

**AUDITED
BASIC FINANCIAL STATEMENTS**

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

DECEMBER 31, 2017

N.F.C. DEVELOPMENT CORPORATION

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis.....	3-5
Basic Financial Statements:	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position.....	7
Statements of Cash Flows.....	8
Notes to Financial Statements	9-15
 Independent Auditor's 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	 16-17

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of N.F.C. Development Corporation
Niagara Falls, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the N.F.C. Development Corporation; (the Corporation), a business-type activity and component unit of the City of Niagara Falls, New York, which comprise the statement of net position as of December 31, 2017, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of December 31, 2017, and the changes in its financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Corporation, as of and for the year ended December 31, 2016, were audited by other auditors, whose report, dated March 9, 2017, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 28, 2018

As management of the N.F.C. Development Corporation (Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2017.

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.

Financial Highlights

- + The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$1,368,290 (*net position*). Of this amount, \$92,892 (*unrestricted net position*) may be used to meet the Corporation's ongoing obligations. \$1,275,398 of this is restricted for the payment to borrowers and grantees.
- + The N.F.C. Development Corporation's total assets decreased by \$161,684 primarily due to the write-off of previously issued loans receivable and the establishment of an allowance for uncollectable loans in the current year.
- + As of the close of the current fiscal year, the Corporation's funds reported combined ending net position balances of \$1,368,290, a decrease of \$160,131 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements comprise two components: 1) corporation-wide financial statements and 2) notes to the financial statements.

Corporation-wide financial statements. The *corporation-wide financial statements* are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *statement of cash flows* presents information showing how the Corporation's change in cash was derived when compared to the previous fiscal year.

The corporation-wide financial statements can be found on pages immediately following this section as the first two pages of the Basic Financial Statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the corporation-wide financial statements. The notes to the financial statements can be found following the Basic Financial Statements section of this report.

Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,061,147	\$ 1,132,806	\$ 946,637
Loans receivable, net of allowance	57,415	65,149	68,266
Total current assets	<u>1,118,562</u>	<u>1,197,955</u>	<u>1,014,903</u>
Non-current assets			
Loans receivable, net of allowance	250,342	332,633	366,615
Total non-current assets	<u>250,342</u>	<u>332,633</u>	<u>366,615</u>
Total assets	<u>\$ 1,368,904</u>	<u>\$ 1,530,588</u>	<u>\$ 1,381,518</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 614	\$ 2,167	\$ 2,118
Total current liabilities	<u>614</u>	<u>2,167</u>	<u>2,118</u>
NET POSITION			
Unrestricted	1,368,290	1,528,421	1,379,400
Total net position	<u>1,368,290</u>	<u>1,528,421</u>	<u>1,379,400</u>
Total liabilities and net position	<u>\$ 1,368,904</u>	<u>\$ 1,530,588</u>	<u>\$ 1,381,518</u>

Assets

The Corporation's cash and cash equivalents decreased by \$71,659 in 2017 from 2016 due to less cash received from the City during 2017. Cash and cash equivalents increased by \$186,169 in 2016 from 2015 due to less cash disbursed as grants and loans to businesses in the City to foster development and employment during 2016.

Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues			
City of Niagara Falls	\$ 250,000	\$ 605,000	\$ 696,678
Administrative fees	4,813	2,258	15,788
Interest income - lending activities	9,681	11,923	13,891
Miscellaneous	14,732	325	400
Total operating revenue	<u>279,226</u>	<u>619,506</u>	<u>726,757</u>
Operating expenses			
General and administrative	60,624	63,194	76,316
Bad debt expense	50,000	10,845	-
Transfer of property	19,030	-	-
Grant expense	310,213	396,847	940,477
Total operating expenses	<u>439,867</u>	<u>470,886</u>	<u>1,016,793</u>
Operating income (loss)	(160,641)	148,620	(290,036)
Non-operating revenues			
Interest income	510	401	582
Total non-operating revenue	<u>510</u>	<u>401</u>	<u>582</u>
Change in net position	(160,131)	149,021	(289,454)
Net position - beginning of year	1,528,421	1,379,400	1,668,854
Net position - end of year	<u>\$ 1,368,290</u>	<u>\$ 1,528,421</u>	<u>\$ 1,379,400</u>

Revenues

Funds provided by the City to foster economic development represented 90% and 98% of total revenues in 2017 and 2016, respectively. From these funds, the Corporation was able to continue to provide funding for economic development.

Expenses

Grants disbursed to recipients to assist in development projects represent 70% of total expenses in 2017 (84% in 2016 and 92% in 2015).

Change in Net Position

In 2017, net position decreased from the prior year by \$160,131. The decrease is attributable to the decrease in the amount of contribution from the City in the current year. In 2016, net position increased from the prior year by \$149,021.

Budgetary Highlights

The Corporation budgets funds on an annual basis as required by the New York State Authorities Budget Office. The budget and all loans and grants are approved by the Corporation's Board of Directors.

Capital Assets Administration

Capital Assets. In accordance with Governmental Accounting Standards Board Statement Number 34, the Corporation has recorded all capital assets and associated depreciation expense associated with all of its capital assets. The Corporation's capital assets were fully depreciated as of December 31, 2017, causing the net investment in capital assets to be \$0. There was no change in this amount from the prior year.

More detailed information on the Corporation's capital assets is provided in the Notes to the Financial Statements.

Requests for Information

This financial report is designed to provide financial statement users with a general overview of the Corporation's finances and to show 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 POSITION
DECEMBER 31,**

ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 1,061,147	\$ 1,132,806
Loans receivable, net of allowance, current portion	<u>57,415</u>	<u>65,149</u>
Total current assets	<u>1,118,562</u>	<u>1,197,955</u>
Non-current assets:		
Loans receivable, net of allowance	<u>250,342</u>	<u>332,633</u>
Total non-current assets	<u>250,342</u>	<u>332,633</u>
Total assets	<u>\$ 1,368,904</u>	<u>\$ 1,530,588</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ <u>614</u>	\$ <u>2,167</u>
Total current liabilities	<u>614</u>	<u>2,167</u>
NET POSITION		
Unrestricted	<u>1,368,290</u>	<u>1,528,421</u>
Total net position	<u>1,368,290</u>	<u>1,528,421</u>
Total liabilities and net position	<u>\$ 1,368,904</u>	<u>\$ 1,530,588</u>

See accompanying notes.

N.F.C. DEVELOPMENT CORP.**(A Discretely Presented Component Unit of the City of Niagara Falls, New York)****STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Operating revenues:		
City of Niagara Falls	\$ 250,000	\$ 605,000
Administrative fees	4,813	2,258
Interest income - lending activities	9,681	11,923
Miscellaneous	14,732	325
Total operating revenues	<u>279,226</u>	<u>619,506</u>
Operating expenses:		
General and administrative	60,624	63,194
Bad debt expense	50,000	10,845
Transfer of property to Niagara Falls Urban Renewal Agency	19,030	-
Grant expense	310,213	396,847
Total operating expenses	<u>439,867</u>	<u>470,886</u>
Operating income (loss)	(160,641)	148,620
Non-operating revenue:		
Interest income	510	401
Total non-operating revenue	<u>510</u>	<u>401</u>
Change in net position	(160,131)	149,021
Net position - beginning of year	<u>1,528,421</u>	<u>1,379,400</u>
Net position - end of year	<u>\$ 1,368,290</u>	<u>\$ 1,528,421</u>

See accompanying notes.

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

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from governmental agencies	\$ 250,000	\$ 605,000
Interest income on notes receivable	9,681	11,923
Receipts from providing services	19,545	2,583
Issuance and repayments on loans receivable	90,025	37,099
Payments of service providers and suppliers	<u>(441,420)</u>	<u>(470,837)</u>
Net cash provided (used) by operating activities	<u>(72,169)</u>	<u>185,768</u>
Cash flows from non-capital financing activities:		
Interest income	<u>510</u>	<u>401</u>
Net cash provided by non-capital financing activities	<u>510</u>	<u>401</u>
Net increase (decrease) in cash and cash equivalents	(71,659)	186,169
Cash and cash equivalents - beginning of year	<u>1,132,806</u>	<u>946,637</u>
Cash and cash equivalents - end of year	<u>\$ 1,061,147</u>	<u>\$ 1,132,806</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (160,641)	\$ 148,620
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Bad debt expense	50,000	10,845
Change in assets and liabilities:		
Decrease in:		
Loans receivable, net	40,025	26,254
Increase (decrease) in:		
Accounts payable	<u>(1,553)</u>	<u>49</u>
Net cash provided (used) by operating activities	<u>\$ (72,169)</u>	<u>\$ 185,768</u>

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

N.F.C. Development Corporation (the "Corporation") was formed on April 3, 1980, under the provisions of Section 102 and 201 of the Not-for-Profit Corporation Law of the State of New York for the purpose of fostering business, industrial, and employment and retention in the City of Niagara Falls, New York (the "City"). This is accomplished by encouraging and affecting the retention of existing business and industry, as well as encouraging the location and expansion of residential, commercial, industrial, and manufacturing facilities in the City. The Corporation is subject to the provisions of the New York State Public Authorities Law. As a local authority under this law, the Corporation is required to make certain information available to the public.

New York State Empire Zones, formerly known as the Economic Development Zones, are designated geographic areas that offer special incentives to encourage economic development, business investment, and job creation. Certified businesses in the zone that are eligible could qualify for significant New York State income tax credits, property tax abatements, sales tax benefits, as well as utility discounts.

The City of Niagara Falls provides funding to the Corporation from the City's casino revenues. During the years ended December 31, 2017 and 2016, the City made payments of \$250,000 and \$605,000, respectively, to the Corporation to facilitate operations. This revenue made up approximately 89% and 98% of total Corporation revenue, respectively. The Corporation is a discretely presented component unit of the City by virtue of certain common board members and management personnel.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The 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, regardless of the timing of the related cash flows. Revenues, expenses, gains, and losses are classified into three classes of net position - restricted, unrestricted and net investment in capital assets - which are displayed in the statement of net position.

B. NET POSITION

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position - Consists of net position with constraints on the use either by (1) external groups such as creditors, grantors, loanees, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

C. EQUIPMENT

Equipment is recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The cost of repairs, maintenance and minor replacements is expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. For each of the years ended December 31, 2017 and 2016 equipment was fully depreciated and the net book value of the equipment was \$0. The estimated useful life for all equipment is 3-5 years.

D. INCOME TAXES

The Corporation is exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedures 95-48, 1992 C.C. 418 as a governmental unit or affiliate of a governmental unit as described in the Procedure. Accordingly, no provision for income taxes has been made on the accompanying financial statements.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of ninety days or less. The Corporation maintains its cash and cash equivalents in bank accounts. Interest and dividend income from cash and cash equivalents is reported in non-operating revenue in the statement of activities.

F. LOANS RECEIVABLE

As part of its economic development activities, the Corporation makes loans available at more favorable terms and interest rates than generally are 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.

G. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. ACCOUNTING PRONOUNCEMENTS

During the current year the Corporation implemented all applicable GASB standards. None of these standards had any impact on the operations of the Corporation

The GASB has issued the following new statements:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019;
- Statement No. 85, *Omnibus*, which will be effective for the year ending December 31, 2018;

- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending December 31, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.

The Corporation is reviewing these statements and plans on adoption, as required.

I. RECLASSIFICATIONS

Certain reclassifications have been made to prior year numbers in order to conform with current year presentation.

NOTE 3. DETAILS ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND CASH EQUIVALENTS

The Corporation's investment policies are governed by State statutes. The Corporation's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts, money markets, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York 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 are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

The Corporation's aggregate bank balances were fully collateralized at December 31, 2017.

Investment and Deposit Policy

The Corporation currently follows an investment and deposit policy as directed by State statutes, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Executive Director.

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. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of government securities.

NOTE 4. LOANS RECEIVABLE

Loans 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 12/31/17</u>	<u>Balance at 12/31/16</u>
Como Restaurant	12/08	\$ 100,000	3.00%	12/23	\$ 47,546	\$ 53,641
PEMCO, Inc.	06/11	30,000	5.00%	04/17	-	3,794
Kandola Group, Inc	05/11	35,000	5.00%	06/16	-	643
Franks Vacuum Truck Service, Inc.	05/12	200,000	5.00%	12/21	109,340	130,925
Nazim, Inc.	01/12	25,000	5.00%	02/17	11,499	13,087
WNY Tents & Awning	07/13	9,960	5.00%	07/20	4,226	5,671
Flip Burger	06/15	15,000	3.25%	06/25	11,870	13,219
Romas Properties-Subway	08/15	19,030	3.25%	08/25	-	19,030
Kandola Group	10/15	130,500	3.25%	10/25	120,500	120,500
Niagara Rapid Ent. DBA Royal Café	10/15	30,000	5.00%	10/22	29,382	29,382
Third Street Retreat, LLC	01/16	10,000	3.25%	12/20	-	7,890
223 Ferry Avenue Properties	04/16	25,000	3.25%	04/26	<u>23,394</u>	<u>-</u>
Total					<u>357,757</u>	<u>397,782</u>
Allowance for uncollectable accounts					<u>(50,000)</u>	<u>-</u>
Total, net of allowance					<u>\$ 307,757</u>	<u>\$ 397,782</u>

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

<u>Borrower</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>	<u>Total</u>
Como Restaurant	\$ 10,955	\$ 11,502	\$ 12,078	\$ 12,681	\$ 331	\$ -	\$ 47,546
Franks Vacuum Truck Service, Inc	22,169	23,277	24,441	25,663	13,790	-	109,340
Nazim, Inc.	4,261	4,474	2,764	-	-	-	11,499
WNY Tents & Awning	1,481	1,555	1,190	-	-	-	4,226
Flip Burger, Inc.	1,378	1,423	1,469	1,517	1,566	4,517	11,870
Kandola Group	11,384	11,754	12,136	12,530	12,937	59,759	120,500
Niagara Rapid Ent. DBA Royal Café	3,619	3,800	3,990	4,189	4,399	9,385	29,382
223 Ferry Avenue Properties	<u>2,168</u>	<u>2,238</u>	<u>2,311</u>	<u>2,386</u>	<u>2,464</u>	<u>11,827</u>	<u>23,394</u>
Total	<u>\$ 57,415</u>	<u>\$ 60,023</u>	<u>\$ 60,379</u>	<u>\$ 58,966</u>	<u>\$ 35,486</u>	<u>\$ 85,488</u>	<u>\$ 357,757</u>

The Board has approved the following loan which remains unissued as of December 31, 2017:

Rapids Theatre – Barrell Pub \$ 150,000

NOTE 5. GRANTS

Grants are made under the market rate apartment rental rehabilitation and small business significant economic impact programs. These grants were made possible with initial funding from the City. The grants are recorded as an expense by the Corporation when disbursed to the grantees. Grant expense was \$310,213 and \$396,847 for the years ended December 31, 2017 and 2016, 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 as a result of failing to meet the grant obligations are recorded as grant recovery revenue in the year received. Grants subject to such contingent repayment requirements at December 31, 2017 are as follows:

	<u>Date of Final Disbursement</u>	<u>Original Grant</u>	<u>Term (Years)</u>	<u>Maturity Date</u>
Plati Niagara-Wingate Hotel RRH	Aug-15	150,000	3	Aug-18
Prince of Wales Shoppe	Feb-15	5,775	3	Feb-18
Cataract Development – 435 Third	Feb-15	40,000	3	Feb-18
Sass Beauty Salon	Apr-15	7,000	3	Apr-18
Cataract Develop-437 Third	Aug-15	40,000	3	Aug-18
The River Pub, LLC	Apr-15	10,000	3	Apr-18
Indian Ocean Corp- Marriott	Nov-15	250,000	3	Nov-18
Mom's Family Restaurant, Inc.	May-15	10,000	3	May-18
Merani Holdings-Holiday Inn	Jan-16	550,000	3	Jan-19
JR Professional Landscaping, Inc.	Jun-15	5,120	3	Jun-18
Royal Café	Oct-15	10,000	3	Oct-18
NFNY Hotel Mgmt-Rainforest Café	Dec-15	150,000	3	Dec-18
Cataract Develop-535-537 Main Street-RRH	Jan-16	30,000	3	Jan-19
Third Street Retreat-ME Grant	Mar-16	10,000	3	Mar-19
Macoretta's LLC	Apr-16	10,000	3	Apr-19
Submariners, LLC	Jun-16	8,864	3	Jun-19
Gayln, LLC-24 Below Gallery & Café	Dec-16	8,290	3	Dec-19
Scipione Catering, LLC	Jun-16	10,000	3	Jun-19
Marino's Subs - Agatha Marino	Jul-16	10,000	3	Jul-19
Cataract Real Estate-444 Third-Mike Lewis	Aug-16	10,000	3	Aug-19
Cataract Coffee & Market Place-RRH-Mike Lewis	Aug-16	10,000	3	Aug-19
Cataract Real Estate-440 Third-Mike Lewis	Oct-16	26,000	3	Oct-19
Marcia Massaro dba-The Pet Stuff Store	Nov-16	10,000	3	Nov-19
Consorte, LLC	Dec-16	4,931	3	Dec-19
The Twisted Olive-Plati Niagara, LLC	Jan-17	51,500	3	Jan-20
Doves Portrait Studio	Jan-17	5,100	3	Jan-20
223 Ferry Ave. Properties	Mar-16	75,000	3	Mar-19
Cataract Real Estate-440 Third-Mike Lewis	May-16	10,000	3	May-19
Stadium Grill	Jul-16	7,523	3	Jul-19
Days Inn-NFNY Mgmt, LLC	Mar-17	26,000	3	Mar-20
Comfort Inn & Suites	Mar-17	51,000	3	Mar-20
Palermi's & Son, Inc.	Jun-17	36,000	3	Jun-20
Daniel Parsnick-dba The 617	May-16	<u>2,350</u>	3	May-19
Total		<u>\$ 1,640,453</u>		

NOTE 6. CAPITAL ASSETS

The Corporation capital assets amounted to \$65,830 at December 31, 2017 and 2016 with depreciation related to these assets amounting to \$65,830.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Corporation faces a potential liability for total reimbursement of project costs related to a 2001 Industrial Access Project with the State of New York (the State) if certain jobs and investment objectives are not met. No liability is reflected on the financial statements as it is believed that the State will not likely seek repayment of these funds.

NOTE 8. NET POSITION

The Corporation's Board has adopted resolutions committing funds for grants or loans to the following recipients. At December 31, 2017 these grants or loans have been committed but not yet disbursed:

<u>Borrower/Grantee</u>	<u>Type</u>	<u>Agenda Date</u>	<u>Issued</u>
Kandola Group, Inc.	Grant	03/15	\$ 100,000
The 617	Grant	05/16	7,650
The Barrel Pub & Grill	Grant	07/16	100,000
Rapids Theater-The Barrel Pub & Grill - Loan	Loan	07/16	150,000
Xiaoning Zhang Agency	Grant	07/16	5,848
Dove Portrait Design	Grant	01/17	4,900
Comfort Inn & Suites	Grant	03/17	49,000
Days Inn	Grant	03/17	74,000
Community Beer Works	Grant	03/17	100,000
CRS Truck & Trailer, Inc.	Grant	05/17	80,000
Key Source Acquisition, LLC	Grant	07/17	100,000
Palermi's & Son, Inc.	Grant	07/17	64,000
324 Niagara St. Landlord, LLC	Grant	09/17	100,000
NFNY Hotel Mgmt, LLC	Grant	09/17	300,000
The Verrazano Apts	Grant	11/17	<u>40,000</u>
Total			\$ <u>1,275,398</u>

These amounts are reported as a component of unrestricted net position at year-end. Total available and uncommitted net position was as follows at December 31:

	<u>2017</u>	<u>2016</u>
Uncommitted net position	\$ 92,892	\$ 772,218
Loans committed per above	(150,000)	(352,373)
Grants committed per above	<u>(1,125,398)</u>	<u>(403,830)</u>
Total unrestricted net position	\$ <u>1,368,290</u>	\$ <u>1,528,421</u>

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2018 which is the date the financial statements are available to be issued.



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of N.F.C. Development Corporation
Niagara Falls, New York

We have audited, 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, the financial statements of the N.F.C. Development Corporation (the Corporation), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 28, 2018