

**NIAGARA COUNTY BROWNFIELD
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara County Brownfield Development Corporation

We have audited the accompanying balance sheets of Niagara County Brownfield Development Corporation (NCBDC) (a business-type activity) as of September 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NCBDC as of September 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 on our consideration of NCBDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 NCBDC's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

December 15, 2020

Management's Discussion and Analysis (unaudited)

September 30, 2020

As management of Niagara County Brownfield Development Corporation (NCBDC), we offer readers of NCBDC's financial statements this narrative overview and analysis of the financial activities of NCBDC for the year ended September 30, 2020. This document should be read in conjunction with NCBDC's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of NCBDC exceeded its liabilities by \$646,000 (net position). This total is restricted for use within Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) as outlined in its cooperative agreements with the United States Environmental Protection Agency (EPA).
- NCBDC's net position increased \$68,000 from the prior year primarily due to EPA grants of \$604,000 less operating expenses, including grants to subrecipients, of \$537,000. The difference of \$67,000 is the result of EPA grant funds provided as a loan by NCBDC.
- During 2020, NCBDC incurred administrative expenses of \$35,000 and provided \$502,000 to subrecipients that was funded by grant revenue received from the EPA.

OVERVIEW OF THE FINANCIAL STATEMENTS

NCBDC is a not-for-profit public benefit corporation treated as a governmental entity for financial reporting purposes. The financial statements in this report are therefore those of a special-purpose government. The following statements are included:

- Balance Sheets – report NCBDC's current and long-term financial resources, liabilities, and net position.
- Statements of Revenues, Expenses, and Changes in Net Position – report NCBDC's operating and nonoperating revenues by major source along with operating and nonoperating expenses.
- Statements of Cash Flows – report NCBDC's cash flows from operating and noncapital financing activities, if any.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. NCBDC's assets exceeded its liabilities by \$646,000 at the close of 2020. The largest portion of NCBDC's net position reflects the net outstanding principal due from loan disbursements of \$289,000 and cash of \$358,000. As of September 30, 2020, NCBDC did not own any property nor was it obligated for any long-term liabilities.

The balance sheets at September 30, 2020 and 2019 were as follows:

	2020	2019
Assets		
Current assets:		
Cash	\$ 357,000	\$ 274,000
Grants receivable	6,000	5,000
Loans receivable	95,000	86,000
Non-current portion of loans receivable	194,000	218,000
Total assets	\$ 652,000	\$ 583,000
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 6,000	\$ 5,000
Net position:		
Restricted	646,000	578,000
Total liabilities and net position	\$ 652,000	\$ 583,000

Changes in net position for the years ended September 30, 2020 and 2019 were as follows:

	2020	2019
Operating revenues:		
Grants received	\$ 604,000	\$ 34,000
Interest income	1,000	3,000
Total operating revenues	605,000	37,000
Operating expenses:		
Professional and administrative	35,000	31,000
Grants to subrecipients	502,000	3,000
Total operating expenses	537,000	34,000
Change in net position	68,000	3,000
Net position – beginning	578,000	575,000
Net position - ending	\$ 646,000	\$ 578,000

Grant revenue, which is comprised solely of grants from the EPA, represents 99.8% and 91.9% of total revenues for 2020 and 2019. Grant revenue and earnings were used to fund projects and related expenses in each year and such revenue is contingent on the expenditure of underlying eligible grant expenses. The increase in revenues and expenses is due to additional professional services related to the grant activities. All grant revenue and expenses are related to ongoing projects. See below and page 5 for further details on those projects.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During 2020, Niagara County continued to implement the BCRLF program and achieve established performance measures. Performance measures include the award of funds to new remediation projects and the process of turning vacant properties back to productive use. Of the \$3,476,000 in EPA grant funds allocated to current projects (not including local share), \$1,805,000 has been committed and disbursed for loans or grants as of September 30, 2020. Projects in progress are discussed in detail below.

Santarosa Project

In December 2008, NCBDC's Board of Directors (the Board) approved the first BCRLF project, a \$250,000 loan to Santarosa Holdings, Inc. for asbestos abatement at 1501 College Avenue in the City of Niagara Falls. The 13-acre site was previously used for heavy industrial manufacturing and has remained vacant since the late 1980s.

During site remediation, significant additional contamination was found and Santarosa Holdings, Inc. applied for and received a second loan totaling \$385,000 from BCRLF to help address site contamination. All of the buildings on the site have been demolished. Additionally, 3,700 tons of contaminated soil, 20,000 gallons of contaminated water, and 2,760 tons of asbestos were removed. A Certificate of Completion was issued by the New York State Department of Environmental Conservation on December 31, 2012 to certify that cleanup actions at the site were successfully completed. The property owner is working on industrial site redevelopment concepts. All funds were disbursed under this grant prior to 2012 and outstanding loan balances as of September 30, 2020 totaled \$127,000.

Competition Transmission Site, City of North Tonawanda

The Riviera Theatre & Organ Preservation Society, Inc. purchased a former automotive facility in the City of North Tonawanda as part of a theater expansion project. In January 2013, NCBDC approved a \$350,000 subgrant for site remediation. Asbestos abatement, building demolition, and soil remediation have been completed. Groundwater remediation is ongoing and in 2020 \$8,000 was expended. Once remediation is completed, the site will be ready for reuse as part of a 23,000 square foot theater expansion project. Remaining funds available for remediation costs total \$35,000.

Rock One Development, LLC

In August 2015, NCBDC provided Rock One Development, LLC a loan, bearing interest at 0.5%, to be used for professional service costs and fees associated with site remediation on the property at 600 River Road in North Tonawanda, New York. There was \$178,000 disbursed to the borrower in 2015 and another \$113,000 in 2016. The outstanding loan balance as of September 30, 2020 totaled \$180,000.

4435-4445 Military Road

The Town of Niagara (the Town) acquired the tax delinquent property at 4435-4445 Military Road in the Town. The site was previously used for a variety of commercial operations including a dry cleaner, gas station, automotive repair facility, and tire sales. In October 2018, the NCBDC executed a \$325,000 subgrant for asbestos abatement, building demolition, and soil remediation. There was \$137,000 disbursed in 2020 with \$185,000 of remaining funds available as of September 30, 2020.

128 Walnut Street

The Greater Lockport Development Corporation acquired the property with intentions to market the site for redevelopment. In February 2019, the NCBDC executed a \$300,000 subgrant for asbestos abatement and soil remediation. In July 2020, the NCBDC approved an additional \$50,000 subgrant for the project for additional asbestos removal. All remediation work was completed in 2020 and the entire \$350,000 subgrant was disbursed as of September 30, 2020. Mixed use development is proposed for this site.

211 Main Street

In August 2019, NCBDC executed a \$400,000 loan agreement with Enterprise Lumber & Silo, LLC for site remediation at 211 Main Street in North Tonawanda, New York. The loan bears interest at 0.5% and will be used for soil remediation and building cleanup that is needed for adaptive reuse of the building. As of September 30, 2020, \$67,000 has been disbursed. Remediation planning is ongoing with NYSDEC.

50 Elmwood Avenue

In January 2020 the NCBDC executed a \$325,000 subgrant with 210 Walnut Street LLC for soil remediation for a vacant parking lot. Remediation planning is ongoing. \$7,000 was disbursed in 2020.

624 River Road

In March 2020, NCBDC committed to funding a loan totaling \$500,000 at an interest rate of 0.5%. Loan funds will be used for soil remediation. No funds have been disbursed to date.

13 West Main Street

The Greater Lockport Development Corporation acquired the property with intentions to market the site for redevelopment. In August 2020, the NCBDC executed a \$300,000 subgrant for tank removal, asbestos abatement, and soil remediation. No funds have been disbursed to date.

FACTORS EXPECTED TO IMPACT FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

Management believes NCBDC is in good financial condition. Funding is available to cover existing project reimbursements as well as the development of future projects. The extent of the impact of COVID-19 on NCBDC's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on funding sources, borrowers, and vendors, none of which can be predicted.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of NCBDC's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amy E. Fisk, AICP, President, at 6311 Inducon Corporate Drive, Sanborn, New York 14132.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Balance Sheets

September 30,	2020	2019
Assets		
Current assets:		
Cash	\$ 357,482	\$ 274,682
Grants receivable	6,302	4,938
Loans receivable (Note 2)	95,028	85,582
	<u>458,812</u>	<u>365,202</u>
Non-current loans receivable, net (Note 2)	193,934	217,566
	<u>\$ 652,746</u>	<u>\$ 582,768</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 6,302	\$ 4,938
Net position:		
Restricted	<u>646,444</u>	<u>577,830</u>
	<u>\$ 652,746</u>	<u>\$ 582,768</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended September 30,	2020	2019
Operating revenues:		
Grants received	\$ 603,929	\$ 34,308
Interest income	1,725	2,537
Total operating revenues	605,654	36,845
Operating expenses:		
Professional and administrative	35,198	31,104
Grants to subrecipients	501,842	3,204
Total operating expenses	537,040	34,308
Change in net position	68,614	2,537
Net position - beginning	577,830	575,293
Net position - ending	\$ 646,444	\$ 577,830

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Statements of Cash Flows

For the years ended September 30,	2020	2019
Operating activities:		
Grants received	\$ 602,565	\$ 34,234
Principal repayments received on loans	81,075	103,031
Interest payments received	1,725	2,537
Grants and loans paid to third party recipients	(568,731)	(3,204)
Payments to vendors and others	(33,834)	(31,030)
Net operating activities	82,800	105,568
Cash - beginning	274,682	169,114
Cash - ending	\$ 357,482	\$ 274,682
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 68,614	\$ 2,537
Adjustments to reconcile operating income to net cash flows from operating activities:		
Changes in assets and liabilities:		
Grants receivable	(1,364)	(74)
Loans receivable	14,186	103,031
Accounts payable	1,364	74
Net operating activities	\$ 82,800	\$ 105,568

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Organization

Niagara County Brownfield Development Corporation (NCBDC) was organized in October 2008 as a not-for-profit public benefit corporation to establish and operate the Niagara County Brownfields Cleanup Revolving Loan Fund (BCRLF) program. Through BCRLF, NCBDC provides financial assistance in the form of low-interest loans and subgrants to eligible entities for remediation of brownfield sites throughout Niagara County.

BCRLF is a cooperative effort between Niagara County (the County) and the City of Niagara Falls (the City). Accordingly, the Chairman of the County Legislature and the Mayor of the City sit on the Board of NCBDC. The third member of NCBDC's Board is the Executive Director of Niagara County Industrial Development Agency (NCIDA), which provides administrative support and management to NCBDC.

Basis of Presentation

Because NCBDC's Board members are officials of State or local governments, the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus

NCBDC reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. NCBDC's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

NCBDC's policy for defining operating activities in the statement of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. NCBDC also classifies pass-through grants as operating activities.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash management is governed by State laws and as established in NCBDC's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, NCBDC's deposits may not be returned to it. At September 30, 2020, NCBDC's bank deposits were fully collateralized by FDIC coverage.

Allowance for Uncollectible Loans

Loans receivable are stated at the principal amount outstanding, net of an allowance for uncollectible loans, if any. The allowance method is used to compute the provision for uncollectible loans.

Determination of the balance of the allowance for uncollectible loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are charged off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on loans receivable is accrued as required by the terms of the agreement, and management considers that collection is probable, based on the current economic condition of the borrower. Interest accrual stops when a loan becomes past due and does not commence again until the loan is current.

Grants

Grants are reflected as revenue to the extent related expenses have been incurred. Amounts not yet spent, if any, are classified as unearned revenue and recognized as revenue when spent.

Net Position

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by the U.S. Environmental Protection Agency (EPA).
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the restricted component of net position and therefore are available for general use by NCBDC.

Income Taxes

NCBDC is a 501(c)(3) organization exempt from income taxes under §501(a) of the Internal Revenue Code.

2. Loans Receivable

Loans made to local businesses complement private financing at interest rates currently at 0.5%. Such loans have varying repayment terms and are secured by terms acceptable to the NCBDC Board at the time of the loan which include liens on property, buildings, and equipment, and may also include personal or business guarantees. All loans are classified as small business loans. The following is a summary of loans receivable:

	2020	2019
Current status	\$ 373,962	\$ 388,148
Less allowance	85,000	85,000
Less current portion	95,028	85,582
	<u>\$ 193,934</u>	<u>\$ 217,566</u>

There was no change in the allowance for uncollectible loans for the years ended September 30, 2020 and 2019.

3. Economic Dependence

NCBDC received all of its grant revenue from the EPA for the years ended September 30, 2020 and 2019.

4. Commitments

Outstanding commitments include funds approved for sub-grantees but not yet expended. As of September 30, 2020, NCBDC has six projects with \$838,000 remaining. These funds are reimbursed to NCBDC by a grant provided by the EPA once the funds are expended by the sub-grantee. In August 2019, NCBDC committed to funding a loan totaling \$400,000, and as of September 30, 2020, \$66,889 has been disbursed. In March 2020, NCBDC committed to funding a loan totaling \$500,000 which has not yet been disbursed.

5. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses, resulting in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on NCBDC’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on funding sources, borrowers, and vendors, none of which can be predicted.

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

Supplementary Information
Schedule of Revolving Loan Funds

For the year ended September 30, 2020

	Loan Closing Date	Loan Balance 9/30/2019	Loans Made	Principal Paid	Loan Balance 9/30/2020	Interest Paid
Rock One Development, LLC	08/03/15	\$ 216,245	\$ -	\$ 36,101	\$ 180,144	\$ 999
Santarosa Holdings, Inc.	12/22/15	171,903	-	44,974	126,929	632
Enterprise Lumber & Silo, LLC	08/07/19	-	66,889	-	66,889	-
		<u>\$ 388,148</u>	<u>\$ 66,889</u>	<u>\$ 81,075</u>	<u>\$ 373,962</u>	<u>\$ 1,631</u>

NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION

**Supplementary Information
Schedule of Subgrants**

For the year ended September 30, 2020

Grantee	EPA Grant	Agreement Date	Subgrant Amount	Amount Previously Disbursed	Amount Disbursed 9/30/2020	Amount Remaining
Riviera Theater and Organ Preservation Society	BF97245508	03/25/13	\$ 350,000	\$ 307,087	\$ 8,144	\$ 34,769
4435-4445 Military Road	BF97245508	10/18/18	325,000	2,769	136,862	185,369
50 Elmwood Avenue	BF97245508	01/23/20	130,500	-	6,836	123,664
128 Walnut Street	BF96270616	02/26/19	350,000	-	350,000	-
50 Elmwood Avenue	BF96270616	01/23/20	194,500	-	-	194,500
13 West Main Street	BF96270616	08/31/20	300,000	-	-	300,000
			<u>\$ 1,650,000</u>	<u>\$ 309,856</u>	<u>\$ 501,842</u>	<u>\$ 838,302</u>

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Niagara County Brownfield Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Niagara County Brownfield Development Corporation (NCBDC), which comprise the balance sheet as of September 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated December 15, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that NCBDC failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended September 30, 2020. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding NCBDC's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.



December 15, 2020