAA Annual Report; (4) Property Acquisition Policy; (5) Defense & Indemnification Policy; (6) Board Member Compensation; (7) Reimbursement & Attendance Policy; (8) ECIDA Compensation Policy; (9) Travel Conferences Meals & Entertainment Policy; and (10) Statement of the Duties & Responsibilities of the Board of Directors. The Committee did not recommend changes. The full Board approved these documents/policies during its 3/27/19 Board meeting.
- 4) The ECIDA's Compliance Officer provided an update on the status of the ECIDA's Public Authority Reporting Information System (PARIS) report to the Committee on 3/20/19.
- 5) During the Governance Committee meeting on 3/20/19, ECIDA's Compliance Officer reported that there were no violations of the Agency's Local Labor Policy in 2018.
- 6) During its 11/19/19 and 12/11/19 meetings, the Governance Committee, ECIDA staff, and ECIDA counsel discussed the ABO Policy Guidelines for mission statements and performance measurement reports. The Committee recommended changes to the ECIDA/RDC/ILDC joint Mission Statement and the 2020 Performance Measures. ECIDA staff expects to hold additional Governance Committee meetings in early 2020 to finalize these documents. The revised documents will be presented to the full board in March 2020.



Loan Status Report January 22, 2020 – March 25, 2020

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
NONE		
<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Highway Rehab Corp (Road Re-Construction)	Cheektowaga	\$1,600,000
<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
NONE		
<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
51 Chippewa, LLC (Restaurant)	Buffalo	\$50,000

<u>2020 - Loans Closed</u>	<u>YTD Loan Total</u>	<u>Jobs to be Created</u>	<u>Retained Jobs</u>	<u>Dollars Leveraged</u>
1	\$1,600,000	0	55	\$7,400,000

Loan Portfolio Performance

Past Due Loans:

<u>Loan</u>	<u>Outstanding Balance</u>	<u>Amount Past Due</u>	<u>Days Past Due</u>	<u>Comments</u>
NONE				

Loans in Default (Legal Action):

<u>Borrower Name</u>	<u>Amt Approved</u>	<u>Outstanding Loan Balance</u>	<u>Comments</u>
Buffalo Forklift	\$1,500,000	\$1,427,975	In process of property execution
Adiabatic Solutions	\$ 250,000	\$ 250,000	Summary Judgment Filed
HarkerBio, LLC	\$ 500,000	\$ 105,286	Demand Letter to Guarantor
Great Lakes Concrete	\$ 500,000	\$ 43,067	Filing Judgments on Guarantors
Totals	\$2,750,000	\$1,826,328	

Portfolio Delinquency Rate (Past Due Outstanding Loan Balance *divided by* Portfolio Balance):

$$\$1,826,328 / \$11,629,905 = 15.7\%$$



Item 3.7

To: ECIDA & RDC Boards of Directors
From: Mollie Profic, CFO
Jerry Manhard, Chief Lending Officer
Re: Board Certification of Revolving Loan Fund Plan
Date: March 25, 2020

Between 1979 and 1983 the Erie County Industrial Development Agency (ECIDA) received a total of \$8.5 million in four U.S. Department of Commerce, Economic Development Administration (EDA) Title IX grants. \$7 million was used to establish the RDC Revolving Loan Fund (RLF). As part of the annual reporting to the EDA in connection with the operations of the RLF administered by the Buffalo & Erie County Regional Development Corporation (RDC), the ECIDA must certify that the RLF is being operated in accordance with the policies and procedures contained in the Loan Administration Plan (LAP), also referred to as the RLF Plan. The LAP is required to be updated and approved by EDA every five years. The RDC's LAP was most recently approved on October 1, 2018.

Many of the requirements of the LAP overlap with the Federal regulations under Title 2 of the U.S. *Code of Federal Regulations* Part 200 and are tested as part of the Single Audit performed annually. Management discussed the requirements of the LAP with Freed Maxick (independent auditors) and came up with a set of Agreed Upon Procedures (AUP) to be reviewed and tested in conjunction with the Single Audit. This approach was discussed with both the Loan Committee and Finance & Audit Committee and deemed appropriate from both an operational and cost perspective.

The testing performed as part of the Single Audit yielded an unmodified (clean) opinion and did not yield any audit findings. The testing performed under the AUP noted one loan tested that staff was unable to obtain updated personal financial statements, despite multiple attempts. RDC staff is continuing efforts to obtain a certified personal financial statement from the borrower. A copy of the Agreed Upon Procedures report issued by Freed Maxick is attached.

Action:

Approval of the attached resolution certifying that the Revolving Loan Fund is operating in accordance with the approved Loan Administration Plan.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

REVOLVING LOAN FUND ANNUAL RESOLUTION

The meeting of the Buffalo and Erie County Regional Development Corporation was convened on March 25, 2020 at 12:00 p.m.

The following resolution was duly offered and seconded, to wit:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION (THE "RLF LOAN BOARD" OR "RDC") IN CONNECTION WITH AN ANNUAL CERTIFICATION TO BE MADE UNDER THE STANDARD TERMS AND CONDITIONS AND ADMINISTRATIVE MANUAL REQUIREMENTS OF THE ECONOMIC DEVELOPMENT ADMINISTRATION (THE "EDA")

WHEREAS, the RDC was incorporated as an affiliate of the Erie County Industrial Development Agency (the "RLF Board" or "Agency") for the purpose of encouraging the retention and expansion of existing companies as well as the attraction of new companies to target areas of Erie County using the resources from various Revolving Loan Funds (the "RLF") to make direct loans to individual companies; and

WHEREAS, the RDC was originally established with grants from the EDA of \$7,000,000, the County of Erie Community Development Block Grant funds of \$2,316,000 and the City of Buffalo Community Development Block Grant funds of \$1,800,000, and has received no other further grant funding since it was started; and

WHEREAS, in October 2016, the County of Erie Community Development Block Grant funds of \$2,316,000 was removed from the RLF after a dispute between the U.S. Department of Housing and Urban Development ("HUD") and EDA related to the County of Erie sub-fund was settled; and

WHEREAS, through the efforts of the RDC, the RLF has grown to total net assets now in excess of \$17,000,000, which includes the EDA and the City of Buffalo grant funding as described above, principal repayments, and interest; and

WHEREAS, a review of the RLF portfolio is to be conducted annually to determine adherence to the terms and conditions of the original grant, compliance with EDA regulations, completeness of supporting loan files/documentation and conformity with miscellaneous operational procedures; and

WHEREAS, Agreed-Upon Procedures (AUP) were conducted on a sample of loans in the RLF portfolio by Freed Maxick, CPAs. P.C. in addition to the audit requirements of Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Awards to ensure RDC's compliance with its Loan Administration Plan ("LAP") as set forth by the EDA; and

WHEREAS, the Standard Terms and Conditions and Administrative Manual Requirements of the EDA require the RLF Board to provide annual certification that the RLF Loan Board (the RDC) and the Grant Recipient's governing body (the Agency) have reviewed the RLF and have determined that the RLF is being operated in accordance with the policies and procedures contained in the LAP, and that the loan portfolio meets the standards contained therein.

NOW, THEREFORE, BE IT RESOLVED BY THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION AS FOLLOWS:

Section 1. To the best knowledge and belief of the members of the RDC and with the disclosures provided above, the RLF is being operated in accordance with the policies and procedures contained in the LAP, and the loan portfolio meets the standards contained therein, subject to the following notations:

- (i) Certain operational requirements of the LAP such as updating/maintenance of certain collateral documents (particularly insurance policies, collection of tax returns/financials, etc.) are of continuing concern.
- (ii) An appeal over a disputed cost allocation (in the amount of \$352,000) resulting from an audit performed by the U.S. Department of Commerce Office of the Inspector General ("OIG") during late 2003 and early 2004 is yet to be resolved or formally acknowledged as being no longer an issue with the OIG and therefore remains an open item. Despite the fact that OIG and the EDA stated in October, 2006 that they were willing to reconsider the request to allow a portion of the administrative costs initially disallowed by the audit, no formal decision to the RDC's detailed reply from the EDA has been received and the appeal remains an unresolved item (without a reserve set-aside allocated) more than ten years later, awaiting direction from the OIG.
- (iii) The OIG has initiated an audit of EDA's controls and processes associated with the management of its Revolving Loan Fund program, with the objective of the audit to determine the adequacy of controls EDA has in place specifically for the areas of capital utilization, default rates, reporting and audit oversight. Although the RDC is not the only entity included in the EDA review on a national level, the results of this review are still unknown as to how (if at all) the RDC will be affected.
- (iv) Section 307.9 of the EDA Regulations requires that the LAP be updated every five (5) years. The last time the plan was updated was in October 2018.

Section 2. The Chair or Vice Chair, the Chief Executive Officer, Chief Operating Officer, the Executive Vice President, and/or the Treasurer or Assistant Treasurer of the RDC are hereby authorized to execute all necessary documents to make the required annual certification to the EDA including the notations as listed above.

Section 3. This resolution shall take effect immediately.

AGREED-UPON PROCEDURES

Buffalo and Erie County Regional Development Corporation

As of December 31, 2019

DRAFT



**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of the
Buffalo and Erie County Regional Development Corporation
Buffalo, New York

We have performed the procedures enumerated below, which were agreed to by the Buffalo and Erie County Regional Development Corporation (the "RDC"), on the loan monitoring procedures and documentation maintained by the RDC for the purpose of evaluating the monitoring procedures and records maintained in accordance with the Loan Administrative Plan (the "Plan") as set forth by the Economic Development Administration (the "EDA"), for the period of January 1, 2019 through December 31, 2019. RDC's management is responsible for loan monitoring procedures and records maintained in accordance with the Plan. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and related findings are as follows:

Procedure 1

We have verified that RDC has monitored loans on an annual basis in accordance with section D.2. Loan Monitoring Procedures of the Plan for loans selected for testing for the period of January 1, 2019 through December 31, 2019.

Findings

There was one finding noted. One instance of no personal financial statement was maintained by the RDC for an active loan recipient. However, we noted that there have been attempts made by the RDC to contact the loan recipient to obtain the most recent personal financial statement.

Procedure 2

We have verified that the RDC has obtained the environmental reviews for all loans that are collateralized with commercial real estate in accordance with section B.3 Loan Processing Procedures of the Plan for loans selected for testing for the period of January 1, 2019 through December 31, 2019.

Findings

There were no findings noted.

Procedure 3

We have verified the RDC has obtained the Federal Regulations Acknowledgment form in accordance with Section B.1. Loan Processing Procedures of the Plan for the loans selected for testing for the period of January 1, 2019 through December 31, 2019.

Findings

There were no findings noted.

This agreed-upon-procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Board of Directors and the management of the RDC and is not intended and should not be used by anyone other than the specified parties.

Batavia, New York
March 18, 2020

DRAFT