BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

SINGLE AUDIT REPORTING PACKAGE

DECEMBER 31, 2023

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December 31, 2023

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS
Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

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 years ended December 31, 2023 and 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, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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

GAAP requires 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 an opinion 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 21, 2024 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 the effectiveness of 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 RDC's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 21, 2024

Management's Discussion and Analysis (Unaudited)

December 31, 2023

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 Erie County Industrial Development Agency (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, 2023, 2022, and 2021. 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). RDC's assets and deferred outflows of resources less 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 net position increased from $22,175,000 in 2022 to $22,681,000 in 2023.
- RDC experienced an increase in net position of $506,000 in 2023 compared to an increase of $422,000 in 2022.
- Operating revenues increased 21% from $555,000 in 2022 to $673,000 in 2023.
- Operating expenses increased 33% from $243,000 in 2022 to $324,000 in 2023.

Condensed Comparative Financial Statements:

Balance Sheets at December 31:

in thousands	2023	2022	$ Change	% Change	2021
Assets					
Cash	$ 4,287	$ 5,461	$ (1,174)	(21%)	$ 7,790
Accounts and grants receivable	-	-	-	N/A	10
Loans receivable, net	18,709	17,104	1,605	9%	14,250
Total assets	$ 22,996	$ 22,565	$ 431	2%	$ 22,050
Liabilities					
Accounts payable	$ 2	$ 2	$ -	-	$ -
Due to affiliate	300	291	9	3%	297
Unearned revenue	13	97	(84)	(87%)	-
Total liabilities	315	390	(75)	(19%)	297
Net position					
Restricted	4,603	4,555	48	1%	4,526
Unrestricted	18,078	17,620	458	3%	17,227
Total net position	22,681	22,175	506	2%	21,753
Total liabilities and net position	$ 22,996	$ 22,565	$ 431	2%	$ 22,050

RDC's cash balance decreased 21% or $1,174,000 primarily due to loan disbursements in 2023. The cash decrease from $7,790,000 in 2021 to $5,461,000 in 2022 was also a result of loan disbursements. Year over year decreases in cash correspond with year over year increases in loans receivable.

Loans receivable relate to the RLFs operated by RDC, net of an allowance. Loans receivable increased $1,605,000 or 9% from 2022 to 2023, due to $4,450,000 of new loans closed during 2023, net of $2,845,000 of principal repayments. The increase in loans receivable from $14,250,000 in 2021 to $17,104,000 in 2022 was due to loans disbursed in 2022.

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 $9,000 increase in due to affiliate from 2022 to 2023 is mainly due to an increase to the hourly rates of ECIDA employees. The decrease in amounts due to affiliate from $297,000 in 2021 to $291,000 in 2022 reflected a decrease in hours spent on RDC activities by 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. The $84,000 or 87% decrease from 2022 to 2023 is due to grant revenue recognized in 2023.

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

in thousands	2023	2022	$ Change	% Change	2021
Operating revenues:					
Interest from loans	$ 652	$ 536	$ 116	22%	$ 447
Loan commitment fees	21	19	2	11%	-
Total operating revenues	673	555	118	21%	447
Operating expenses:					
General and administrative	$ 351	$ 331	$ 20	6%	$ 405
Loan loss expense, net of recoveries	(27)	(88)	61	(69%)	418
Total operating expenses	324	243	81	33%	823
Operating income (loss)	349	312	37	12%	(376)
Nonoperating revenues					
Interest income	73	13	60	462%	3
Grant contributions	84	97	(13)	(13%)	5,111
Total nonoperating revenues	157	110	47	43%	5,114
Change in net position	$ 506	$ 422	$ 84	20%	$ 4,738

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 $116,000, or 22%, from 2022 to 2023 because of the increase in loans receivable and higher interest rates associated with more recent loans. Interest increased from $447,000 in 2021 to $536,000 in 2022 due to the increase in loans receivable.

Loan commitment fees are generally charged on loans greater than $100,000. Commitment fees vary from year to year depending on individual loan amounts. In 2023, there were four loans that incurred commitment fees of $21,000. In 2022 there were six loans that incurred commitment fees of $19,000. In 2021, commitment fees were waived as a result of the COVID-19 pandemic.

Expense Analysis

In 2023, general and administrative expenses increased $20,000 from $331,000 to $351,000. The increase is mainly attributable to increases in legal and marketing costs. In 2023, RDC incurred higher legal costs associated with specific loans and performed targeted marketing of the loan funds. General and administrative expenses decreased $74,000 from 2021 to 2022 primarily due to a spike in costs associated with the initial administration and disbursement of loans under the CARES Act RLF.

Loan loss expense, net of recoveries consists of the amount of loan loss expense in a year, net of any recoveries for loans previously written off. In 2023, the net expense is due to reductions in the allowance of $26,000. Two loans totaling $104,900 were written off in 2023 that were previously included in the allowance for uncollectible loans. In 2022 loan loss expense was $4,000, net of reductions to the allowance of $92,000 due to loan recoveries. No loans were written off in 2022. 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.

Grant contributions relate directly to amounts granted from ECIDA under the CARES Act RLF established in 2022. In 2023, $84,000 of administrative costs were incurred, compared to $97,000 in 2022.

Budget to Actual Analysis for the year ended December 31, 2023:

RDC prepares an annual budget which was presented and approved by the Board of Directors on October 26, 2022. The following table presents an analysis of RDC's performance compared to the approved 2023 budget.

in thousands	Actual	Budget	$ Variance	% Variance
Operating revenues:				
Interest from loans	$ 652	$ 630	$ 22	3%
Loan commitment fees	21	15	6	100%
Total operating revenues	673	645	28	4%
Operating expenses:				
General and administrative	$ 351	$ 398	$ (47)	(12%)
Loan loss expense, net of recoveries	(27)	445	(472)	(106%)
Total operating expenses	324	843	(519)	(62%)
Operating income (loss)	349	(198)	547	(276%)
Nonoperating revenues				
Interest income	73	1	72	7,200%
Grant contributions	84	-	84	100%
Total nonoperating revenues	157	1	156	15,600%
Change in net position	$ 506	$ (197)	$ 703	(357%)

Overall, RDC exceeded its budgeted decrease in net position for 2023 by $703,000. Total operating revenue was $28,000, or 4%, above budget due to higher than anticipated interest income from loans in 2023. Total expenses were $519,000, or 62%, below budget. This was due mainly to the lower than expected 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.

Balance Sheets

December 31,	2023	2022
Assets		
Current assets:		
Cash	**$ 4,287,457**	$ 5,460,730
Loans receivable (Note 2)	**3,856,264**	3,056,101
	8,143,721	8,516,831
Noncurrent assets:		
Loans receivable, net (Note 2)	**14,852,212**	14,047,965
	$ 22,995,933	$ 22,564,796
Liabilities and Net Position		
Current liabilities:		
Accounts payable	**$ 2,041**	$ 1,516
Due to affiliate (Note 3)	**300,328**	291,289
Unearned revenue	**12,509**	97,105
	314,878	389,910
Net position:		
Restricted	**4,603,316**	4,555,315
Unrestricted	**18,077,739**	17,619,571
	22,681,055	22,174,886
	$ 22,995,933	$ 22,564,796

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2023	2022
Operating revenues:		
Interest from loans	$ 652,208	$ 536,412
Loan commitment fees	21,250	18,625
Total operating revenues	673,458	555,037
Operating expenses:		
General and administrative	351,680	331,379
Provision for uncollectible loans (recoveries), net	(27,196)	(88,495)
Total operating expenses	324,484	242,884
Operating income	348,974	312,153
Nonoperating revenues:		
Interest income	72,599	12,974
Grant contributions	84,596	96,545
Total nonoperating revenues	157,195	109,519
Change in net position	506,169	421,672
Net position - beginning	22,174,886	21,753,214
Net position - ending	$ 22,681,055	$ 22,174,886

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2023	2022
Operating activities:		
Payments collected on loans receivable	$ 2,871,575	$ 2,047,009
Loan interest and fees	673,458	555,037
Loans awarded	(4,450,000)	(4,814,910)
Payments to vendors and affiliates	(342,116)	(330,762)
Bad debt recoveries	1,211	2,478
Net operating activities	(1,245,872)	(2,541,148)
Capital and related financing activities:		
Grant contributions	-	198,489
Investing activities:		
Interest income	72,599	12,974
Change in cash	(1,173,273)	(2,329,685)
Cash - beginning	5,460,730	7,790,415
Cash - ending	$ 4,287,457	$ 5,460,730
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	$ 348,974	$ 312,153
Adjustments to reconcile operating income to net cash flows from operating activities		
Provision for uncollectible loans	(25,985)	(86,017)
Changes in other assets and liabilities:		
Accounts and grants receivable	-	5,329
Loans receivable	(1,578,425)	(2,767,901)
Accounts payable	525	1,383
Due to affiliate	9,039	(6,095)
	$ (1,245,872)	$ (2,541,148)

See accompanying notes.

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 (GAAP) 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 GAAP 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, 2023, 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 consists of two components:

- *Restricted* – consists of restricted assets reduced by related liabilities. 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 revolving loan fund (RLF) as of September 30, 2021 through the Reinvigorating Lending for the Future Act, due to the RLF 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 RLF 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. Unearned revenue totaled $12,509 and $97,105 as of December 31, 2023 and 2022.

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:

	2023	2022
Current status	$ 19,102,476	$ 17,628,952
Less allowance	394,000	524,886
	18,708,476	17,104,066
Less current portion	3,856,264	3,056,101
	$ 14,852,212	$ 14,047,965

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

	2023	2022
Balance, beginning of year	$ 524,886	$ 610,903
Additions charged to operations	-	4,415
Reduction in allowance	(130,886)	(90,432)
	$ 394,000	$ 524,886

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

	Principal	Interest
2024	$ 3,856,264	$ 592,422
2025	3,367,825	484,254
2026	3,206,195	375,579
2027	3,016,884	268,314
2028	1,983,897	185,181
Thereafter	3,671,411	235,421
	$ 19,102,476	$ 2,141,171

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 $286,799 and $288,468 for the years ended December 31, 2023 and 2022. Amounts owed to ECIDA at December 31, 2023 and 2022 totaled $300,328 and $291,289, 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 totaled $630,000 at December 31, 2023.

Supplementary Information
Combining Schedule of Balance Sheets

December 31, 2023

	Legacy Account	CARES Act Account	Total
Assets			
Current assets:			
Cash	$ 3,258,101	$ 1,029,356	$ 4,287,457
Loans receivable	2,978,005	878,259	3,856,264
	6,236,106	1,907,615	8,143,721
Noncurrent assets:			
Loans receivable, net	12,083,026	2,769,186	14,852,212
	$ 18,319,132	$ 4,676,801	$ 22,995,933
Liabilities and Net Position			
Current liabilities:			
Accounts payable	$ 1,506	$ 535	$ 2,041
Due to affiliate	239,887	60,441	300,328
Unearned revenue	-	12,509	12,509
	241,393	73,485	314,878
Net position:			
Restricted	-	4,603,316	4,603,316
Unrestricted	18,077,739	-	18,077,739
	18,077,739	4,603,316	22,681,055
	$ 18,319,132	$ 4,676,801	$ 22,995,933

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

For the year ended December 31, 2023

	Legacy Account	CARES Act Account	Total
Operating revenues:			
Interest from loans	$ 607,701	$ 44,507	$ 652,208
Loan commitment fees	21,250	-	21,250
Total operating revenues	628,951	44,507	673,458
Operating expenses:			
General and administrative	267,084	84,596	351,680
Provision for uncollectible loans (recoveries), net	(26,417)	(779)	(27,196)
Total operating expenses	240,667	83,817	324,484
Operating income (loss)	388,284	(39,310)	348,974
Nonoperating revenues:			
Interest income	69,884	2,715	72,599
Grant contributions	-	84,596	84,596
Total nonoperating revenues	69,884	87,311	157,195
Change in net position	458,168	48,001	506,169
Net position - beginning	17,619,571	4,555,315	22,174,886
Net position - ending	$ 18,077,739	$ 4,603,316	$ 22,681,055

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grant Number	Federal Expenditures
U.S. Department of Commerce:			
Passed through Erie County Industrial			
Development Agency			
COVID-19 - Economic Adjustment Assistance	11.307	01-79-15022	$ 5,235,397

See accompanying notes.

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	$ 1,029,356
Balance of loans outstanding	4,021,445
Administrative expenses	84,596
Loan write-offs	100,000
	5,235,397
Total EDA Share	100%
	$ 5,235,397

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.

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS
Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

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 financial statements of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise RDC's basic financial statements, and have issued our report thereon dated March 21, 2024.

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.

Lumsden & McCormick, LLP

March 21, 2024

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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 the compliance of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, 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, 2023. RDC's major federal programs are identified in the summary of auditors' 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, 2023.

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.

Lumsden & McCormick, LLP

March 21, 2024

Schedule of Findings and Questioned Costs

For the year ended December 31, 2023

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	$ 5,235,397

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.

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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 financial statements of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of and for the year ended December 31, 2023, and the related notes to the financial statements, and we have issued our report thereon dated March 21, 2024.

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, 2023. 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.

Lumsden & McCormick, LLP

March 21, 2024