

**AUDITED
BASIC FINANCIAL STATEMENTS**

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

DECEMBER 31, 2020

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

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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 component unit of the City of Niagara Falls, New York, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 audits. We conducted our audits 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, 2020 and 2019, and the respective changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 26, 2021 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 26, 2021

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, 2020.

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 \$802,787 (*net position*). Of this amount, \$238,202 is uncommitted net position as \$564,585 is committed for the payment to borrowers and grantees.
- + The N.F.C. Development Corporation's total assets decreased by \$65,073 primarily due to decrease in available cash.
- + As of the close of the current fiscal year, the Corporation's funds reported combined ending net position balances of \$802,787, a decrease of \$64,950 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 Revenues, Expenses and Changes in Net Position* 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

| | 2020 | 2019 | 2018 |
|------------------------------------|-------------------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 663,645 | \$ 749,162 | \$ 743,901 |
| Loans receivable, net of allowance | 91,555 | 29,488 | 47,709 |
| Total current assets | <u>755,200</u> | <u>778,650</u> | <u>791,610</u> |
| Non-current assets | | | |
| Loans receivable, net of allowance | 47,623 | 89,246 | 104,716 |
| Total non-current assets | <u>47,623</u> | <u>89,246</u> | <u>104,716</u> |
| Total assets | <u>\$ 802,823</u> | <u>\$ 867,896</u> | <u>\$ 896,326</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 36 | \$ 159 | \$ 548 |
| Total current liabilities | <u>36</u> | <u>159</u> | <u>548</u> |
| NET POSITION | | | |
| Unrestricted | 802,787 | 867,737 | 895,778 |
| Total net position | <u>802,787</u> | <u>867,737</u> | <u>895,778</u> |
| Total liabilities and net position | <u>\$ 802,823</u> | <u>\$ 867,896</u> | <u>\$ 896,326</u> |

Assets

The Corporation's cash and cash equivalents decreased by \$85,517 in 2020 from 2019 due to more expenditure payments during 2020 and also the City not providing any additional funding for any new grants/loans.

Changes in Net Position

| | 2019 | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|-------------------|
| Operating revenues | | | |
| Administrative fees | \$ 2,022 | \$ 328 | \$ 2,290 |
| Interest income - lending activities | 9,962 | 5,956 | 8,075 |
| Grant revenue | - | - | 50,000 |
| Miscellaneous | 9 | 11 | 4 |
| Total operating revenue | <u>11,993</u> | <u>6,295</u> | <u>60,369</u> |
| Operating expenses | | | |
| General and administrative | 13,317 | 13,175 | 26,555 |
| Bad debt expense | - | - | 120,500 |
| Grant expense | 64,386 | 24,340 | 386,239 |
| Total operating expenses | <u>77,703</u> | <u>37,515</u> | <u>533,294</u> |
| Operating income (loss) | (65,710) | (31,220) | (472,925) |
| Non-operating revenues | | | |
| Interest income | 760 | 3,179 | 413 |
| Total non-operating revenue | <u>760</u> | <u>3,179</u> | <u>413</u> |
| Change in net position | (64,950) | (28,041) | (472,512) |
| Net position - beginning of year | 867,737 | 895,778 | 1,368,290 |
| Net position - end of year | <u>\$ 802,787</u> | <u>\$ 867,737</u> | <u>\$ 895,778</u> |

Revenues

No funds were provided by the City in 2020 and 2019.

Expenses

Grants disbursed to recipients to assist in development projects represent 83% of total expenses in 2020 (65% in 2019 and 72% in 2018).

Change in Net Position

In 2020, net position decreased from the prior year by \$64,950. The decrease is attributable no contribution from the City in the current year. In 2019, net position decreased from the prior year by \$28,041.

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, 2018, 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.

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

STATEMENTS OF NET POSITION
DECEMBER 31,

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 663,645 | \$ 749,162 |
| Loans receivable, current portion, net of allowance | <u>91,555</u> | <u>29,488</u> |
| Total current assets | <u>755,200</u> | <u>778,650</u> |
| Noncurrent assets: | | |
| Loans receivable | <u>47,623</u> | <u>89,246</u> |
| Total noncurrent assets | <u>47,623</u> | <u>89,246</u> |
| Total assets | <u>\$ 802,823</u> | <u>\$ 867,896</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ <u>36</u> | \$ <u>159</u> |
| Total current liabilities | <u>36</u> | <u>159</u> |
| NET POSITION | | |
| Unrestricted | <u>802,787</u> | <u>867,737</u> |
| Total net position | <u>802,787</u> | <u>867,737</u> |
| Total liabilities and net position | <u>\$ 802,823</u> | <u>\$ 867,896</u> |

See accompanying notes.

N.F.C. DEVELOPMENT CORPORATION
(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>2020</u> | <u>2019</u> |
|--------------------------------------|-------------------|-------------------|
| Operating revenues: | | |
| Administrative fees | \$ 2,022 | \$ 328 |
| Interest income - lending activities | 9,962 | 5,956 |
| Miscellaneous | 9 | 11 |
| Total operating revenues | <u>11,993</u> | <u>6,295</u> |
| Operating expenses: | | |
| General and administrative | 13,317 | 13,175 |
| Grant expense | 64,386 | 24,340 |
| Total operating expenses | <u>77,703</u> | <u>37,515</u> |
| Operating loss | (65,710) | (31,220) |
| Nonoperating revenue: | | |
| Interest income | <u>760</u> | <u>3,179</u> |
| Total nonoperating revenue | <u>760</u> | <u>3,179</u> |
| Change in net position | (64,950) | (28,041) |
| Net position - beginning of year | <u>867,737</u> | <u>895,778</u> |
| Net position - end of year | <u>\$ 802,787</u> | <u>\$ 867,737</u> |

See accompanying notes.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

| | <u>2020</u> | <u>2019</u> |
|--|---------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Interest income on notes receivable | \$ 9,962 | \$ 5,956 |
| Receipts from providing services | 2,031 | 339 |
| Issuance on loans receivable | (115,000) | - |
| Repayments on loans receivable | 94,556 | 33,691 |
| Payments of service providers and suppliers | <u>(77,826)</u> | <u>(37,904)</u> |
| Net cash provided (used) by operating activities | <u>(86,277)</u> | <u>2,082</u> |
| Cash flows from noncapital financing activities: | | |
| Interest income | <u>760</u> | <u>3,179</u> |
| Net cash provided by noncapital financing activities | <u>760</u> | <u>3,179</u> |
| Net increase (decrease) in cash and cash equivalents | (85,517) | 5,261 |
| Cash and cash equivalents - beginning of year | <u>749,162</u> | <u>743,901</u> |
| Cash and cash equivalents - end of year | \$ <u>663,645</u> | \$ <u>749,162</u> |
| Reconciliation of operating loss to net cash provided (used) by operating activities: | | |
| Operating loss | \$ (65,710) | \$ (31,220) |
| Adjustment to reconcile operating loss to net cash used by operating activities: | | |
| Change in assets and liabilities: | | |
| (Increase) decrease in loans receivable, net | (20,444) | 33,691 |
| Decrease in accounts payable | <u>(123)</u> | <u>(389)</u> |
| Net cash provided (used) by operating activities | \$ <u>(86,277)</u> | \$ <u>2,082</u> |

See accompanying notes.

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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 development, and employment 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 typically provides funding to the Corporation from the City's casino revenues, however, during the years ended December 31, 2020 and 2019, no funding was provided. 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 two components:

- a. Restricted – Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. There were no restrictions on net position as of December 31, 2020 or 2019.
- b. Unrestricted – all other net positions that do not meet the definition of "restricted."

C. 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.

D. 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 nonoperating revenue in the statement of statement of revenues, expenses and changes in net position.

N.F.C. DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

E. 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 loan is written-off as uncollectible.

F. 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.

G. ACCOUNTING PRONOUNCEMENTS

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements not yet implemented by the Corporation have been updated below to reflect the impact of this Statement. There were no new GASB Statements implemented by the Corporation for the year ended December 31, 2020.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the Corporation, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2021.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2022.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending December 31, 2021, except for paragraph 11b, which will be effective for the year ending December 31, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending December 31, 2022.

NOTE 3. 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.

N.F.C. DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019.

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. The Corporation's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

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 with an aggregate value equal to 102% of the aggregate amount of deposits. The Corporation restricts securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

N.F.C. DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

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 12/31/2020</u> | <u>Balance at 12/31/2019</u> |
|--------------------------------------|----------------------|----------------------|-------------------------|----------------------|------------------------------|------------------------------|
| Como Restaurant | 12/08 | \$ 100,000 | 3.00% | 12/23 | \$ 27,275 | \$ 35,865 |
| Frank's Vacuum Truck Service, Inc. | 05/12 | 200,000 | 5.00% | 12/21 | 37,727 | 62,799 |
| Nazim, Inc. | 01/12 | 25,000 | 5.00% | 02/17 | 11,499 | 11,499 |
| WNY Tents & Awning | 07/13 | 9,960 | 5.00% | 07/20 | - | 1,110 |
| Flip Burger | 06/15 | 15,000 | 3.25% | 06/25 | 7,683 | 9,167 |
| Niagara Rapid Ent. DBA Royal Café | 10/15 | 30,000 | 5.00% | 10/22 | 29,382 | 29,382 |
| 223 Ferry Avenue Properties | 04/16 | 25,000 | 3.25% | 04/26 | 16,560 | 18,912 |
| Sandstone Springs, LLC | 04/20 | 115,000 | 10.00% | 04/21 | 59,052 | - |
| Total | | | | | <u>189,178</u> | <u>168,734</u> |
| Allowance for uncollectible accounts | | | | | <u>(50,000)</u> | <u>(50,000)</u> |
| Total, net of allowance | | | | | <u>139,178</u> | <u>118,734</u> |
| Less: current portion | | | | | <u>91,555</u> | <u>29,488</u> |
| Loans receivable - long-term | | | | | <u>\$ 47,623</u> | <u>\$ 89,246</u> |

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

| <u>Borrower</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>Thereafter</u> | <u>Total</u> |
|------------------------------------|-------------------|------------------|-----------------|-----------------|-----------------|-------------------|-------------------|
| Como Restaurant | \$ 11,968 | \$ 12,567 | \$ 2,740 | \$ - | \$ - | \$ - | \$ 27,275 |
| Frank's Vacuum Truck Service, Inc. | 25,750 | 11,977 | - | - | - | - | 37,727 |
| Nazim, Inc. | 11,499 | - | - | - | - | - | 11,499 |
| Flip Burger | 1,514 | 1,564 | 1,614 | 1,667 | 1,324 | - | 7,683 |
| Niagara Rapid Ent. DBA Royal Café | 29,382 | - | - | - | - | - | 29,382 |
| 223 Ferry Avenue Properties | 2,390 | 2,467 | 2,548 | 2,630 | 2,716 | 3,809 | 16,560 |
| Sandstone Springs, LLC | 59,052 | - | - | - | - | - | 59,052 |
| Total | <u>\$ 141,555</u> | <u>\$ 28,575</u> | <u>\$ 6,902</u> | <u>\$ 4,297</u> | <u>\$ 4,040</u> | <u>\$ 3,809</u> | <u>\$ 189,178</u> |

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

NOTES TO FINANCIAL STATEMENTS

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 \$64,386 and \$24,340 for the years ended December 31, 2020 and 2019, 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. No grant recoveries were received in 2020 and 2019. Grants subject to such contingent repayment requirements at December 31, 2020 are as follows:

| | <u>Date of Final Disbursement</u> | <u>Original Grant</u> | <u>Term (Years)</u> | <u>Maturity Date</u> |
|--|-----------------------------------|-----------------------|---------------------|----------------------|
| Days Inn - NFNy Mgmt, LLC | 05/18 | \$ 100,000 | 3 | 05/21 |
| Comfort Inn & Suites | 03/18 | 100,000 | 3 | 03/21 |
| Palermi's & Son, Inc. | 04/18 | 100,000 | 3 | 04/21 |
| KeySource USA, LLC | 02/18 | 100,000 | 3 | 02/21 |
| CRS Truck & Trailer, Inc. | 11/18 | 80,000 | 3 | 11/21 |
| Niagara Touring Co, d/b/a Escape Niagara | 07/18 | 10,000 | 3 | 07/21 |
| Mackinali's Café & Bake Shop | 09/18 | 8,730 | 3 | 09/21 |
| Xiaoning Zhang Agency | 12/18 | 5,848 | 3 | 12/21 |
| Off the Top Barber & Styling, LLC | 10/19 | 4,444 | 3 | 10/22 |
| Floss Barbershop | 11/19 | 2,756 | 3 | 11/22 |
| Ninja Barbershop | 01/20 | 7,169 | 3 | 01/23 |
| Spot Coffee | 07/20 | 10,000 | 3 | 07/23 |
| The Verazano Apartments Third St LLC-RRH | 07/20 | 40,000 | 3 | 07/23 |
| Judas Tree, LLC | 08/20 | 7,217 | 3 | 08/23 |
| Total | | \$ <u>576,164</u> | | |

NOTE 6. NET POSITION

The Corporation's Board has adopted resolutions committing funds for grants or loans to the following recipients. At December 31, 2020 and 2019 these grants or loans have been committed but not yet disbursed:

| <u>Borrower/Grantee</u> | <u>Type</u> | <u>Agenda Date</u> | <u>Committed at 12/31/2020</u> | <u>Committed at 12/31/2019</u> |
|---|-------------|--------------------|--------------------------------|--------------------------------|
| Micro Enterprise Grant | Grant | 03/15 | \$ 12,050 | \$ 17,071 |
| The Barrel Pub & Grill | Grant | 07/16 | - | 100,000 |
| Rapids Theater - The Barrel Pub & Grill | Loan | 07/16 | - | 150,000 |
| Community Beer Works | Grant | 03/17 | 100,000 | 100,000 |
| 324 Niagara St. Landlord, LLC | Grant | 09/17 | 100,000 | 100,000 |
| NFNy Hotel Mgmt, LLC | Grant | 09/17 | - | 300,000 |
| The Verrazano Apts | Grant | 11/17 | - | 40,000 |
| Micro Enterprise Grant | Grant | 08/18 | 50,000 | 50,000 |
| Floss Barbershop | Grant | 09/18 | 4,244 | 4,244 |
| Off the Top Barber & Styling | Grant | 03/19 | 486 | 486 |
| Ninja Barbershop | Grant | 05/19 | - | 7,169 |
| Spot Coffee | Grant | 05/19 | - | 10,000 |
| Judas Tree, LLC | Grant | 12/19 | 2,783 | 10,000 |
| Plati Niagara - Townhouses | Grant | 12/19 | 250,000 | 250,000 |
| SJI Main, Inc | Grant | 09/20 | 40,000 | - |
| Dosa Place Indian Restaurant | Grant | 12/20 | 5,022 | - |
| Total | | | \$ <u>564,585</u> | \$ <u>1,138,970</u> |

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

NOTES TO FINANCIAL STATEMENTS

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

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|-------------------|-------------------|
| Uncommitted net position (deficit) | \$ 238,202 | \$ (271,233) |
| Loans committed per above | - | 150,000 |
| Grants committed per above | <u>564,585</u> | <u>988,970</u> |
| Total unrestricted net position | <u>\$ 802,787</u> | <u>\$ 867,737</u> |

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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The Corporation's management has assessed these events and the impact of these restrictions and closures related to the Corporation's operations. As of the date of these financial statements and as these events continue to unfold, management believes there will be minimal impact to the Corporation.

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2021 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principle.



**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, 2020, 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 26, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



INDEPENDENT ACCOUNTANT'S REPORT

To the Members of the Board of Directors
N.F.C. Development Corporation
745 Main Street, PO Box 69
Niagara Falls, NY 14302

We have examined the N.F.C. Development Corporation's (the Corporation) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") during the period of January 1, 2020 to December 31, 2020. Management of the Corporation is responsible for the Corporation's compliance with the specified requirements. Our responsibility is to express an opinion on the Corporation's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the period of January 1, 2020 to December 31, 2020.

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

Freed Maxick CPAs, P.C.

Buffalo, New York
March 26, 2021

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 26, 2021