

**N.F.C. DEVELOPMENT CORP.**  
**(A Discretely Presented Component Unit of the**  
**City of Niagara Falls, New York)**

**Financial Statements**  
**as of December 31, 2011 and 2010**  
**Together with**  
**Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

**N.F.C. DEVELOPMENT CORP.**  
**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF NIAGARA FALLS, NEW YORK)**

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## INDEPENDENT AUDITORS' REPORT

July 5, 2012

To the Board of Directors of  
N.F.C. Development Corp:

We have audited the accompanying financial statements of the business-type activities of N.F.C. Development Corp. (the Corporation), a discretely presented component of the City of Niagara Falls, New York, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Corporation, as of December 31, 2011 and 2010, and the respective changes in net assets, and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2012, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

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## **INDEPENDENT AUDITORS' REPORT**

(Continued)

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

**N.F.C. DEVELOPMENT CORP.**  
**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF NIAGARA FALLS, NEW YORK)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**DECEMBER 31, 2011 AND 2010**

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**THE ORGANIZATION**

N.F.C. Development Corporation (the Corporation) was created to foster business, industrial and employment retention and development in the City of Niagara Falls, New York (the City). The Corporation is a discretely presented component unit of the City. Accordingly, the financial statements report only the activities of the Corporation.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The financial statements of the Corporation include management's discussion and analysis (MD&A) (this section), the statements of net assets, statements of activities, statement of cash flows, and related notes to the financial statements. The statement of net assets presents information on all of the Corporation's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The statement of activities presents information showing how the Corporation's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Corporation's accounting methods and policies.

**BASIS OF ACCOUNTING**

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. Previously, the financial statements of the Corporation had been prepared under accounting practices and principles used by non-governmental organizations. It was determined based on the governance structure that the activity should be reported as a governmental organization. As such, the prior year information has been restated to conform to the current year presentation.

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Corporation's activities are classified as governmental activities.

**FINANCIAL HIGHLIGHTS**

- The Corporation's net assets increased by \$278,307 in 2011 and increased by \$156,307 in 2010, as a result of the individual year's operations.
- The assets of the Corporation exceeded its liabilities by \$2,267,488 and \$1,989,181 at December 31, 2011 and 2010, respectively.

## FINANCIAL HIGHLIGHTS (Continued)

The analysis below summarizes the statements of net assets and change in net assets of the Corporation as of and for the years ended December 31, 2011, 2010 and 2009.

### STATEMENT OF NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS:			
Cash and equivalents	\$ 2,009,832	\$ 1,736,620	\$ 1,257,260
Accounts receivable, net	-	-	959
Capital assets, net	242	730	4,930
Loans receivable	<u>263,733</u>	<u>252,048</u>	<u>570,511</u>
Total assets	<u>2,273,807</u>	<u>1,989,398</u>	<u>1,833,660</u>
LIABILITIES:			
Accounts payable	<u>6,319</u>	<u>217</u>	<u>786</u>
Total liabilities	<u>6,319</u>	<u>217</u>	<u>786</u>
NET ASSETS:			
Invested in capital assets	242	730	4,930
Unrestricted	<u>2,267,246</u>	<u>1,988,451</u>	<u>1,827,944</u>
Total net assets	<u>\$ 2,267,488</u>	<u>\$ 1,989,181</u>	<u>\$ 1,832,874</u>

#### Assets

The Corporation's cash and cash equivalents increased by \$273,212 in 2011 from 2010 due to cash proceeds received from the City during 2011. Cash and cash equivalents increased by \$479,360 in 2010 from 2009 due to cash proceeds received from the City during 2010.

## FINANCIAL HIGHLIGHTS (Continued)

Table shows the changes in net assets for the years ended December 31, 2011, 2010 and 2009.

### STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES:			
City of Niagara Falls, New York	\$ 995,581	\$ 1,360,000	\$ 957,265
Grant income	27,624	-	-
Loan recovery	-	66,243	-
Administrative fees	4,775	9,729	3,555
Interest income - lending activities	7,774	34,038	28,153
Interest income - other	4,679	4,582	1,276
Miscellaneous income	35	-	38,359
	<u>1,040,468</u>	<u>1,474,592</u>	<u>1,028,608</u>
Total revenues			
EXPENSES:			
General and administrative	113,672	28,815	33,487
Grant expense	648,001	495,203	350,842
Transfer of loans to the City of Niagara Falls	-	790,067	-
Depreciation	488	4,200	487
	<u>762,161</u>	<u>1,318,285</u>	<u>384,816</u>
Total expenses			
CHANGE IN NET ASSETS	278,307	156,307	643,792
NET ASSETS - beginning of year	<u>1,989,181</u>	<u>1,832,874</u>	<u>1,189,082</u>
NET ASSETS - end of year	<u>\$ 2,267,488</u>	<u>\$ 1,989,181</u>	<u>\$ 1,832,874</u>

#### Revenues

Funds provided by the City to foster development represented 96% of total revenues in 2011 (93% in 2010 and 93% in 2009). From these funds, the Corporation is able to continue providing funding for economic development.

#### Expenses

Grant expense disbursed to recipients to assist in development projects represented 85% of total expenditures in 2011 (38% in 2010 and 91% in 2009). In 2010, \$790,067 in funds being administered in a loan program for the City were returned to the City to be administered by its Community Development Department.

#### Change in Net Assets

In 2011, net assets increased from the prior year by \$278,307. The increase is attributable to the receipt of revenues from the City and the fact that operating income exceeded operating expenses. In 2010, net assets increased from the prior year by \$156,307.

#### Request for Information

This financial report is designed to provide financial statement users with a general overview of the Corporation's finances and to show the accountability for the money received. Questions concerning any information within this report or requests for additional information should be addressed to the Office of the City Controller, City of Niagara Falls, 745 Main Street, P.O. Box 69, Niagara Falls, New York 14302.

**N.F.C. DEVELOPMENT CORP.****(A Discretely Presented Component Unit of the City of Niagara Falls, New York)****STATEMENTS OF NET ASSETS  
DECEMBER 31, 2011 AND 2010**

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,009,832	\$ 1,736,620
Loans receivable, current portion	<u>33,080</u>	<u>30,801</u>
Total current assets	<u>2,042,912</u>	<u>1,767,421</u>
CAPITAL ASSETS, net	<u>242</u>	<u>730</u>
NON-CURRENT ASSETS:		
Loans receivable, net of current portion	<u>230,653</u>	<u>221,247</u>
Total non-current assets	<u>230,653</u>	<u>221,247</u>
Total assets	<u>2,273,807</u>	<u>1,989,398</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable	<u>6,319</u>	<u>217</u>
Total liabilities	<u>6,319</u>	<u>217</u>
<b>NET ASSETS</b>		
Invested in capital assets	242	730
Unrestricted	<u>2,267,246</u>	<u>1,988,451</u>
Total net assets	<u>\$ 2,267,488</u>	<u>\$ 1,989,181</u>

The accompanying notes are an integral part of these statements.



**N.F.C. DEVELOPMENT CORP.****(A Discretely Presented Component Unit of the City of Niagara Falls, New York)****STATEMENTS OF ACTIVITIES****FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
REVENUES:		
City of Niagara Falls, New York	\$ 995,581	\$ 1,360,000
Grant income	27,624	-
Loan recovery	-	66,243
Administrative fees	4,775	9,729
Interest income - lending activities	7,774	34,038
Interest income - other	4,679	4,582
Miscellaneous income	35	-
	<u>1,040,468</u>	<u>1,474,592</u>
Total revenues		
EXPENSES:		
General and administrative	113,672	28,815
Grant expense	648,001	495,203
Transfer of loans to the City of Niagara Falls, New York	-	790,067
Depreciation	488	4,200
	<u>762,161</u>	<u>1,318,285</u>
Total expenses		
CHANGE IN NET ASSETS	278,307	156,307
NET ASSETS - beginning of year	<u>1,989,181</u>	<u>1,832,874</u>
NET ASSETS - end of year	<u>\$ 2,267,488</u>	<u>\$ 1,989,181</u>

The accompanying notes are an integral part of these statements.

**N.F.C. DEVELOPMENT CORP.****(A Discretely Presented Component Unit of the City of Niagara Falls, New York)****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

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	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 278,307	\$ 156,307
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	488	4,200
Changes in:		
Accounts receivable	-	959
Loans receivable	(11,685)	318,463
Accounts payable	<u>6,102</u>	<u>(569)</u>
Net cash flow from operating activities	<u>273,212</u>	<u>479,360</u>
CHANGE IN CASH AND CASH EQUIVALENTS	273,212	479,360
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,736,620</u>	<u>1,257,260</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,009,832</u>	<u>\$ 1,736,620</u>

The accompanying notes are an integral part of these statements.

**N.F.C. DEVELOPMENT CORP.**  
**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF NIAGARA FALLS, NEW YORK)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

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**1. ORGANIZATION AND REPORTING ENTITY**

**Reporting Entity**

The financial statements of N.F.C. Development Corp. (the Corporation), are intended to present only that portion of the activities that are attributable to the transactions of N.F.C. Development Corp. The financial statements do not purport to and do not present the financial position of the City of Niagara Falls, New York (the City), as of December 31, 2011 and 2010, or the changes in its financial position or its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States.

**Nature of Operations**

The governing body of the N.F.C. Development Corp. (the Corporation), located in Niagara Falls, New York, is the Board of Directors. The scope of activities included within the accompanying financial statements are those transactions which comprise the Corporation's operations, and are governed, or significantly influenced by the Board of Directors. The Board of Directors of the Corporation is appointed by the City. The Corporation was incorporated on April 3, 1980 under the provisions of Sections 102 and 201 of the Not-For-Profit Corporation Law of the State of New York. Essentially, the primary function of the Corporation is to foster business, industrial and employment retention and development in the City of Niagara Falls, New York.

The Corporation is a discretely presented component unit of the City of Niagara Falls by virtue of certain common board members and management personnel.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. Previously, the financial statements of the Corporation had been prepared under accounting practices and principles used by non-governmental organizations. It was determined based on the governance structure that the activity should be reported as a governmental organization. As such, the prior year information has been restated to conform to the current year presentation.

The financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash is received or paid.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Cash and Equivalents**

Cash and equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of twelve months or less. The Corporation maintains its cash and equivalents in bank accounts. The balances in these accounts may, at times, exceed federally insured limits. The Corporation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents. Interest and dividend income from cash and cash equivalents is reported in operating revenue in the statements of activities.

### **Loans Receivable**

As part of its economic development activities, the Corporation makes loans available at more favorable terms and interest rates than are generally available in the market. The ultimate fair value of each loan is not readily determinable. Interest on loans is based on the particular loan agreements. Loan balances reflect principal due and excludes any accrued interest and late charges.

Loans receivable are carried at unpaid principal balances. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation reviews outstanding loans receivable for uncollectibility and records an allowance for uncollectible accounts based on that review. When all collection efforts have been exhausted, the account is written-off as uncollectible. At December 31, 2011 and 2010, management considered all amounts fully collectible and, accordingly, no reserve had been established.

### **Capital Assets**

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of the assets, which range from 3 to 5 years.

### **Net Assets**

The financial statements display net assets in three components as follows:

- **Invested in Capital Assets, Net of Related Debt**

These net assets consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted Net Assets**

These net assets consist of resources with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation. The Corporation currently has no restricted net assets as of December 31, 2011 and 2010.

- **Unrestricted Net Assets**

These net assets consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Income Taxes**

The Corporation is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

### **Revenues**

Revenues consist principally of funding provided by the City, which is recognized when received.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year presentation. In prior years, the Corporation's financial statements were presented under accounting principles applicable to not-for-profit entities. As the Corporation's financial statements are discretely presented within the City of Niagara Falls, New York's financial statements, accounting principles applicable to governments under the Governmental Accounting Standards Board (GASB) were applied during the current year. All prior year amounts have been restated under GASB principles.

## **3. CASH AND CASH EQUIVALENTS**

Demand deposits at year-end were entirely covered by FDIC insurance or secured by trust companies located within the State. At December 31, 2011 and 2010, cash and cash equivalents are composed entirely of a demand deposit account and a money market account. All deposits are carried at cost, which approximates fair value.

### **Policies**

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the funds of the Corporation and funds under the control of the Corporation; to provide sufficient liquidity of invested funds in order to meet obligations as they become due; and to earn the maximum yield possible given the objectives previously listed. Oversight of investment activity is the responsibility of the Executive Director. The Corporation's monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies as designated by the Board of Directors. Permissible investments include: a) obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal or state government, b) obligations of New York State or in general obligations of the State's political subdivisions, c) certificates of deposits or deposits with banks with an investment grade rating by a Rating Agency, d) commercial paper rated Prime-1 and/or A-1, e) and money market funds with AAA ratings.

### 3. CASH AND CASH EQUIVALENTS (Continued)

#### Interest Rate Risk

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

#### Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

#### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits.

The Corporation is incorporated as a not-for-profit and as such is not required to maintain collateral on its accounts but has elected to do so. At times during the year, the cash balances may exceed collateralized balances but the management of the Corporation believes the risk associated with its uninsured balances to be insignificant. As of December 31, 2011 and 2010, the bank balance of the Corporation cash and cash equivalents was \$2,010,645 and \$1,758,554 was exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
FDIC	\$ 511,408	\$ 568,603
Uninsured and collateral held by pledging bank	<u>1,526,070</u>	<u>1,211,089</u>
Total carrying value	<u>\$ 2,037,478</u>	<u>\$ 1,779,692</u>

The Corporation is collateralized at 102 percent of all deposits not covered by the FDIC.

#### 4. LOANS RECEIVABLE

Accounts receivable consisted of the following at December 31:

<u>Borrower</u>	<u>Date of Issue</u>	<u>Original Loan</u>	<u>Rate of Interest</u>	<u>Maturity Date</u>	<u>Balance at 12/31/2011</u>	<u>Balance at 12/31/2010</u>
Como Restaurant	12/2008	\$ 100,000	3.00%	12/2023	\$ 85,341	\$ 90,513
Cafe Lola	1/2009	55,000	3.00%	1/2019	47,763	50,013
T-Krow Inc.	12/2009	30,000	5.00%	12/2015	28,197	28,944
Wine on 3rd , LLC.	12/2009	45,000	5.00%	12/2016	34,656	40,430
PEMCO, Inc.	6/2011	30,000	5.00%	4/2017	28,558	-
Kandola Group, Inc.	5/2011	35,000	5.00%	6/2016	31,878	-
Franks Vacuum Truck Service, Inc.	12/2011	7,340	5.00%	12/2021	7,340	-
Christina M. Buzzelli, d/b/a Mary's Soul Food	7/2007	30,000	3.00%	-	-	27,565
Eddie Jay's LLC	2/2008	25,000	6.00%	-	-	13,961
Edward Gadawski	1/2009	<u>5,000</u>	3.00%	-	-	<u>622</u>
<b>Total</b>		<b><u>\$ 362,340</u></b>			<b><u>\$ 263,733</u></b>	<b><u>\$ 252,048</u></b>

The amount to be received over the next five years is as follows:

<u>Principal Repayment Schedule</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>	<u>Total</u>
Como Restaurant	\$ 5,864	\$ 6,043	\$ 6,227	\$ 6,416	\$ 6,611	\$ 54,180	\$ 85,341
Cafe Lola	5,226	5,385	5,548	5,717	6,070	19,817	47,763
T-Krow Inc.	4,859	5,108	5,369	12,861	-	-	28,197
Wine on 3rd , LLC.	6,111	6,423	6,752	7,097	8,273	-	34,656
PEMCO, Inc.	4,546	4,779	5,023	5,280	5,550	3,380	28,558
Kandola Group, Inc.	6,474	6,805	7,154	7,520	3,925	-	31,878
Frank's Vacuum Truck Service, Inc.	-	7,340	-	-	-	-	7,340
<b>Total</b>	<b><u>\$ 33,080</u></b>	<b><u>\$ 41,883</u></b>	<b><u>\$ 36,073</u></b>	<b><u>\$ 44,891</u></b>	<b><u>\$ 30,429</u></b>	<b><u>\$ 77,377</u></b>	<b><u>\$ 263,733</u></b>

## 5. GRANTS

Grants are made under the market rate apartment rental rehabilitation and small business significant economic impact programs. These grants were made with funding from the City. The grants are recorded as an expense by the Corporation when disbursed to the grantees. Grant expense was \$648,001 and \$495,203 for the years ended 2011 and 2010, respectively.

The grantees have each executed promissory notes with the City that outline specific repayment requirements if certain criteria for the grant are not met during the grant period. Any amounts subsequently repaid are recorded as loan recovery revenue in the year received. Grants subject to such contingent repayment requirements at December 31, 2011 are as follows.

<u>Grantee</u>	<u>Date of Issue</u>	<u>Original Grant</u>	<u>Term (Years)</u>	<u>Maturity Date</u>
CR Jones LLC	7/2007	\$ 29,614	5	7/2012
Smith/Louden	11/2007	14,912	5	11/2012
CGGW LLC	12/2007	18,000	5	12/2012
Tele Flash Inc (Shorty's)	12/2007	20,000	5	12/2012
Eddie Jay's	12/2007	10,000	5	12/2012
Caffe Lola	8/2008	18,334	3	8/2011
MCTJ Inc.	1/2009	20,000	3	1/2012
Gadowski, Edward	1/2009	10,000	3	1/2012
1711 Main St LLC	1/2009	250,000	3	1/2012
Rimmen, Michael	1/2009	5,232	5	1/2014
Jay Mac Charters	8/2009	8,000	3	8/2012
Red Coach Inn	10/2009	50,000	3	10/2012
T Krow Inc.	10/2009	10,000	3	10/2012
Living Wellness of Niagara	12/2009	37,624	3	12/2012
A Plus Moving Co.	6/2010	10,000	3	6/2013
ERDCO-451 Third St	7/2010	255,000	3	7/2013
LaSalle Hospitality, LLC	9/2010	650,000	3	9/2013
SC Son Construction	9/2010	10,000	3	9/2013
Ashland Advance Materials	10/2010	80,000	3	10/2013
PEMCO	6/2011	30,000	3	6/2014
Massage Center of Niagara	8/2011	9,140	3	8/2014
Little Italy Productions	9/2011	6,220	3	9/2014
Zanes by the Falls	9/2011	10,000	3	9/2014
Frank's Vacuum Truck Service	12/2011	1,500	3	12/2014
Total		<u>\$ 1,563,576</u>		

## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 65,830	\$ 65,830
Less: Accumulated depreciation and amortization	<u>(65,588)</u>	<u>(65,100)</u>
	<u>\$ 242</u>	<u>\$ 730</u>

Depreciation expense on the Corporation's property and equipment was \$488 and \$4,200 during the years ended December 31, 2011 and 2010, respectively.



## 7. COMMITMENTS AND CONTINGENCIES

The Corporation faces a potential liability for total reimbursement of project costs relative to a 2001 Industrial Access Project with the State of New York (the State) if certain jobs and investment objectives are not met. A liability is not reflected on the financial statements as it is generally believed that the State will not likely seek repayment of these funds.

## 8. NET ASSETS

The Corporation's Board has adopted resolutions committing funds for grants or loans to the following recipients, but at year-end no monies had been disbursed for that purpose:

<u>Borrower / Grantee</u>	<u>Agenda Date</u>	<u>Amount to be Issued</u>
Nazim, Inc.	12/2010	\$ 25,000
Data Development Study Consultant	1/2011	18,000
NFNY Hotel Mgmt, LLC	5/2011	75,000
Massage Center of Niagara	5/2011	860
Frank's Vacuum Truck Service, Inc.	7/2011	341,160
Little Sicily Production Co.	7/2011	3,780
Holiday Inn Retail Project	7/2011	550,000
NY Fish Market	12/2011	45,000
Hampton Inn	12/2011	10,000
Players Properties, LLC	12/2011	<u>50,000</u>
Total		<u>\$ 1,118,800</u>

**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**

July 5, 2012

We have audited the financial statements of the business-type activities of N.F.C Development Corp. (the Corporation), a discretely presented component unit of the City of Niagara Falls, New York, as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated July 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***  
(Continued)

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the City in a separate letter dated June 26, 2012.

This report is intended solely for the information and use of management, the Board of Directors of the Corporation, the City, others within the entity, the New York State Authorities Budget Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.