**Buffalo Urban Development Corporation**
95 Perry Street
Suite 404
Buffalo, New York 14203
phone: 716-856-6525
fax: 716-856-6754
web: buffalourbandevelopment.com

# Audit & Finance Committee Meeting
# Thursday, March 14, 2024 – 12:00 p.m.
# 95 Perry Street
# 4th Floor Vista Room

## *Agenda*

1. Minutes of December 14, 2023 Meeting *(Approval) (Enclosure)*
2. Draft 2023 683 Northland Master Tenant, LLC Audited Financial Statements *(Information) (Enclosure)*
3. Draft 2023 683 Northland, LLC Audited Financial Statements *(Information) (Enclosure)*
4. Draft 2023 BUDC Audited Financial Statements *(Recommend Approval By Board) (Enclosure)*
5. Draft 2023 BBRF Audited Financial Statements *(Information) (Enclosure)*
6. 2023 BBRF Reimbursement Request *(Recommend Approval By Board) (Enclosure)*
7. Investment & Deposit Policy *(Recommend Re-Adoption By Board) (Enclosure)*
8. 2023 BUDC Investment Report *(Recommend Approval By Board) (Enclosure)*
9. 2023 Management's Assessment of Internal Controls *(Information) (Enclosure)*
10. 2023 Audit & Finance Committee Self-Evaluation *(Approval) (Enclosure)*
11. Audit & Finance Committee Charter Review *(Information) (Enclosure)*
12. Audit & Finance Committee Training *(Information) (Enclosure)*
13. 2023 Property Report Review *(Information) (Enclosure)*
14. General Funding Source Updates *(Information)*
15. Adjournment *(Approval)*

# Minutes of the Meeting of the Audit & Finance Committee of Buffalo Urban Development Corporation

**95 Perry Street**
**Buffalo, New York**
**December 14, 2023**
**12:00 p.m.**

**Call to Order:**

| Committee Members Present: | Committee Members Absent: |
|---|---|
| Catherine Amdur | Trina Burruss |
| Janique S. Curry | Dennis M. Penman (Committee Chair) |
| David J. Nasca | |

Officers Present:

Brandye Merriweather, President
Rebecca Gandour, Executive Vice President
Mollie Profic, Treasurer
Kevin J. Zanner, Secretary
Atiqa Abidi, Assistant Treasurer

Others Present: Barbara Danner, Freed Maxick CPAs (via Zoom); Alexis M. Florczak, Hurwitz Fine P.C.; and Caroline Mazzone, Freed Maxick CPAs.

Roll Call – The meeting was called to order at 12:08 p.m. by Mr. Nasca. A quorum of the Committee was not present. Agenda items 2, 9 and 3 were presented first as informational items. Ms. Amdur joined the meeting during the presentation of item 9, and Ms. Curry joined the meeting during the presentation of item 3, at which time a quorum was present.

**1.0** **Approval of Minutes of the October 12, 2023 Meeting** – The minutes of the October 12, 2023 meeting of the Audit & Finance Committee were presented. Ms. Amdur made a motion to approve the meeting minutes. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).

**2.0** **2023 Audit Engagement Letters** – Ms. Profic reported that staff had received audit engagement letters from Freed Maxick, and she referred the Committee to the Freed Maxick required communications letters dated November 8, 2023, copies of which were included in the Committee meeting packet.

**3.0** **2023 Audit Plan Discussion** – Ms. Profic introduced Barbara Danner and Caroline Mazzone from Freed Maxick to present the 2023 Audit Plan. Ms. Danner and Ms. Mazzone provided an overview of the audit scope, deliverables and timeline for completion of the audit process. They reviewed the respective expectations and responsibilities of the Freed Maxick audit team and BUDC. Also reviewed were 2024 developments potentially impacting BUDC operations and financial reporting. The Committee discussed several aspects of the audit process with Ms. Danner and Ms. Mazzone, including potential audit risk areas and the audit strategy for identified risks.

**4.0** **683 Northland Avenue – Extension of the KeyBank Line of Credit** – Ms. Gandour presented her December 14, 2023 memorandum regarding a proposed extension of the 683 Northland LLC line of credit with KeyBank. In response to questions from the Committee, Ms. Gandour noted that KeyBank offered to extend the line of credit at an administrative level for a maximum of ninety days. A further extension may be needed depending on the timing of ESD's disbursement to BUDC of the RECAP grant award, a portion of which will be utilized to repay the outstanding $600,000 balance on the line of credit. At the conclusion of the discussion, Mr. Nasca made a motion to recommend that the BUDC Board of Directors: (i) approve a ninety (90) day extension of the term for the KeyBank line of credit; and (ii) authorize the President or Executive Vice President to execute and deliver such agreements and documents and to take such actions on behalf of 683 Northland LLC, BUDC and 683 WTC, LLC as may be reasonably necessary or appropriate to implement this action. The motion was seconded by Ms. Amdur and unanimously carried (3-0-0).

**5.0** **683 Northland Project – Inter-Company Transactions** – Ms. Profic presented her December 14, 2023 memorandum regarding proposed modifications to the inter-company transactions for Phase II of the 683 Northland project. Ms. Profic explained that these modifications are necessary in order to facilitate the repayment of the 683 Northland LLC line of credit with the RECAP grant funding being made available to BUDC. Following a discussion regarding the proposed modifications, Ms. Amdur made a motion to recommend that the BUDC Board of Directors: (i) approve an amendment to the Phase II Subrecipient Agreement between BUDC and BBRC to increase the grant to BBRC by an amount not-to-exceed $30,000.00; (ii) approve an amendment to the Phase II Promissory Note to increase the principal balance of the note by the not-to-exceed amount of $570,000.00; and (iii) authorize the President or Executive Vice President of BUDC to execute the amendments and such other documents on behalf of BUDC and 683 WTC, LLC, and to take such other actions as are necessary and appropriate to implement this authorization. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).

**6.0** **Loan from BBRC to BBRC Land Company I, LLC** – Ms. Profic reported that the BBRC Board of Directors approved an amendment to the Phase II subrecipient agreement between BUDC and BBRC to increase the grant to BBRC by an amount not to exceed $30,000.00 and to amend its promissory note by the same not to exceed amount.

**7.0** **2024 Cammarata Consulting, LLC Agreement** – Ms. Gandour presented her December 14, 2023 memorandum regarding a proposed consulting agreement with Cammarata Consulting, LLC. Mr. Nasca made a motion to approve BUDC entering into a consulting agreement with Cammarata Consulting, LLC at an hourly rate of $100.00 per hour, with total payments not to exceed $15,000 and to authorize the President or Executive Vice President to execute the consulting agreement and take such actions as may be necessary to implement this action. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).

**8.0** **2024 Bisonwing Planning and Development, LLC Agreement** – Ms. Gandour presented December 14, 2023 memorandum regarding a proposed consulting agreement with Bisonwing Planning and Development, LLC. Mr. Nasca made a motion to approve BUDC entering into a consulting agreement with Bisonwing Planning and Development, LLC at an hourly rate of $100.00 per hour, with total payments not to exceed $15,000 and to authorize the President or Executive Vice President to execute the consulting agreement and take such actions as may be necessary to implement this action. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).

**9.0** **Miscellaneous Funding Source Update** – Ms. Merriweather presented an update regarding miscellaneous funding sources. BUDC staff recently met with the City staff regarding the $1.2

million in American Rescue Plan funding. The City is prepared to move forward with providing funding to BUDC. BUDC anticipates submitting an invoice to the City this week for the full $1.2 million tranche of funding. In response to a question from Mr. Nasca, Ms. Merriweather noted that approximately $300,000 of the funding will be used for Covid-19 cost recovery. The remaining funding will be allocated to Race for Place programming and administrative expenses incurred by BUDC for program delivery. Ms. Gandour alo reported that BUDC staff has established the Imprest account for the ESD RECAP grant funding.

**10.0** **Adjournment** – There being no further business to come before the Committee, the December 14, 2023 meeting of the Audit & Finance Committee was adjourned at 1:10 p.m.

Respectfully submitted,

Kevin J. Zanner
Secretary

**REPORT TO THE MANAGING MEMBER**

# 683 NORTHLAND MASTER TENANT, LLC
# (A LIMITED LIABILITY COMPANY)

**DECEMBER 31, 2023**

FreedMaxick® CPAs, P.C.

[Date of Issuance of Communication]

To the Managing Member of
683 Northland Master Tenant, LLC
(A Limited Liability Company)
95 Perry Street, Suite 404
Buffalo, New York 14203

Attention Managing Member:

We are pleased to present this report related to our audit of the financial statements of 683 Northland Master Tenant, LLC (the Company) as of and for the year ended December 31, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for 683 Northland Master Tenant, LLC's financial reporting process.

This report is intended solely for the information and use of the Managing Member and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Company.

Firm Signature

## TABLE OF CONTENTS

## REQUIRED COMMUNICATIONS

Auditing standards generally accepted a in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

### Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated November 8, 2023. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated November 8, 2023 regarding the planned scope and timing of our audit and identified significant risks.

### Accounting Policies and Practices

**Preferability of Accounting Policies and Practices**
Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

**Adoption of, or Change in, Accounting Policies**
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Company. The Company did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

**Significant Accounting Policies**
We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Significant Unusual Transactions**
We did not identify any significant unusual transactions.

**Management's Judgments and Accounting Estimates**
Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. There were no significant accounting estimates.



### Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit. We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### Observations About the Audit Process

**Disagreements With Management**
We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

**Consultations With Other Accountants**
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**Significant Issues Discussed With Management**
No significant issues arising from the audit were discussed or were the subject of correspondence with management.

**Significant Difficulties Encountered in Performing the Audit**
We did not encounter any significant difficulties in dealing with management during the audit.

**Difficult or Contentious Matters That Required Consultation**
We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) independence rules. For Freed Maxick (FM) to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and FM each play an important role.

**Our Responsibilities**

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. FM is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.

- Maintain a system of quality management over compliance with independence rules and firm policies.

**The Company's Responsibilities**

- Timely inform FM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units or jointly governed organizations.

- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.

- Understand and conclude on the permissibility, prior to the Company and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with FM.

- Not entering into arrangements of nonaudit services resulting in FM being involved in making management decisions on behalf of the Company.

- Not entering into relationships resulting in close family members of FM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Company.



## Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Company, including the representation letter provided to us by management, are attached as Exhibit A.

# EXHIBIT A

## Significant Written Communications Between Management and Our Firm

*Engagement Letter – Previously furnished*

*Representation Letter – See attached*

AUDITED
FINANCIAL STATEMENTS

# 683 NORTHLAND MASTER TENANT, LLC
# (A LIMITED LIABILITY COMPANY)

---

**DECEMBER 31, 2023**

683 NORTHLAND MASTER TENANT, LLC
(A LIMITED LIABILITY COMPANY)

## CONTENTS

**683 NORTHLAND MASTER TENANT, LLC**
**(A LIMITED LIABILITY COMPANY)**

**BALANCE SHEETS**
**December 31,**

| **ASSETS** | | **2023** | | **2022** |
|---|---|---|---|---|
| **Current assets:** | | | | |
| Cash - operating | $ | 518,270 | $ | 486,590 |
| Tenant receivables | | 26,512 | | 42,206 |
| Prepaid insurance | | 117,269 | | 115,882 |
| Total current assets | | 662,051 | | 644,678 |
| Reserves: | | | | |
| Operating reserve | | 339,078 | | 336,428 |
| Asset management fee reserve | | 10,228 | | 20,147 |
| Total reserves | | 349,306 | | 356,575 |
| Prepaid lease - sublessee | | 535,596 | | 483,394 |
| Prepaid leasing commission | | 190,936 | | 188,616 |
| Tenant security deposits | | 79,908 | | 84,894 |
| Equipment, net | | 23,162 | | 19,869 |
| Right of use asset - Master Lease Agreement | | 26,671,582 | | 28,430,126 |
| **Total assets** | $ | 28,512,541 | $ | 30,208,152 |
| **LIABILITIES AND MEMBERS' EQUITY** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable | $ | 83,987 | $ | 130,895 |
| Current portion- deferred operating lease liability - Master Lease Agreement | | 415,430 | | 337,817 |
| Current portion - deferred operating lease liability - sublessee | | 553,075 | | 590,793 |
| Total current liabilities | | 1,052,492 | | 1,059,505 |
| Operating deficit loan | | 387,294 | | 387,294 |
| Tenant security deposits | | 79,850 | | 84,850 |
| Deferred operating lease liability - Master Lease Agreement | | 6,983,739 | | 7,399,169 |
| Deferred operating lease liability - sublessee | | 4,493,565 | | 5,046,640 |
| Distribution payable - priority return | | 257,904 | | 238,320 |
| **Total liabilities** | | 13,254,844 | | 14,215,778 |
| **Members' equity** | | 15,257,697 | | 15,992,374 |
| **Total liabilities and members' equity** | $ | 28,512,541 | $ | 30,208,152 |



See accompanying notes.

**683 NORTHLAND MASTER TENANT, LLC**
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF OPERATIONS**
**For the Years Ended December 31,**

| | | **2023** | | 2022 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Lease revenue | $ | **1,445,435** | $ | 1,466,335 |
| Additional lease revenue | | **752,071** | | 753,037 |
| Other income | | **7,033** | | 1,372 |
| Total revenues | | **2,204,539** | | 2,220,744 |
| **Expenses:** | | | | |
| Lease expense | | **1,913,150** | | 1,879,742 |
| Repairs and maintenance | | **166,757** | | 193,758 |
| Payroll | | **155,609** | | 143,808 |
| Utilities expense | | **129,992** | | 188,227 |
| Insurance expense | | **127,632** | | 122,769 |
| Professional fees | | **75,857** | | 67,053 |
| Property management fee | | **69,719** | | 70,520 |
| Real estate taxes | | **25,914** | | 20,398 |
| Asset management fee | | **10,000** | | 10,000 |
| Miscellaneous expense | | **347** | | 316 |
| Total expenses | | **2,674,977** | | 2,696,591 |
| **Loss from operations** | | **(470,438)** | | (475,847) |
| **Other expenses:** | | | | |
| Depreciation expense | | **(6,448)** | | (5,056) |
| **Net loss** | $ | **(476,886)** | $ | (480,903) |



See accompanying notes.

**683 NORTHLAND MASTER TENANT, LLC**
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**
**For the Years Ended December 31,**

| | INVESTOR MEMBER | MANAGING MEMBER | TOTAL |
|---|---|---|---|
| **Members' equity - January 1, 2022** | $ 14,414,013 | $ 164,437 | $ 14,578,450 |
| Members' capital contributions | 2,091,098 | - | 2,091,098 |
| Distributions | (196,271) | - | (196,271) |
| Net loss | (476,094) | (4,809) | (480,903) |
| **Members' equity - December 31, 2022** | 15,832,746 | 159,628 | 15,992,374 |
| Distributions | (257,791) | - | (257,791) |
| Net loss | (472,117) | (4,769) | (476,886) |
| **Members' equity - December 31, 2023** | $ 15,102,838 | $ 154,859 | $ 15,257,697 |
| **Percentage interest** | 99.00% | 1.00% | 100% |



See accompanying notes.

**683 NORTHLAND MASTER TENANT, LLC**
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31,**

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Net loss | $ | (476,886) | $ | (480,903) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation | | 6,448 | | 5,056 |
| Decrease (increase) in assets: | | | | |
| Tenant receivables | | 15,694 | | 32,479 |
| Prepaid insurance | | (1,387) | | (9,220) |
| Accrued rental income | | (52,202) | | (57,085) |
| Prepaid leasing commission | | (2,320) | | 29,322 |
| Right of use asset - Master Lease Agreement | | 1,420,727 | | 1,395,256 |
| Decrease in liabilities: | | | | |
| Security deposit liability | | (5,000) | | (4) |
| Accounts payable | | (46,908) | | (13,655) |
| Due to related parties | | (37,718) | | - |
| Deferred operating lease liability - sublessee | | (553,075) | | (513,406) |
| **Net cash provided by operating activities** | | 267,373 | | 387,840 |
| **Cash flows from investing activities:** | | | | |
| Equipment purchases | | (9,741) | | (18,390) |
| **Net cash used by investing activities** | | (9,741) | | (18,390) |
| **Cash flows from financing activities:** | | | | |
| Members' contributions | | - | | 2,091,098 |
| Distributions | | (238,207) | | (221,892) |
| Payments of prepaid rent under the Master Lease Agreement | | - | | (1,869,206) |
| **Net cash used by financing activities** | | (238,207) | | - |
| **Net increase in cash and restricted cash** | | 19,425 | | 369,450 |
| **Cash and restricted cash - beginning of year** | | 928,059 | | 558,609 |
| **Cash and restricted cash - end of year** | $ | 947,484 | $ | 928,059 |
| **Non-cash financing transactions:** | | | | |
| Non-cash distribution recorded as distribution payable | $ | 257,904 | $ | 238,320 |



See accompanying notes.

**683 NORTHLAND MASTER TENANT, LLC**
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CASH FLOWS (CONTINUED)**
**For the Years Ended December 31,**

The following table provides a reconciliation of cash and restricted cash to the amounts reported within the balance sheets:

| | 2023 | 2022 |
|---|---|---|
| Cash - operating | $ 518,270 | $ 486,590 |
| Tenant security deposits | 79,908 | 84,894 |
| Operating reserve | 339,078 | 336,428 |
| Asset management fee reserve | 10,228 | 20,147 |
| | $ 947,484 | $ 928,059 |



See accompanying notes.

## NOTE 1. ORGANIZATION

683 Northland Master Tenant, LLC (the Company) is a limited liability company formed pursuant to the laws of the State of New York on September 7, 2017. 683 Northland LLC, a related entity, was formed to facilitate the ownership, rehabilitation and operation of a commercial and industrial facility located at 683 Northland Avenue, City of Buffalo, known as the Niagara Machine & Tool Works Factory (the Property). 683 Northland LLC serves as lessor to the Company. The relationship between lessor and lessee is governed by a Master Lease Agreement dated December 28, 2017. The major activities of the Company are governed by the Master Tenant Amended and Restated Operating Agreement.

The Property is located in a historic district on the National Register of Historic Places and will receive an allocation of federal and state historic rehabilitation tax credits under Section 47 of the Internal Revenue Code of 1986, as amended, and New York credit for Rehabilitation of Historic Properties under Section 606(00) of New York State tax law. The Property was developed in two phases; Phase 1 received an allocation of rehabilitation tax credits during the year ended December 31, 2018; Phase 2 received allocations for the years ending December 31, 2020 and 2019. No further credits are anticipated.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting:** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Cash:** The statement of cash flows considers amounts available for current operations to be cash and includes amounts restricted for repayment of tenant security deposits and reserves.

**Concentration of Credit Risk:** The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

During the year ended December 31, 2023, three tenants represented 94% (90% - 2022) of lease revenue and 94% (71% - 2022) of accounts receivable.

**Tenant Receivables:** Tenant receivables consists of receivables from tenants for lease payments and other charges, if applicable, recorded according to the terms of their sublease agreements. Tenant receivables do not bear interest. The Company holds tenant security deposits as collateral for tenant receivables. On a periodic basis, the Company evaluates its tenant receivables and establishes an allowance for doubtful accounts. There was no allowance for doubtful accounts for the years ended December 31, 2023 and 2022.

**Prepaid Leasing Commissions:** Prepaid leasing commissions consists of commission paid out in connection with obtaining long term subleases. The Company recognizes commission expenses incurred over the life of the applicable lease as required under ASC 842. Prepaid leasing commissions amounted to $190,936 as of the year ended December 31, 2023 ($188,616 - 2022).

**Lease Income:** The Company recognizes revenue on the date lease payments become due in accordance with the subleases. Lease payments received in advance are deferred until earned. All leases between parties are operating leases.

**Equipment:** Equipment is carried at cost. Renewals and betterments that materially extend the life of the assets are capitalized. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided for using the straight-line method.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases:** The Master Lease Agreement (MLA) and all sublease agreements with tenants are operating leases under ASC 842. A lease is a sales-type lease if any one of five criteria are met, each of which indicate that the lease, in effect, transfers control of the underlying asset to the lessee. If none of those five criteria are met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee and a third party, the lease is a direct financing lease. All leases that are not sales-type or direct financing leases are operating leases.

**Income Taxes:** No provision or benefit has been made for income taxes in the accompanying financial statements since taxable income or loss of the Company is passed through to the respective members for reporting passes through to, and is reportable by, the members individually.

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

**Subsequent Events:** These financial statements have not been updated for subsequent events occurring after ___________, which is the date these financial statements were available to be issued.



## NOTE 3. TENANT SECURITY DEPOSITS

Tenant security deposits are maintained in a separate bank account from operating funds. They are tracked by name of the tenant internally by the Company and are segregated on the accompanying balance sheets.

## NOTE 4. RESERVES

**Asset Management Fee Reserve:** The Company was required to establish a reserve to fund the payment of asset management fees in the amount of $60,000 upon receipt of the third capital contribution from the investor member. All required funding of the asset management fee reserve has been made. As of December 31, 2023, the reserve amounted to $10,228 ($20,147 - 2022).

**Operating Reserve:** The Company was required to establish an operating reserve to fund any operating deficits as approved by the investor member. An initial contribution of $335,000 was to be deposited into the operating reserve upon receipt of the third capital contribution from the investor member which occurred during the year ended December 31, 2019. Funds are required to be held in a segregated, interest-bearing account with a federally insured financial institution. As of December 31, 2023, the reserve amounted to $339,078 ($336,428 - 2022).

**Replacement Reserve:** The Company is required to establish a replacement reserve to fund any replacement costs as approved by the investor member. The reserve is to be funded annually in the amount of $48,000 (subject to a 3% increase per year) from net cash flow in accordance with the allocation of profits and losses (Note 8). Funds are required to be held in a segregated, interest-bearing account with a federally insured financial institution. As of December 31, 2023 and 2022, there was no net cash flow available to fund the replacement reserve.

## NOTE 5. CAPITAL CONTRIBUTIONS

The Company consists of two members: 683 WTC, LLC and NTCIC HTC Community Fund II, LLC (NTCIC). 683 WTC, LLC is the managing member and a 1% owner. NTCIC is the investor member and has a 99% membership interest.

The managing member is required to contribute capital of $198,360 according to the terms of the amended and restated operating agreement. As of December 31, 2023 and 2022, the managing member has made all required contributions.

The investor member is required to contribute capital of $19,637,612 based upon the completion of requirements by the Company as defined in the amended and restated operating agreement. During the year ended December 31, 2022, an upward adjustor amounting to $773,461 was added to the capital contributions of the investor member. Total adjusted capital contributions amount to $20,411,073. As of December 31, 2022, the investor member had made all required contributions. There were no capital contributions made during the year ending December 31, 2023 ($2,091,098 - 2022)

## NOTE 6. TRANSACTIONS WITH AFFILIATES



**Master Lease Agreement:** The Company has a Master Lease Agreement (the Agreement) with the lessor, a related entity, to pay rental expense commencing on August 26, 2018, the day prior to the first date on which Phase I of the building was placed in service for purposes of the historical tax credits through 2038. The lease is classified as an operating lease and accordingly, the underlying building and other assets are recorded as a right to use asset and corresponding lease liability on the Company's balance sheets. The Company utilized an interest rate of 2.05% to calculate the lease liability.

Under the Agreement, the Company is to make minimum lease payments. In addition to minimum rents, the lease requires payments for utilities, insurance, maintenance costs, real estate taxes, and all other operating expenses. Minimum lease payments due under the Agreement consists of base lease payments and prepaid rent. As of December 31, 2023 and 2022, the Company paid $27,397,807 in prepaid rent. All prepaid rent payments under the Agreement have been made as of December 31, 2022. Prepaid rent is combined with the right to use asset under ASC 842.

For the year ended December 31, 2023, the Company recognized $1,913,150 in lease expense ($1,879,742 - 2022). The lease agreement includes scheduled rent increases over the term of the lease, which in accordance with U.S. GAAP will be recognized on a straight-line basis over the term of the lease.

Future minimum rental payments to be paid under the Master Lease Agreement are contractually due as follows:

| | |
|---|---|
| 2024 | $ 528,046 |
| 2025 | 558,098 |
| 2026 | 565,617 |
| 2027 | 580,645 |
| 2028 | 596,024 |
| Thereafter | 5,713,704 |
| | $ 8,542,134 |

## NOTE 7. COMMERCIAL LEASE REVENUE

**Northland Workforce Training Center:** The Company entered into a sublease agreement with the Economic Development Group, Inc. d/b/a Northland Workforce Training Center, (NWTC), commencing on September 1, 2018, and extending through August 31, 2033. The agreement calls for payment of prepaid lease payments and additional lease payments. Lease income from the sublease agreement is being recognized on a straight-line basis, in accordance with U.S. GAAP, over the term of the lease. Prepaid lease payments in the amount of $7,678,971 was due and paid during the year ended December 31, 2018; $511,931 of lease income related to the prepaid lease payments was recognized during the years ended December 31, 2023 and 2022. The Company is required to estimate additional lease income on a monthly basis and provide NWTC with a statement of actual additional lease incurred within 90 days of year end. During the year ended December 31, 2023, $320,178 in additional lease income was recognized ($303,135 - 2022).

Additionally, the Company entered into a second sublease agreement during 2019 for an additional space related to the Northland Workforce Training Center commencing October 1, 2019 and extending through July 31, 2026. The agreement calls for prepayment of lease expense in the amount of $288,000. The entire prepaid lease balance was paid during the year ending December 31, 2020. For the year ended December 31, 2023 and 2022, the Company recognized $41,143 in lease income based on the second sublease agreement.

Further, the company entered into a third sublease agreement during 2023 for an additional space related to the Northland Workforce Training Center commencing January 1, 2024 and extending through December 31, 2033.

**Buffalo Manufacturing Works:** The Company entered into a sublease agreement with Edison Welding Institute Inc. d/b/a Buffalo Manufacturing Works, commencing on July 1, 2019, and extending through June 30, 2034. For the years ended December 31, 2023 and 2022, the Company recognized $475,400 in lease income based on this agreement.

**Manna Culinary Group:** The Company entered into a sublease agreement with Manna Culinary Group, Inc. commencing on September 30, 2019, and extending through October 31, 2024. Under the sublease agreement, base lease payments begin March 1, 2020. For the year ended December 31, 2023 and 2022, the Company recognized $12,995 in lease income based on this agreement.

**Sparkcharge:** The Company entered into a sublease agreement with Sparkcharge, Inc. commencing on March 1, 2020, and extending through May 31, 2023. For the year ended December 31, 2023, the Company recognized $16,500 in lease income based on this agreement ($37,400 - 2022).

**Retech:** The Company entered into a sublease agreement with Retech Systems LLC. commencing on July 1, 2020 and extending through December 31, 2030. For the years ended December 31, 2023 and 2022, the Company recognized $286,224 in lease income based on this agreement.

**Rodriguez Construction:** The Company entered into a sublease agreement with Rodriguez Construction Group Inc. commencing on December 1, 2020, and extending through November 30, 2025. For the years ended December 31, 2023 and 2022, the Company recognized $37,742 in lease income based on this agreement.

**Garwood Medical:** The Company entered into a sublease agreement with Garwood Medical Devices, LLC commencing on December 1, 2020, and extending through November 30, 2025. For the years ended December 31, 2023 and 2022, the Company recognized $39,600 in lease income based on this agreement.

**Bank on Buffalo:** The Company entered into a sublease agreement with CNB Financial Corporation d/b/a Bank on Buffalo commencing on April 1, 2021, with rent payments commencing on October 1, 2021 and extending through September 30, 2031. For the years ended December 31, 2023 and 2022, the Company recognized $23,900 in lease income based on this agreement.

**NOTE 7. COMMERCIAL LEASE REVENUE (CONTINUED)**

The following is a schedule of minimum future lease revenue on noncancelable leases with an initial term greater than one year:

| | |
|---|---|
| 2024 | $ 1,455,806 |
| 2025 | 1,424,153 |
| 2026 | 1,379,270 |
| 2027 | 1,348,413 |
| 2028 | 1,348,413 |
| Thereafter | 5,976,703 |
| Total | $ 12,932,758 |

**NOTE 8. ALLOCATION OF PROFITS AND LOSSES**

In accordance with the amended and restated operating agreement, operating profits and losses and credits, other than those arising from a capital transaction, will be allocated in the ratio 1% to the managing member and 99% to the investor member. Profits and losses arising from a capital transaction will be allocated to the members in various amounts as described in the amended and restated operating agreement depending on if the amounts are profits or losses and if the members' capital account balances are negative or positive.

All net cash flow available for distribution shall be paid annually as follows:

(i) To the investor member in the amount of any unpaid adjusters;

(ii) To the investor member in the amount of any outstanding special tax distribution;

(iii) To the investor member in the amount of any outstanding priority return for the fiscal year plus any outstanding priority return for any prior fiscal year;

(iv) To fund the replacement reserve;

(v) To the repayment of any subordinated loans (and accrued interest thereon) and any operating deficit loans; and

(vi) The balance to the members in accordance with their percentage interests.

Profits arising from a capital transaction will be distributed in the following order: first to each member, an amount equal to their negative capital account basis based on their proportionate share of the anticipated distribution; second, any remaining profits are distributed in accordance with the members' capital accounts.

Losses arising from a capital transaction will be allocated in the following order: first to each member, an amount equal to their positive capital account basis based on their proportionate share of the anticipated distribution; second, any remaining losses are distributed in accordance with the members' capital accounts.

For distributions other than cash flow and distributions prior to dissolution or termination of the Company, assets and proceeds will be distributed in the following order:

(i) To the payment of all matured debts and liabilities of the Company and all expenses of the Company incident to any Capital Transaction, excluding (i) debts and liabilities of the Company to members or any affiliates, and (ii) all unpaid fees owing to any developer entity;

## NOTE 8. ALLOCATION OF PROFITS AND LOSSES (CONTINUED)

(ii) To the setting up of any reserves which the liquidator (or the managing member if the distribution is not pursuant to the liquidation of the Company) deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Company;

(iii) To the payment to the investor member of any unpaid credit recovery loans and interest thereon;

(iv) To the investor member in the amount of any outstanding priority return;

(v) To the payment of any unpaid special tax distribution plus an amount equal, on an after-tax basis, to the local, state and federal taxes projected (at the applicable tax rate) to be imposed on the members of the investor member as a result of the capital transaction;

(vi) To the repayment of any unpaid debts and liabilities (including unpaid fees) owed to the members or any affiliates by the Company for Company obligations; and

(vii) The balance to the members in accordance with their percentage interests.

The amended and restated operating agreement requires the distribution of cash based upon the net cash flow calculation. Distributable cash flow is calculated annually as defined by the amended and restated operating agreement. Based upon the calculation, there is no net cash flow available to be distributed for the years ending December 31, 2023 and 2022. However, according to the amended and restated operating agreement, any priority return not distributed shall accrue and remain payable until net cash flow becomes available. Under the amended and restated operating agreement, the priority return is based upon 1.5% of the portion of capital contributions attributable to federal historic tax credits and is pro-rated for any periods less than a full year. As of December 31, 2023, $257,904 was accrued as payable to the investor member for the priority return ($238,320 - 2022). During the year ended December 31, 2023, the investor member was paid $238,207 for the 2022 accrued priority return ($221,892 - 2022).

## NOTE 9. OPERATING DEFICIT GUARANTY

In accordance with the amended and restated operating agreement, the managing member will provide funds to the Company so as to allow them to cover accrued accounts payable on a 60-day current basis. Any funds advanced shall be provided in the form of an operating deficit loan. An operating deficit loan shall be treated as a subordinated loan and shall bear no interest. As of December 31, 2023 and 2022, $387,294 was loaned to the Company from the managing member and a related party.

## NOTE 10. PROPERTY MANAGEMENT

The Company entered into a property management agreement with Mancuso Management Inc. (Mancuso) in December 2017. Under the agreement, Mancuso is to provide leasing and property management services. Under the agreement, the monthly management fee is calculated at 5% of rents billed or $2,700, whichever is higher. A new agreement was entered into with Mancuso effective January 1, 2021 through December 31, 2021 with an option to extend up to five additional one-year terms. As of December 31, 2023, the Company extended the contract on a month to month basis for the year ending December 31, 2024. For the year ended December 31, 2023, $69,719 of property management fees were incurred and paid ($70,520 - 2022).

## NOTE 11. RECONCILIATION OF TAXABLE LOSS

The reconciliation of financial statement net loss to the taxable loss of the Company for the years ended December 31, are as follows:

| | 2023 | 2022 |
|---|---|---|
| Financial statement net loss | $ (480,903) | $ (480,903) |
| Add (subtract) nondeductible items per tax return: | | |
| Book to Tax depreciation | 4,800 | 4,800 |
| Section 467 income | 685,567 | 685,567 |
| Section 467 expense | (875,957) | (875,957) |
| Taxable loss | $ (666,493) | $ (666,493) |

The Company files income tax returns in the U.S. Federal jurisdiction and New York State.

## NOTE 12. PAYMENT IN LIEU OF TAXES (PILOT)

The Company entered into a 7-year agreement (the Agreement), through December 31, 2027, with the Erie County Industrial Development Agency (ECIDA), on behalf of the City of Buffalo (the City), the City of Buffalo School District (the School District), and County of Erie (the County), whereby the Company pays an annual PILOT payment to the City, the County and the School District. The Company shall pay a payment in lieu of taxes composed of a land component, an existing improvements component, and a variable component. The variable component will be impacted by application of an annual payment factor. The payment factor will be 10% for the first two years of the Agreement, 20% for the next two years of the Agreement, and 30% for the final three years of the Agreement. The Company paid taxes amounting to $25,914 for the year ended December 31, 2023 ($20,398 - 2022).

## NOTE 13. EQUIPMENT

Equipment consisted of the following at December 31:

| | Estimated Useful Life | 2023 | 2022 |
|---|---|---|---|
| Furniture and equipment | 5 years | $ 41,395 | $ 31,654 |
| Less: accumulated depreciation | | (18,233) | (11,785) |
| | | $ 23,162 | $ 19,869 |

Depreciation expense for the year ended December 31, 2023 related to equipment amounted to $6,448 ($5,056 - 2022).

REPORT TO THE MANAGING MEMBER

# 683 NORTHLAND LLC
# (A LIMITED LIABILITY COMPANY)

DECEMBER 31, 2023

FreedMaxick® CPAs, P.C.

[Date of Issuance of Communication]

To the Managing Member
683 Northland LLC
(A Limited Liability Company)
95 Perry Street, Suite 400
Buffalo, NY 14203

Attention Managing Member:

We are pleased to present this report related to our audit of the financial statements of 683 Northland LLC (the Company) as of and for the year ended December 31, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Company's financial reporting process.

This report is intended solely for the information and use of the Managing Member and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Company.

## TABLE OF CONTENTS

## REQUIRED COMMUNICATIONS

Auditing standards generally accepted a in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

### Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated November 8, 2023. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated November 8, 2023, regarding the planned scope and timing of our audit and identified significant risks.

### Accounting Policies and Practices



**Preferability of Accounting Policies and Practices**
Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

**Adoption of, or Change in, Accounting Policies**
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Company. The Company did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

**Significant Accounting Policies**
We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Significant Unusual Transactions**
We did not identify any significant unusual transactions.

**Management's Judgments and Accounting Estimates**
Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the accounting estimates reflected in the Company's financial statements:

- Estimated useful life of fixed assets
- Impairment of building

### Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Company are shown in the attached list of Recorded Audit Adjustment. We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### Observations About the Audit Process

**Disagreements With Management**
We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

**Consultations With Other Accountants**
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**Significant Issues Discussed With Management**
No significant issues arising from the audit were discussed or were the subject of correspondence with management.

**Significant Difficulties Encountered in Performing the Audit**
We did not encounter any significant difficulties in dealing with management during the audit.

**Difficult or Contentious Matters That Required Consultation**
We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) independence rules. For Freed Maxick (FM) to fulfill its professional responsibility to maintain and monitor independence, management, management, and FM each play an important role.

**Our Responsibilities**

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. FM is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

**The Company's Responsibilities**

- Timely inform FM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Company and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with FM.
- Not entering into arrangements of nonaudit services resulting in FM being involved in making management decisions on behalf of the Company.
- Not entering into relationships resulting in close family members of FM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Company.



## Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Company, including the representation letter provided to us by management, are attached as Exhibit A.

**683 Northland LLC**
**Year End: December 31, 2023**
**Summary of Recorded Audit Adjustment**

| Number | Date | Name | Debit | Credit |
|---|---|---|---|---|
| 1 | 12/31/2023 | Accumulated Depreciation - FF&E | 16,689 | |
| 1 | 12/31/2023 | Furnitures, Fixtures & Equipment | | 8,360 |
| 1 | 12/31/2023 | Loss in Disposal | | 8,329 |

To properly adjust cost basis of fixed assets, gain on disposal and accumulated depreciation related disposals during the year ended December 31, 2023.

# EXHIBIT A

**Significant Written Communications Between Management and Our Firm**



*Engagement Letter – Previously furnished*

*Representation Letter – See attached*

**AUDITED**
**FINANCIAL STATEMENTS**

# 683 NORTHLAND LLC
## (A LIMITED LIABILITY COMPANY)

---

**DECEMBER 31, 2023**

**683 NORTHLAND LLC**
**(A LIMITED LIABILITY COMPANY)**

**CONTENTS**

---

**683 NORTHLAND LLC**
**(A LIMITED LIABILITY COMPANY)**

**BALANCE SHEETS**
**December 31,**

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets:** | | | | |
| Operating cash | $ | 23,208 | $ | 66,665 |
| Total current assets | | 23,208 | | 66,665 |
| Restricted cash | | 143,926 | | 247,486 |
| Due from related party | | 132,359 | | 132,359 |
| Land, property and equipment, net | | 92,274,970 | | 96,340,348 |
| **Total assets** | $ | 92,574,463 | $ | 96,786,858 |
| **LIABILITIES AND MEMBERS' EQUITY** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable | $ | 280 | $ | 6,719 |
| Accrued interest | | 3,973 | | 9,168 |
| Current portion of long term debt | | 100,188 | | 1,001,167 |
| Line of credit | | 570,000 | | 677,158 |
| Total current liabilities | | 674,441 | | 1,694,212 |
| Deferred lease liability - Master Lease Agreement | | 19,272,413 | | 20,693,140 |
| Long term debt | | 13,629,812 | | 13,730,000 |
| **Total liabilities** | | 33,576,666 | | 36,117,352 |
| **Members' equity** | | 58,997,797 | | 60,669,506 |
| **Total liabilities and members' equity** | $ | 92,574,463 | $ | 96,786,858 |



See accompanying notes.

**683 NORTHLAND LLC**
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF OPERATIONS**
**For the Years Ended December 31,**

| | 2023 | 2022 |
|---|---|---|
| **Operating revenues:** | | |
| Lease revenue | $ 1,913,150 | $ 1,879,742 |
| Total operating revenues | 1,913,150 | 1,879,742 |
| **Operating expenses:** | | |
| Professional fees | 123,841 | 139,674 |
| Asset management fees | 55,000 | 55,000 |
| Loan servicing fees | 21,941 | 31,593 |
| Donation | 13,420 | 44,366 |
| Miscellaneous expense | 874 | 1,015 |
| Total operating expenses | 215,076 | 271,648 |
| Operating income | 1,698,074 | 1,608,094 |
| **Other (expense) income:** | | |
| Gain on disposal | 8,329 | 18,051 |
| Interest income | 361 | 312 |
| Interest expense | (168,678) | (244,335) |
| Depreciation | (4,058,307) | (4,071,045) |
| Total other expense, net | (4,218,295) | (4,297,017) |
| **Net loss** | $ (2,520,221) | $ (2,688,923) |



See accompanying notes.

**683 NORTHLAND LLC**
**(A LIMITED LIABILITY COMPANY)**

## STATEMENTS OF CHANGES IN MEMBERS' EQUITY
**For the Years Ended December 31,**

| | MEMBER | MANAGING MEMBER | TOTAL |
|---|---|---|---|
| **Members' equity - January 1, 2022** | $ 3,511,021 | $ 52,706,291 | **$ 56,217,312** |
| Members' capital contributions | 348,325 | 6,792,792 | **7,141,117** |
| Net loss | (134,446) | (2,554,477) | **(2,688,923)** |
| **Members' equity - December 31, 2022** | **3,724,900** | **56,944,606** | **60,669,506** |
| Members' capital contributions | 44,711 | 852,001 | **896,712** |
| Members' distributions | (2,400) | (45,800) | **(48,200)** |
| Net loss | (126,011) | (2,394,210) | **(2,520,221)** |
| **Members' equity - December 31, 2023** | **$ 3,641,200** | **$ 55,356,597** | **$ 58,997,797** |
| Percentage interest | **5.00%** | **95.00%** | **100%** |



See accompanying notes.

**683 NORTHLAND LLC**
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31,**

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Net loss | $ | **(2,520,221)** | $ | (2,688,923) |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities: | | | | |
| Depreciation | | **4,058,307** | | 4,071,045 |
| Gain on disposal | | **(8,329)** | | (18,051) |
| Decrease in assets: | | | | |
| Due from related party | | **-** | | 3,200 |
| Decrease in liabilities: | | | | |
| Accounts payable | | **(6,439)** | | (50,744) |
| Accrued interest | | **(5,195)** | | (14,644) |
| Deferred lease liability - Master Lease Agreement | | **(1,420,727)** | | (1,395,256) |
| **Net cash provided (used) by operating activities** | | **97,396** | | (93,373) |
| **Cash flows from investing activities:** | | | | |
| Proceeds from disposals of land, property and equipment | | **15,400** | | 62,500 |
| **Net cash provided by investing activities** | | **15,400** | | 62,500 |
| **Cash flows from financing activities:** | | | | |
| Members' contributions | | **896,712** | | 7,141,117 |
| Payments of prepaid lease under the Master Lease Agreement | | **-** | | 1,869,206 |
| Distribution | | **(48,200)** | | - |
| Payments on line of credit | | **(107,158)** | | - |
| Repayments of long term debt | | **(1,001,167)** | | (9,179,643) |
| **Net cash used by financing activities** | | **(259,813)** | | (169,320) |
| **Net decrease in cash and restricted cash** | | **(147,017)** | | (200,193) |
| **Cash and restricted cash - beginning of year** | | **314,151** | | 514,344 |
| **Cash and restricted cash - end of year** | $ | **167,134** | $ | 314,151 |
| **Supplemental disclosure of cash flow information:** | | | | |
| Cash paid for interest | $ | **173,873** | $ | 258,979 |



See accompanying notes.

**STATEMENTS OF CASH FLOWS (CONTINUED)**
**For the Years Ended December 31,**

The following table provides a reconciliation of cash and restricted cash to the amounts reported within the balance sheets:

| | 2023 | 2022 |
|---|---|---|
| Operating cash | $ 23,208 | $ 66,665 |
| Restricted cash | 143,926 | 247,486 |
| Total cash and restricted cash | $ 167,134 | $ 314,151 |

## NOTE 1. ORGANIZATION

683 Northland LLC (the Company) is a limited liability company formed pursuant to the laws of the State of New York on December 13, 2016. The Company was formed to facilitate the ownership, rehabilitation and operation of a commercial and industrial facility located at 683 Northland Avenue, City of Buffalo, known as the Niagara Machine & Tool Works Factory (the Building). The Company serves as lessor to 683 Northland Master Tenant, LLC, a related entity. The relationship between lessor and lessee is governed by a Master Lease Agreement dated December 28, 2017.

The Building is listed on the National Register of Historic Places and will receive an allocation of federal and state historic rehabilitation tax credits under Section 47 of the Internal Revenue Code of 1986, as amended, and New York credit for Rehabilitation of Historic Properties under Section 606(00) of New York State tax law. The Building was developed in two phases; Phase 1 received an allocation of rehabilitation tax credits during the year ended December 31, 2018; Phase 2 received allocations in the years ending December 31, 2020 and 2019. No further credits are anticipated.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES



**Basis of Accounting:** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Cash:** The statement of cash flows considers amounts available for current operations to be cash and includes amounts for restricted reserves.

**Concentration of Credit Risk:** The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

During the years ended December 31, 2023 and 2022, one tenant represented 100% of lease revenue.

**Lease Income:** The Company recognizes revenue on the date lease payment becomes due in accordance with the Master Lease Agreement. Lease payments received in advance are deferred until earned. The Master Lease Agreement is an operating lease.

**Land, Property and Equipment:** Land, property and equipment are carried at cost which includes all direct costs of acquisition and construction as well as indirect costs including interest incurred during the rehabilitation period. Renewals and betterments that materially extend the life of the assets are capitalized. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided for using the straight-line method based on the following useful lives:

| | |
|---|---|
| Building | 39 years |
| Land improvements | 15 years |
| Leasehold improvements | 15 years |
| Building improvements | 10 years |
| Furniture, fixtures, and equipment | 7 years |
| Equipment | 5 years |

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company reviews its land, property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of land, property and equipment to the future net undiscounted cash flow expected to be generated by the land, property and equipment and any estimated proceeds from the eventual disposition of the land, property and equipment. If the land, property and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the land, property and equipment exceeds the fair value of such land, property and equipment. There were no impairment losses recognized for the years ended December 31, 2023 and 2022.

**Income Taxes:** No provision or benefit has been made for income taxes in the accompanying financial statements since taxable income or loss of the Company passed through to the respective members for reporting passes through to, and is reportable by, the members individually.

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

**Leases**: In February 2016, the Financial Accounting Standards Board (FASB) issued Topic 842, Leases, by issuing Accounting Standards Update (ASU) 2016-02, which requires lessors to classify leases as a sales-type, direct financing, or operating lease. Topic 842 was subsequently amended by ASU 2018-10, Codification Improvements to Topic 842, Leases; and ASU 2018-11, Targeted Improvements. A lease is a sales-type lease if any one of five criteria are met, each of which indicate that the lease, in effect, transfers control of the underlying asset to the lessee. If none of those five criteria are met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee and a third party, the lease is a direct financing lease. All leases that are not sales-type or direct financing leases are operating leases. The Company has an operating lease.

**Subsequent Event:** These financial statements have not been updated for subsequent events occurring after [DATE], which is the date these financial statements were available to be issued.

## NOTE 3. LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consists of the following as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Land | $ **589,272** | $ 589,272 |
| Buildings and improvements | **104,433,211** | 104,433,211 |
| Furniture, fixtures and equipment | **7,336,991** | 7,360,751 |
| Leasehold improvements | **291,222** | 291,222 |
| | **112,650,696** | 112,674,456 |
| Less: Accumulated depreciation | **(20,375,726)** | (16,334,108) |
| | $ **92,274,970** | $ 96,340,348 |

Depreciation expense for the year ended December 31, 2023 amounted to $4,058,307 ($4,071,045 - 2022).

## NOTE 4. CAPITAL CONTRIBUTIONS AND ALLOCATION OF PROFITS AND LOSSES

The Company consists of two members; 683 WTC, LLC and BBRC Land Company I, LLC. 683 WTC, LLC is the managing member and a 95% owner. BBRC Land Company I, LLC has a 5% membership interest. Both members fulfilled all required capital contributions in prior years.

The managing member contributed an additional $852,001 in capital during the year ended December 31, 2023 ($6,792,792 - 2022). The managing member received a distribution of $45,800 during the year ended December 31, 2023. There was no distribution received during the year ended December 31, 2022.

The member interest contributed a total of $44,711 during the year ended December 31, 2023 ($348,325 - 2022). The member interest received a distribution of $2,400 during the year ended December 31, 2023. There was no distribution received during the year ended December 31, 2022.

The terms of the amended and restated operating agreement of the Company, effective as of December 28, 2017, provides for, among other things, that profits and losses be allocated to each member in accordance with the ratio of the value of the respective capital account to the value of all capital accounts in the aggregate.

## NOTE 5. TRANSACTIONS WITH AFFILIATES



The Company has a Master Lease Agreement (the Agreement) with the master tenant member to receive lease income commencing August 26, 2018, the day prior to the first date on which Phase I of the Building was placed in service for purposes of the historical tax credits, through August 31, 2038. For the year ended December 31, 2023, the Company recognized $1,913,150 in lease revenue related to the Agreement ($1,879,742 - 2022). The lease agreement includes scheduled lease increases over the term of the lease, which in accordance with U.S. GAAP, will be recognized on a straight-line basis over the term of the lease. The Company will reduce the deferred lease liability by $1,896,446 over each of the next 5 years.

Future minimum lease receipts to be received under the Master Lease Agreement are contractually due as follows as of December 31:

| | |
|---|---|
| 2024 | $ 528,046 |
| 2025 | 558,098 |
| 2026 | 565,617 |
| 2027 | 580,645 |
| 2028 | 596,024 |
| Thereafter | 5,713,704 |
| | $ 8,542,134 |

**Due from Related Party:** The Company has paid certain operating expenses directly to third parties on behalf of 683 Northland Master Tenant, LLC ("Master Tenant"). The amounts represent an operating deficit loan on the Master Tenant's books. The loan can only be repaid from positive net cash flow on the Master Tenant as defined by the Master Tenant's operating agreement. There was no positive net cash flow for the years ending December 31, 2023 and 2022. The outstanding amount for the year ending December 31, 2023 and 2022 is $132,359.

## NOTE 6. LONG TERM DEBT

**Mortgage Payable:** During 2017, the Company borrowed amounts totaling $13,730,000 related to the Northland Corridor project from BACDE NMTC Fund 16, LLC and NTCIC-NORTHLAND, LLC. Buffalo Urban Development Corporation, a related party, is a guarantor on the loan agreement. Interest accrues at the rate of 1.33776% and is due quarterly. The loans are collaterized by the building. Interest only payments from the date of the agreement, December 28, 2017 through December 31, 2024 are payable quarterly. Principal and interest are due quarterly, commencing December 31, 2024, until the maturity date of December 28, 2052. Under the loan agreements, the Company shall pay BACDE NMTC Fund 16, LLC an annual asset management fee of $45,000 through 2025 and NTCIC-NORTHLAND, LLC an annual asset management fee of $10,000 through 2026. Asset management fees amounted to $55,000 for year ending December 31, 2023 and 2022.

**Bridge Loans:** The Company entered into a bridge loan agreements with KeyBank on December 28, 2017, in the amount of $20,000,000 (Loan A). Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors on the loan agreements. The loan is collaterized by security interest in all assets of 683 WTC, LLC, BBRC Land Company I, LLC and 683 Northland LLC, assignment of rents by the Company, and assignment of construction contracts and architect's agreements. The bridge loan agreement for Loan A was extended through June 30, 2023 and has been fully paid off as of December 31, 2023. The balance outstanding at December 31, 2022 totaled $1,001,167. Interest on Loan A was calculated at the adjusted daily SOFR rate plus 2.4%. Previous to December 29, 2022, interest on Loan A was calculated at prime rate (as established by KeyBank), plus .25% with a floor of 3%. There was no accrued interest pertaining to Loan A at December 31, 2023 ($9,168 - 2022). Management repaid Loan A with capital contributions from the managing member.

The above long term debt is summarized by funding source below as follows at December 31:

| | 2023 | 2022 |
|---|---|---|
| KeyBank- bridge loan | $ - | $ 1,001,167 |
| BACDE NMTC Fund 16, LLC | 8,730,000 | 8,730,000 |
| NTCIC-NORTHLAND, LLC | 5,000,000 | 5,000,000 |
| | $ 13,730,000 | $ 14,731,167 |

Current maturities of long-term debt are as follows for the years ending December 31:

| | |
|---|---|
| 2024 | $ 100,188 |
| 2025 | 404,116 |
| 2026 | 409,549 |
| 2027 | 415,056 |
| 2028 | 420,636 |
| Thereafter | 11,980,454 |
| | $ 13,730,000 |

## NOTE 7. LINE OF CREDIT

**Line of Credit:** The Company entered into a non-revolving line of credit agreement with KeyBank on April 29, 2020 which allows for borrowings up to $1,000,000. The agreement was amended on December 29, 2022, and allows borrowings up to $677,158. A further amendment was made on December 29, 2023 extending the maturity date to March 31, 2024. Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors of this agreement. Borrowings were used to pay interest on the Bridge loans (see Note 6) while awaiting member contributions. Borrowed amounts on the line bear interest at an adjusted daily SOFR rate plus 2.4% (7.81% at December 31, 2023) per annum and are collateralized by security interest in all assets of 683 WTC, LLC, BUDC and BBRC Land Company I, LLC. Accrued interest amounted to $3,973 at December 31, 2023. There was no accrued interest pertaining to the line of credit at December 31, 2022. All outstanding principal and interest amounts are due upon maturity.

## NOTE 8. RESTRICTED CASH AND FUNDED RESERVES

The Company was required to establish interest reserve accounts for the KeyBank bridge loans and asset management fees in connection with the loans due to BACDE NMTC Fund 16, LLC and NTCIC-NORTHLAND, LLC. The interest and asset management fees incurred in connection to these loans are paid from these reserve accounts. The balances in the reserve accounts were as follows as of December 31:

| | 2023 | 2022 |
|---|---|---|
| KeyBank interest reserve | $ **5,007** | $ 9,170 |
| BACDE NMTC Fund 16, LLC reserve | **77,919** | 147,316 |
| NTCIC-NORTHLAND, LLC reserve | **61,000** | 91,000 |
| | $ **143,926** | $ 247,846 |

AUDITED
CONSOLIDATED FINANCIAL STATEMENTS

# BUFFALO URBAN DEVELOPMENT CORPORATION

---

DECEMBER 31, 2023

**BUFFALO URBAN DEVELOPMENT CORPORATION**
**CONTENTS**

FINANCIAL SECTION

BUFFALO URBAN DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31,

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash | $ **16,542,113** | $ 20,354,670 |
| Grants receivable | **89,350,024** | 32,183,206 |
| Restricted cash | **460,544** | 4,014,036 |
| Other current assets | **5,749,149** | 6,230,118 |
| Total current assets | **112,101,830** | 62,782,030 |
| **Noncurrent assets:** | | |
| Loans receivable | **9,666,400** | 9,666,400 |
| Equity investment | **154,859** | 178,051 |
| Capital assets, net | **100,961,985** | 104,743,215 |
| Right to use asset | **7,470,200** | 7,737,832 |
| Land and improvements held for sale, net | **788,212** | 788,212 |
| Total noncurrent assets | **119,041,656** | 123,113,710 |
| Total assets | $ **231,143,486** | $ 185,895,740 |
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued expenses | $ **528,067** | $ 244,122 |
| Unearned revenue | **104,383,474** | 53,843,820 |
| Line of credit | **570,000** | 677,158 |
| Current portion of loans payable | **469,938** | 1,001,167 |
| Total current liabilities | **105,951,479** | 55,766,267 |
| **Noncurrent liabilities:** | | |
| Deferred lease liability | **26,742,613** | 28,430,972 |
| Loans payable | **13,629,812** | 14,099,750 |
| Total noncurrent liabilities | **40,372,425** | 42,530,722 |
| **NET POSITION** | | |
| Net investment in capital assets | **87,650,447** | 90,430,510 |
| Restricted (deficit) position, as restated (see Note 16) | **233,780** | 3,681,560 |
| Unrestricted (deficit) position, as restated (see Note 16) | **(3,064,645)** | (6,513,319) |
| Total net position | **84,819,582** | 87,598,751 |
| Total liabilities and net position | $ **231,143,486** | $ 185,895,740 |



See accompanying notes.

**BUFFALO URBAN DEVELOPMENT CORPORATION**
**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**FOR THE YEARS ENDED DECEMBER 31,**

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Operating revenues:** | | | | |
| Grant revenue | $ | 31,596,676 | $ | 9,024,458 |
| Lease and other revenue | | 2,951,472 | | 8,056,896 |
| Loan interest | | 96,664 | | 96,664 |
| Brownfield funds | | 35,823 | | 36,183 |
| Total operating revenues | | 34,680,635 | | 17,214,201 |
| **Operating expenses:** | | | | |
| Development costs | | 30,900,700 | | 8,148,766 |
| Depreciation | | 4,138,093 | | 4,152,123 |
| General and administrative | | 1,742,514 | | 1,667,554 |
| Salaries and benefits | | 440,561 | | 384,459 |
| Management fee | | 142,262 | | 138,967 |
| Adjustment to net realizable value | | 74,961 | | 125,675 |
| Total operating expenses | | 37,439,091 | | 14,617,544 |
| Operating (loss) income | | (2,758,456) | | 2,596,657 |
| **Nonoperating revenues (expenses):** | | | | |
| Gain (loss) on disposal | | 8,329 | | (422,553) |
| Interest income | | 126,418 | | 18,967 |
| Interest expense | | (197,771) | | (260,911) |
| Total nonoperating expenses, net | | (63,024) | | (664,497) |
| Change in net position | | (2,821,480) | | 1,932,160 |
| Net position - beginning of year | | 87,598,751 | | 85,318,266 |
| Add: capital contributions | | 44,711 | | 348,325 |
| Less: capital distributions | | (2,400) | | - |
| Net position - end of year | $ | 84,819,582 | $ | 87,598,751 |



See accompanying notes.

**BUFFALO URBAN DEVELOPMENT CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31,**

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Amounts paid from Brownfields funds | $ (25,641) | $ (10,717) |
| Grants received | 24,969,512 | 25,504,390 |
| Receipts from loans and commitment fees | 96,664 | 96,664 |
| Rental and other revenue | 2,042,677 | 10,013,539 |
| Payments to employees, suppliers, and other | (32,981,356) | (11,237,591) |
| **Net cash (used) provided by operating activities** | (5,898,144) | 24,366,285 |
| **Cash flows from capital and related financing activities:** | | |
| Acquisition and construction of capital assets | (363,935) | (154,561) |
| Proceeds from sale/disposal of capital assets | 15,400 | 2,197,117 |
| Repayment of loans | (1,108,325) | (9,437,024) |
| Capital distributions | (2,400) | - |
| Capital contributions | 44,711 | 348,325 |
| **Net cash used by capital and related financing activities** | (1,414,549) | (7,046,143) |
| **Cash flows from investing activities:** | | |
| Change in restricted cash | 3,553,492 | 473,426 |
| Interest earned | 149,610 | 18,967 |
| Interest paid | (202,966) | (275,555) |
| **Net cash provided by investing activities** | 3,500,136 | 216,838 |
| **Net (decrease) increase in cash** | (3,812,557) | 17,536,980 |
| **Cash - beginning of year** | 20,354,670 | 2,817,690 |
| **Cash - end of year** | $ 16,542,113 | $ 20,354,670 |
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Operating (loss) income | $ (2,758,456) | $ 2,596,657 |
| Adjustment to reconcile operating (loss) income from operations to net cash (used) provided by operating activities: | | |
| Depreciation expense | 4,138,093 | 4,152,123 |
| Increase in grants receivable | (57,166,818) | (22,022,653) |
| Decrease in other current assets | 480,969 | 396,627 |
| Increase (decrease) in accounts payable and accrued expenses | 289,140 | (700,566) |
| Increase in unearned revenue | 50,539,654 | 39,470,147 |
| (Decrease) increase in deferred lease liability | (1,420,726) | 473,950 |
| **Net cash (used) provided by operating activities** | $ (5,898,144) | $ 24,366,285 |
| **Non-cash transactions:** | | |
| Grants received but not yet earned | $ 50,742,522 | $ 38,983,032 |



See accompanying notes.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Buffalo Urban Development Corporation (BUDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the BUDC's accounting policies are described below.

### A. REPORTING ENTITY

The Buffalo Urban Development Corporation (BUDC) was incorporated to facilitate partnership with the private sector in the development of the City of Buffalo (the City). Funding was initially received from the City; however the City has not allocated direct funding to BUDC for several years and future allocations are not expected. Funding is received primarily from land sales, grant funding, and loan repayments. In 2005, an agreement between BUDC, Erie County Industrial Development Agency (ECIDA), the City, and Erie County (the County) established the Buffalo Brownfields Redevelopment Fund (the Fund). The Fund dedicates certain payments received in lieu of real estate taxes (PILOT) for future eligible project costs. The fund is administered by ECIDA and reimburses BUDC for eligible project costs incurred. The activity of the Fund is included in these financial statements.

The financial reporting entity consists of (a) the primary entity, which is BUDC, (b) 683 WTC, LLC, (WTC) of which BUDC is the sole member, and (c) 683 Northland LLC (Northland) in which 683 WTC, LLC has a 95% equity interest.

In accordance with U.S. GAAP, BUDC is not considered a component unit of another entity.



### B. BASIS OF PRESENTATION

Revenues from grants, Brownfield funds, rental payments and interest on loans are reported as operating revenues. All expenses related to operating BUDC are reported as operating expenses. Certain other transactions are reported as nonoperating activities including BUDC's interest income from deposits and interest expense related to long-term debt.

When both restricted and unrestricted resources are available for use, it is BUDC's policy to use restricted resources first, then unrestricted resources as they are needed.

### C. CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of BUDC, WTC, and Northland. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. These consolidated financial statements have been prepared in conformity with U.S. GAAP.

### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

BUDC is considered 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. The financial statements of BUDC are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred; regardless of when the cash transaction takes place.

Nonexchange transactions, in which BUDC gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied.

### E. CASH AND RESTRICTED CASH

BUDC's cash consists of cash on hand and demand deposits. Certain assets are classified on the consolidated statements of net position as restricted because their use is limited.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. LOANS RECEIVABLE

Loans receivable are presented net of an allowance for uncollectible accounts. BUDC maintains an allowance for estimated uncollectible accounts which 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 written 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; management considers that collection is probable based on the current economic condition of the borrower. Accrual of interest ceases when management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

### G. OTHER CURRENT ASSETS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. These amounts are included in other current assets and amounted to $5,206,009 and $5,748,442 for December 31, 2023 and 2022, respectively. Other current assets include interest and accounts receivables and amounted to $543,140 and $481,676 for December 31, 2023 and 2022, respectively.

### H. CAPITAL ASSETS

Capital assets are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The cost of repairs, maintenance and minor replacements are expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. Contributed capital assets are recorded at fair value at the date received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the BUDC are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|---|---|---|---|
| Furniture and equipment | $1,000 | Straight-line | 3-10 years |
| Buildings and improvements | $1,000 | Straight-line | 5-40 years |



### I. INSURANCE

BUDC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three years.

### J. NET POSITION

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

a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and related debt.

b. *Restricted* - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Included in this classification are the Buffalo Brownfields Redevelopment Fund and a loan fund.

c. *Unrestricted* - The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by BUDC.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K. INCOME TAXES

BUDC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and the income realized will not be subject to New York State corporate franchise tax. BUDC is subject to unrelated business income tax related to certain lending transactions associated with WTC.

### L. STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flows, BUDC considers all cash, other than restricted cash, which includes cash and demand accounts.

### M. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### N. LEASES

BUDC determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to. A contract is or contains a lease when the contract conveys control of the right to use another entity's nonfinancial asset for a period of time in an exchange or an exchange-like transaction.

As a lessor, Northland has a lease under the Master Lease Agreement (Note 8). Northland recorded a right to use asset and liability amounting to $8,060,094 at January 1, 2022 upon adoption of Statement No. 87 Leases. The liability includes unamortized prepaid rent payments. Lease revenue is recognized straight line over the life of the Master Lease Agreement.

As a lessee, BUDC has a lease for office space. The agreement was month to month through November 2023. Effective December 1, 2023 an agreement was signed that extended the lease through July 31, 2027. BUDC recorded a right to use asset and liability amounting to $71,029 as of December 31, 2023.

### O. ACCOUNTING PRONOUNCEMENTS

BUDC has evaluated the provisions of Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements and* Statement No. 99, *Omnibus 2022*, which will be effective based on individual applications and determined that they have no significant impact on BUDC's financial statements.

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

- Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, which will be effective for the year ending December 31, 2024.
- Statement No. 101, *Compensated Absences*, which will be effective for the year ending December 31, 2024.
- Statement No. 102, *Certain Risk Disclosures*, which will be effective for the year ending December 31, 2025.

## NOTE 2. CASH AND INVESTMENTS

BUDC's investment policies are governed by State statutes. In addition, BUDC has its own written investment policy. BUDC monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State. BUDC is authorized to use interest bearing 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 and its localities.

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

As of December 31, 2023 and 2022, BUDC's aggregate bank deposits were considered fully collateralized.

Investment and Deposit Policy
BUDC follows an investment and deposit policy, 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 BUDC's Treasurer.

Interest Rate Risk
Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. BUDC'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
BUDC'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. BUDC'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 BUDC's investment and deposit policy, all deposits of BUDC including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Corporation (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. BUDC restricts the 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 the State of New York and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

## NOTE 3. LOANS RECEIVABLE

In 2017, BUDC made a loan in the amount of $9,666,400 to Northland NMTC Investment Fund, LLC (NMTC). Interest accrues at the rate of one percent per annum (1%) and is due quarterly. Interest only payments from the date of first advance, which was December 28, 2017 through December 31, 2024 are payable quarterly. Principal and interest shall be paid commencing December 31, 2024 through December 31, 2042. NMTC pledges its entire interest in BACDE NMTC Fund 16, LLC and NTCIC-Northland, LLC. BUDC's policy is to present loans receivable net of an allowance for uncollectible loans. Management has determined that no allowance for this loan was necessary in 2023 and 2022.

## NOTE 4. CAPITAL ASSETS

Capital asset activity for the BUDC for the year ended December 31, 2023 was as follows:

| | January 1, 2023 | Increase | Decreases | December 31, 2023 |
|---|---|---|---|---|
| Non-depreciable capital assets: | | | | |
| Land | $ 874,014 | $ - | $ - | **$ 874,014** |
| Idle buildings and improvements | 5,169,695 | 360,493 | - | **5,530,188** |
| Total non-depreciable capital assets | 6,043,709 | 360,493 | - | **6,404,202** |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 107,884,114 | 3,440 | - | **107,887,554** |
| Furniture and equipment | 7,424,410 | - | 23,760 | **7,400,650** |
| Less: accumulated depreciation | 16,609,018 | 4,138,093 | 16,690 | **20,730,421** |
| Total depreciable assets, net | 98,699,506 | (4,134,653) | 7,070 | **94,557,783** |
| Total capital assets, net | $ 104,743,215 | $ (3,774,160) | $ 7,070 | **$ 100,961,985** |

Capital asset activity for the BUDC for the year ended December 31, 2022 was as follows:

| | January 1, 2022 | Increase | Decreases | December 31, 2022 |
|---|---|---|---|---|
| Non-depreciable capital assets: | | | | |
| Land | $ 874,014 | $ - | $ - | $ 874,014 |
| Idle buildings and improvements | 5,024,834 | 144,861 | - | 5,169,695 |
| Total non-depreciable capital assets | 5,898,848 | 144,861 | - | 6,043,709 |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 107,884,114 | - | - | 107,884,114 |
| Furniture and equipment | 7,511,625 | 9,700 | 96,915 | 7,424,410 |
| Less: accumulated depreciation | 12,509,362 | 4,152,123 | 52,467 | 16,609,018 |
| Total depreciable assets, net | 102,886,377 | (4,142,423) | 44,448 | 98,699,506 |
| Total capital assets, net | $ 108,785,225 | $ (3,997,562) | $ 44,448 | $ 104,743,215 |



Land, buildings, and improvements related to the Northland Corridor amounted to $6,404,202 and $6,043,709 at December 31, 2023 and 2022. BUDC intends to return these properties to productive use, assist with revitalizing the surrounding neighborhood, and provide employment opportunities for nearby residents by creating a new manufacturing hub on the City's east side. Once completed, BUDC expects to lease the property to local businesses, government agencies, and nonprofit organizations.

Due to the extensive amount of revitalization, pollution remediation (Note 15), and other related activities, the anticipated costs of certain Northland properties exceed the expected fair value of the properties based on current estimates. Adjustments to net realizable value totaled $51,838 and $11,340 for the years ended December 31, 2023 and 2022, respectively.

## NOTE 5. LAND AND IMPROVEMENTS HELD FOR DEVELOPMENT AND SALE

In 2002, on behalf of the City, BUDC agreed to undertake a multi-phase Brownfield reclamation and redevelopment project at the former Hanna Furnace site and land surrounding the Union Ship Canal, now known as Buffalo Lakeside Commerce Park (BLCP). BUDC accepted 104 acres of tax foreclosed property from the City, demolished derelict structures, and constructed approximately 5,000 linear feet of roads and infrastructure. Funding for this work was provided by the State, the City, and the County. With additional funding from the State, BUDC purchased 130 acres of land to add to the BLCP and constructed additional roads and infrastructure. Between 2004 and 2008 there were multiple BLCP parcels sold to local businesses. In 2022, approximately 72 acres of land, was sold to local developers.

In 2018, BUDC purchased approximately 7 acres of property at 308 Crowley Street in the City of Buffalo for the purpose of remediation and redevelopment. The property includes a derelict building which underwent select demolition. One acre of land was sold in 2020, .65 acres were sold in 2021, and the remaining property (5.687 acres) was sold in 2022.

Land and improvements held for sale are recorded at net realizable value based on assessment of the fair value of each project as follows at December 31:

| | 2023 | 2022 |
|---|---|---|
| BLCP | $ 6,045,055 | $ 6,038,215 |
| Less adjustment to net realizable value (BLCP) | 5,256,843 | 5,250,003 |
| Total capital assets, net | $ 788,212 | $ 788,212 |



## NOTE 6. GRANTS RECEIVABLE AND UNEARNED REVENUE

BUDC was awarded several grants between 2016-2021 from Empire State Development (ESD) for the demolition, remediation, renovation, construction and site/street improvements for various Northland properties and the Western New York Workforce Training Center project (Training Center). In 2022, BUDC was awarded two grants totaling $14,446,429 for Phase 1 of the Build Back Better Regional Challenge. $14,431,065 remains outstanding in grants receivable from the U.S. Department of Commerce Economic Development Administration (EDA) as of December 31, 2023 ($14,446,429 – 2022).

In 2019, BUDC was awarded a $2,998,549 grant from ESD under the Restore NY Program in support of the demolition and rehabilitation at certain properties in the Northland Corridor. A $131,250 grant was also awarded from National Grid's Brownfield Redevelopment Program in support of this work. In 2023, an additional $55,000,000 was awarded from ESD's RECAP program relating to this project, as well as $1,800,000 from ESD to support work on solar micro-grid projects at the properties. As of December 31, 2023 $58,460,727 is outstanding in grants receivable from ESD ($1,660,727 – 2022).

Between 2019-2023, BUDC was awarded ten grants from the Ralph C. Wilson, Jr. Foundation totaling $67,055,200 for project coordination and advancing the transformation of Ralph C. Wilson, Jr. Centennial Park into a world-class park and recreational amenity for the City and the Western New York Region. As of December 31, 2023, $4,689,000 is outstanding in grants receivable from the Ralph C. Wilson, Jr. Foundation ($14,876,050 – 2022).

To further add the shoreline components of the Centennial Park project, BUDC was awarded four grants totaling $11,989,035 from the Great Lakes Commission between 2020-2023. $10,584,233 is outstanding in grants receivable at December 31, 2023. There was no amount outstanding in grants receivable at December 31, 2022. In 2022, BUDC was awarded a $300,000 grant from Community Foundation for Southeast Michigan and a $50,000 grant from Community Foundation for Greater Buffalo. In 2023, both grants were renewed and awarded at the same amount. As of December 31, 2023, there is no balance outstanding in grants receivable ($50,000 – 2022)

In 2022, BUDC was awarded a $960,000 grant from the MLB-MLBPA Youth Development Foundation in support of field lighting and youth baseball fields construction. As of December 31, 2023 and 2022, $860,000 is outstanding in grants receivable.

## NOTE 6. GRANTS RECEIVABLE AND UNEARNED REVENUE (CONTINUED)

The following is a summary of grants receivable and unearned grant revenue at December 31,:

| | 2023 | 2022 |
|---|---|---|
| Grant receivable: | | |
| ESD | **$ 58,535,726** | $ 1,660,727 |
| EDA | **14,431,065** | 14,446,429 |
| Great Lakes Commission | **10,584,233** | - |
| Ralph C Wilson Jr. Foundation | **4,689,000** | 14.876,050 |
| MLB-MLBPA Youth Development | **860,000** | 860,000 |
| National Grid | **250,000** | 250,000 |
| Community Foundation | **-** | 50,000 |
| General Motors | **-** | 40,000 |
| | **$ 89,350,024** | $ 32,183,206 |
| Unearned revenue: | | |
| ESD | **$ 58,155,314** | $ 1,704,068 |
| Ralph C Wilson Jr. Foundation | **19,842,714** | 35,906,550 |
| EDA | **14,371,153** | 14,426,952 |
| Great Lakes Commission | **10,648,043** | - |
| MLB-MLBPA Youth Development | **960,000** | 960,000 |
| National Grid | **381,250** | 381,250 |
| Community Foundation | **25,000** | 325,000 |
| Other | **-** | 100,000 |
| General Motors | **-** | 40,000 |
| | **$104,383,474** | $ 53,843,820 |



## NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses at December 31,:

| | 2023 | 2022 |
|---|---|---|
| Accounts payable | **$ 493,866** | $ 186,573 |
| Accrued payroll | **27,128** | 28,017 |
| Accrued interest | **3,973** | 9,168 |
| Other accrued expenses | **3,100** | 20,364 |
| | **$ 528,067** | $ 244,122 |

## NOTE 8. MASTER LEASE AGREEMENT

Northland has a Master Lease Agreement (the Agreement) with the master tenant member to receive lease income commencing August 26, 2018, the day prior to the first date on which Phase I of the Building was placed in service for purposes of the historical tax credits, through August 31, 2038. As a lessor, the underlying building and other assets are recorded as a right to use asset and corresponding deferred lease liability in line with the lessee's books and records as of December 31, 2022. Northland utilized an interest rate of 2.05% to calculate the deferred lease liability. Additionally, the underlying assets were not derecognized and remain on the statements of net position within capital assets.

Northland recognized $1,913,150 in lease revenue related to the Agreement for the year ended December 31, 2023 ($1,879,742 – 2022). The lease agreement includes scheduled lease increases over the term of the lease, which in accordance with U.S. GAAP, will be recognized on a straight-line basis over the term of the lease. Northland will reduce the deferred lease liability by $1,896,446 over each of the next 5 years and through the remainder of the life of the lease agreement.

## NOTE 8. MASTER LEASE AGREEMENT (CONTINUED)

Under the Agreement, Northland receives base and prepaid lease payments. All prepaid rent payments required under the Agreement have been made as of December 31, 2022. Unamortized prepaid lease payments amounted to $19,272,413 as of December 31, 2023 ($20,693,140 – 2022). The unamortized lease payments related to base rent amounted to $7,399,171 as of December 31, 2023 ($7,737,832 – 2022).

Future minimum rental receipts to be received under the Master Lease Agreement are contractually due as follows as of December 31, 2023:

| | |
|---|---|
| 2024 | $ 528,046 |
| 2025 | 558,098 |
| 2026 | 565,617 |
| 2027 | 580,645 |
| 2028 | 596,024 |
| Thereafter | 5,713,704 |
| | $ 8,542,134 |

## NOTE 9. NOTE PAYABLE

In connection with the purchase of property related to BLCP, BUDC issued a non-interest bearing note payable in an amount equal to the greater of $525,000 ($13,125 per acre) or a percentage of the resale price of the developed property. The note was paid in full during the year ended December 31, 2022.



## NOTE 10. LINE OF CREDIT

BUDC entered into a revolving line of credit agreement with KeyBank on April 29, 2020 which allows for borrowings up to $1,800,000. Borrowings are to be used to pay for specific projects that are reimbursed through grants but require the work to be completed prior to reimbursement and for general working capital purposes. Borrowed amounts on the line bear interest at an adjusted LIBOR rate per annum and are collateralized by security interest in all assets of BUDC. Interest payments are due on the first of each month. Principal is due upon demand. The line of credit had no outstanding balance at December 31, 2023 and 2022.

Northland entered into a non-revolving line of credit agreement with KeyBank on April 29, 2020 which allows for borrowings up to $1,000,000. Agreement was amended on December 29, 2022, and allows borrowings up to $677,158. A further amendment was made extending the maturity date to September 30, 2024. Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors under this agreement. Borrowings were used to pay interest on the Bridge loans (see Note 11) while awaiting member contributions. Borrowed amounts on the line bear interest at an adjusted daily SOFR rate plus 2.4% (7.8% at December 31, 2023) per annum (6.19% at December 31, 2022) and are collateralized by security interest in all assets of 683 WTC, LLC, BUDC and BBRC Land Company I, LLC. All outstanding principal and interest amounts are due upon maturity. The amount outstanding on the line of credit amounted to $570,000 at December 31, 2023 ($677,158 – 2022). Accrued interest amounted to $3,973 at December 31, 2023. There was no accrued interest pertaining to the line of credit at December 31, 2022.

## NOTE 11. LOANS PAYABLE

Mortgage Payable

During 2017, Northland borrowed amounts totaling $13,730,000 related to the Northland Corridor project from BACDE NMTC Fund 16, LLC and NTCIC-NORTHLAND, LLC. Buffalo Urban Development Corporation, a related party, is a guarantor on the loan agreement. Interest accrues at the rate of 1.33776% and is due quarterly. The loans are collaterized by the building. Interest only payments from the date of the agreement, December 28, 2017 through December 31, 2024 are payable quarterly. Principal and interest are due quarterly, commencing December 31, 2024, until the maturity date of December 28, 2052. Under the loan agreements, the Company shall pay BACDE NMTC Fund 16, LLC an annual asset management fee of $45,000 through 2025 and NTCIC-NORTHLAND, LLC an annual asset management fee of $10,000 through 2026. Asset management fees amounted to $55,000 for years ending December 31, 2023 and 2022.

## NOTE 11. LOANS PAYABLE (CONTINUED)

Bridge Loans

Northland entered into a bridge loan agreement with KeyBank on December 28, 2017, in the amount of $20,000,000 (Loan A). Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors on these loan agreements. The loan is collaterized by security interest in all assets of 683 WTC, LLC, BBRC Land Company I, LLC and 683 Northland LLC, assignment of rents by the Company, and assignment of construction contracts and architect's agreements. The bridge loan agreement for Loan A was extended through June 30, 2023 and has been fully paid off as of December 31, 2023. The outstanding balance totaled $1,001,167 as of December 31, 2022. Interest on Loan A is calculated at the adjusted daily SOFR rate plus 2.4%. Previous to December 29, 2022, interest on Loan A was calculated at prime rate (as established by KeyBank), plus .25% with a floor of 3%. There was no accrued interest pertaining to Loan A at December 31, 2023 ($9,168 - 2022). Management repaid Loan A with capital contributions from the managing member.

Term Note

BUDC entered into a term note agreement with M&T Bank on February 28, 2019 totaling $369,750 for the purchase of the land and building at 714 Northland. This note is interest-bearing only until maturity in March 2024. Interest on the note is calculated at one-month LIBOR plus 2.65 percentage points (8.13% at December 31, 2023). During February 2024, BUDC paid off the term note in full.

The above debt is summarized by funding source below as follows at December 31:

| | 2023 | 2022 |
|---|---|---|
| KeyBank | $ - | $ 1,001,167 |
| BACDE NMTC Fund 16, LLC | **8,730,000** | 8,730,000 |
| NTCIC-NORTHLAND, LLC | **5,000,000** | 5,000,000 |
| M&T Bank | **369,750** | 369,750 |
| | **$ 14,099,750** | $ 15,100,917 |



Current maturities of long term debt are as follows for the years ended December 31:

| | |
|---|---|
| 2024 | $ 469,938 |
| 2025 | 404,116 |
| 2026 | 409,549 |
| 2027 | 415,056 |
| 2028 | 420,636 |
| Thereafter | 11,980,455 |
| | $ 14,099,750 |

Interest expense for the years ending December 31, 2023 was $197,771 and ($260,911 – 2022).

## NOTE 12. EQUITY INVESTMENT

Equity investment represents WTC's 1% investment in 683 Northland Master Tenant, LLC (Master Tenant). WTC utilizes the historical cost method of accounting for its investment in the Master Tenant which results in the equity investment balance being comprised of WTC's original capital contribution in the Master Tenant. The investment amounted to $154,859 at December 31, 2023 ($178,051 – 2022).

## NOTE 13. RESTRICTED NET POSITION

BUDC's restricted net deficit consists of amounts related to the Buffalo Brownfields Redevelopment Fund in the amount of $38,451 at December 31, 2023. BUDC's restricted net position related to the Buffalo Brownfields Redevelopment Fund was $179,785 at December 31, 2022. BUDC's restricted net position also consisted of a loan fund that was terminated during 2023. BUDC's restricted net position related to the loan fund was $3,229,454 at December 31, 2022.

## NOTE 14. NOTES RECEIVABLE WTC

BUDC and WTC have note agreements in the amount of $25,045,279 and $27,142,000 whereby BUDC will advance proceeds to WTC as requested. The notes carry an interest rate of one percent (1%), compounded annually and the notes are for a period of thirty years. The balance of the notes plus accrued interest is due upon maturity date at December 28, 2047 and November 24, 2050. The total outstanding balance on these notes was $52,187,279 at December 31, 2023 and 2022. Accrued interest on the loan amounted to $2,545,392 at December 31, 2023 ($2,023,519 – 2022). These notes and the related interest are eliminated upon consolidation.

## NOTE 15. POLLUTION REMEDIATION

Various pollution remediation activities will be necessary as BUDC moves into Phase 3 redevelopment at the Northland Corridor. Based on preliminary environmental studies, demolition plans, and design plans, management believes that remediation activities should total approximately $3,000,000. Management expects that the entire cost of the remediation will be reimbursed by grants; therefore, no pollution remediation liability has been accrued in these consolidated financial statements.

## NOTE 16. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The prior year financial statements have been restated to correct an error in classification related to beginning net position. Previously reported restricted net position and unrestricted deficit position during the year ending December 31, 2022, amounted to $3,409,239 and $6,240,998 respectively. Restricted net position increased $272,231 and unrestricted deficit position decreased $272,231.

## NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through [Date], which is the date the consolidated financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

**BUFFALO URBAN DEVELOPMENT CORPORATION**
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**
**FOR THE YEARS ENDED DECEMBER 31, 2023**

| | Buffalo Urban Development Corporation | 683 WTC LLC | 683 Northland LLC | | Eliminations | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current assets:** | | | | | | |
| Cash and cash equivalents | $ 16,518,845 | $ 60 | $ 23,208 | | $ - | $ 16,542,113 |
| Grants receivable | 89,350,024 | - | - | | - | 89,350,024 |
| Restricted cash | 316,618 | - | 143,926 | | - | 460,544 |
| Other current assets | 8,156,854 | 28,833 | 132,359 | (1) | (2,568,897) | 5,749,149 |
| Total current assets | 114,342,341 | 28,893 | 299,493 | | (2,568,897) | 112,101,830 |
| **Noncurrent assets:** | | | | | | |
| Loans receivable | 61,853,679 | | - | (1) | (52,187,279) | 9,666,400 |
| Equity investment | - | 67,074,772 | - | (1) | (66,919,913) | 154,859 |
| Capital assets, net | 8,687,015 | - | 92,274,970 | | - | 100,961,985 |
| Right to use asset | 71,029 | | 7,399,171 | | - | 7,470,200 |
| Land and improvements held for sale, net | 788,212 | | - | | - | 788,212 |
| Total noncurrent assets | 71,399,935 | 67,074,772 | 99,674,141 | | (119,107,192) | 119,041,656 |
| Total assets | $ 185,742,276 | $ 67,103,665 | $ 99,973,634 | | $ (121,676,089) | $ 231,143,486 |
| **LIABILITIES** | | | | | | |
| **Current liabilities:** | | | | | | |
| Accounts payable and accrued expenses | $ 523,814 | $ 2,568,897 | $ 4,253 | (1) | $ (2,568,897) | $ 528,067 |
| Unearned grant revenue | 104,383,474 | - | - | | - | 104,383,474 |
| Lines of credit | | - | 570,000 | | - | 570,000 |
| Current portion of loans payable | 369,750 | - | 100,188 | | - | 469,938 |
| Total current liabilities | 105,277,038 | 2,568,897 | 674,441 | | (2,568,897) | 105,951,479 |
| **Noncurrent liabilities:** | | | | | | |
| Deferred lease liability | 71,029 | - | 26,671,584 | | - | 26,742,613 |
| Loans payable | - | 52,187,279 | 13,629,812 | (1) | (52,187,279) | 13,629,812 |
| Total noncurrent liabilities | 71,029 | 52,187,279 | 40,301,396 | | (52,187,279) | 40,372,425 |
| **NET POSITION (DEFICIT)** | | | | | | |
| Net investment in capital assets | 9,105,477 | - | 78,544,970 | | - | 87,650,447 |
| Restricted (deficit) position, as restated (see Note 16) | 233,780 | - | - | | - | 233,780 |
| Unrestricted (deficit) position, as restated (see Note 16) | 71,054,952 | 12,347,489 | (19,547,173) | (1) | (66,919,913) | (3,064,645) |
| Total net position (deficit) | 80,394,209 | 12,347,489 | 58,997,797 | | (66,919,913) | 84,819,582 |
| Total liabilities and net position | $ 185,742,276 | $ 67,103,665 | $ 99,973,634 | | $ (121,676,089) | $ 231,143,486 |

**(1)** This represents activities between the entities to be eliminated for the consolidated financial statements.

**BUFFALO URBAN DEVELOPMENT CORPORATION**
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | Buffalo Urban Development Corporation | 683 WTC LLC | 683 Northland LLC | | Eliminations | Total |
|---|---|---|---|---|---|---|
| **Operating revenues:** | | | | | | |
| Grant revenue | $ 31,596,676 | $ - | $ - | | $ - | $ **31,596,676** |
| Lease and other revenue | 141,321 | 897,001 | 1,913,150 | | - | **2,951,472** |
| Loan interest | 618,537 | - | - | **(1)** | (521,873) | **96,664** |
| Brownfield funds | 35,823 | - | - | | - | **35,823** |
| Total operating revenue | 32,392,357 | 897,001 | 1,913,150 | | (521,873) | **34,680,635** |
| **Operating expenses:** | | | | | | |
| Development costs | 30,900,700 | - | - | | - | **30,900,700** |
| Adjustment to net realizable value | 74,961 | - | - | | - | **74,961** |
| Salaries and benefits | 440,561 | - | - | | - | **440,561** |
| General and administrative | 1,454,288 | 128,150 | 160,076 | | - | **1,742,514** |
| Management fee | 87,262 | - | 55,000 | | - | **142,262** |
| Depreciation | 79,786 | - | 4,058,307 | | - | **4,138,093** |
| Total operating expenses | 33,037,558 | 128,150 | 4,273,383 | | - | **37,439,091** |
| Operating (loss) income | (645,201) | 768,851 | (2,360,233) | **(1)** | (521,873) | **(2,758,456)** |
| **Nonoperating revenues (expenses):** | | | | | | |
| Gain on disposal | | - | 8,329 | | - | **8,329** |
| Interest income | 148,924 | (22,867) | 361 | | - | **126,418** |
| Interest expense | (29,093) | (521,873) | (168,678) | **(1)** | 521,873 | **(197,771)** |
| Total nonoperating revenues (expenses), net | 119,831 | (544,740) | (159,988) | | 521,873 | **(63,024)** |
| Change in net position | (525,370) | 224,111 | (2,520,221) | | - | **(2,821,480)** |
| Net position - beginning of year | 80,919,579 | 12,123,378 | 60,669,506 | **(1)** | (66,113,712) | **87,598,751** |
| Add: capital contributions | - | - | 896,712 | **(1)** | (852,001) | **44,711** |
| Less: distributions | - | - | (48,200) | **(1)** | 45,800 | **(2,400)** |
| Net position - end of year | $ 80,394,209 | $ 12,347,489 | $ 58,997,797 | | $ (66,919,913) | $ 84,819,582 |

**(1)** This represents activities between the entities to be eliminated for the consolidated financial statements.

## INTERNAL CONTROL AND COMPLIANCE

FreedMaxick® CPAs, P.C.

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the
Buffalo Urban Development Corporation

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 consolidated financial statements of Buffalo Urban Development Corporation (BUDC) as of and for the year ended December 31, 2023, and the related notes to the consolidated financial statements, which collectively comprise BUDC's consolidated financial statements, and have issued our report thereon dated ____________. The financial statements of 683 Northland, LLC were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with 683 Northland, LLC.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered BUDC'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 consolidated financial statements, but not for the purpose of expressing an opinion of the effectiveness of BUDC's internal control. Accordingly, we do not express an opinion of the effectiveness of BUDC'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 BUDC's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BUDC's consolidated 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 consolidated 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 BUDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BUDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Buffalo, New York
DATE

**AUDITED**
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

# BUFFALO BROWNFIELDS REDEVELOPMENT FUND

**DECEMBER 31, 2023**

CONTENTS

**BUFFALO BROWNFIELDS REDEVELOPMENT FUND**
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

| | | |
|---|---|---|
| **Operating revenues:** | | |
| City of Buffalo PILOTs - Sonwil | $ | 9,283 |
| County of Erie PILOTs - Sonwil | | 62,363 |
| Total operating revenues | | 71,646 |
| **Operating expenses:** | | |
| County of Erie share of PILOTs | | 31,181 |
| City of Buffalo share of PILOTs | | 4,642 |
| Eligible project costs | | 262,557 |
| Total operating expenses | | 298,380 |
| Operating loss | | (226,734) |
| **Nonoperating revenues:** | | |
| Interest income | | 8,498 |
| Change in net position | | (218,236) |
| **Net position - beginning, as restated (See Note 2)** | | 452,106 |
| **Net position - ending, as restated** | $ | 233,870 |



See accompanying note.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Reporting Entity:** The Buffalo Brownfields Redevelopment Fund (the Fund) was formed in July 2005 by agreement between Erie County Industrial Development Agency (ECIDA), the City of Buffalo (the City), the County of Erie (the County), and Buffalo Urban Development Corporation (BUDC) for the purpose of remediation and redevelopment of Brownfield properties in the City. Under this agreement, ECIDA receives payments in lieu of taxes (PILOTs) from property owners located within the Buffalo Lakeside Commerce Park (BLCP). These PILOT payments are the result of abated City and County property taxes, as authorized by ECIDA. A portion of these PILOT payments is paid to the City and County, while the remainder is held in the Fund to assist in further development of BLCP. After completion of BLCP, funds can be used in connection with similar projects located within the City that are undertaken by BUDC.

**Basis of Presentation:** The schedule of revenues, expenses, and changes in net position (the schedule) presents the activity of the Fund, which is accounted for and is part of BUDC's financial statements. The schedule has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental units and specifically business-type activities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

## NOTE 2. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The prior year financial statement has been restated to correct an error related to beginning net position. Previously reported net position during the year ending December 31, 2022 amounted to $179,785. Net position at December 31, 2022 increased by $272,321 due to the restatement.

**Buffalo Urban Development Corporation**
95 Perry Street
Suite 404
Buffalo, New York 14203
phone: 716-856-6525
fax: 716-856-6754
web: *buffalourbandevelopment.com*

**Item 6**

# MEMORANDUM

**TO:** Audit & Finance Committee

**FROM:** Mollie Profic, Treasurer

**SUBJECT:** Reimbursement of Brownfield Expenses from Brownfield Fund

**DATE:** March 14, 2024

The Buffalo Brownfields Redevelopment Fund ("BBRF" or the "Fund) was established in 2005, and allows certain third-party expenses incurred by BUDC in connection with the development of Buffalo Lakeside Commerce Park ("BLCP") to be reimbursed under the Fund Administration Agreement. These out-of-pocket third-party costs "include, but are not limited to, land acquisition, site investigations, site planning, remediation, road and utility construction and related legal costs". In September 2012, the Board designated the BLCP project as complete, allowing for the expansion of the use of BBRF funds to "other comparable projects" in the City of Buffalo. Riverbend, Northland and 308 Crowley Street were designated "comparable" projects by the Board beginning October 1, 2012, January 1, 2015 and June 26, 2018, respectively.

A cumulative summary of reimbursements by project is below:

| Project | Amount |
|---|---|
| Buffalo Lakeside Commerce Park | $ 1,735,223 |
| Riverbend | 128,566 |
| Northland Corridor | 3,142,603 |
| 308 Crowley | 68,439 |
| Total | $ 5,074,831 |

Most recently, at its February 27, 2024 meeting, the Board approved the withdrawal of $127,161 to assist in paying off the mortgage of 714 Northland Avenue. After that transaction, the uncommitted balance of the Fund stands at $98,179.

BUDC is now requesting reimbursement of Riverbend and Northland costs incurred in 2023. 2023 costs incurred related to BLCP have been netted with income related to that property. Attachment 1 to this memorandum details the $240,870 in eligible third-party costs that have been incurred by BUDC and which are eligible for reimbursement by the Fund. Due to the current balance of the Fund, the reimbursement of $98,179 will leave $9,750 in the Fund. The remaining $9,750 is committed as matching funds for the New York State Brownfield Opportunity Area grant. Two property owners at BLCP have PILOT agreements in place that will begin to replenish the Fund for future use.

**Action:**
I am requesting that the Committee recommend the approval of the reimbursement to BUDC of $98,179 in third party Riverbend and Northland costs from the BBRF as outlined in this memorandum.

# Buffalo Urban Development Corporation
## Summary of Costs Paid by BUDC & Reimbursable from BBRF
## For the Year Ended December 31, 2023

| **Buffalo Lakeside Commerce Park** | | **2023** |
|---|---|---|
| Costs shared with BLCP Property Owners Association Members: | | |
| *Landscaping* | $ | 8,892 |
| *Legal Costs* | | 2,219 |
| *Operations & Maintenance* | | 3,279 |
| *Property Insurance* | | 1,151 |
| *Snow removal* | | 1,110 |
| *Utilities* | | 106 |
| *Legal - property sales and compliance monitor* | | 2,289 |
| *Operations & Maintenance* | | 678 |
| *Consultants* | | 1,500 |
| *Offset by: exclusivity fees recognized as revenue* | | (21,225) |
| | | (0) |
| **Riverbend** | | |
| *Taxes, Operations & Maintenance* | | 140 |
| **Northland*** | | |
| *Insurance* | | 85,906 |
| *General Development* | | - |
| *Operations & Maintenance* | | 8,615 |
| *Legal Costs* | | 18,014 |
| *Snow removal* | | 36,706 |
| *Landscaping* | | 4,728 |
| *714 Northland costs* | | 57,795 |
| *Consultants* | | 25,550 |
| *Utilities (net of reimbursements)* | | 15,356 |
| *Less: 612 Northland rents received* | | (11,940) |
| | | 240,730 |
| Total | $ | 240,870 |

*Northland costs represent those costs that are **not** eligible or reimbursed through grant agreement(s).

# BUFFALO URBAN DEVELOPMENT CORPORATION

# INVESTMENT AND DEPOSIT POLICY

---

## ARTICLE 1
## Scope

Section 2925 of the New York Public Authorities Law requires the Buffalo Urban Development Corporation (the "Corporation") to adopt by resolution comprehensive investment guidelines which detail its operative policy and instructions to officers and staff regarding the investing, monitoring, and reporting of funds of the Corporation.

This investment and deposit policy ("Investment Policy") is adopted by the Corporation pursuant to the foregoing provisions of the Public Authorities Law and shall apply to all moneys and other financial resources available for investment on the Corporation's own behalf or, when applicable, on behalf of any other entity or individual. The provisions of this Investment Policy are also consistent with the requirements of Sections 10 and 1 1 of the New York General Municipal Law, which the Corporation is not required to comply with, but has elected to follow as a "best practice."

This Investment Policy shall be applicable to all affiliates and subsidiaries of the Corporation, and to all other affiliates or subsidiary companies of the Corporation which may hereafter be established by the Corporation, and which are determined to be subject to the requirements of Section 2925 of the Public Authorities Law (an "Affiliate"). Unless otherwise indicated, all references to the "Corporation" herein shall also include the each Affiliate.

## ARTICLE 11
## Governing Principles

**A.** Investment Objectives.

The primary objectives of the Corporation's investment policy are, in order of priority, as follows: (i) to conform with all applicable federal, state, and local laws and legal requirements; (ii) to adequately safeguard principal; (iii) to provide sufficient liquidity to meet all operating requirements of the Corporation; and (iv) to obtain a reasonable rate of return.

**B.** Diversification.

The policy of the Corporation is to diversify by investment instrument, by maturity, and where practicable by financial institution.

C. Internal Controls.

1. All funds received by an officer or employee of the Corporation shall be promptly deposited with the depositories designated by the Corporation (pursuant to Article III.A of this Investment Policy) for the receipt of such funds.

2. The Treasurer or Assistant Treasurer of the Corporation shall maintain or cause to be maintained a proper record of all books, notes, securities, or other evidence of indebtedness held by the Corporation for investment and deposit purposes. Such record shall identify the security, the fund for which it is held, the place where kept, the date of sale or other disposition, and the amount received from such sale or other disposition.

3. The Corporation is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

D. Authorized Financial Institutions and Dealers.

The Corporation shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments that may be outstanding with each financial institution or dealer. All financial institutions with which the Corporation conducts business must be creditworthy as determined by criteria established by the Treasurer or Assistant Treasurer of the Corporation. All banks with which the Corporation does business shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers.

E. Purchase of Investments.

The Corporation may contract for the purchase of investments directly, including through a repurchase agreement, from an authorized trading partner. All purchased obligations, unless registered or inscribed in the name of the Corporation, shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligations shall be purchased, sold, or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Corporation by the bank or trust company and shall be held pursuant to a written custodial agreement as described in Article IV.C.2 of this Policy.

F. Repurchase Agreements.

The Corporation may enter into repurchase agreements subject to the following restrictions:

1. All repurchase agreements must be entered into subject to a Master Repurchase Agreement.

2. Trading partners are limited to commercial banks or trust companies authorized to do business in New York State and primary reporting dealers.

3. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.

4. No substitution of securities will be allowed.

5. Obligations purchased pursuant to a repurchase agreement shall be held by a custodian other than the trading partner, pursuant to a written custodial agreement that complies the terms of Article IV.C.2 of this Policy.

## ARTICLE 111
## Investments

A. General Policy,

It is the general policy of the Corporation that funds not required for immediate expenditure shall be invested as described in Article Ill.B below. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income, net of fees, to be derived.

B. Permitted Investments.

The Treasurer or Assistant Treasurer is authorized to invest funds not required for immediate expenditure in the following investments, which are permitted under Section 1 1 of the General Municipal Law:

1. Special time deposit accounts in, or certificates of deposit issued by any commercial bank or trust company that is located in and authorized to do business in New York State, provided that such deposit account or certificate of deposit is secured in the same manner as provided in Article IV.B of this Investment Policy and is payable within such time as the proceeds shall be needed to meet expenditures for which the funds were obtained;

2. Obligations of the United States of America;

3. Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;

4. Obligations of the State of New York; and

5. Such other obligations may be permitted under Section 1 1 of the General Municipal Law.

All investments as provided in Sections B(2) through B(5) of this Article shall be payable or redeemable at the option of the Corporation within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Corporation within two years of the date of purchase, and comply with such other requirements as set forth in Section 1 1 of the General Municipal Law.

## ARTICLE IV
## Deposits

A. Designation of Depositories.

The Corporation shall, by resolution, designate one or more commercial banks or trust companies for the deposit of Corporation funds received by the Corporation. Such resolution shall specify the maximum amount that may be kept on deposit at any time with each bank or trust company. Such designations and amounts may be changed at any time by further resolution of the Corporation.

B. Collateralization of Deposits.

All deposits of the Corporation (including certificates of deposit and special time deposits) in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured as follows:

1. By a pledge of "eligible securities" with an aggregate "market value" as defined by Section 10 of the General Municipal Law, at least equal to the aggregate amount of deposits. A list of eligible securities is attached hereto as Schedule A.

2. By a pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the aggregate amount of deposits from all such officers within New York State at such bank or trust company.

3. By an irrevocable letter of credit issued by a qualified bank (other than the bank with which the money is being deposited or invested) in favor of the Corporation for a term not to exceed ninety (90) days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable minimum risk-based capital requirements.

4. By an eligible surety bond payable to the Corporation for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claim's paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The terms and conditions of any eligible surety bond shall be subject to Board approval.

c. Safekeeping and Collateralization.

Eligible securities used for collateralizing deposits shall be held by the depository and/or third-party bank or trust company subject to security and custodial agreements as described below.

1. Security Agreement Requirements. The security agreement shall provide that eligible securities are being pledged to secure Corporation deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted, or released and the events which will enable the Corporation to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Corporation, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the depository or its custodial bank.

2. Custodial Agreement Requirements. The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The custodial agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The custodial agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities and may include such other terms as the Board deems necessary.

## ARTICLE V
## Monitoring and Reporting Obligations

The following monitoring and reporting procedures shall be applicable in connection with the deposit and investment of funds subject to this Investment Policy:

A. Monthly Monitoring.

Each cash and investment account statement will be reviewed and reconciled on a monthly basis. The Treasurer or Assistant Treasurer will review each account reconciliation for accuracy and will investigate any unusual items noted.

B. Monitoring and Reporting.

Pursuant to Section 2925(5) of the Public Authorities Law, the Treasurer or Assistant Treasurer of the Corporation shall present a report at each meeting of the Board of Directors which will include the following information: (i) the cash and investment balances of the Corporation; (ii) identification of any new investments since the last report; (iii) information concerning the selection of investment bankers, brokers, agents dealers or auditors since the last report; and (iv) the names of the financial institutions holding Corporation deposits.

C. Annual Monitoring and Reporting.

1. On an annual basis, the Corporation will obtain an independent audit of its financial statements, which shall include an audit of its cash and investments and the Corporation's compliance with this Investment Policy. The results of the independent audit shall be made available to the Board of Directors at the time of its annual review of this Investment Policy.

2. Pursuant to Section 2925(6) of the Public Authorities Law, staff shall, on an annual basis, prepare and submit for Board approval an investment report which shall include this Investment Policy, amendments to the Investment Policy since the last investment report, an explanation of the Investment Policy and any amendments, the results of the annual independent audit, the investment income record of the Corporation and a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the last investment report. The investment report will be distributed to those individuals identified in Section 2925(7)(b) of the Public Authorities Law. The Corporation shall make available to the public copies of its investment report upon reasonable request therefor.

## ARTICLE VI
## Annual Review

This Investment Policy shall be reviewed and approved by the Board of Directors of the Corporation on an annual basis.

## ARTICLE VII
## Savings Clause

Nothing contained in Section 2925 of the Public Authorities Law shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into by the Corporation in violation of, or without compliance with the provisions of Section 2925 of the Public Authorities Law.

## SCHEDULE A ELIGIBLE SECURITIES

Obligations issued by the United States of America, an agency thereof or a United States government sponsored corporation or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation.

Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.

Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.

Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of New York State or obligations of any public benefit corporation which under a specific state statute may be accepted as security for deposit of public moneys.

Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Obligations of counties, cities and other governmental entities of another state having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.

Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by federal bank regulatory agencies.

Commercial paper and bankers' acceptances issued by a bank (other than the bank with which the money is being deposited or invested) rated in the highest short-Term category by at least one nationally recognized statistical rating organization and having maturities of no longer than sixty days from the date they are pledged.

Zero-coupon obligations of the United States government marketed as "Treasury STRIPS."

Adopted: 4/7/2009
Re-Adopted: 4/6/2010
Re-Adopted: 3/29/2011
Re-Adopted: 3/27/2012
Re-Adopted: 3/26/2013
Re-Adopted: 3/25/2014
Amended and Adopted: 3/31/2015
Re-Adopted: 3/29/2016
Re-Adopted: 3/28/2017
Amended and Adopted: 3/27/2018
Re-adopted: 3/26/2019
Re-adopted: 3/31/2020
Re-adopted: 3/30/2021
Re-adopted: 3/29/2022
Re-adopted: 3/28/2023

# Buffalo Urban Development Corporation
**Investment Report**
For the year ended December 31, 2023

# Buffalo Urban Development Corporation
## 2023 Annual Investment Report

### Purpose of Report:

Under Section 2925(6) of the Public Authorities Law, BUDC is required to annually prepare and approve an Investment Report. The Investment Report is to include: BUDC's Investment Guidelines (see below), the results of the annual independent audit (see below), a list of the total investment income received by the corporation and a list of the fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the corporation since the last investment report.

The attached schedule details the corporation's investment income and related fees for the year ended December 31, 2023 and was approved by the BUDC Board of Directors at their March 26, 2024 meeting.

**Investment Guidelines:**

In accordance with Section 2925 of the Public Authorities Law, BUDC is required to adopt Investment Guidelines which detail its operative policy and instructions to staff regarding the investing, monitoring and reporting of funds of the Agency. In addition, BUDC has elected to follow the deposit and investment restrictions contained in Sections 10 and 11 of the General Municipal Law as a "best practice".

BUDC's Investment Guidelines were approved by the BUDC Board of Directors at their March 26, 2024 meeting and are posted on the BUDC website at http://www.buffalourbandevelopment.com/budc-corporate-policies. The Investment Guidelines are consistent with the Guidelines adopted on March 28, 2023.

**Investment Audit:**

BUDC's auditors have audited the corporation's compliance with the Investment Guidelines for Public Authorities. In their report dated March XX, 2024 Freed Maxick CPAs have indicated that BUDC complied, in all material respects, with these Investment Guidelines.

## Buffalo Urban Development Corporation (BUDC) and Affiliates

**Annual Investment Report**
**For the year ended December 31, 2023**

| | Account Type | Financial Institution | G/L Balance 1/1/2023 | G/L Balance 12/31/2023 | Interest Rate[a] Dec 2023 | 2023 Investment Income | 2023 Fees | Restricted | Purpose |
|---|---|---|---|---|---|---|---|---|---|
| | **BUDC Accounts:** | | | | | | | | |
| 1 | Interest Checking | KeyBank | 20,097,419 | 16,281,041 | 0.85% | 138,751 | - | | General BUDC checking account |
| 2 | Checking | KeyBank | 6,100 | 1,100 | - | - | - | √ | Northland Corridor account |
| 3 | Checking | KeyBank | 3,229,454 | - | - | - | - | √ | Downtown Loan Fund |
| 4 | Interest Checking | M&T Bank | 452,106 | 231,550 | 3.25% | 8,498 | - | √ | Restricted account for City of Buffalo real estate development[b] |
| 5 | Interest Checking | KeyBank | 184,298 | 236,704 | 0.85% | 1,675 | - | | Account for 714 Northland property |
| 6 | Interest Checking | KeyBank | 84,990 | 85,068 | 0.85% | 667 | - | √ | Imprest account for ESD grant #133857[c] |
| 7 | Interest Checking | KeyBank | - | - | 0.00% | - | - | √ | Imprest account for ESD RECAP grant[cd] |
| | | | $24,054,367 | $16,835,463 | | $ 149,591 | $ - | | |
| | **683 Northland LLC Accounts:** | | | | | | | | |
| 8 | Interest Checking | KeyBank | 66,665 | 23,208 | 0.85% | 356 | - | | General 683 Northland checking account |
| 9 | Interest Checking | KeyBank | 9,170 | 5,007 | 0.85% | 5 | - | √ | Interest Reserve account |
| 10 | Checking | Citibank | 91,000 | 61,000 | - | - | - | √ | NTCIC Reserve checking account |
| 11 | Checking | Citibank | 147,316 | 77,919 | - | - | 864 | √ | BACDE Reserve checking account |
| | | | $ 314,150 | $ 167,134 | | $ 361 | $ 864 | | |
| | **683 WTC, LLC Accounts:** | | | | | | | | |
| 12 | Interest Checking | KeyBank | 188 | 60 | 0.81% | 325 | - | | General 683 WTC Checking account |
| | | | $ 188 | $ 60 | | $ 325 | $ - | | |
| | | | $24,368,705 | $17,002,657 | | $ 150,277 | $ 864 | | |

***Notes:***

All accounts are FDIC guaranteed and secured by collateral posted by the depository or its agent for balances above the FDIC limit.

[a] The Interest Rate is the annualized rate for the month of December 2023 and is prior to the deduction of fees (if any).
[b] This account is known as the Buffalo Brownfields Redevelopment Fund (BBRF) and is held by the ECIDA on behalf of BUDC.
[c] Investment income earned is remitted to grantor in accordance with agreements.
[d] New account opened in December 2023

**Buffalo Urban Development Corporation**
95 Perry Street
Suite 404Buffalo, New York 14203
phone: 716-856-6525
fax: 716-856-6754
web: [buffalourbandevelopment.com](buffalourbandevelopment.com)

# 2023 Assessment of the Effectiveness of Internal Controls

Management of the Buffalo Urban Development Corporation (BUDC) is responsible for establishing and maintaining adequate internal controls over financial reporting. The accounting, financial reporting and cash management functions rely on a system of controls outlined in the organization's Financial Policies & Procedures documentation. Internal controls are reviewed continuously, and adjustments are made as needed. Many administrative processes (e.g. payroll, cash management) are performed by employees of the Erie County Industrial Development Agency (ECIDA) under a shared services agreement due to shared office space. ECIDA's CFO serves as BUDC's Treasurer, and ECIDA's Accounting Manager serves as BUDC's Assistant Treasurer. Examples of key internal controls are:

- Payroll: BUDC's payroll is processed by a third-party processor, Bene-Care Payroll, LLC. The CFO and Bookkeeper verify that payments are only made to employees that are entitled to be paid. As a service organization Bene-Care Payroll, LLC. undergoes a Service Organization Controls (SOC) audit each year. Their most recent SOC 1 audit asserts that the internal controls in place at Bene-Care Payroll, LLC are suitably designed and operating as intended to provide reasonable assurance that control objectives were achieved.
    - Risk = Low
- Cash Disbursements: Disbursements are made primarily by check and wire transfer. Invoices require approval (physical or email) by the purchaser prior to payment. Invoices are reviewed by the CFO prior to processing by the Bookkeeper. Two signatures are required on all checks (President, Executive VP, Treasurer or Assistant Treasurer). All wire transfers require dual approval. The CFO retrieves and reviews all bank statements and approves all bank reconciliations. Only Finance Department staff have access to online banking sites.
    - Risk = Low
- Cash Receipts: Checks received are logged by ECIDA's Receptionist and forwarded to the Accounting Manager. The Accounting Manager stamps checks "for deposit only", codes the checks and prepares deposits. The Bookkeeper deposits checks at the bank. The CFO reviews and initials deposit slips and deposit receipts and verifies proper account coding. The Bookkeeper records deposits in the general ledger software. Wire/ACH receipts are reviewed and coded by the CFO or Accounting Manager and are recorded in the general ledger software by the Bookkeeper.
    - Risk = Low

All computers are password protected and require multi-factor authentication to log in. General ledger software is separately password protected. Access to the general ledger software is restricted to the CFO, Accounting Manager and Bookkeeper.

BUDC is subject to an annual financial statement audit by an independent accounting firm, in accordance with Government Auditing Standards. While auditors are not engaged to perform an audit of internal controls, the auditors do review and test internal controls as part of their audit procedures. There have been no material weaknesses or significant deficiencies in internal controls nor other management letter recommendations noted by the independent auditors.

In summary, the present internal control structure appears to be sufficient to meet internal control objectives in preventing and detecting errors and irregularities.

This statement certifies that the Buffalo Urban Development Corporation followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending December 31, 2023. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.

# Buffalo Urban Development Corporation
# 2023 Audit & Finance Committee Self-Evaluation

**Responsibilities of the Audit & Finance Committee:**

The core responsibilities of the Audit & Finance Committee, as mandated under Section 2825 of the New York Public Authorities Law, are set forth in the Bylaws and include: (i) the independent auditor and annual financial statements; (ii) oversight of management's internal controls, compliance, and risk assessment practices; (iii) special investigations and whistleblower policies; and (iv) miscellaneous issues related to the financial practices of the Corporation.

| Audit & Finance Committee Self-Evaluation | Yes | No | Pending | Comments |
|---|---|---|---|---|
| 1. Are the members of the Audit & Finance Committee appointed in accordance with the Bylaws and do individuals appointed to the Audit & Finance Committee possess the necessary skills to understand the duties and functions of the Audit & Finance Committee and are familiar with corporate financial and accounting practices? | ☒ | ☐ | ☐ | |
| 2. Is each member of the Audit & Finance Committee an "independent member" within the meaning of, and to the extent required by, Section 2825 of the New York Public Authorities Law, as amended from time to time? Did Audit & Finance Committee members, who are members of the Corporation, comply with the conflict of interest provisions applicable to public officers under Article 18 of the New York General Municipal Law? | ☒ | ☐ | ☐ | |
| 3. Did the Audit & Finance Committee meet a minimum of once (1) each calendar year? | ☒ | ☐ | ☐ | The Audit & Finance Committee met on 1/12/23, 3/9/23, 5/11/23, 9/7/23, 10/12/23 and 12/14/23. |
| 4. Were meeting notices and agendas prepared for each meeting and provided to Audit & Finance Committee members by electronic or regular mail at least five (5) days in advance of the scheduled meeting? Were minutes of all meetings recorded by the Secretary or any Assistant Secretary of the Corporation? Did all meetings comply with the requirements of the Open Meetings Law? | ☒ | ☐ | ☐ | Notices and agendas were provided for each meeting in advance. The meetings fully complied with the Open Meetings Law and the Secretary of the corporation recorded official minutes for all meetings. |

| Audit & Finance Committee Self-Evaluation | Yes | No | Pending | Comments |
|---|---|---|---|---|
| 5. Did the Audit & Finance Committee develop the Corporation's audit practices, which should address independent auditors and financial statements; internal controls, compliance, and risk assessment; special investigations; and other responsibilities? | ☒ | ☐ | ☐ | See Questions #6-#10 below. |
| 6. Did the Audit & Finance Committee:<br>(a) Recommend to the Board the appointment of independent auditors, establish the compensation to be paid to the auditors, pre-approve all audit services provided by the independent auditor, and provide oversight of the audit services provided by the independent auditor?<br>(b) Engage independent auditors to provide permitted audit services consistent with the procurement policy of the Corporation?<br>(c) Review and approve the Corporation's audited financial statements, associated management letter, and all other auditor communications?<br>(d) Review significant accounting and reporting issues and understand their impact on the financial statements of the Corporation?<br>(e) Meet with the Corporation's independent auditor at least annually to discuss the financial statements of the Corporation and any issues that may have arisen during the audit?<br>(f) Review and discuss any significant risks reported in the independent audit and assess the responsiveness of management's follow-up activities regarding same? | ☒ | ☐ | ☐ | In March 2023, Freed Maxick completed audits of BUDC and 683 Northland Master Tenant, LLC for the year ended 12/31/22. On 3/9/23, Freed Maxick presented the draft 2022 audited financial statements for both entities. Freed Maxick issued an unmodified (clean) opinion for both audits. They also indicated that the audits did not uncover any significant weaknesses in internal control. Freed Maxick also presented the 2022 draft financial statements of the Buffalo Brownfields Redevelopment Fund. The ECIDA is the custodian for the Brownfields Fund. Accordingly, the financial statements were presented to the Committee members for informational purposes only. |
| 7. Did the Audit & Finance Committee review management's assessment of the effectiveness of the Corporation's internal controls and review the actions taken by management on the independent accountants' and auditors' suggestions for correcting weaknesses in the Corporation's internal controls, regulatory compliance, and organizational structure and operations? | ☒ | ☐ | ☐ | Management's assessment of the effectiveness of internal controls was reviewed on 3/9/23. As per the March 2023 audit reports, no significant weaknesses in internal control were noted. |

| Audit & Finance Committee Self-Evaluation | Yes | No | Pending | Comments |
|---|---|---|---|---|
| 8. Did the Audit & Finance Committee:<br>(a) Ensure that the Corporation has a confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest by directors, officers, or employees of the Corporation or anyone having business dealings with the Corporation?<br>(b) Develop procedures for the receipt, retention, investigation, or referral of complaints concerning accounting, internal controls, and auditing?<br>(c) Request and oversee special investigations as needed or refer specific issues to the Board or appropriate committee for further investigation? | ☒ | ☐ | ☐ | The BUDC adopted a Whistleblower Policy in March of 2012. The policy describes the process for reporting suspected fraudulent activities and describes the protections provided to individuals who report suspected fraudulent activities. No changes were recommended to this policy in 2023. |
| 9. Did the Audit & Finance Committee obtain information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process, internal controls, and appropriate level of familiarity in financial reporting standards and processes? | ☒ | ☐ | ☐ | In March 2023 the Audit & Finance Committee was provided an article entitled, "2023: The year of the risk-centric agenda" published by the Deloitte Center for Board Effectiveness. |

| Audit & Finance Committee Self-Evaluation | Yes | No | Pending | Comments |
|---|---|---|---|---|
| 10. Did the Audit & Finance Committee:<br>(a) Report its actions and recommendations to the Board?<br>(b) Report to the Board at least annually regarding any changes to the Audit & Finance Committee Charter?<br>(c) Provide a self-evaluation to the Board on an annual basis?<br>(d) Report to the Board at least annually on the findings of its independent auditors? | ☒ | ☐ | ☐ | On 3/28/23, the Audit & Finance Committee reported on its activities to the BUDC Board of Directors. These activities included the: (1) 2022 Audit & Finance Committee self-evaluation; (2) Audit & Finance Committee Charter; (3) 2022 draft financial statements audited by Freed Maxick; (4) 2022 draft financial statements for the Buffalo Brownfields Redevelopment Fund audited by Freed Maxick; (5) 2022 Property Report; (6) Investment & Deposit Policy; and (7) 2022 Investment Report. |

| Audit & Finance Committee Self-Evaluation | Yes | No | Pending | Comments |
|---|---|---|---|---|
| 11. Did the Audit & Finance Committee:<br>(a) Assess the financial requirements of the Corporation's capital plans including its current and future capital needs, justification of why the capital expenditures are required and a review and explanation of funding sources for its capital projects?<br>(b) Review the financial aspects of the Corporation's proposed projects, major transactions, significant expenditures, new programs & services, proposals to discontinue programs & services and make recommendations to the Board based on such reviews?<br>(c) Review and recommend changes to the Corporation's Procurement Policy, including thresholds for procuring commodities, equipment, goods or services with or without written requests for proposals?<br>(d) Review proposals for financing the Corporation's capital expenditures and other business ventures and make recommendations to the Board concerning such proposals and the level and nature of the debt that may be acquired by the Corporation? In connection with these reviews, did the Committee consider information consistent with prudent borrowing practices such as the ability of the Corporation to generate cash flow to support its debt obligations and other cash flow needs?<br>(e) Review the Corporation's existing loan agreements and other debt facilities and make recommendations for repayment, consolidation and refinancing?<br>(f) When requested by the Board, make recommendations to the Board concerning criteria that should govern the Corporation's financing?<br>(g) Review, at least annually, the Corporation's insurance policies and liability coverage and recommend any necessary changes? | ☒ | ☐ | ☐ | (a), (b), (d), (e) & (f) The Audit & Finance Committee discusses the financial requirements for all BUDC projects. BUDC staff provided updates for the BBRF, Northland, and Centennial Park funding sources during each 2023 Audit & Finance Committee meeting.<br>(c) BUDC's Governance Committee reviews the Procurement Policy annually. No changes were necessary in 2023. The Board re-adopted the policy on 3/28/23.<br>(e) The Audit & Finance Committee received updates on the BBRP loan program and 683 Northland construction financing during the 5/11/23, 10/12/23, and 12/14/23 meetings. The reports included status reports on BBRP program updates and line of credit repayment and renewal. On 12/14/23 the Committee reviewed and recommended an extension of the line of credit to the Board. |

| Audit & Finance Committee Self-Evaluation | Yes | No | Pending | Comments |
|---|---|---|---|---|
| 12. Did the Audit & Finance Committee:<br>(a) Review the Corporation's proposed annual operating budget as presented by Corporation management for the upcoming fiscal year?<br>(b) Recommend the annual budget to the Board for approval after incorporating modifications the Audit Committee deemed appropriate?<br>(c) Make recommendations to the Board regarding transfers of money under the budget, if requested by the Board? | ☒ | ☐ | ☐ | The Audit & Finance Committee reviewed the 2024 draft budget and proposed three-year forecast during its 9/7/23 and 10/12/23 meetings and recommended that the Board approve the budget and three-year forecast. |

| Audit & Finance Committee Self-Evaluation |
|---|
| ***Other Self-Evaluation Notes*** |
| 1) In addition to the above:<br>• During the 1/23/23 meeting the Committee approved an amendment to an existing loan document due to the LIBOR to SOFR transition. Freed Maxick was in attendance to review the 2022 audit plan with the Committee.<br>• During the 5/11/23 meeting the Treasurer reviewed the draft 2022 IRS Form 990/990-T with the Committee. The Committee also received information about the 683 Northland tax credit structure and future unwinding.<br>• During the 12/14/23 meeting the Committee approved the renewal of consulting agreements with the former BUDC President and former BUDC Executive Vice President, respectively. The Committee also recommended the Board approve certain amendments to existing agreements as part of the 683 Northland tax credit structure. |

# BUFFALO URBAN DEVELOPMENT CORPORATION

# AMENDED AND RESTATED AUDIT AND FINANCE COMMITTEE CHARTER

The Board of Directors of Buffalo Urban Development Corporation (the "Corporation") hereby adopts this Amended and Restated Audit and Finance Committee Charter ("Charter") of the Corporation as of the Effective Date set forth herein.

## ARTICLE 1
## Purpose

The purpose of the Audit and Finance Committee (the "Audit Committee") shall be to: (1) assure that the Corporation's Board of Directors (the "Board") fulfills its responsibilities for the Corporation's internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; (2) provide an avenue of communication between management, the independent auditors and the Board; (3) oversee the Corporation's capital requirements and its acquisition, management and repayment of debt, and to recommend policies concerning the same; and (4) review and make recommendations regarding budgetary matters.

## ARTICLE 11

## Powers

The Audit Committee shall have the power to: (1) conduct or authorize investigations into any matters within its scope of responsibility; (2) seek any information it requires from Corporation employees, all of whom should be directed by the Board to cooperate with the Audit Committee's requests; and (3) meet with Corporation staff, independent auditors, experts, other advisors or Corporation counsel, as the Audit Committee may deem appropriate. The Board shall ensure that the Audit Committee has sufficient resources to carry out its duties under this Charter.

## ARTICLE 111
## Composition of the Audit and Finance Committee

A. The Audit Committee shall be appointed by the Board and shall be comprised of not less than three (3) independent members, who shall constitute a majority of the Committee. In the event that the Board has less than three (3) independent members, the Board may appoint non independent members to the Audit Committee so long as the independent members constitute a majority of the Committee. The term "independent member," as defined in Section 2825 of the New York Public Authorities Law, shall mean a member who: (i) is not, and in the past two years has not been, employed by the Corporation or an affiliate in an executive capacity; (ii) is not, and in the past two years has not been, employed by an entity that received remuneration valued at more than Fifteen Thousand Dollars for goods and services provided to the Corporation or received any other form of financial assistance valued at more than Fifteen Thousand Dollars from the

Corporation; (iii) is not a relative of an executive officer or employee in an executive position of the Corporation or an affiliate; and (iv) is not, and in the past two years has not been, a lobbyist registered under a state or local law and paid by a client to influence the management decisions, contract awards, rate determinations or any other similar actions of the Corporation or an affiliate of the Corporation.

B. Appointees to the Audit Committee are required to possess the necessary skills to understand the duties and functions of the Audit Committee and be familiar with corporate financial and accounting practices. The Board shall designate one member of the Audit Committee to serve as Chair of the Audit Committee. Each member of the Audit Committee shall serve for a term of one (1) year and until his or her successor shall be appointed and qualified.

## ARTICLE IV
## Committee Meetings

A. The Audit Committee will meet at least annually and as frequently as may be necessary or appropriate in order to fulfill the functions outlined in this Charter. The Audit Committee may invite other individuals, such as staff members, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

B. Meeting notices will be prepared for each meeting and provided to Audit Committee members by electronic or regular mail at least five (5) days in advance of the scheduled meeting. Meetings shall be held in compliance with the requirements of the Open Meetings Law. Agenda materials will be provided in advance of each meeting. A quorum of the Audit Committee shall consist of a majority of the members then serving on the Audit Committee. The affirmative vote of a majority of the members then serving on the Audit Committee shall constitute an act of the Audit Committee. Minutes of the Committee meetings shall be recorded by the Secretary or, in his or her absence, an Assistant Secretary or any other person designated as secretary of the meeting by the Chair of the Audit Committee.

## ARTICLE V
## Committee Responsibilities

The Board has delegated responsibilities to the Audit Committee in furtherance of the committee's purposes. Those responsibilities include the following:

A. Independent Auditors and Financial Statements

The Audit Committee shall:

(i) Recommend to the Board the appointment of independent auditors, establish the compensation to be paid to the auditors retained by the Corporation, pre-approve all audit services provided by the independent auditor and provide oversight of the audit services provided by the independent auditor.

(ii) Engage independent auditors to provide permitted audit services, consistent with and in accordance with the procurement policy of the Corporation. The Corporation's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit

Committee. Non-audit services include tasks that directly support the Corporation's operations, such as (a) bookkeeping or other services related to the accounting records or financial statements of the Corporation; (b) financial information systems design and implementation; (c) appraisal or valuation services, fairness opinions, or contribution in-kind reports; (d) actuarial services; (e) internal audit outsourcing services; (f) management functions or human resource services; (g) broker or dealer, investment advisor, or investment banking services; and (h) legal services and expert services unrelated to the audit function.

(iii) Review and approve the Corporation's audited financial statements, associated management letter and all other auditor communications.

(iv) Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements of the Corporation.

(v) Meet with the Corporation's independent auditor at least annually to discuss the financial statements of the Corporation, and on an as-needed basis to discuss any significant issues that may have arisen during the course of the audit.

(vi) Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

B. Internal Controls, Compliance and Risk Assessment

The Audit Committee shall review management's assessment of the effectiveness of the Corporation's internal controls and review the actions taken by management on the independent accountants' and auditors' suggestions for correcting weaknesses, if any, in the Corporation's internal controls, regulatory compliance, organizational structure and operations, and if applicable, any weaknesses noted.

c. Special Investigations

The Audit Committee shall.

(i)Ensure that the Corporation has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers or employees of the Corporation or any persons having business dealings with the Corporation or breaches of internal control.

(ii) Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing.

(iii) Request and oversee special investigations as needed and/or refer specific issues to the Board or appropriate committee of the Board for further investigation.

D. Annual Budget

**The Audit Committee shall:**

(i) Review the Corporation's proposed annual operating budget as presented by Corporation management for the upcoming fiscal year.

(ii) Recommend the annual budget to the Board for approval after incorporating any modifications the Audit Committee deems appropriate.

(iii) Make recommendations to the Board regarding transfers of money under the budget, if requested by the Board.

E. Capitalization. Financial and Procurement Requirements

The Audit Committee shall:

(i) Assess the financial requirements of the Corporation's capital plans. The assessment is to include current and future capital needs, a justification of why such capital expenditures are required and a review and explanation of funding sources for capital projects such as grants, bank loans and existing cash reserves.

(ii) Review the financial aspects of the Corporation's proposed projects, major transactions, significant expenditures, new programs and services, as well as proposals to discontinue programs and services, and make recommendations to the Board based on such reviews.

(iii) Review and recommend changes to the Corporation's procurement policy, including thresholds for procuring commodities, equipment, goods or services with or without written requests for proposals.

(iv) Review proposals for financing the Corporation's capital expenditures and other business ventures, and make recommendations to the Board concerning such proposals and the level and nature of debt that may be acquired by the Corporation. In connection with such reviews, the Audit Committee shall consider such information as it determines to be consistent with prudent borrowing practices, including, without limitation, the ability of the Corporation to generate cash flow to support its debt obligations and other cash flow needs.

(v) Review the Corporation's existing loan agreements and other debt facilities, and make recommendations for repayment, consolidation and refinancing, if appropriate.

(vi) When requested by the Board, make recommendations to the Board concerning criteria that should govern the Corporation's financings.

(vii) Review, at least annually, the Corporation's insurance policies and liability coverage, and make recommendations regarding changes to each, if appropriate.

F. Other Responsibilities

The Audit Committee shall:

(i) Obtain information and training needed to enhance the Audit Committee members' understanding of the role of the independent auditor, the risk management process, internal controls, budgeting, capitalization requirements, debt acquisition and an appropriate level of familiarity in financial reporting standards and processes.

(ii) Review this Charter annually, reassess its adequacy and recommend to the Board any proposed changes. This Charter shall be updated as applicable laws, regulations, accounting and auditing standards change.

(iii) Conduct an annual self-evaluation of its performance, including the effectiveness of the Committee, its compliance with this Charter, and how it has discharged its duties and met its responsibilities as outlined herein.

## ARTICLE VI
## Committee Reports

The Audit Committee shall:

A. Report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Audit Committee and when otherwise requested by the Board.

B. At the Board's request, report to the Board regarding the status of and the Audit Committee's recommendations for the Corporation's proposed and existing borrowing arrangements and other debt facilities.

c. Report to the Board on a periodic basis, at least annually, the findings of its independent auditors. These reports shall include careful consideration of the actions taken by management on the independent auditors' suggestions for correcting weaknesses, if any, in the Corporation's internal controls, regulatory compliance, organizational structure and operations. These reports may include the adequacy of the audit effort by the Corporation's independent auditors, the financial and regulatory compliance reporting decisions of management, the adequacy of disclosure of information essential to a fair presentation of the financial affairs and regulatory compliance efforts of the Corporation, and the organization and quality of the Corporation's system of management and internal accounting controls.

D. Report to the Board, at least annually, regarding any proposed changes to this Charter.

## ARTICLE VII

### Amendments

This Charter shall be effective upon the affirmative vote of the Board of Directors of the Corporation and may be amended upon affirmative vote of a majority of the Board of Directors of the Corporation.

Effective Date: April 7, 2009
Amended: March 2, 2010
Re-adopted: March 26, 2013
Re-adopted: March 14, 2014
Re-adopted: March 31, 2015
Re-adopted: March 29, 2016
Re-adopted: March 28, 2017
Amended and Restated: July 25, 2017 (Board of Directors)
Reviewed: March 15, 2018 (Audit & Finance Committee of the Board of Directors)
Reviewed: March 14, 2019 (Audit & Finance Committee of the Board of Directors)
Reviewed: March 19, 2020 (Audit & Finance Committee of the Board of Directors)
Reviewed: March 22, 2021 (Audit & Finance Committee of the Board of Directors)
Reviewed: March 29, 2022 (Audit & Finance Committee of the Board of Directors)
Reviewed: March 9, 2023 (Audit & Finance Committee of the Board of Directors)

https://deloitte.wsj.com/riskandcompliance/audit-committees-so-much-more-than-financial-statement-oversight-ba12fe20

LEADERSHIP | GOVERNANCE | INTERNAL AUDIT

# Audit Committees: So Much More Than Financial Statement Oversight

As the complexity of organizations and the environment in which they operate broadens and deepens, the purview of the audit committee is evolving and expanding faster than ever

The audit committee is evolving.

The pace at which many businesses need to anticipate and adapt to change continues to be unparalleled. As a result, the role of corporate governance and oversight is continually expanding—and accordingly, so is what is expected of audit committees.

Dipti Gulati

Once primarily responsible for overseeing financial reporting and internal controls, ethics and compliance programs, and external and internal audit, audit committees are now finding Artificial Intelligence (AI), cybersecurity, and climate issues hitting many of their agendas, particularly when disclosures are involved. The evolution and expansion of the audit committee's purview generally means the responsibilities of the committee are growing in strategic importance.

In fact, audit committee respondents to Deloitte's most recent Audit

Committee Practices Report anticipate that, outside of financial reporting and controls, cybersecurity (63%), followed by enterprise risk management (45%), and environmental, sustainability, and governance (ESG) disclosure and reporting (39%) are their top three areas of focus this year.

## AI – Where Does It Fit?

Issues related to technology are taking up a significant proportion of many audit committees' bandwidth these days, with some sharing anecdotally that up to half of their time is spent on it.

"Emerging technology oversight and responsibility continues to reach new heights," my colleague Carey Oven, managing partner with Deloitte's Center for Board Effectiveness, Deloitte & Touche LLP, told a recent gathering of nearly 150 audit committee members and chairs.

Oven emphasized that, "Artificial intelligence seems to be advancing by the nanosecond, leaving many practitioners grappling with what things like 'GenAI' and 'large language models' even mean. While it's undeniable that technology can enable opportunity, it can also bring threats that should not be ignored."

An active conversation is already underway within many organizations regarding where the oversight for various aspects of technology should sit. Should cybersecurity fall under the remit of the audit committee? Or should it be coupled with technology and AI under a specific finance and technology committee? And what should the backgrounds and capabilities of members of those committees be to promote effective and informed oversight?

Consider AI. As companies continue to explore and invest in this new capability, they are tasked with considering numerous business implications, including both operational and reputational risks and risk appetite, governance, and the role of the board.

A recent Deloitte survey of in-house governance professionals representing 97 public companies of varying sizes and industries reveals a lack of consensus on where primary oversight for AI currently lies. The most frequently cited response (29%) is that neither the board nor a committee has express responsibility for AI; 16% indicate it was the responsibility of the audit committee. What's more, 44% of respondents report that, to date, AI-related topics have not been on their full board or a committee meeting agenda.

This is not likely to be the case for long. The conversation related to AI has ramped up significantly in the last nine months as organizations have begun to explore the GenAI boom and its possible use cases, which range anywhere from marketing content generation to summarizing large volumes of drone footage to iterating semiconductor chip designs. For the first time, instead of seeking a technology solution to a particular problem, organizations have this incredibly powerful technological tool that, rather than being confined to back-office servers, can be right at the fingertips of employees. We are just beginning to scratch the surface of its capabilities—and, in turn, just starting to get our arms around the potential risks.

**ESG – No Longer a Voluntary Endeavor**

At many companies, ESG and sustainability is top of mind for board members and management teams alike. As just one indicator, climate-related information is mentioned in more than 90% of S&P 500 companies' 10-K filings.[1] More and more boards are responding to investors' heightened expectations on climate and ESG matters by focusing on and disclosing how their governance structure is evolving to consider ESG more intentionally.

When we surveyed audit committees in 2022, just 10% said they had oversight responsibility for ESG disclosure and reporting; this year, 34% say that responsibility sits with the audit committee. It's likely both increased regulatory and investor focus are responsible for this jump.

Audit committees are increasingly engaging in the ESG agenda due to the growing reliance by investors and other stakeholders on disclosures. Audit committees will likely need to understand whether the same robust internal control over financial reporting also underlie the ESG information and metrics that companies disclose, especially if in SEC filings.

In October, California Gov. Gavin Newsom ratified two new laws that will require comprehensive climate disclosures by large public and private U.S. companies doing business in the state. The Climate Data Accountability Act (SB-253) requires reporting practices on both direct and indirect greenhouse gas emissions, and

Greenhouse gases; climate-related financial risk (SB-261) requires companies to prepare and make publicly available on their websites biennial qualitative reporting on climate-related financial risks as well as measures taken to reduce and adapt to that risk.

While these laws go beyond the scope of climate regulation proposed at the federal level by the SEC, the marketplace cannot rule out other states following California's lead. What's more, U.S. companies operating in Europe are already subject to robust reporting requirements.

In response to new rules, infrastructure is emerging to help companies better equip themselves to navigate the increasingly complex global regulatory environment. The International Sustainability Standards Board (ISSB) is developing a set of internationally consistent, high-quality, and reliable baseline standards for disclosure of sustainability-related information on enterprise value. These voluntary standards will likely be highly valuable for companies because they converge multiple sustainability reporting standards already in use by many companies and are expected to be adopted in jurisdictions around the world.

## Ever-Increasing Task List

These are just two of the fast-evolving areas audit committees now often find themselves overseeing in some capacity. From a heightened regulatory landscape to the emergence of new technology to new and expected requirements for climate and cybersecurity, the list of expected audit committee responsibilities continues to grow.

The expansion of the audit committee's role has in turn raised questions about committee composition. More experience might be needed in certain areas but bringing on narrowly-focused subject matter resources could also be challenging. After all, audit committees must still perform their core oversight duties as well as understand the interrelationships among the various areas of risk. For these reasons, boards often prefer to compose their committees with strategic thinkers, who may or may not have deep experience in a particular area.

And let's not forget just how few shoulders these responsibilities lay on: just 12% of respondents to the Audit Committee Practices Report say their audit committee is made up of more than five people; the plurality (36%) indicate their committees are made up of fewer than four. Not surprisingly a quarter of respondents anticipate making changes to the composition of the audit committee, including increasing its size, in the next 12 months.

With such momentous change affecting all aspects of an organization, there is likely no greater time for both board and committee leadership to demonstrate their influence and challenge conversations around future direction and how best to prepare executives to manage risks for continued growth and success.

*— by Dipti Gulati, Chief Executive Officer of Audit & Assurance, Deloitte & Touche LLP*

1. See the CAQ's S&P 500 10-K Analysis as of June 30, 2022, https://www.thecaq.org/sp-500-10k/

Published on Oct 27, 2023, 3:00 PM



**About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.



## WHAT TO READ NEXT...

**Buffalo Urban Development Corporation**
**Property Report**
**Year Ended: December 31, 2023**

| BUDC Facility | Address or SBL of Property | Full Description of Property | Estimated FMV of Property |
|---|---|---|---|
| *Buffalo Lakeside Commerce Park* 22.18 Buffalo, New York Some Under Contract Others Being Marketed | 80 Ship Canal Parkway | 2.01 acres of vacant land | $ 70,350 |
| | 134 Ship Canal Parkway | 2.15 acres of vacant land | $ 75,250 |
| | 158 Ship Canal Parkway | 2.15 acres of vacant land | $ 75,250 |
| | 193 Ship Canal Parkway | 9.59 acres of vacant land | $ 335,650 |
| | 200 Ship Canal Parkway | 5.86 acres of vacant land | $ 205,100 |
| | 280 Ship Canal Parkway | 0.42 acre of vacant land | $ 14,700 |
| *Northland Corridor* 37.03 Acres Buffalo, New York Some Being Marketed | 537 East Delavan Avenue | 10.52 acres of land (60K s.f. vacant, 15K s.f. occupied) | $ 900,000 |
| | 577 Northland Avenue | 29,000 s.f. of greenspace | $ 29,000 |
| | 631 Northland Avenue | 2.63 acres of land w/ a 40,000 s.f. vacant building | $ 400,000 |
| | 644 Northland Avenue | 11,000 s.f. of land w/ 4,000 s.f. building | $ 32,000 |
| | 655 Northland Avenue | 1.28 acres of parking and greenspace | $ - |
| | 664 Northland Avenue | 12,000 s.f. of parking | $ 50,000 |
| | 699 Northland Avenue | 3,225 s.f. of vacant land | $ 3,225 |
| | 683 Northland Avenue | 7.27 acres of land w/ 235,000 s.f. of occupied buildings | $ 14,000,000 |
| | 688 Northland Avenue | 12,000 s.f. of parking | $ 50,000 |
| | 714 Northland Avenue | 1.81 acres of land w/ an 18,000 s.f. occupied building | $ 435,000 |
| | 741 Northland Avenue | 4.695 acres of land w/ a 92,000 s.f. derelict building | $ 550,000 |
| | 767 Northland Avenue | 7,998 s.f. of vacant land | $ 8,000 |
| | 777 Northland Avenue | 4.14 acres of land w/ a 81,000 s.f. derelict building | $ 50,000 |
| | 126 Dutton Avenue | 7,800 s.f. of vacant land | $ 7,800 |
| | TBD Dutton Avenue | .351 acres of vacant land | $ 15,000 |
| | 162 Winchester Street | 3,940 s.f. of vacant land | $ 4,000 |
| | 164 Winchester Street | 3,940 s.f. of vacant land | $ 4,000 |
| | 168 Winchester Street | 3,940 s.f. of vacant land | $ 4,000 |
| | 572 Northland Avenue | 4,560 s.f. of vacant land | $ 5,000 |
| | 574 Northland Avenue | 7,260 s.f. of vacant land | $ 7,000 |
| | 1669 Fillmore Avenue | 6,144 s.f. of vacant land | $ 6,000 |
| | 1675 Fillmore Avenue | 7,680 s.f. of vacant land | $ 8,000 |
| | 1679 Fillmore Avenue | 9,457 s.f. of vacant land | $ 2,800 |
| | 1681 Fillmore Avenue | 28,564 s.f. of vacant land | $ 29,000 |
| Other Not Marketed, Buffalo | 1322 South Park Avenue | 2,860 s.f. of vacant land | $ 9,000 |

**Note: The FMV is estimated using an average per acre value based on a sampling of non-current appraisals. Negotiated "final sale" value may vary.**

Table 2. The following is a listing of personal property (with a fair market value ("FMV") in excess of $5,000) and all real property that was disposed of during 2022.

| Address and Location of Property | Full Description of Property | Estimated FMV of Property | Name & Address of Purchaser | Date of Sale | $ Received by BUDC Related Entities (NorDell II, LLC & King Crow, LLC) |
|---|---|---|---|---|---|
| None | | | | | |

Table 3. The following is a listing of all real property that was acquired during 2022.

| Address and Location of Property | Full Description of Property | Estimated FMV of Property | Name & Address of Seller | Date of Purchase | $ Paid by BUDC Related Entity (NorDell II, LLC) |
|---|---|---|---|---|---|
| None | | | | | |