

**BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION**

SINGLE AUDIT REPORTING PACKAGE

DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Erie County Regional
Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise RDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RDC as of December 31, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RDC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2021 Financial Statements

The financial statements of RDC as of and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 24, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RDC's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RDC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise RDC's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* 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 basic financial statements. Such information 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. The 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 financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information 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 March 16, 2023 on our consideration of RDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 RDC's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

March 16, 2023

Management’s Discussion and Analysis (Unaudited)

December 31, 2022

Buffalo and Erie County Regional Development Corporation (RDC) was incorporated for the purpose of encouraging the expansion of existing companies in target areas of Erie County (the County) by establishing a revolving loan fund (RLF). The U.S. Department of Commerce Economic Development Administration (EDA) is the oversight body of one of RDC’s RLFs. A Loan Administration Plan (LAP) that outlines RDC’s lending processes and goals is approved by EDA every five years. The EDA released its federal interest in RDC’s Legacy (original) RLF during 2021. In 2020, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, EDA awarded \$5 million to ECIDA to capitalize a new RLF, which ECIDA sub-granted to RDC to administer.

As a special-purpose government engaged in business-type activities, RDC is required to comply with accounting standards issued by the Governmental Accounting Standards Board (GASB). Under GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, RDC is required to present management’s discussion and analysis (MD&A) to assist readers in understanding RDC’s financial performance.

In compliance with GASB Statement No. 34, we present the attached overview and analysis of the financial activities of RDC as of and for the years ended December 31, 2022, 2021, and 2020. We encourage readers to consider the information presented here in conjunction with RDC’s audited financial statements.

Basic Overview of the Financial Statements

Included in this report are the following financial statements:

- 1) Balance Sheets – The balance sheets show the reader what RDC owns (assets and deferred outflows of resources) and what RDC owes (liabilities and deferred inflows of resources). The difference between RDC’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) can be one way to measure RDC’s financial position. Over time, increases or decreases in RDC’s net position are an indicator of whether its financial health is improving or deteriorating.
- 2) Statements of Revenues, Expenses, and Changes in Net Position – These statements report RDC’s operating and nonoperating revenues by major sources along with operating and nonoperating expenses. The difference between total revenues and expenses can be one way to measure RDC’s operating results for the year.
- 3) Statements of Cash Flows – These statements report RDC’s cash flows from operating, capital and related financing, and investing activities.

Financial Highlights

- RDC’s total net position increased slightly from \$21,753,000 in 2021 to \$22,175,000 in 2022.
- RDC experienced an increase in net position of \$422,000 in 2022 compared to an increase of \$4,738,000 in 2021.
- Operating revenues increased 24% from \$447,000 in 2021 to \$555,000 in 2022.
- Operating expenses decreased 70% from \$823,000 in 2021 to \$243,000 in 2022.

Condensed Comparative Financial Statements:

Balance Sheets at December 31:

<i>in thousands</i>	2022	2021	\$ Change	% Change	2020
Assets					
Cash	\$ 5,461	\$ 7,790	\$ (2,329)	(30%)	\$ 6,543
Accounts and grants receivable	-	10	(10)	(100%)	11
Loans receivable, net	17,104	14,250	2,854	20%	10,758
Total assets	\$ 22,565	\$ 22,050	\$ 515	2%	\$ 17,312
Liabilities					
Accounts payable	\$ 2	\$ -	\$ 2	100%	\$ 3
Due to affiliate	291	297	(6)	(2%)	294
Unearned revenue	97	-	97	100%	-
Total liabilities	390	297	93	31%	297
Net position					
Restricted	22,175	21,753	422	2%	17,015
Total liabilities and net position	\$ 22,565	\$ 22,050	\$ 515	2%	\$ 17,312

RDC's cash balance decreased 30% or \$2,329,000 primarily due to loan disbursements in 2022. The cash increase from \$6,543,000 in 2020 to \$7,790,000 in 2021 was a result of loan repayments.

Loans receivable relate to the RLFs operated by RDC, net of an allowance. Loans receivable increased \$2,854,000 or 20% from 2021 to 2022, due to loans awarded during 2022. The increase in loans receivable from \$10,758,000 in 2020 to \$14,250,000 in 2021 was also a result of new loans. Most of the loans closed in 2021 were funded by new capital into the RLF through the CARES Act sub-grant award.

Due to affiliate reflects the amount due to ECIDA under a shared services agreement for personnel and overhead at the end of the year. The \$6,000 decrease in due to affiliate from 2021 to 2022 reflects a decrease in hours spent on RDC activities by ECIDA employees. The increase in amounts due to affiliate from \$294,000 in 2020 to \$297,000 in 2021 reflected increased hourly rates of ECIDA employees.

Unearned revenue reflects a portion of the CARES Act sub-grant funds received that were not spent as of the end of the year.

Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31:

<i>in thousands</i>	2022	2021	\$ Change	% Change	2020
Operating revenue:					
Interest from loans	\$ 536	\$ 447	\$ 89	20%	\$ 375
Loan commitment fees	19	-	19	100%	13
Total revenue	555	447	108	24%	388
Operating expenses:					
General and administrative	\$ 331	\$ 405	\$ (74)	(18%)	\$ 450
Loan loss expense, net of recoveries	(88)	418	(506)	(121%)	91
Total operating expenses	243	823	(580)	(70%)	541
Operating income (loss)	312	(376)	688	(183%)	(153)
Nonoperating revenue					
Interest income	13	3	10	333%	15
Grant contributions	97	5,111	(5,014)	(98%)	111
Total nonoperating revenue	110	5,114	(5,004)	(98%)	126
Change in net position	\$ 422	\$ 4,738	\$ (4,316)	(91%)	\$ (27)

Revenue Analysis

Interest from loans is collected from borrowers in accordance with the terms of each promissory note. RDC loans bear interest at rates ranging from 1.0% to 5.5%, in accordance with the Loan Administration Plan provisions in effect at the time the loan is approved. Interest from loans increased \$89,000, or 20%, from 2021 to 2022 because of the increase in loans receivable. Interest increased from \$375,000 in 2020 to \$447,000 in 2021 due to the expiration of deferral periods approved in 2020.

Loan commitment fees are generally charged on loans greater than \$100,000. Commitment fees vary from year to year depending on the dollar amounts of individual loans. In 2022 there were six loans closed and each was greater than \$100,000. In 2021, commitment fees were waived as a result of the COVID-19 pandemic.

Expense Analysis

In 2022, general and administrative expenses decreased \$74,000 from \$405,000 to \$331,000. The decrease in general and administrative expenses is attributable mainly to costs associated with the CARES Act RLF. In 2021, RDC spent \$56,000 on temporary labor and a consultant to assist with the increased underwriting related to the CARES Act RLF, as well as \$14,000 of marketing costs. After the initial \$5,000,000 of loan funds were exhausted, activity related to that RLF decreased. General and administrative expenses decreased \$45,000 from 2020 to 2021 primarily due to additional legal expenses incurred in 2020 related to delinquent loans.

Loan loss expense, net of recoveries consists of the amount of loan loss expense in a year, net of any recoveries during that same year of previously written off loans. In 2022, loan loss expense was \$4,000, net of reductions in the allowance of \$92,000. Two loans that were part of the reserve in 2021 were paid off in 2022, and the reserve on a third loan was removed due to a satisfactory payment history. In 2021 loan loss expense was \$418,000 due to \$474,000 of reserves established for CARES Act RLF loans, net of \$56,000 of loan recoveries. No loans written off in 2022 or 2021.

Grant contributions relate directly to amounts granted from ECIDA under the CARES Act RLF. The RLF was established in 2020 when \$111,000 of costs were incurred. In 2022 there was \$97,000 related to loans and administrative costs, compared to \$5,111,000 in 2021.

Budget to Actual Analysis for the year ended December 31, 2022:

RDC prepares an annual budget which was presented and approved by the Board of Directors on October 27, 2021. The following table presents an analysis of RDC's performance compared to the approved 2022 budget.

<i>in thousands</i>	Actual	Budget	\$ Variance	% Variance
Operating revenue:				
Interest from loans	\$ 536	\$ 565	\$ (29)	(5%)
Loan commitment fees	19	15	4	100%
Total revenue	555	580	(25)	(4%)
Operating expenses:				
General and administrative	\$ 331	\$ 415	\$ (84)	(20%)
Loan loss expense, net of recoveries	(88)	245	(333)	(136%)
Total operating expenses	243	660	(417)	(63%)
Operating income (loss)	312	(80)	392	(490%)
Nonoperating revenue				
Interest income	13	-	13	100%
Grant contributions	97	103	(6)	(6%)
Total nonoperating revenue	110	103	7	7%
Change in net position	\$ 422	\$ 23	\$ 399	1,735%

Overall, RDC exceeded its budgeted increase in net position for 2022 by \$399,000. Total operating revenue was \$25,000, or 4%, below budget due to lower than anticipated interest income from loans in 2022. Total expenses were \$417,000, or 63%, below budget. This was due mainly to the payoff of loans that had been previously included in the reserve for loan losses.

Economic Factors Impacting RDC

RDC relies upon loan interest income to generate revenue for continued operations. As a result of economic conditions and borrowers' ability to repay, RDC's ability to generate the income necessary to support operations may be limited in the future.

Requests for Information

This financial report is designed to provide a general overview of RDC's finances. Questions concerning any of the financial information provided in this report should be addressed to the CFO of RDC at (716) 856-6525. General information relating to RDC can be found on ECIDA's website, www.ecidany.com.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

Balance Sheets

December 31,	2022	2021
Assets		
Current assets:		
Cash	\$ 5,460,730	\$ 7,790,415
Accounts and grants receivable	-	10,168
Loans receivable (Note 2)	<u>3,056,101</u>	<u>1,415,466</u>
	8,516,831	9,216,049
Noncurrent assets:		
Loans receivable, net (Note 2)	<u>14,047,965</u>	<u>12,834,682</u>
	\$ 22,564,796	\$ 22,050,731
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 1,516	\$ 133
Due to affiliate (Note 3)	291,289	297,384
Unearned revenue	<u>97,105</u>	<u>-</u>
	389,910	297,517
Net position:		
Restricted	<u>22,174,886</u>	<u>21,753,214</u>
	\$ 22,564,796	\$ 22,050,731

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2022	2021
Operating revenues:		
Interest from loans	\$ 536,412	\$ 447,255
Loan commitment fees	18,625	-
Total operating revenues	<u>555,037</u>	<u>447,255</u>
Operating expenses:		
General and administrative	331,379	405,359
Provision for uncollectible loans (recoveries), net	(88,495)	417,627
Total operating expenses	<u>242,884</u>	<u>822,986</u>
Operating income (loss)	<u>312,153</u>	<u>(375,731)</u>
Nonoperating revenues:		
Interest income	12,974	2,586
Grant contributions	96,545	5,111,029
Total nonoperating revenues	<u>109,519</u>	<u>5,113,615</u>
Change in net position	421,672	4,737,884
Net position - beginning	<u>21,753,214</u>	<u>17,015,330</u>
Net position - ending	\$ 22,174,886	\$ 21,753,214

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

Statements of Cash Flows

For the years ended December 31,	2022	2021
Operating activities:		
Payments collected on loans receivable	\$ 2,047,009	\$ 2,018,149
Loan interest and fees	555,037	447,255
Loans awarded	(4,814,910)	(5,940,090)
Payments to vendors and affiliates	(330,762)	(409,468)
Bad debt recoveries	2,478	11,863
Net operating activities	(2,541,148)	(3,872,291)
Capital and related financing activities:		
Grant contributions	198,489	5,117,205
Investing activities:		
Interest income	12,974	2,586
Change in cash	(2,329,685)	1,247,500
Cash - beginning	7,790,415	6,542,915
Cash - ending	\$ 5,460,730	\$ 7,790,415
Reconciliation of operating income (loss)		
to net cash flows from operating activities:		
Operating income (loss)	\$ 312,153	\$ (375,731)
Adjustments to reconcile operating income (loss)		
to net cash flows from operating activities		
Provision for uncollectible loans	(86,017)	429,490
Changes in other assets and liabilities:		
Accounts and grants receivable	5,329	(5,329)
Loans receivable	(2,767,901)	(3,921,941)
Accounts payable	1,383	(2,526)
Due to affiliate	(6,095)	3,746
	\$ (2,541,148)	\$ (3,872,291)

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization

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 two revolving loan programs maintained under agreements or established loan administration plans approved by the grantor governing the management of the revolving loan program.

RDC has related party relationships with 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, workforce development, and international trade resulting in a successful business climate focused on growth, economic stability, job creation, and retention for businesses and individuals which improves the quality of life for the residents of the region.

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

Basis of Presentation

The financial statements of RDC have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus

RDC reports as 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. RDC's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

RDC's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services, including interest earned on revolving loan funds, and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include RDC's interest income from deposits and grants resulting from nonexchange transactions. Grants are recognized as revenue when all eligibility requirements imposed by the provider have been satisfied.

Estimates

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 that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash management is governed by New York State (the State) laws and as established by RDC's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, RDC's deposits may not be returned to it. At December 31, 2022, RDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging bank's agent in RDC's name.

Loans Receivable

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans. The allowance method is used to compute the provision for uncollectible loans.

Determination of the balance of the allowance for uncollectible loans 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.

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. Interest accrual stops when management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

Net Position

Net position may consist of two components:

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the restricted component of net position and therefore are available for general use.

Income Taxes

Although the financial statements are required to be reported as a governmental entity, RDC is a 501(c)(3) not-for-profit organization for income tax purposes and is exempt from income taxes under §501(a) of the Internal Revenue Code.

2. Loans Receivable:

The legacy 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. The EDA released its federal interest in the legacy RLF as of September 30, 2021 through the Reinvigorating Lending for the Future Act, due to the RFL operating satisfactorily for at least seven years beyond the disbursement of grant funds.

During 2020, RDC was awarded an EDA grant (passed through ECIDA) totaling \$5,415,694 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act to establish the CARES Act revolving loan fund to assist the region in response to the COVID-19 pandemic. Loan terms include one year interest-free, one year of interest-only payments, and then principal payments begin in the third year. In 2022, RDC received the remaining grant funds of \$198,489, of which \$97,105 is included in unearned revenue on the accompanying balance sheet.

Loans awarded to local businesses bear interest at rates ranging from 1% to 5.5% with varying repayment terms. The following is a summary of loans receivable:

	2022	2021
Current status	\$ 17,628,952	\$ 14,861,051
Less allowance	524,886	610,903
	<u>17,104,066</u>	<u>14,250,148</u>
Less current portion	3,056,101	1,415,466
	<u>\$ 14,047,965</u>	<u>\$ 12,834,682</u>

Following is a summary of the activity in the allowance for uncollectible loans:

	2022	2021
Balance, beginning of year	\$ 610,903	\$ 181,412
Additions charged to operations	4,415	441,354
Reduction in allowance	(90,432)	(11,863)
	<u>\$ 524,886</u>	<u>\$ 610,903</u>

Scheduled maturities for the next five years and thereafter are as follows:

	Principal	Interest
2023	\$ 3,001,246	\$ 549,088
2024	2,935,157	436,838
2025	2,886,235	344,534
2026	2,857,431	254,981
2027	2,445,665	171,219
Thereafter	3,442,228	213,923
	<u>\$ 17,567,962</u>	<u>\$ 1,970,583</u>

This schedule does not include variable interest rate loans that are administered by various financial institutions. The total outstanding balance of those loans is \$60,990 at December 31, 2022 with a current portion of \$54,855.

3. Related Party Transactions:

ECIDA allocates a portion of its personnel and overhead costs to RDC based on a cost allocation plan. Costs allocated by ECIDA amounted to \$288,468 and \$294,567 for the years ended December 31, 2022 and 2021. Amounts owed to ECIDA at December 31, 2022 and 2021 totaled \$291,289 and \$297,384, respectively.

4. Contingencies:

Grants

RDC receives financial assistance from government agencies in the form of grants. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of RDC. Based on prior experience, management expects such amounts, if any, to be immaterial.

5. Commitments:

Outstanding loan commitments approved but not yet paid total \$2,850,000 at December 31, 2022.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

**Supplementary Information
Combining Schedule of Balance Sheets**

December 31, 2022

	Legacy Account	CARES Act Account	Total
Assets			
Current assets:			
Cash	\$ 5,105,295	\$ 355,435	\$ 5,460,730
Loans receivable	2,523,530	532,571	3,056,101
	<u>7,628,825</u>	<u>888,006</u>	<u>8,516,831</u>
Noncurrent assets:			
Loans receivable, net	10,202,675	3,845,290	14,047,965
	<u>\$ 17,831,500</u>	<u>\$ 4,733,296</u>	<u>\$ 22,564,796</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 1,176	\$ 340	\$ 1,516
Due to affiliate	210,753	80,536	291,289
Unearned revenue	-	97,105	97,105
	<u>211,929</u>	<u>177,981</u>	<u>389,910</u>
Net position:			
Restricted	17,619,571	4,555,315	22,174,886
	<u>\$ 17,831,500</u>	<u>\$ 4,733,296</u>	<u>\$ 22,564,796</u>

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

Supplementary Information
Combining Schedule of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2022

	Legacy Account	CARES Act Account	Total
Operating revenues:			
Interest from loans	\$ 507,419	\$ 28,993	\$ 536,412
Loan commitment fees	18,625	-	18,625
Total operating revenues	526,044	28,993	555,037
Operating expenses:			
General and administrative	234,834	96,545	331,379
Provision for uncollectible loans (recoveries), net	(88,495)	-	(88,495)
Total operating expenses	146,339	96,545	242,884
Operating income (loss)	379,705	(67,552)	312,153
Nonoperating revenues:			
Interest income	12,744	230	12,974
Grant contributions	-	96,545	96,545
Total nonoperating revenues	12,744	96,775	109,519
Change in net position	392,449	29,223	421,672
Net position - beginning	17,227,122	4,526,092	21,753,214
Net position - ending	\$ 17,619,571	\$ 4,555,315	\$ 22,174,886

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Commerce:</u>			
Passed through Erie County Industrial Development Agency			
COVID-19 - Economic Adjustment Assistance	11.307	01-79-15022	\$ 5,303,841

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs administered by Buffalo and Erie County Regional Development Corporation (RDC), an entity as defined in Note 1 to RDC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the SEFA.

Expenditures are calculated as required by the Uniform Guidance or the applicable program and do not constitute actual program disbursements. All expenditures reported on the SEFA represent revolving loan programs.

The Economic Adjustment Assistance – CARES Act program, administered by the EDA, specifically requires the amount on the SEFA to be calculated as follows:

Cash	\$ 355,435
Balance of loans outstanding	4,851,861
Administrative expenses	96,545
Loan write-offs	-
	<hr/>
	5,303,841
Total EDA Share	100%
	<hr/>
	\$ 5,303,841

Basis of Accounting

RDC uses the accrual basis of accounting for each federal program, consistent with the financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with RDC's financial reporting system.

Indirect Costs

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

INDEPENDENT AUDITORS' 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*

The Board of Directors
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 balance sheet of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise RDC's basic financial statements, and have issued our report thereon dated March 16, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RDC's internal control. Accordingly, we do not express an opinion on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 financial statements. 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.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

March 16, 2023

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

The Board of Directors
Buffalo and Erie County Regional
Development Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Buffalo and Erie County Regional Development Corporation's (RDC), a business-type activity, compliance with the types of compliance requirements identified as subject to audit 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, 2022. RDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, RDC complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of RDC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of RDC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to RDC's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on RDC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about RDC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding RDC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of RDC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 RDC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Symaden & McCormick, LLP

March 16, 2023

Schedule of Findings and Questioned Costs

For the year ended December 31, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program of Cluster	Assistance Listing Number	Amount
COVID-19 - Economic Adjustment Assistance	11.307	\$ 5,303,841

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Buffalo and Erie County Regional
Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 16, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that RDC failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2022. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding RDC's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.



March 16, 2023