

**RESOLUTION
N.F.C. DEVELOPMENT CORP.,
2012 Financial Statement
March 25, 2013**

RESOLVED, that N.F.C. Development Corp. does hereby accept and approve the 2012 Financial Statements prepared by its auditors, Bonadio & Company, LLP.

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

Financial Statements
as of December 31, 2012 and 2011
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 6
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position	7
Statements of Activities	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 16
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	17 - 18

INDEPENDENT AUDITOR'S REPORT

March 11, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of N.F.C. Development Corp. (the Corporation), a discretely presented component unit of the City of Niagara Falls, New York, as of and for the years ended December 31, 2012 and 2011, 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 entity'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 entity'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.

6400 Sheridan Drive, Suite 230
Williamsville, New York 14221
p (716) 633-8885
f (716) 633-9469

ROCHESTER • BUFFALO
ALBANY • SYRACUSE
NYC • PERRY
GENEVA • UTICA

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Corporation, as of December 31, 2012 and 2011, and the changes in financial position, and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2012 AND 2011

THE ORGANIZATION

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The financial statements of the Corporation include management's discussion and analysis (MD&A) (this section), the statements of net position, statements of activities, statement of cash flows, and related notes to the financial statements. 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 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. The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Corporation's accounting methods and policies.

BASIS OF ACCOUNTING

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

FINANCIAL HIGHLIGHTS

- The Corporation's net position decreased by \$384,802 in 2012 and increased by \$278,307 in 2011, as a result of the individual year's operations.
- The assets of the Corporation exceeded its liabilities by \$1,882,686 and \$2,267,488 at December 31, 2012 and 2011, respectively.

FINANCIAL HIGHLIGHTS (Continued)

The analysis below summarizes the statements of net position and change in net position of the Corporation as of and for the years ended December 31, 2012, 2011 and 2010.

STATEMENT OF NET POSITION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSETS:			
Cash and equivalents	\$ 1,455,210	\$ 2,009,832	\$ 1,736,620
Capital assets, net	-	242	730
Loans receivable, net	<u>433,759</u>	<u>263,733</u>	<u>252,048</u>
Total assets	<u>1,888,969</u>	<u>2,273,807</u>	<u>1,989,398</u>
LIABILITIES:			
Accounts payable	<u>6,283</u>	<u>6,319</u>	<u>217</u>
Total liabilities	<u>6,283</u>	<u>6,319</u>	<u>217</u>
NET POSITION:			
Invested in capital assets	-	242	730
Unrestricted	<u>1,882,686</u>	<u>2,267,246</u>	<u>1,988,451</u>
Total net position	<u>\$ 1,882,686</u>	<u>\$ 2,267,488</u>	<u>\$ 1,989,181</u>

Assets

The Corporation's cash and cash equivalents decreased by \$554,622 in 2012 from 2011 due to cash disbursed as grants and loans to businesses in the City to foster development and employment during 2012. Cash and cash equivalents increased by \$273,212 in 2011 from 2010 due to cash proceeds received from the City during 2011.

FINANCIAL HIGHLIGHTS (Continued)

Table shows the changes in net position for the years ended December 31, 2012, 2011 and 2010.

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES:			
City of Niagara Falls, New York	\$ -	\$ 995,581	\$ 1,360,000
Grant income	25,000	27,624	-
Loan recovery	-	-	66,243
Administrative fees	1,950	4,775	9,729
Interest income - lending activities	15,714	7,774	34,038
Interest income - other	4,097	4,679	4,582
Miscellaneous income	<u>29</u>	<u>35</u>	<u>-</u>
Total revenues	<u>46,790</u>	<u>1,040,468</u>	<u>1,474,592</u>
EXPENSES:			
General and administrative	178,793	113,672	28,815
Grant expense	252,557	648,001	495,203
Transfer of loans to the City of Niagara Falls	-	-	790,067
Depreciation	<u>242</u>	<u>488</u>	<u>4,200</u>
Total expenses	<u>431,592</u>	<u>762,161</u>	<u>1,318,285</u>
CHANGE IN NET POSITION	(384,802)	278,307	156,307
NET POSITION - beginning of year	<u>2,267,488</u>	<u>1,989,181</u>	<u>1,832,874</u>
NET POSITION - end of year	<u>\$ 1,882,686</u>	<u>\$ 2,267,488</u>	<u>\$ 1,989,181</u>

Revenues

Funds provided by the City to foster development represented 96% of total revenues in 2011 (93% in 2010). From these funds, the Corporation was able to continue to provide funding for economic development. No amounts were provided by the City in 2012 as a result of the continued dispute between the Seneca Nation and New York State over the casino gaming compact. Without the casino funding, the City is not able to provide additional resources to the Corporation.

Expenses

Grants disbursed to recipients to assist in development projects represented 59% of total expenses in 2012 (85% in 2011 and 38% in 2010). In 2010, \$790,067 in funds being administered in a loan program for the City were returned to the City to be administered by its Community Development Department.

Change in Net Position

In 2012, net position decreased from the prior year by \$384,802. The decrease is attributable to the lack of revenues available to the City to transfer to the Corporation and the use of unrestricted net position to fund grant and operating expenses. In 2011, net position increased from the prior year by \$278,307.

REQUEST FOR INFORMATION

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

N.F.C. DEVELOPMENT CORP.**(A Discretely Presented Component Unit of the City of Niagara Falls, New York)****STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,455,210	\$ 2,009,832
Loans receivable, net, current portion	<u>45,069</u>	<u>33,080</u>
Total current assets	<u>1,500,279</u>	<u>2,042,912</u>
CAPITAL ASSETS, net	<u>-</u>	<u>242</u>
NON-CURRENT ASSETS:		
Loans receivable, net, less current portion	<u>388,690</u>	<u>230,653</u>
Total non-current assets	<u>388,690</u>	<u>230,653</u>
Total assets	<u>1,888,969</u>	<u>2,273,807</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	<u>6,283</u>	<u>6,319</u>
Total liabilities	<u>6,283</u>	<u>6,319</u>
NET POSITION		
Invested in capital assets	-	242
Unrestricted	<u>1,882,686</u>	<u>2,267,246</u>
Total net position	<u>\$ 1,882,686</u>	<u>\$ 2,267,488</u>

The accompanying notes are an integral part of these statements.

N.F.C. DEVELOPMENT CORP.**(A Discretely Presented Component Unit of the City of Niagara Falls, New York)****STATEMENTS OF ACTIVITIES****FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
REVENUES:		
City of Niagara Falls, New York	\$ -	\$ 995,581
Grant income	25,000	27,624
Administrative fees	1,950	4,775
Interest income - lending activities	15,714	7,774
Interest income - other	4,097	4,679
Miscellaneous income	<u>29</u>	<u>35</u>
Total revenues	<u>46,790</u>	<u>1,040,468</u>
EXPENSES:		
General and administrative	178,793	113,672
Grant expense	252,557	648,001
Depreciation	<u>242</u>	<u>488</u>
Total expenses	<u>431,592</u>	<u>762,161</u>
CHANGE IN NET POSITION	(384,802)	278,307
NET POSITION - beginning of year	<u>2,267,488</u>	<u>1,989,181</u>
NET POSITION - end of year	<u>\$ 1,882,686</u>	<u>\$ 2,267,488</u>

The accompanying notes are an integral part of these statements.

N.F.C. DEVELOPMENT CORP.**(A Discretely Presented Component Unit of the City of Niagara Falls, New York)****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net position	\$ (384,802)	\$ 278,307
Adjustments to reconcile change in net position to cash provided by operating activities		
Depreciation	242	488
Bad debt expense	75,871	27,599
Changes in:		
Loans receivable, net	(245,897)	(39,284)
Accounts payable	<u>(36)</u>	<u>6,102</u>
Net cash flow from operating activities	<u>(554,622)</u>	<u>273,212</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(554,622)	273,212
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,009,832</u>	<u>1,736,620</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,455,210</u>	<u>\$ 2,009,832</u>

The accompanying notes are an integral part of these statements.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. ORGANIZATION AND REPORTING ENTITY

Reporting Entity

The financial statements of N.F.C. Development Corp. (the Corporation), are intended to present only that portion of the activities that are attributable to the transactions of N.F.C. Development Corp. The financial statements do not purport to and do not present the financial position of the City of Niagara Falls, New York (the City), as of December 31, 2012 and 2011, or the changes in its financial position or its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States.

Nature of Operations

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

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

Basis of Accounting

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Loans Receivable

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

Loans receivable are carried at unpaid principal balances. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation reviews outstanding loans receivable for uncollectibility and records an allowance for uncollectible accounts based on that review. When all collection efforts have been exhausted, the account is written-off as uncollectible. At December 31, 2012, the Corporation established an allowance for uncollectable accounts for the amount of \$75,871. During 2011, the Corporation determined that a loan in the amount of \$27,599 had become uncollectible and was written-off. At December 31, 2011, management considered all amounts fully collectible and, accordingly, no allowance had been established.

Capital Assets

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

Net Position

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

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

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

- **Restricted Net Position**

This net position consists of resources with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation. The Corporation currently has no restricted net position as of December 31, 2012 and 2011.

- **Unrestricted Net Position**

This net position consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

Revenues

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

Estimates

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

3. CASH AND CASH EQUIVALENTS

Demand deposits at year-end were entirely covered by FDIC insurance or secured by trust companies located within the State. At December 31, 2012 and 2011, cash and cash equivalents are composed entirely of a demand deposit account and a money market account. All deposits are carried at cost, which approximates fair value.

Policies

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

3. CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

The Corporation is incorporated as a not-for-profit and as such is not required to maintain collateral on its accounts. At times during the year, the cash balances may exceed insured and collateralized balances, but the management of the Corporation believes the risk associated with its uninsured balances to be insignificant. As of December 31, 2012 and 2011, the bank balance of the Corporation cash and cash equivalents was \$1,456,167 and \$2,010,645 was exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
FDIC	\$ 525,739	\$ 511,408
Uninsured and collateral held by pledging bank	77,060	1,499,237
Uncollateralized	<u>853,368</u>	<u>-</u>
Total bank balances	<u>\$ 1,456,167</u>	<u>\$ 2,010,645</u>
Carrying amount	<u>\$ 1,455,210</u>	<u>\$ 2,009,832</u>

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 12/31/2012</u>	<u>Balance at 12/31/2011</u>
Como Restaurant	12/2008	\$ 100,000	3.00%	12/2023	\$ 79,535	\$ 85,341
Cafe Lola	1/2009	55,000	3.00%	1/2019	47,684	47,763
T-Krow Inc.	12/2009	30,000	5.00%	12/2015	28,187	28,197
Wine on 3rd , LLC.	12/2009	45,000	5.00%	12/2016	28,103	34,656
PEMCO, Inc.	6/2011	30,000	5.00%	4/2017	24,087	28,558
Kandola Group, Inc.	5/2011	35,000	5.00%	6/2016	25,387	31,878
Franks Vacuum Truck Service, Inc.	5/2012	200,000	5.00%	12/2021	200,000	7,340
Nazim, Inc.	1/2012	25,000	5.00%	2/2017	22,597	-
Yvonne's Bakery	8/2012	20,000	5.00%	8/2019	19,399	-
Jimbo's Fish House, Inc.	10/2012	<u>35,000</u>	5.00%	10/2019	<u>34,651</u>	<u>-</u>
Total		<u>\$ 575,000</u>			509,630	263,733
Allowance for uncollectable accounts					<u>(75,871)</u>	<u>-</u>
Total, net					<u>\$ 433,759</u>	<u>\$ 263,733</u>

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

<u>Principal Repayment Schedule</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>
Como Restaurant	\$ 6,043	\$ 6,227	\$ 6,416	\$ 6,611	\$ 6,819	\$ 47,419	\$ 79,535
Cafe Lola	5,385	5,548	5,717	5,890	6,070	19,074	47,684
T-Krow Inc.	5,460	3,769	18,958	-	-	-	28,187
Wine on 3rd , LLC.	6,423	6,752	7,097	7,831	-	-	28,103
PEMCO, Inc.	4,779	5,023	5,280	5,550	3,455	-	24,087
Kandola Group, Inc.	6,805	7,154	7,520	3,908	-	-	25,387
Frank's Vacuum Truck Service, Inc.	10,420	18,584	19,535	20,535	21,585	109,341	200,000
Nazim, Inc.	3,820	4,016	4,221	4,437	6,103	-	22,597
Yvonne's Bakery	2,478	2,605	2,739	2,879	3,026	5,672	19,399
Jimbo's Fish House, Inc.	<u>4,301</u>	<u>4,521</u>	<u>4,753</u>	<u>4,996</u>	<u>5,252</u>	<u>10,828</u>	<u>34,651</u>
Total	55,914	64,199	82,236	62,637	52,310	192,334	509,630
Allowance for uncollectable accounts	<u>(10,845)</u>	<u>(9,317)</u>	<u>(24,675)</u>	<u>(5,890)</u>	<u>(6,070)</u>	<u>(19,074)</u>	<u>(75,871)</u>
Total, net	<u>\$ 45,069</u>	<u>\$ 54,882</u>	<u>\$ 57,561</u>	<u>\$ 56,747</u>	<u>\$ 46,240</u>	<u>\$ 173,260</u>	<u>\$ 433,759</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 \$252,557 and \$648,001 for the years ended 2012 and 2011, 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, 2012 are as follows.

<u>Grantee</u>	<u>Date of Issue</u>	<u>Original Grant</u>	<u>Term(Years)</u>	<u>Maturity Date</u>
CR Jones LLC	7/2007	\$ 9,871	5	7/2012
Smith/Louden	11/2007	7,456	5	11/2012
CGGW LLC	12/2007	9,000	5	12/2012
A Plus Moving Co.	6/2010	10,000	3	6/2013
ERDCO-451 Third St	7/2010	255,000	3	7/2013
SC Son Construction	9/2010	10,000	3	9/2013
LaSalle Hospitality, LLC	9/2010	650,000	3	9/2013
Ashland Advance Materials	10/2010	80,000	3	10/2013
Rimmen, Michael	1/2009	3,488	5	1/2014
PEMCO	6/2011	30,000	3	6/2014
Zanes by the Falls	9/2011	10,000	3	9/2014
Little Italy Productions	9/2011	6,220	3	9/2014
Frank's Vacuum Truck Service	12/2011	140,000	3	12/2014
Massage Center of Niagara	1/2012	10,000	3	1/2015
NFNY Hotel (TGIF)	5/2012	75,000	3	5/2015
Yvonne's Bakery	8/2012	10,000	3	8/2015
Jimbo's Fish House, Inc.	10/2012	10,000	3	10/2015
Niagara Industrial Products	10/2012	10,000	3	10/2015
Niagara's Honeymoon Sweets	10/2012	8,197	3	10/2015
Total		<u>\$ 1,344,232</u>		

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 65,830	\$ 65,830
Less: Accumulated depreciation and amortization	<u>(65,830)</u>	<u>(65,588)</u>
	<u>\$ -</u>	<u>\$ 242</u>

Depreciation expense on the Corporation's property and equipment was \$242 and \$488 during the years ended December 31, 2012 and 2011, respectively.

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. A liability is not reflected on the financial statements as it is generally believed that the State will not likely seek repayment of these funds.

In addition, the Corporation's Board approved a contract with National Development Council for consulting services to the Corporation for a period extending to May 31, 2013. Funds committed to the remaining term of this contract total \$30,000 at December 31, 2012.

8. NET POSITION

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

<u>Borrower / Grantee</u>	<u>Agenda Date</u>	<u>Amount to be Issued</u>
Holiday Inn Retail Project	7/2011	\$ 550,000
Frank's Vacuum Truck	7/2011	10,000
Hampton Inn	12/2011	10,000
Players Properties, LLC	12/2011	50,000
Royal Café	7/2012	40,000
Honeymoon Sweets	9/2012	<u>1,803</u>
Total		<u>\$ 661,803</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>2012</u>	<u>2011</u>
Unrestricted net position	\$ 1,882,686	\$ 2,267,246
Loans committed	(30,000)	(252,660)
Grants committed	(631,803)	(848,140)
Contracts	<u>(30,000)</u>	<u>(18,000)</u>
Available unrestricted net position	<u>\$ 1,190,883</u>	<u>\$ 1,148,446</u>

**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**

March 11, 2013

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

We have audited, in accordance with the 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 business-type activities of N.F.C Development Corp. (the Corporation), a discretely presented component unit of the City of Niagara Falls, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statement, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 11, 2013.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 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.

6400 Sheridan Drive, Suite 230
Williamsville, New York 14221
p (716) 633-8885
f (716) 633-9469

ROCHESTER • BUFFALO
ALBANY • SYRACUSE
NYC • PERRY
GENEVA • UTICA

www.bonadio.com

(Continued)

**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**

(Continued)

Compliance and Other Matters

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

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.

Bonadio & Co., LLP

N.F.C. DEVELOPMENT CORP.

March 25, 2013

TO: NFC Board of Directors
FROM: Richard Zucco, N.F.C. General Counsel
RE: Caffe Lola Equipment

As previously discussed, Caffe Lola has closed. The building owners are operating a wood stove pizza restaurant at the 507 Third Street location. Attached are three appraisals of the equipment and business property which have been obtained. The new restaurant owners are willing to pay \$2,000.00 for the equipment and business property, which is slightly higher than the \$1,916.00 average of the three appraisals. The payment will be applied to the balance of the Caffe Lola loan. NFC will release its lien on the equipment and business personal property.

We have not completed negotiations for a payment plan for the balance of the loan.

By approving this transaction, NFC will realize the value of the equipment and other business property. In addition, this will allow occupancy of the business space to continue without the disruption of removal of the equipment.

Will the directors vote to approve the payment for the equipment business personal property and release of security interest lien as set forth herein?

A to Z Equipment of WNY
23 Lansing St.
Buffalo NY 14207

Estimate

Number	E112
Date	2/27/2013

Bill To
Dave
Caffe Lolo
3rd St.
N. Falls , NY

Ship To

PO Number	Terms	Project
Used Equipment		

Description	Quantity	Rate	Tax ¹	Amount
Used Chairs	33	\$10.00		\$330.00
Bar Stools	4	\$12.00		\$48.00
Furniture Tables and Bases	10	\$13.00		\$130.00
Tables 36"x36"	3	\$8.00		\$24.00
Back Bar Cooler	1	\$400.00		\$400.00
Coffee Maker	1	\$45.00		\$45.00
36" Vulcan Stove	1	\$300.00		\$300.00
24" S/S Work Table	2	\$25.00		\$50.00
48" Prep Table	1	\$250.00		\$250.00
Fryer	1	\$100.00		\$100.00
Ice Maker	1	\$300.00		\$300.00
Ice Bin	1	\$100.00		\$100.00
Speed Rack	1	\$5.00		\$5.00
Dish Bins	6	\$1.00		\$6.00
Single Bay Sink	1	\$40.00		\$40.00
Dish Rack	4	\$5.00		\$20.00
Silverware	1	\$5.00		\$5.00

A to Z Equipment of WNY
23 Lansing St.
Buffalo NY 14207

Estimate

Number	E112
Date	2/27/2013

Bill To
Dave
Caffe Lola
3rd St.
N. Falls , NY

Ship To

PO Number	Terras	Project
Used Equipment		

Description	Quantity	Rate	Tax	Amount
16" Sautee Pan	2	\$3.00		\$6.00
12" Sautee Pan	3	\$2.00		\$6.00
6" Sautee Pan	6	\$1.00		\$6.00
3 qt. Soup Pots	2	\$2.00		\$4.00
3 gal. Pot	1	\$8.00		\$8.00
5 gal. Pot	1	\$11.00		\$11.00
Assorted Mixing Bowls	1	\$5.00		\$5.00
Metro Racks	4	\$15.00		\$60.00

Amount Paid	\$0.00
Amount Due	\$2,259.00

Discount	\$0.00
Shipping Cost	\$0.00
Sub Total	\$2,259.00
Sales Tax 8.75% on \$0.00	\$0.00
Total	\$2,259.00

Nu-Temp Services, Inc.
Specialists in all Food Service Equipment
1215 - 11th Street
Niagara Falls, N.Y. 14301
716-282-8015 • Fax: 716-282-8019
Toll Free 800-794-2950
nutemp@verizon.net

☐ Statement
☐ Consignment
☒ Quotation
☐ Appraisal
☐ Delivery Receipt
☐ Invoice # _____

Submitted To: WINE ON THIRD		Phone: 525 4741	Date: 3-5-13
Address: THIRD STREET		City-State: NIAGARA FALLS NY	Zip:
Est. Delivery Date: 	Attn: TIM	P.O. # 	Salesman: DAVE KASPERAK

THE ENCLOSED INFORMATION IS SUBJECT TO ALL TERMS AND CONDITIONS AS SET FORTH BELOW OR ON THE ATTACHED

ITEM	QTY.	DESCRIPTION	EACH	AMOUNT
1		THE FOLLOWING IS AN APPRAISAL OF		
2		THE EQUIPMENT LOCATED AT "CAFFE		
3		LOLA" LOCATED ON THIRD STREET, NIAGARA		
4		FALLS NY		
5				
6		TO INCLUDE:		
7		33 CHAIRS - 4 BAR STOOLS - 13 TABLES		
8		3 DOOR BACK BAR COOLER - COFFEE MAKER		
9		6 BURNER STOVE - EQUIPMENT STAND - 2		
10		WORK TABLES 24x24 - WIRE TOP FREEZER		
11		48" REFRIGERATED SANDWICH UNIT - DEEP FREEZER		
12		ICE MAKER - ICE BIN - ROLLING RACK		
13		SCRAP SINK - DISH RACKS - ASSORTED		
14		SILVERWARE - ASSORTED PLATES - POTS		
15		PANS - BOWLS AND STORAGE SHELVING		
16				
17		CONDITION OF EQUIPMENT IS FAIR -		
18				
19		FAIR MARKET PURCHASE PRICE		1500.00
20				
21		PRICE INCLUDES REMOVAL FROM PREMISES		
22				
23				

THANK YOU

ALL SALES FINAL

TERMS ARE PAYMENT IN FULL UPON RECEIPT OF ORDER UNLESS OTHERWISE NOTED

1.5% per month service charge will be added to all invoices that are over 30 days past due.
This will amount to an 18% annual charge.

SELLER MAKES NO REPRESENTATIONS OR WARRANTIES WHETHER EXPRESS OR IMPLIED WITH
RESPECT TO THE EQUIPMENT OR THE SALE. THE ABOVE CONTAINS THE ENTIRE AGREEMENT.
UNLESS CHANGED IN WRITING. BUYER SHALL BE RESPONSIBLE FOR ALL COLLECTION AND
REASONABLE ATTORNEY FEES.

CUSTOMER SIGNATURE: _____

PLUMBING &
ELECTRICAL
WORK NOT
INCLUDED
UNLESS
SPECIFIED

NEW/USED
EQUIPMENT
SHOULD BE
INSTALLED AND
TESTED BY A
QUALIFIED
PROFESSIONAL

Covert Equipment and Sales
2250 Military Rd.
Tonawanda NY 14225
716-715-3188

Estimate

Number

E101

Date

3/6/2013

Bill To

Caffe Loca
Third St.
Niagara Falls , NY

Ship To

PO Number

Terms

Project

Description	Hours	Amount
Misc. Silverware		\$10.00
Single Bay Sink (1)		\$45.00
Chairs (33)		\$200.00
Bar Stools (4)		\$25.00
Tables and Bases (13)		\$130.00
Pans (11)		\$55.00
3 qt. Pots (3)		\$10.00
3 gallon pot (1)		\$15.00
5 gallon pot (1)		\$15.00
Back Bar Cooler (1)		\$350.00
Ice Bin (1)		\$75.00
Spees Rack (1)		\$5.00
Dish Bins (6)		\$7.00
Ice maker (1)		\$400.00
Fryer (1)		\$125.00
Mixing Bowls (5)		\$8.00
Metro Racks (4)		\$20.00

Covert Equipment and Sales
2250 Military Rd.
Tonawanda NY 14225
716-715-3188

Estimate

Number

E101

Date

3/6/2013

Bill To

Caffe Loca
Thlr St.
Niagara Falls, NY

Ship To

PO Number

Terms

Project

Description

Hours

Amount

Coffee maker (1)

\$25.00

36" Vulcan Stove (1)

\$215.00

24" S/S Table (2)

\$30.00

48" Refrigerated Prep Table (1)

\$225.00

Amount Paid

\$0.00

Discount

\$0.00

Amount Due

\$1,990.00

Shipping Cost

\$0.00

Sub Total

\$1,990.00

Total

\$1,990.00

Proposed NFC grant

for:

Dijah's Natural Hair Creations

NFC Directors SUMMARY

Date: March 14, 2013

Part I. Project Description

**Part II. Business Description/summary/
Employment projections/ Sources/Uses
of funds/Collateral**

Part III. Loan/grant analysis/Need.

Part IV. Recommendation/Terms and Conditions

NFC Directors Summary

For

Dijah's Natural Hair Creations

Micro Enterprise Grant request

Part I Project Description

Awa Cisse, owner of Dijah's Natural Hair Creations is seeking a grant in the amount of \$10,000 from the City of Niagara Falls. This grant will be/ would be much appreciated and would be used to purchase \$1,500 worth of inventory that Awa would use on clients, for example; shampoo, conditioner, etc. She would also use the funds for \$1,500 in furniture and fixtures for the salon, \$500 for a reception desk, three stylist's chairs at \$450 each, three sets of hair drying stations and chairs for a total of \$1,950, four thermal styling kits for \$175 each, three sets of shampoo chairs and bowls for a total of \$1,500, four stylist's double trolleys at \$200 each, sponge mats for the stylists to stand on for \$80 each and \$250 in additional small equipment.

Mrs. Cisse has already used a minimum of \$11,000 in her own capital to open her business. She has purchased her business license in Niagara County for \$35, she paid \$2,500 for her rent and deposit. She has purchased two stylists' chairs for a total of \$750, a shampoo chair for \$175 and a shampoo bowl for \$210. She has also spent over \$6,390 for working capital to purchase supplies and get her business started. This equipment is needed for Mrs. Cisse to expand her business and have stations for other licensed hair stylists to rent.

Part 11 Business Description

Dijah's Natural Hair Creations is a sole proprietorship owned by Awa Cisse and located at 2502 Pine Avenue in City of Niagara Falls, N. Y. It is a full service beauty salon dedicated to consistently providing high customer satisfaction by rendering excellent service, quality products, and an enjoyable atmosphere at an acceptable price with value placed on relationships. We will strive to maintain a friendly, fair, and creative work environment, which respects diversity, ideas, and hard work. Dijah's will focus on the essentials of natural hair and skin care.

Dijah's will be open Tuesday-Saturday from 9am to 6pm. They will accept walk-ins as well as appointments for the entire family. Dijah's will grow its market share based on superior customer attention. Dijah's will invest time and money into training to ensure that clients receive the best experience possible making it easier to turn them into long term customers. We will emphasize a customer-centric service where the customer's needs are always the priority.

The timing is right for starting this new venture since the demand from the owner's existing clients as well as the ambitions of the owner to one day start her own salon, and the procurement of highly professional and qualified beauticians to support the salon, has made this business one of great potential. At Dijah's, the main goal is to enhance natural hair

growth for people that want beautiful and healthy hair. Chemical services tend to damage hair so most people prefer not to get chemical services even though they want straight hair. With hair techniques such as the Brazilian blow out, one can have straight hair without any chemical services and with pure products like Africa's own Shea butter; one can guarantee soft and silky hair.

Dijah's mission is to provide services and products that enhance our clients' physical appearance and mental relaxation using the essential of natural hair and skin care. Our main focus will be on the essentials of natural hair, nail and skin care. In recent years, many women are looking to find more natural ways to take care of themselves. This means skipping harsh synthetic chemical products, ditching the blow dryer, or just finding more natural ways to care for their entire bodies in general. Fortunately natural care is surprisingly easy and most importantly, it is surprisingly affordable. We exist to attract and maintain customers. Through the years Mrs. Cisse has created a large client base through hard work and dedication. Awa's talented team of beauticians has what it takes to make this venture an extremely successful one. We expect our growing reputations to lead to new clients and beauticians to support our anticipated growth. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customer.

Business Summary

Business Summary

Name:	<u>Dijah's Hair Creations</u>	Proprietorship-Yes
Years in Operation:	<u>1 years</u>	Partnership-No
Start-up?	Yes	Federal ID #51-0468356
New Ownership?	Yes	D.B.A.
Address:	<u>2502 Pine Avenue, Niagara Falls, N. Y.</u>	
Loan Type	<u>NFC Micro Enterprise GRANT</u>	

Management/Ownership

Name:	<u>Awa D. Cisse</u>	Position:	<u>Owner</u>
-------	---------------------	-----------	--------------

Age:

Salary:

\$27,407

Experience:

Mrs. Cisse received her training at the Marjon's School of Beauty and received her beauty license in NYS in 2002. Mrs. Cisse worked part-time as an independent stylist while raising her family and over the past 10 years has developed her very own special techniques and skills in the natural hair care arena.

Employment Projections.

Present:

1 fulltime

Projected:*

Within year 2

Hire full time receptionist:

*SUBMITTED EMPLOYMENT

City of Niagara Falls

Financial Underwriting

Sources/Uses of Funds

Proposed Sources and Uses

Uses of Funds		Sources of Funds	
Acquisition	\$0	Bank	
Renovations	0	NFC Loan	
Machinery & Equipment	4,610	Equity/Cash invested	11,000
Operating Expenses, Inventory, Leasehold Imp. Office Equipment, Supplies, Etc.	6,390	NFC Grant	10,000
Investment to Date	11,000		
Working Capital			
TOTAL	\$21,000	TOTAL	\$21,000

Recommended Sources and Uses – SAME AS ABOVE

Uses of Funds		Sources of Funds	
Acquisition	\$0	Bank	
Renovations	0	NFC Loan	
Machinery & Equipment	4,610	Equity/Cash	11,000
Operating Expenses	6,390	NFC Grant	10,000
Investment to Date	11,000		
Working Capital			
TOTAL	21,000	TOTAL	21,000

Part III. Loan Analysis/Need

This grant is for a Micro Enterprise grant and a small existing start-up business for Awa D. Cisse

Our financial assistance will help Mrs. Cisse close gap financing, purchase equipment needed to expand her business and have stations for other licensed hair stylists to rent.

As a relatively new business, traditional funding is very difficult to obtain. This Micro Enterprise grant will be combined with Mrs. Hess cash equity.

Part IV Recommendation/Terms/Conditions

Staff recommends the approval of this grant with the following conditions:

- 1) NFC to provide the following funding:
 - a) Grant of \$10,000.
 - b) A \$10,000 Micro Enterprise Grant
- 2) One new FTE must be hired over the next one year.
- 3) Dijah's Natural Hair Creations must remain operational for a period of three years or the grant will become due and payable.