

**NIAGARA COUNTY
DEVELOPMENT CORPORATION
A Component Unit of
Niagara County Industrial Development Agency**

FINANCIAL STATEMENTS

DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Development Corporation

Opinion

We have audited the financial statements of Niagara County Development Corporation (NCDC), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NCDC as of December 31, 2022 and 2021, and the changes in its net assets 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). 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 NCDC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 NCDC's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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, 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 NCDC'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 NCDC'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.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying balance sheets by loan account, statements of activities by loan account, and schedules of each of NCDC's loan accounts are presented for purposes of additional analysis and are not a required part of the 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

March 22, 2023

NIAGARA COUNTY DEVELOPMENT CORPORATION
(a component unit of Niagara County Industrial Development Agency)

Balance Sheets

December 31,	2022	2021
Assets		
Current assets:		
Cash	\$ 1,627,852	\$ 682,091
Loans receivable (Note 2)	<u>628,942</u>	<u>628,521</u>
	2,256,794	1,310,612
Noncurrent assets:		
Loans receivable (Note 2)	<u>1,239,950</u>	<u>1,847,841</u>
	\$ 3,496,744	\$ 3,158,453
Liabilities and Net Assets		
Current liabilities:		
Accounts payable		
Third parties	\$ 16,203	\$ 14,235
NCIDA	107,838	30,000
Refundable advances	<u>273,411</u>	<u>-</u>
	397,452	44,235
Net assets without donor restrictions	<u>3,099,292</u>	<u>3,114,218</u>
	\$ 3,496,744	\$ 3,158,453

NIAGARA COUNTY DEVELOPMENT CORPORATION
(a component unit of Niagara County Industrial Development Agency)

Statements of Activities

For the years ended December 31,	2022	2021
Net assets without donor restrictions		
Revenues and support:		
Interest from loans	\$ 37,881	\$ 47,985
Application fees	250	1,000
Interest income	682	32
Contributions and grants	2,051,301	299,777
Total revenues and support	<u>2,090,114</u>	<u>348,794</u>
Expenses:		
Program services		
Consultants and training	50,009	43,054
Grant expense	1,731,732	109,402
	<u>1,781,741</u>	<u>152,456</u>
General and administrative		
Administrative fees - NCIDA	280,169	31,039
Professional fees and other	43,130	44,513
	<u>323,299</u>	<u>75,552</u>
Total expenses	<u>2,105,040</u>	<u>228,008</u>
Change in net assets	(14,926)	120,786
Net assets - beginning	<u>3,114,218</u>	2,993,432
Net assets - ending	\$ 3,099,292	\$ 3,114,218

NIAGARA COUNTY DEVELOPMENT CORPORATION
(a component unit of Niagara County Industrial Development Agency)

Statements of Cash Flows

For the years ended December 31,	2022	2021
Operating activities:		
Change in net assets	\$ (14,926)	\$ 120,786
Adjustments to reconcile change in net assets to net operating activities:		
Changes in accounts payable	79,806	(11,724)
Change in refundable advances	273,411	-
Net operating activities	338,291	109,062
Investing activities:		
Payments collected on loans receivable	607,470	263,560
Increase in loans receivable	-	(149,336)
Net investing activities	607,470	114,224
Net change in cash	945,761	223,286
Cash - beginning	682,091	458,805
Cash - ending	\$ 1,627,852	\$ 682,091

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization

Niagara County Development Corporation (NCDC) is a not-for-profit corporation which promotes economic growth and business prosperity in the County of Niagara, New York (the County). NCDC's function is to make loans at favorable interest rates to small businesses that are located in the County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County.

In accordance with governmental accounting standards, NCDC is considered a component unit of Niagara County Industrial Development Agency (NCIDA). NCDC includes the federal funding it receives under the Single Audit Act together with NCIDA.

The membership of NCDC consists of:

- a) the nine Board members of NCIDA,
- b) the Chairperson of the Niagara County Legislature, or his/her designee,
- c) the Board of Directors may, at its discretion, appoint as many as three additional members for a two-year term.

The governing board approves loans after giving consideration to the major criteria, including enhancement of the economic environment. Normally, these loans are made in conjunction with third-party lender financing through financial institutions. The businesses' assets and personal guarantees of the owners collateralize most of these loans; however, in many instances, NCDC's collateral interest is subordinated to the third-party lender. These loans have variable maturities dependent upon use, such as working capital or equipment acquisition. Interest income is recognized on these loans as it is earned.

Subsequent Events

Subsequent events have been evaluated by management for potential recognition or disclosure in the financial statements through March 22, 2023, the date the financial statements were available to be issued.

Cash

At various times, cash in financial institutions may exceed federally insured limits and subject NCDC to concentrations of credit risk. NCDC has reached agreements with its financial institutions whereby amounts in excess of federal depository coverage are collateralized by investments held by the pledging bank's agent in NCDC's name.

Loans Receivable

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans that includes loan forgiveness. 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 charged 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 a loan becomes past due and does not commence again until the loan is current.

Net Assets

NCDC's financial position and activities are reported according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors for a specific time period, purpose, or to be maintained by NCDC in perpetuity. At December 31, 2022 and 2021, NCDC's financial statements do not include any net assets with donor restrictions.

Revenue Recognition

Contributions

Contributions, including government grants, are reported at fair value at the date the contribution is made. Contributions in the form of grants received from government agencies generally consist of conditional contributions, and the revenue is recognized as NCDC meets required conditions. Any funding received before required conditions are met is reported as a refundable advance on the accompanying balance sheets.

Application Fees

NCDC charges a standard application fee at the time an applicant applies for a loan. Such fees are non-refundable and are recognized as revenue when received.

Income Taxes

NCDC is a 501(c)(4) organization exempt from income taxes under §501(a) of the Internal Revenue Code.

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.

2. Revolving Loan Accounts:

NCDC maintains revolving loan accounts that were originally funded through the U.S. Economic Development Administration (EDA) and the U.S. Department of Housing and Urban Development (HUD). The original funding is no longer subject to such federal requirements. Coronavirus Aid, Relief, and Economic Security (CARES) Act funds received since 2020 from the EDA totaling \$532,001 remain subject to the federal requirements.

NCDC also maintains a Microenterprise Revolving Loan Fund (MLF), the primary objectives of which are to assist in the establishment and expansion of microenterprise business activities within the County, create employment opportunities for residents with low to moderate income, and preserve and expand the County's tax base.

Loans made to local businesses complement private financing at interest rates ranging from 1.5% to 5.0% and with varying repayment terms. All loans are classified as commercial loans.

The following is a summary of the loans receivable:

	<u>2022</u>	<u>2021</u>
Current status	\$ 1,768,303	\$ 2,422,703
Non-accrual	100,589	53,659
	1,868,892	2,476,362
Less current portion	628,942	628,521
	\$ 1,239,950	\$ 1,847,841

There was no allowance for uncollectible loans at December 31, 2022 and 2021.

3. Related Party Transactions:

Administrative Fees

NCIDA charges NCDC administration fees for maintaining and managing the loan portfolio. The fees have been computed under applicable guidelines.

Fees are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
EDA Revolving Loan Account	\$ 15,393	\$ 31,039
HUD Revolving Loan Account	228,788	-
Microenterprise Revolving Loan Account	35,988	-
	\$ 280,169	\$ 31,039

4. Financial Assets Available for Operations:

NCDC obtains financial assets generally through loan principal and interest repayments. The financial assets are acquired throughout the year to meet NCDC's cash needs for general expenditures.

NCDC's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,627,852	\$ 682,091
Loans receivable – current	628,942	628,521
	\$ 2,256,794	\$ 1,310,612

5. Commitments:

During 2022, NCDC was provided \$690,000 of Community Development Block Grant funds to provide subgrants to eligible small businesses. As of December 31, 2022, grants of \$248,220 have been disbursed and an additional \$425,668 has been committed to specific projects.

NCDC has approved \$130,000 of loans that have not closed as of December 31, 2022.

6. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations.

During 2020, NCDC was awarded an EDA grant totaling \$737,000 as part of the CARES Act. In response, NCDC established the Hospitality Emergency Loan Program (HELP) which provides loans to the hospitality industry payable over 60 months with 12 months of interest-only payments and interest at 1.5%. NCDC received \$15,393 and \$180,375 in 2022 and 2021 which is included in grant revenue on the accompanying statements of activities.

During 2021, NCDC was awarded a HUD grant totaling \$1,767,000 as part of the CARES Act to provide subgrants to eligible small businesses starting in 2022. The entire amount was disbursed in 2022 as grants, consulting costs, and administrative fees.

The extent of the impact of COVID-19 on NCDC’s operational and financial performance will continue to depend on further developments, including the duration and spread of the outbreak and its impact on borrowers and vendors, none of which can be predicted.

NIAGARA COUNTY DEVELOPMENT CORPORATION
(a component unit of Niagara County Industrial Development Agency)

Additional Information
Balance Sheets - By Loan Account

December 31, 2022

	Revolving Loan Account			Total
	EDA	HUD	Micro Enterprise	
Assets				
Current assets:				
Cash	\$ 607,923	\$ 655,293	\$ 364,636	\$ 1,627,852
Loans receivable	414,702	206,027	8,213	628,942
	1,022,625	861,320	372,849	2,256,794
Noncurrent assets:				
Loans receivable	865,640	345,786	28,524	1,239,950
	\$ 1,888,265	\$ 1,207,106	\$ 401,373	\$ 3,496,744
Liabilities and Net Assets				
Current liabilities:				
Accounts payable				
Third parties	\$ 441	\$ 15,337	\$ 425	\$ 16,203
NCIDA	10,000	87,838	10,000	107,838
Refundable advances	-	273,411	-	273,411
	10,441	376,586	10,425	397,452
Net assets without donor restrictions	1,877,824	830,520	390,948	3,099,292
	\$ 1,888,265	\$ 1,207,106	\$ 401,373	\$ 3,496,744

NIAGARA COUNTY DEVELOPMENT CORPORATION
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Additional Information
Statements of Activities - By Loan Account

For the year ended December 31, 2022

	Revolving Loan Account			Total
	EDA	HUD	Micro Enterprise	
Net assets without donor restrictions:				
Revenues and support:				
Interest from loans	\$ 25,100	\$ 10,421	\$ 2,360	\$ 37,881
Application fees	250	-	-	250
Interest income	426	256	-	682
Contributions and grants	15,393	1,782,925	252,983	2,051,301
Total revenues and support	41,169	1,793,602	255,343	2,090,114
Expenses:				
Program services				
Consultants and training	441	46,929	2,639	50,009
Grant expense	-	1,519,500	212,232	1,731,732
	441	1,566,429	214,871	1,781,741
General and administrative				
Administrative fees - NCIDA	15,393	228,788	35,988	280,169
Professional fees and other	15,820	13,017	14,293	43,130
	31,213	241,805	50,281	323,299
Total expenses	31,654	1,808,234	265,152	2,105,040
Change in net assets	9,515	(14,632)	(9,809)	(14,926)
Net assets - beginning	1,868,309	845,152	400,757	3,114,218
Net assets - ending	\$ 1,877,824	\$ 830,520	\$ 390,948	\$ 3,099,292

NIAGARA COUNTY DEVELOPMENT CORPORATION
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Additional Information
Schedule of EDA Revolving Loan Account

For the year ended December 31, 2022

	Loan Closing Date	Loan Balance 01/01/22	Loans Made	Principal Paid	Loans Written Off	Loan Balance 12/31/22	Reserve for Uncollectible Loans	Interest Received
Ashdan Screw Machine Products, Inc.	06/04/09	\$ 13,947	\$ -	\$ 5,371	\$ -	\$ 8,576	\$ -	\$ 575
Lake Effect Ice Cream Wholesale, LLC	08/29/17	64,490	-	15,089	-	49,401	-	1,534
Niagara Shores Campground and Conference Center, LLC	08/14/18	102,000	-	11,022	-	90,978	-	2,796
Diverse Development Corp.	07/06/20	46,575	-	12,747	-	33,828	-	611
Falls Hotel LLC	07/06/20	74,839	-	20,004	-	54,835	-	985
Galloping Falls Corp.	07/06/20	23,032	-	6,156	-	16,876	-	303
Kalika Hotel LLC	07/06/20	64,803	-	17,322	-	47,481	-	853
Neelkanth Hotel LLC	07/06/20	59,425	-	15,884	-	43,541	-	782
REHC1 Inc.	07/06/20	152,463	-	40,753	-	111,710	-	2,008
Lewiston Hotel LLC	07/09/20	21,295	-	8,834	-	12,461	-	343
Kasturi Hotel LLC	07/24/20	174,702	-	46,698	-	128,004	-	2,300
Sairam Hotel LLC	07/24/20	95,310	-	25,477	-	69,833	-	1,255
SAI Lodging LLC	07/27/20	68,034	-	18,186	-	49,848	-	896
Niagara Falls Hospitality, Inc.	10/30/20	45,670	-	11,407	-	34,263	-	607
Jaihanumant, Inc.	10/30/20	115,091	-	28,746	-	86,345	-	1,529
Reena & Aimee, Inc.	10/30/20	83,649	-	19,568	-	64,081	-	1,028
Har Gange, LLC	11/03/20	27,956	-	6,832	-	21,124	-	373
NCRAS Five, Inc.	11/03/20	22,293	-	5,101	-	17,192	-	275
Shree Ganpati LLC	11/03/20	35,766	-	8,741	-	27,025	-	477
AMBE Corp	11/06/20	13,547	-	3,100	-	10,447	-	167
Wandering Gypsy Brewing Company	11/06/20	182,389	-	20,158	-	162,231	-	3,174
Indian Ocean, LLC	08/31/21	93,281	-	5,668	-	87,613	-	1,392
Rupal Corporation	08/31/21	56,055	-	3,406	-	52,649	-	837
		\$ 1,636,612	\$ -	\$ 356,270	\$ -	\$ 1,280,342	\$ -	\$ 25,100

NIAGARA COUNTY DEVELOPMENT CORPORATION
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Additional Information
Schedule of HUD Revolving Loan Account

For the year ended December 31, 2022

	Loan Closing Date	Loan Balance 01/01/22	Loans Made	Principal Paid	Loans Written Off	Loan Balance 12/31/22	Reserve for Uncollectible Loans	Interest Received
Daniel McMahon d/b/a MCM Landscaping	09/19/18	\$ 13,435	\$ -	\$ 3,824	\$ -	\$ 9,611	\$ -	\$ 376
GAM Trucking Corporation	12/12/18	16,715	-	3,507	-	13,208	-	491
LaSalle Hospitality, Inc.	07/06/20	132,297	-	35,363	-	96,934	-	1,742
Merani Hospitality, Inc.	07/06/20	215,706	-	57,658	-	158,048	-	2,840
Merani Holdings, LLC	07/06/20	289,770	-	77,455	-	212,315	-	3,816
Jai Devi Inc.	07/09/20	18,333	-	4,596	-	13,737	-	223
Kabir Group Inc.	07/09/20	35,093	-	13,608	-	21,485	-	457
Deva Development Inc.	07/27/20	36,134	-	9,659	-	26,475	-	476
		\$ 757,483	\$ -	\$ 205,670	\$ -	\$ 551,813	\$ -	\$ 10,421

NIAGARA COUNTY DEVELOPMENT CORPORATION
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Additional Information
Schedule of Micro Enterprise Revolving Loan Account

For the year ended December 31, 2022

	Loan Closing Date	Loan Balance 01/01/22	Loans Made	Principal Paid	Loans Written Off	Loan Balance 12/31/22	Reserve for Uncollectible Loans	Interest Received
Caron Manufacturing, Inc.	08/15/14	702	-	702	-	-	-	4
Brett's Tent and Awning, Inc.	02/27/15	4,128	-	4,128	-	-	-	72
AMA Enterprises	11/03/16	7,402	-	4,396	-	3,006	-	162
Ameri-Cut Tool Grinding, Inc.	06/29/17	32,764	-	32,764	-	-	-	942
Legacy Dance Studio, Inc.	01/23/18	20,893	-	19	-	20,874	-	737
Caribbean Flava	08/10/18	16,378	-	3,521	-	12,857	-	443
		\$ 82,267	\$ -	\$ 45,530	\$ -	\$ 36,737	\$ -	\$ 2,360

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

The Board of Directors
Niagara County Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Niagara County Development Corporation (NCDC), a component unit of Niagara County Industrial Development Agency, as of December 31, 2022, and the related statements of activities 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 22, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that NCDC 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 NCDC'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 22, 2023