

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

**Financial Statements and**  
**Independent Auditors' Report**  
**December 31, 2021 and 2020**

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

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of N.F.C. Development Corporation (the Corporation), a discretely presented component unit of the City of Niagara Falls, New York, which comprise the statements of financial position as of December 31, 2021, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to financial statements, which collectively comprise the Corporation's basic financial statement as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Prior Period Financial Statements

The financial statements of the Corporation as of December 31, 2020, were audited by other auditor's whose report dated March 26, 2021, expressed an unmodified opinion on those statements.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 23, 2022, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
March 23, 2022

N.F.C. DEVELOPMENT CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Management's Discussion and Analysis  
December 31, 2021 and 2020

As management of the N.F.C. Development Corporation (the Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended December 31, 2021.

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 year by \$772,935 (net position). Of this amount, \$385,155 is uncommitted net position and \$387,780 is committed for the payment to borrowers and grantees as discussed in note 6.
- The Corporation's total assets decreased by \$29,736 as expenses exceeding revenue.
- As of the close of the current year, the Corporation reported an ending net position balance of \$772,935, a decrease of \$29,852 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Corporation's basic financial statements. The Corporation's basic financial statements comprise two components: 1) corporation-wide financial statements and 2) notes to 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 statements of net position present 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 statements of revenue, expenses and changes in net position present information showing how the Corporation's net position changed during the 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, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

N.F.C. DEVELOPMENT CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Management's Discussion and Analysis, Continued

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

The corporation-wide financial statements can be found on pages immediately following this section.

Notes to 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 financial statements can be found following the basic financial statements section of this report.

| <u>Statement of Net Position</u>                       |                   |                |                |
|--|-------------------|----------------|----------------|
|  | <u>2021</u>       | <u>2020</u>    | <u>2019</u>    |
| Current assets:  |                   |                |                |
| Cash and equivalents                                   | \$ 728,136        | 663,645        | 749,162        |
| Loans receivable, net of allowance                     | <u>18,695</u>     | <u>91,555</u>  | <u>29,488</u>  |
| Total current assets                                   | 746,831           | 755,200        | 778,650        |
| Noncurrent assets - loans receivable, net of allowance | <u>26,256</u>     | <u>47,623</u>  | <u>89,246</u>  |
| Total assets   | <u>\$ 773,087</u> | <u>802,823</u> | <u>867,896</u> |
| Liabilities - current liabilities - accounts payable   | 152               | 36             | 159            |
| Net position - unrestricted                            | <u>772,935</u>    | <u>802,787</u> | <u>867,737</u> |
| Total liabilities and net position                     | <u>\$ 773,087</u> | <u>802,823</u> | <u>867,896</u> |

Assets

The Corporation's cash and equivalents increased by \$64,491 in 2021 from 2020 as loan repayments exceed operational losses.

N.F.C. DEVELOPMENT CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Management's Discussion and Analysis, Continued

|   | <u>Changes in Net Position</u> |                |                |
|---|--------------------------------|----------------|----------------|
|   | <u>2021</u>                    | <u>2020</u>    | <u>2,019</u>   |
| Operating revenue:                      |                                |                |                |
| Administrative fees                     | \$ 325                         | 2,022          | 328            |
| Interest income - lending activities    | 4,924                          | 9,962          | 5,956          |
| Miscellaneous                           | <u>5</u>                       | <u>9</u>       | <u>11</u>      |
| Total operating revenue                 | <u>5,254</u>                   | <u>11,993</u>  | <u>6,295</u>   |
| Operating expenses:                     |                                |                |                |
| General and administrative              | 18,472                         | 13,317         | 13,175         |
| Grant expense                           | <u>16,804</u>                  | <u>64,386</u>  | <u>24,340</u>  |
| Total program expenses                  | <u>35,276</u>                  | <u>77,703</u>  | <u>37,515</u>  |
| Operating loss                          | (30,022)                       | (65,710)       | (31,220)       |
| Non-operating revenue - interest income | <u>170</u>                     | <u>760</u>     | <u>3,179</u>   |
| Change in net position                  | (29,852)                       | (64,950)       | (28,041)       |
| Net position at beginning of year       | <u>802,787</u>                 | <u>867,737</u> | <u>895,778</u> |
| Net position at end of year             | <u>\$ 772,935</u>              | <u>802,787</u> | <u>867,737</u> |

Revenue

No funds were provided by the City in 2021, 2020 and 2019.

Expenses

Grants disbursed to recipients to assist in development projects represent 48% of total expenses in 2021 (83% in 2020 and 65% in 2019).

Change in Net Position

In 2021, net position decreased from the prior year by \$29,852. The decrease is attributable to no contribution from the City in 2021. In 2020, net position decreased by \$64,950. In 2019, net position decreased by \$28,041.



N.F.C. DEVELOPMENT CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Management's Discussion and Analysis, Continued

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.

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 CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Statements of Net Position  
December 31, 2021 and 2020

|   | <u>2021</u>       | <u>2020</u>    |
|---|-------------------|----------------|
| Assets:   |                   |                |
| Current assets:                                     |                   |                |
| Cash and equivalents                                | \$ 728,136        | 663,645        |
| Loans receivable, current portion, net of allowance | <u>18,695</u>     | <u>91,555</u>  |
| Total current assets                                | 746,831           | 755,200        |
| Noncurrent assets - loans receivable                | <u>26,256</u>     | <u>47,623</u>  |
| Total assets  | <u>\$ 773,087</u> | <u>802,823</u> |
| <br>  |                   |                |
| Current liabilities - accounts payable              | 152               | 36             |
| Net position - unrestricted                         | <u>772,935</u>    | <u>802,787</u> |
| Total liabilities and net position                  | <u>\$ 773,087</u> | <u>802,823</u> |

See accompanying notes to financial statements.

N.F.C. DEVELOPMENT CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Statements of Revenue, Expenses and Changes in Net Position  
Years ended December 31, 2021 and 2020

|  | <u>2021</u>              | <u>2020</u>           |
|--|--------------------------|-----------------------|
| Operating revenue:                     |                          |                       |
| Administrative fees                    | \$ 325                   | 2,022                 |
| Interest income - lending activities   | 4,924                    | 9,962                 |
| Miscellaneous                          | <u>5</u>                 | <u>9</u>              |
| Total revenue                          | <u>5,254</u>             | <u>11,993</u>         |
| Operating expenses:                    |                          |                       |
| General and administrative             | 18,472                   | 13,317                |
| Grant expense                          | <u>16,804</u>            | <u>64,386</u>         |
| Total expenses                         | <u>35,276</u>            | <u>77,703</u>         |
| Operating loss                         | (30,022)                 | (65,710)              |
| Nonoperating revenue - interest income | <u>170</u>               | <u>760</u>            |
| Change in net position                 | (29,852)                 | (64,950)              |
| Net position at beginning of year      | <u>802,787</u>           | <u>867,737</u>        |
| Net position at end of year            | <u><u>\$ 772,935</u></u> | <u><u>802,787</u></u> |

See accompanying notes to financial statements.

N.F.C. DEVELOPMENT CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Statement of Cash Flows  
Years ended December 31, 2021 and 2020

|   | <u>2021</u>       | <u>2020</u>     |
|---|-------------------|-----------------|
| Cash flows from operating activities:   |                   |                 |
| Interest income on notes receivable   | \$ 4,924          | 9,962           |
| Receipts from providing services  | 330               | 2,031           |
| Issuance on loans receivable  | -                 | (115,000)       |
| Repayments on loans receivable  | 93,956            | 94,556          |
| Payments on service providers and suppliers   | <u>(34,889)</u>   | <u>(77,826)</u> |
| Net cash provided by (used in) operating activities   | 64,321            | (86,277)        |
| <br>  |                   |                 |
| Cash flows from noncapital financing activities - interest income   | <u>170</u>        | <u>760</u>      |
| Net change in cash and equivalents  | 64,491            | (85,517)        |
| Cash and equivalents at beginning of year   | <u>663,645</u>    | <u>749,162</u>  |
| Cash and equivalents at end of year   | <u>\$ 728,136</u> | <u>663,645</u>  |
| <br>  |                   |                 |
| Reconciliation of operating loss to net cash provided by (used in) operating activities:                    |                   |                 |
| Operating loss  | \$ (30,022)       | (65,710)        |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities - change in: |                   |                 |
| Loans receivable  | 94,227            | (20,444)        |
| Accounts payable  | <u>116</u>        | <u>(123)</u>    |
| Net cash provided by (used in) operating activities   | <u>\$ 64,321</u>  | <u>(86,277)</u> |

See accompanying notes to financial statements.

N.F.C. DEVELOPMENT CORPORATION  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)  
Notes to Financial Statements  
December 31, 2021 and 2020

(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 typically provides funding to the Corporation from the City's casino revenues, however, during the years ended December 31, 2021 and 2020, 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.

(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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenue, 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 statements of net position.

(b) Net Position

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

- Restricted - Consists of net positions with constraints on the use either by (1) external groups such as creditors, granters, 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, 2021 or 2020.
- Unrestricted - All other net positions that do not meet the definition of "restricted."
- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets.

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

(2) Summary of Significant Accounting Policies, Continued

(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 Equivalents

Cash and equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of ninety days or less. The Corporation maintains its cash and equivalents in bank accounts. Interest and dividend income from cash and equivalents is reported in nonoperating revenue in the statements of revenue, expenses and changes in net position.

(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) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(h) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

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

(2) Summary of Significant Accounting Policies, Continued

(i) Accounting Pronouncements

The following are Governmental Accounting Standards Board (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. Effective for fiscal years beginning after June 15, 2021.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

(3) Cash and Equivalents

The Corporation's investment policies are governed by State statutes. The Corporation's cash and equivalents must be deposited in Federal Deposit Insurance Corporation (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 FDIC 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, 2021 and 2020.

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.

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

(3) Cash and 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. 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 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  
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)

Notes to Financial Statements, Continued

(4) Loans Receivable

Loans receivable consisted of the following at December 31, 2021 and 2020:

| <u>Borrower</u>                      | <u>Date of<br/>Issue</u> | <u>Original<br/>Loan</u> | <u>Interest<br/>rate</u> | <u>Maturity<br/>date</u> | <u>2021</u>      | <u>2020</u>   |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------|---------------|
| Como Restaurant                      | 12/08                    | \$100,000                | 3.00%                    | 12/23                    | 22,562           | 27,275        |
| Frank's Vacuum Truck Service, Inc.   | 05/12                    | 200,000                  | 5.00%                    | 12/21                    | 11,375           | 37,727        |
| Nazim, Inc.                          | 01/12                    | 25,000                   | 5.00%                    | 02/17                    | 11,499           | 11,499        |
| Flip Burger                          | 06/15                    | 15,000                   | 3.25%                    | 06/25                    | 6,013            | 7,683         |
| Niagara Rapid Ent. d/b/a 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                    | 14,120           | 16,560        |
| Sandstone Springs, LLC               | 04/20                    | 115,000                  | 10.00%                   | 04/21                    | -                | 59,052        |
| Total                                |                          |                          |                          |                          | 94,951           | 189,178       |
| Allowance for uncollectible accounts |                          |                          |                          |                          | (50,000)         | (50,000)      |
| Total, net of allowance              |                          |                          |                          |                          | 44,951           | 139,178       |
| Less current portion                 |                          |                          |                          |                          | (18,695)         | (91,555)      |
| Loans receivable - long-term         |                          |                          |                          |                          | <u>\$ 26,256</u> | <u>47,623</u> |

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

| <u>Borrower</u>                     | <u>2022</u>      | <u>2023</u>   | <u>2024</u>  | <u>2025</u>  | <u>2026</u> | <u>Total</u>  |
|-------------------------------------|------------------|---------------|--------------|--------------|-------------|---------------|
| Como Restaurant                     | \$ 9,156         | 8,661         | 4,745        | -            | -           | 22,562        |
| Frank's Vacuum Truck Service, Inc.  | 11,375           | -             | -            | -            | -           | 11,375        |
| Nazim, Inc.                         | 11,499           | -             | -            | -            | -           | 11,499        |
| Flip Burger                         | 2,197            | 1,660         | 1,714        | 442          | -           | 6,013         |
| Niagara Rapid Ent. d/b/a Royal Café | 29,382           | -             | -            | -            | -           | 29,382        |
| 223 Ferry Avenue Properties         | <u>5,086</u>     | <u>2,678</u>  | <u>2,765</u> | <u>2,857</u> | <u>734</u>  | <u>14,120</u> |
| Total                               | <u>\$ 68,695</u> | <u>12,999</u> | <u>9,224</u> | <u>3,299</u> | <u>734</u>  | <u>94,951</u> |

(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 \$16,804 and \$64,386 for the years ended December 31, 2021 and 2020, respectively.

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

Notes to Financial Statements, Continued

(5) Grants, Continued

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 2021 and 2020. Grants subject to such contingent repayment requirements at December 31, 2021 are as follows:

|   | Date of<br>Final<br><u>Disbursement</u> | Original<br>Grant | Term<br>(Years) | Maturity<br>Date |
|---|---|-------------------|-----------------|------------------|
| 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                           | 03/21                                   | 10,000            | 3               | 03/24            |
| Dosa Place Indian Restaurant              | 06/21                                   | 5,022             | 3               | 06/24            |
| Restaurant 310                            | 10/21                                   | <u>9,000</u>      | 3               | 10/24            |
| Total                                     |   | <u>\$ 88,391</u>  |                 |                  |

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

Notes to Financial Statements, Continued

(6) Net Position

The Corporation's Board has adopted resolutions committing funds for grants or loans to the following recipients. At December 31, 2021 and 2020 these grants or loans have been committed but not yet disbursed:

| <u>Borrower/Grantee</u>           | <u>Type</u> | <u>Agenda<br/>Date</u> | <u>2021</u>       | <u>2020</u>    |
|-----------------------------------|-------------|------------------------|-------------------|----------------|
| Micro Enterprise Grant            | Grant       | 03/15                  | \$ -              | 12,050         |
| Community Beer Works              | Grant       | 03/17                  | -                 | 100,000        |
| 324 Niagara St. Landlord, LLC     | Grant       | 09/17                  | -                 | 100,000        |
| Micro Enterprise Grant            | Grant       | 08/18                  | 26,780            | 50,000         |
| Floss Barbershop                  | Grant       | 09/18                  | -                 | 4,244          |
| Off the Top Barber & Styling, LLC | Grant       | 03/19                  | -                 | 486            |
| Judas Tree, LLC                   | Grant       | 12/19                  | -                 | 2,783          |
| Plati Niagara - Townhouses        | Grant       | 12/19                  | 250,000           | 250,000        |
| SJI Main, Inc.                    | Grant       | 09/20                  | 40,000            | 40,000         |
| Dosa Place Indian Restaurant      | Grant       | 12/20                  | -                 | 5,022          |
| 324 Niagara St. Landlord LLC      | Grant       | 03/21                  | 40,000            | -              |
| Restaurant 310                    | Grant       | 03/21                  | 1,000             | -              |
| Sight See rentals                 | Grant       | 05/21                  | 10,000            | -              |
| The Goldbar                       | Grant       | 07/21                  | 10,000            | -              |
| Culbert's Pub, Inc                | Grant       | 11/21                  | 10,000            | -              |
| Total                             |             |                        | <u>\$ 387,780</u> | <u>564,585</u> |

These amounts are reported as a component of unrestricted net position. Total unrestricted net position was as follows at December 31, 2021 and 2020:

|                                 | <u>2021</u>       | <u>2020</u>    |
|---------------------------------|-------------------|----------------|
| Uncommitted net position        | \$ 385,155        | 238,202        |
| Grants - committed              | <u>387,780</u>    | <u>564,585</u> |
| Total unrestricted net position | <u>\$ 772,935</u> | <u>802,787</u> |

(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.

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

The Board of Directors  
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, 2021, and the related notes to financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 23, 2022.

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.

### 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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
March 23, 2022

**REPORT ON INVESTMENT COMPLIANCE WITH SECTION 201.3  
OF TITLE TWO OF THE OFFICIAL COMPILATION OF CODES,  
RULES AND REGULATIONS OF THE STATE OF NEW YORK**

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

We have examined the N.F.C. Development Corporation's (the Corporation), a discretely presented component unit of the City of Niagara Falls, New York, compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York (Section 201.3) during the year ended December 31, 2021. Management is responsible for the Corporation's compliance with Section 201.3. Our responsibility is to express an opinion on the Corporation's compliance with Section 201.3 based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about the Corporation's compliance with Section 201.3. An examination involves performing procedures to obtain evidence about the Corporation's compliance with Section 201.3. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Corporation's compliance with Section 201.3, 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.

In our opinion, the Corporation complied in all material respects with Section 201.3 during the year ended December 31, 2021.

In accordance with Government Auditing Standards, we are required to report significant deficiencies in internal control, violations of provisions of laws, regulations, contracts, or grant agreements, and abuse that are material to the Corporation's compliance with Section 201.3 and any fraud or illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain views of management on those matters. We performed our examination to express an opinion on the Corporation's compliance with Section 201.3 and not for the purpose of expressing an opinion on internal control over compliance with Section 201.3 or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
March 23, 2022