

Buffalo Urban Development Corporation

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Audit & Finance Committee Meeting Monday, March 22, 2021 - Noon Via Conference Call & Live Stream Audio

Agenda

1. Minutes of October 14, 2020 Meeting *(Approval) (Enclosure)*
2. Draft 2020 BUDC Audited Financial Statements *(Recommend Approval By Board) (Enclosure)*
3. Draft 2020 683 Northland Master Tenant, LLC Audited Financial Statements *(Info.)(Encl.)*
4. Draft 2020 BBRF Audited Financial Statements *(Information) (Enclosure)*
5. 2020 BBRF Reimbursement Request *(Recommend Approval By Board) (Enclosure)*
6. Investment & Deposit Policy *(Recommend Re-Adoption By Board) (Enclosure)*
7. 2020 BUDC Investment Report *(Recommend Approval By Board) (Enclosure)*
8. 2020 Management's Assessment of Internal Controls *(Information) (Enclosure)*
9. 2020 Audit & Finance Committee Self-Evaluation Update & Review *(Info.) (Enclosure)*
10. Audit & Finance Committee Charter Review *(Information) (Enclosure)*
11. Audit & Finance Committee Training *(Information) (Enclosure)*
12. 2020 Property Report Review *(Information) (Enclosure)*
13. President Transition & Consultant Contracts *(Approval)*
14. Miscellaneous Funding Source Updates *(Information)*
15. BBRP/BUDC Loan Program Update *(Information)*
16. Adjournment *(Approval)*

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

Via Video Conference Call & Live Stream Audio

**October 14, 2020
12:00 p.m.**

Call to Order:

Committee Members Present:

Trina Burruss
Janique S. Curry
David J. Nasca
Dennis M. Penman (Committee Chair)

Committee Members Absent:

James Comerford

Officers Present:

Peter M. Cammarata, President
Brandye Merriweather, Vice President, Downtown Development
Rebecca Gandour, Vice President, Finance & Development
Mollie M. Profic, Treasurer
Kevin J. Zanner, Secretary
Atiqa Abidi, Assistant Treasurer

Others Present: Jenna Bichler, Buffalo Urban Renewal Agency; Barb Danner, Freed Maxick; and Arthur Hall, BUDC.

Roll Call – The Secretary called the roll of the members of the Audit & Finance Committee at 12:05 p.m. A quorum of the Committee was present.

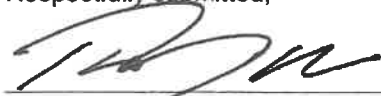
The meeting was held via video/telephone conference in accordance with the provisions of Executive Order 202.1, issued by Governor Andrew Cuomo on March 12, 2020, as amended. The meeting was also live-streamed to the general public and recorded. A transcript of the meeting will be made available at a later date.

- 1.0 Approval of Minutes of the September 21, 2020 Meeting** – The minutes of the September 21, 2020 meeting of the Audit & Finance Committee were presented. Mr. Nasca made a motion to approve the meeting minutes. The motion was seconded by Ms. Burruss and unanimously carried (4-0-0).
- 2.0 BUDC Line of Credit Update** – Ms. Profic reported that BUDC plans to use the KeyBank line of credit to advance funds in connection with the Great Lakes Commission (GLC) grant for the shoreline and aquatic habitat project at Ralph C. Wilson, Jr. Centennial Park. Ms. Profic noted that the GLC grant is a reimbursement-based grant and that line of credit advances will be repaid as grant dollars are received. BUDC has inquired regarding GLC's response time for fulfilling grant reimbursement requests, and GLC indicated that grant reimbursement payments are promptly issued.

- 3.0 Cash Flow Analysis Update** – Ms. Profic continued a discussion with the Committee regarding BUDC cash flow, including the presentation of an updated two-page graphic outlining the projected vs. actual receipt of historic and brownfield tax credits and the utilization of KeyBank construction loan proceeds and the 683 Northland LLC line of credit. Due to delays in receipt of the tax credit equity, BUDC has incurred approximately \$330,000 in additional interest expenses to date. In response to a question from Mr. Nasca, Ms. Profic indicated that the 4th and 5th installment of historic tax credit equity, along with the BCP tax credits refund, are anticipated to be in an amount sufficient to pay off the construction loan. The Committee discussed the presentation of the cash flow analysis to the Board, with Mr. Penman suggesting that a visual cash flow statement be prepared. Ms. Danner offered to assist Ms. Profic in preparing the document for the Board meeting.
- 4.0 2021 Buffalo Urban Development Corporation Draft Budget & Three-Year Forecast** Ms. Profic presented the proposed 2021 budget and 2022-2024 forecast, which was reviewed in detail at the September 21st Audit & Finance Committee meeting. Ms. Profic indicated that the budget is essentially the same budget that was presented at the September meeting, except for adjustments that were made to Northland rental income and property operations and maintenance expenses. Ms. Profic reviewed these adjustments with the Committee. She then reviewed the 2022-2024 budget forecast, which includes substantial revisions from the draft document presented last month. The three-year projections are conservative, and do not include anticipated revenue from any land sales at Buffalo Lakeside Commerce Park. The Committee discussed the proposed budget and three-year projections. In response to a question from Mr. Nasca about revenue, Mr. Cammarata indicated that there are additional opportunities at Northland to generate lease revenue as more buildings are redeveloped, as well as possible land sales at Northland and BLCF. At the conclusion of the discussion, Ms. Burruss made a motion to recommend that the Board of Directors approve the proposed 2021 BUDC budget and three-year forecast. The motion was seconded by Ms. Curry and unanimously carried (4-0-0).
- 5.0 2021 683 Northland Master Tenant Budget** – Ms. Profic reviewed the proposed 2021 budget for 683 Northland Master Tenant, LLC, which was initially presented at the September 21st Audit & Finance Committee meeting. Ms. Profic noted that this budget is presented for information purposes only. Adjustments were made to account for increased capital contributions, as it is anticipated that the final dollar amounts for the 4th and 6th installments of historic tax credit equity will be higher than initially projected. Ms. Profic also reviewed a three-year budget projection for 683 Northland Master Tenant, LLC, which shows a projected net cash increase in each of 2022, 2023 and 2024.
- 6.0 EDA Grant Application – 631 Northland** – Mr. Cammarata reported that BUDC has been working on an application for a federal EDA grant for the 631 Northland Avenue rehabilitation project. This is a twelve million dollar rehabilitation project. BUDC is seeking approximately three million dollars in EDA grant funds to help pay for the work. EDA requires a Board resolution authorizing the submission of the grant application. Mr. Nasca made a motion to recommend that the Board of Directors approve the submission of an application for EDA grant funding for the 631 Northland project. The motion as seconded by Ms. Burruss and unanimously carried (4-0-0).
- 7.0 Funding Updates** - Mr. Cammarata presented the funding update for Northland, including reports on the Restore NY IV grant, the Restore NY V grant and the ESD equipment grant. Ms. Profic presented an update regarding the 2018 BCP tax credits refund process and the timing for receipt of the 4th and 5th installments of historic tax credit equity.

- 8.0** **Adjournment** – There being no further business to come before the Committee, upon motion made by Ms. Curry, seconded by Mr. Nasca and unanimously carried, the October 14, 2020 meeting of the Audit & Finance Committee was adjourned at 12:55 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kevin J. Zanier", written over a horizontal line.

Kevin J. Zanier
Secretary

REPORT TO THE BOARD OF DIRECTORS

BUFFALO URBAN DEVELOPMENT CORPORATION

DECEMBER 31, 2020

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditors Communications with Those Charge 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 reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated January 25, 2021. 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 regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under generally accepted principles, 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 BUDC. In the current year, BUDC implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 95, <i>Postponement of Effective Dates of Certain Authoritative Guidance</i> .
	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
	Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."
Basis of Accounting	The financial statements were prepared on assumption that the entity will continue as a going concern.

Required Communications (Continued)

Audit Adjustments	We are not aware of nor have we proposed any audit adjustments as a result of our audit.
Uncorrected Misstatement	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
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 with 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.
Significant Written Communication Between Management and Our Firm	A copy of the representation letter provided to us by management is attached as Exhibit A.

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**Buffalo Urban Development Corporation
 Summary of Significant Accounting Estimates
 Year Ended December 31, 2020**

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 determine and record these accounting estimates. The following describes the significant accounting estimates reflected in BUDC's December 31, 2020 financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis of our conclusions on Reasonableness of Estimate
Depreciation of Property, Plant & Equipment	Management depreciates property, plant and equipment over the estimated lives of the assets.	Useful lives were assigned based on BUDC's useful life policy. Management was consistent in calculating depreciation based on the useful lives assigned to each asset.	The methods and lives used to estimate depreciation expense appears reasonable.

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Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by BUDC. BUDC's management has not yet determined the effect these Statements will have on BUDC's financial statements. However, BUDC plans to implement all standards by the required dates. The Statements which might impact BUDC are as follows:

Summary of GASB Statement No. 87, *Leases*

This Statement issued in June 2017 will be effective for BUDC with its fiscal year ending December 31, 2022. This Statement better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

Summary of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

This Statement issued in June 2018 will be effective for BUDC beginning with its fiscal year ending December 31, 2022. The primary objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of GASB Statement No. 89 are effective for financial periods beginning after December 15, 2021. Earlier application is encouraged.

XXXXXXX, 2021

The Finance & Audit Committees, Boards of Directors, and Management
Buffalo Urban Development Corporation

In planning and performing our audits of the financial statements of Buffalo Urban Development Corporation (BUDC), business-type activities, as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Organizations' 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 opinions on the separate financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the Finance & Audit Committees, Boards of Directors, and others within the Organization. It is not intended to be, and should not be, used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

**EXHIBIT A – SIGNIFICANT WRITTEN COMMUNICATION
BETWEEN MANAGEMENT AND OUR FIRM**

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**AUDITED
CONSOLIDATED FINANCIAL STATEMENTS**

**BUFFALO URBAN DEVELOPMENT
CORPORATION**

DECEMBER 31, 2020

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**BUFFALO URBAN DEVELOPMENT CORPORATION
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FINANCIAL SECTION

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

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 370,072	\$ 246,940
Grants receivable	13,649,610	10,780,646
Restricted cash	3,753,356	5,234,585
Other current assets	7,152,726	8,135,225
Total current assets	<u>24,925,764</u>	<u>24,397,396</u>
Noncurrent assets:		
Loans receivable, net	10,416,400	10,791,400
Equity investment	178,051	198,361
Capital assets, net	112,835,377	110,457,922
Construction in process	-	2,697,320
Land and improvements held for sale, net	4,080,387	4,086,967
Total noncurrent assets	<u>127,510,215</u>	<u>128,231,970</u>
Total assets	<u>\$ 152,435,979</u>	<u>\$ 152,629,366</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 874,573	\$ 4,589,841
Unearned revenue	13,822,911	10,743,729
Lines of credit	1,416,953	-
Current portion of loans payable	29,141,944	-
Total current liabilities	<u>45,256,381</u>	<u>15,333,570</u>
Noncurrent liabilities:		
Deferred rent liability	16,079,828	14,453,317
Loans payable	14,099,750	43,981,202
Note payable	257,381	257,381
Total noncurrent liabilities	<u>30,436,959</u>	<u>58,691,900</u>
NET POSITION		
Net investment in capital assets (net of debt)	102,816,014	73,261,007
Restricted	4,020,554	4,702,028
Unrestricted (deficit)	<u>(30,093,929)</u>	<u>640,861</u>
Total net position	<u>76,742,639</u>	<u>78,603,896</u>
Total liabilities and net position	<u>\$ 152,435,979</u>	<u>\$ 152,629,366</u>

See accompanying notes.

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

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Grant revenue	\$ 8,816,375	\$ 20,799,635
Brownfield funds	171,903	298,920
Loan interest and commitment fees	152,597	149,707
Rental and other revenue	<u>2,033,807</u>	<u>14,842,621</u>
Total operating revenues	11,174,682	36,090,883
Operating expenses:		
Development costs	5,554,325	2,579,959
Adjustment to net realizable value	419,111	575,816
Salaries and benefits	286,021	509,655
General and administrative	2,106,293	3,093,725
Management fee	91,454	133,855
Depreciation	<u>4,198,380</u>	<u>3,224,019</u>
Total operating expenses	12,655,584	10,117,029
Operating income (loss)	(1,480,902)	25,973,854
Nonoperating revenues (expenses):		
Interest income	1,278	19,278
Amortization expense	(74,872)	(74,872)
Interest expense	<u>(917,650)</u>	<u>(1,172,004)</u>
Total nonoperating revenues (expenses)	(991,244)	(1,227,598)
Change in net position	(2,472,146)	24,746,256
Net position - beginning of year	78,603,896	53,357,639
Add: capital contributions	<u>610,889</u>	<u>500,001</u>
Net position - end of year	<u>\$ 76,742,639</u>	<u>\$ 78,603,896</u>



See accompanying notes.

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Amounts received from Brownfields funds	\$ 229,279	\$ 301,725
Grants received	9,026,593	9,998,000
Receipts from loans and commitment fees	152,597	149,707
Disbursements of loans	-	(375,000)
Repayments of loans	375,000	-
Rental and other revenue	3,951,260	16,734,453
Payments to employees, suppliers, and other	(9,009,852)	(6,020,050)
Net cash provided by operating activities	<u>4,724,877</u>	<u>20,788,835</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,364,450)	(45,915,225)
Proceeds from loans	677,445	5,065,740
Capital contributions	610,889	500,000
Net cash used by capital and related financing activities	<u>(5,076,116)</u>	<u>(40,349,485)</u>
Cash flows from investing activities:		
Change in restricted cash	1,481,229	16,645,759
Interest earned	1,278	19,278
Interest paid	(1,028,446)	(1,169,576)
Payments from equity investment	20,310	-
Net cash provided by investing activities	<u>474,371</u>	<u>15,495,461</u>
Net increase (decrease) in cash and cash equivalents	123,132	(4,065,189)
Cash and cash equivalents - beginning of year	<u>246,940</u>	<u>4,312,129</u>
Cash and cash equivalents - end of year	<u>\$ 370,072</u>	<u>\$ 246,940</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income (loss) from operations	\$ (1,480,902)	\$ 25,973,854
Adjustment to reconcile income from operations to net cash provided by operating activities:		
Depreciation expense	4,198,380	3,224,019
Increase in grants receivable	(2,868,964)	(1,217,781)
Decrease in other current assets	982,499	85,869
Decrease (increase) in loans receivable	375,000	(375,000)
Increase (decrease) in accounts payable and accrued expenses	(1,186,829)	403,295
Increase (decrease) in unearned revenue	3,079,182	(9,581,854)
Increase in deferred rent liability	1,626,511	2,276,433
Net cash provided by operating activities	<u>\$ 4,724,877</u>	<u>\$ 20,788,835</u>
Non-cash transactions:		
Capital asset purchases not yet disbursed	\$ 390,059	\$ 2,882,573
Grants received but not yet earned	-	10,743,729

See accompanying notes.

**BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 (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 accounting standards, 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.

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 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 balance sheet as restricted because their use is limited.

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. PREPAID EXPENSES

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 \$6,646,600 and \$7,280,781 for December 31, 2020 and 2019, 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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.

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

L. STATEMENT OF CASH FLOWS

For the purposes of the statement 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. ACCOUNTING PRONOUNCEMENTS

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

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

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

O. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 2. CASH AND INVESTMENTS

BUDC's investment policies are governed by State statutes. In addition, the 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.

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2020 and 2019, 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

BUDC has an agreement with New York Business Development Corporation to provide loans to facilitate the development and adaptive reuse of vacant or underutilized buildings in certain designated areas. The loan agreement provides for \$9,000,000 in total funding from five participating lending banks, with interest rates determined by the banks. The balance of the loans outstanding were \$750,000 and \$1,125,000 at December 31, 2020 and 2019, respectively. Interest payments are due monthly and principal is due at maturity.

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. The following is a summary of the loans receivable. BUDC's policy is to present loans receivable net of an allowance for uncollectible loans. Management has determined that no allowance for these loans was necessary in 2020 and 2019.

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>2020</u>	<u>2019</u>
Downtown Loan Fund	\$ 750,000	\$ 1,125,000
NMTC Investment Fund	9,666,400	9,666,400
Total loans receivable	<u>\$ 10,416,400</u>	<u>\$ 10,791,400</u>

NOTE 4. CAPITAL ASSETS

Capital asset activity for the BUDC for the year ended December 31, 2020 was as follows:

	<u>Balance 01/01/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2020</u>
Non-depreciable capital assets				
Land	\$ 844,942	\$ 29,072	\$ -	\$ 874,014
Construction work in progress	2,697,320	2,276,653	4,973,973	-
Idle buildings and improvements	5,510,766	1,646,528	2,462,306	4,694,988
Total non-depreciable capital assets	<u>9,053,028</u>	<u>3,952,253</u>	<u>7,436,279</u>	<u>5,569,002</u>
Depreciable capital assets:				
Buildings and improvements	100,718,306	7,088,795	-	107,807,101
Furniture and equipment	7,666,432	305,669	47,045	7,925,056
Less: accumulated depreciation	4,282,524	4,198,380	15,122	8,465,782
Total depreciable assets, net	<u>104,102,214</u>	<u>3,196,084</u>	<u>31,923</u>	<u>107,266,375</u>
Total capital assets, net	<u>\$ 113,155,242</u>	<u>\$ 7,148,337</u>	<u>\$ 7,468,202</u>	<u>\$ 112,835,377</u>

Capital asset activity for the BUDC for the year ended December 31, 2019 was as follows:

	<u>Balance 01/01/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2019</u>
Non-depreciable capital assets				
Land	\$ 815,503	\$ 29,439	\$ -	\$ 844,942
Construction work in progress	14,365,384	33,981,754	45,649,818	2,697,320
Idle buildings and improvements	3,135,116	2,375,650	-	5,510,766
Total non-depreciable capital assets	<u>18,316,003</u>	<u>36,386,843</u>	<u>45,649,818</u>	<u>9,053,028</u>
Depreciable capital assets:				
Buildings and improvements	59,177,505	41,540,801	-	100,718,306
Furniture and equipment	5,578,724	2,091,750	4,042	7,666,432
Less: accumulated depreciation	1,062,547	3,224,019	4,042	4,282,524
Total depreciable assets, net	<u>63,693,682</u>	<u>40,408,532</u>	<u>-</u>	<u>104,102,214</u>
Total capital assets, net	<u>\$ 82,009,685</u>	<u>\$ 76,795,375</u>	<u>\$ 45,649,818</u>	<u>\$ 113,155,242</u>

Land, buildings, and improvements related to the Northland Corridor amounted to ~~\$9,053,028~~ and \$9,053,028 at December 31, 2020 and 2019. 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 14), 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 total \$419,111 and \$575,816 for the years ended December 31, 2020 and 2019, respectively.

**BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5. LAND 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 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 will undergo select demolition.

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

	<u>2020</u>	<u>2019</u>
BLCP	\$ 9,167,122	\$ 9,167,122
308 Crowley	83,719	90,299
Less adjustment to net realizable value (BLCP)	<u>5,170,454</u>	<u>5,170,454</u>
Total land held for development and sale	<u>\$ 4,080,387</u>	<u>\$ 4,086,967</u>

NOTE 6. GRANTS RECEIVABLE AND UNEARNED REVENUE

In 2014, BUDC was awarded a grant amounting to \$6,700,000 from Empire State Development (ESD) for the acquisition, planning, environmental review, and site review of properties defined as the Northland Corridor Redevelopment Project (Project).

In 2016, BUDC was awarded a \$10,300,000 grant from 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 2018, BUDC was awarded \$31,000,000 from ESD for further construction and site improvements. In 2019, BUDC was awarded \$4,167,781 in grants from various sources for further construction and site improvements.

In 2017, BUDC was awarded a \$3,200,000 grant from the City's Community Development Block Grant funds for the Project and Training Center. In addition, BUDC was awarded a \$1,912,028 grant from ESD for the Project. In 2018, BUDC also was awarded grants in the amount of \$550,000 from National Grid for the Project in the prior year.

In 2019 and 2020, BUDC was awarded four grants from the Ralph C. Wilson, Jr. Foundation totaling \$17,200,000 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.

The following is a summary of grants receivable and unearned grant revenue:

	<u>2020</u>	<u>2019</u>
Grants receivable:		
ESD	\$ 4,382,619	\$ 6,212,914
National Grid	250,000	500,000
Ralph C Wilson Jr. Foundation	8,993,855	3,850,000
National Fuel	-	48,500
NYSERDA	23,136	119,232
Other	-	50,000
	<u>\$ 13,649,610</u>	<u>\$ 10,780,646</u>

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unearned revenue:		
ESD	\$ 1,762,728	\$ 4,359,368
National Grid	381,250	250,000
Ralph C Wilson Jr. Foundation	11,559,701	4,792,800
NYPA	-	1,200,236
NYSERDA	119,232	119,232
Other	-	22,093
	<u>\$ 13,822,911</u>	<u>\$ 10,743,729</u>

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses:

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 741,247	\$ 4,425,758
Accrued payroll	36,435	57,368
Accrued interest	57,791	93,715
Other accrued expenses	39,100	13,000
	<u>\$ 874,573</u>	<u>\$ 4,589,841</u>

NOTE 8. DEFERRED RENT LIABILITY

Northland has a Master Lease Agreement (the Agreement) with the master tenant member to receive rental 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 the year ended December 31, 2037. Northland recognized \$1,879,742 in rental revenue related to the Agreement for the years ended December 31, 2020 and 2019. 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. Northland will reduce the deferred rent liability by \$1,879,742 over each of the next 5 years and through the remainder of the life of the lease agreement.

Future minimum rental receipts to be received under the Master Lease Agreement are contractually due as follows as of December 31, 2020:

2021	\$ 486,684
2022	484,486
2023	492,423
2024	528,046
2025	558,098
Thereafter	7,455,990
	<u>\$ 10,005,727</u>

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. At December 31, 2020 and 2019, the note payable amounted to \$257,381, which represents the remaining 19.61 acres of land at \$13,125 per acre. No payments are required until any portion of the property is sold.

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. 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. BUDC is a guarantor on the loan agreement. Interest accrues at the rate of 1.33776% and is due quarterly. The loans are collateralized by the building. Interest only payments from the date of 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 mortgage agreements, Northland 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. There was no amount outstanding as of December 31, 2020 and 2019.

Bridge Loan

Northland entered into two bridge loan agreements with KeyBank on December 28, 2017, in the amounts of \$20,000,000 (Loan A) and \$10,000,000 (Loan B). BUDC, WTC and BBRC Land Company I, LLC are guarantors on the loan agreement. The loan is collateralized by security interest in all assets of WTC, BBRC Land Company I, LLC and Northland, assignment of rents by Northland, and assignment of construction contracts and architect's agreements. These bridge loan agreements mature on June 30, 2021. The balance outstanding totaled \$29,100,000 and \$30,000,000 at December 31, 2020 and 2019, respectively. Interest on Loan A is calculated at the prime rate (as established by KeyBank), and interest on Loan B is calculated at the prime rate (as established by KeyBank) plus .25% per annum (1.875% and 2.6875%, respectively, at December 31, 2020). Accrued interest amounted to \$55,207 and \$93,715 at December 31, 2020 and 2019, respectively.

Lines 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 (3.225% - 2020) 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. At December 31, 2020, \$923,370 in principal is outstanding.

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. BUDC, WTC, and BBRC Land Company I, LLC, related parties, are guarantors this agreement. Borrowings are to be used to pay interest on the Bridge loans while awaiting member contributions. Borrowed amounts on the line bear interest at an adjusted LIBOR rate (3.225% - 2020) per annum and are collateralized by security interest in all assets of WTC, BUDC and BBRC Land Company I, LLC. All outstanding principal and interest amounts are due upon maturity. The agreement matures on June 30, 2023. At December 31, 2020, \$493,583 in principal is outstanding.

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.

Paycheck Protection Program (PPP) Loan

On April 17, 2020, BUDC received loan proceeds in the amount of \$85,620 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. BUDC intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

BUDC has recorded a loan payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020.

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>2020</u>	<u>2019</u>
KeyBank	\$ 29,100,000	\$ 30,000,000
BACDE NMTC Fund 16, LLC	8,730,000	8,730,000
NTCIC-NORTHLAND, LLC	5,000,000	5,000,000
Lines of credit	1,416,953	-
M&T Bank	369,750	369,750
Paycheck Protection Program	85,620	-
	<u>44,702,323</u>	<u>44,099,750</u>
Less: debt issuance costs	43,676	118,548
	<u>\$ 44,658,647</u>	<u>\$ 43,981,202</u>

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

	<u>Gross</u>	<u>Deferred Financing</u>	<u>Net</u>
2021	\$ 30,602,573	\$ 43,676	\$ 30,558,897
2022	-	-	-
2023	-	-	-
2024	469,938	-	469,938
2025	404,116	-	404,116
Thereafter	13,225,696	-	13,225,696
	<u>\$ 44,702,323</u>	<u>\$ 43,676</u>	<u>\$ 44,658,647</u>

Interest expense for the year ending December 31, 2020 and 2019 was \$917,650 and \$1,172,004, respectively. Capitalized interest amounted to \$----- and \$419,079 for the year ending December 31, 2020 and 2019, respectively and is properly included in the building.

NOTE 11. 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.

NOTE 12. RESTRICTED NET POSITION

BUDC's restricted net position consists of amounts related to the Buffalo Brownfields Redevelopment Fund in the amount of \$720,293 and \$1,457,700 at December 31, 2020 and 2019, respectively and a loan fund in the amount of \$3,300,261 and \$3,244,328 at December 31, 2020 and 2019, respectively.

NOTE 13. 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 note is for a period of thirty years. The balance of the notes plus accrued interest is due upon maturity date at December 28, 2047. The total outstanding balance on these notes was \$51,049,259 and \$45,538,272 at December 31, 2020 and 2019, respectively. Accrued interest on the loan amounted to \$952,415 and \$481,009 at December 31, 2020 and 2019, respectively.

BUFFALO URBAN DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. POLLUTION REMEDIATION

Various pollution remediation activities will be necessary at Northland during development. Based on preliminary environmental studies and design plans, management believes clean-up activities will amount to \$4,575,000. The current estimate includes 87% of the total Northland acreage acquired and the remaining sections are expected to be demolished or consist of parking lots that will require limited clean-up. Management expects the entire cost of the remediation to be reimbursed by State grants; therefore no pollution remediation liability has been accrued in these financial statements.

NOTE 15. CONTINGENCIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. This event is not expected to have a structural impact on BUDC. This may result in a reduction of business development projects in the short-term. BUDC will be further assessing small business relief programs from the government to determine BUDC's role in helping local businesses when additional information is available.

NOTE 16. SUBSEQUENT EVENTS

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

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SUPPLEMENTARY INFORMATION

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**BUFFALO URBAN DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENTS OF NET POSITION
DECEMBER 31, 2020**

	Buffalo Urban Development Corporation	683 WTC LLC	683 Northland LLC	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 321,288	\$ -	\$ 48,784	\$ -	\$ 370,072
Grants receivable	13,649,610	-	-	-	13,649,610
Restricted cash	3,253,108	-	500,248	-	3,753,356
Other current assets	9,360,710	1,515	176,276	(2,385,775)	7,152,726
Total current assets	<u>26,584,716</u>	<u>1,515</u>	<u>725,308</u>	<u>(2,385,775)</u>	<u>24,925,764</u>
Noncurrent assets:					
Loans receivable	61,465,659	-	-	(51,049,259)	10,416,400
Equity investment	-	45,640,977	-	(45,462,926)	178,051
Capital assets, net	8,055,394	-	104,779,983	-	112,835,377
Land and improvements held for sale, net	4,080,387	-	-	-	4,080,387
Total noncurrent assets	<u>73,601,440</u>	<u>45,640,977</u>	<u>104,779,983</u>	<u>(96,512,185)</u>	<u>127,510,215</u>
Total assets	\$ <u>100,186,156</u>	\$ <u>45,642,492</u>	\$ <u>105,505,291</u>	\$ <u>(98,897,960)</u>	\$ <u>152,435,979</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 797,394	\$ 952,415	\$ 1,510,539	(1) \$ (2,385,775)	\$ 874,573
Unearned grant revenue	13,822,911	-	-	-	13,822,911
Lines of credit	923,370	-	493,583	-	1,416,953
Current portion of loans payable	85,620	-	29,056,324	-	29,141,944
Total liabilities	<u>15,629,295</u>	<u>952,415</u>	<u>31,060,446</u>	<u>(2,385,775)</u>	<u>45,256,381</u>
Noncurrent liabilities:					
Deferred rent liability	-	-	16,079,828	-	16,079,828
Loans payable	369,750	51,049,259	13,730,000	(51,049,259)	14,099,750
Note payable	257,381	-	-	-	257,381
Total noncurrent liabilities	<u>627,131</u>	<u>51,049,259</u>	<u>29,809,828</u>	<u>(51,049,259)</u>	<u>30,436,959</u>
NET POSITION (DEFICIT)					
Net investment in capital assets	11,766,031	-	91,049,983	-	102,816,014
Restricted	4,020,554	-	-	-	4,020,554
Unrestricted (deficit)	68,143,145	(6,359,182)	(46,414,966)	(1) (45,462,926)	(30,093,929)
Total net position (deficit)	<u>83,929,730</u>	<u>(6,359,182)</u>	<u>44,635,017</u>	<u>(45,462,926)</u>	<u>76,742,639</u>
Total liabilities and net position	\$ <u>100,186,156</u>	\$ <u>45,642,492</u>	\$ <u>105,505,291</u>	\$ <u>(98,897,960)</u>	\$ <u>152,435,979</u>

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

**BUFFALO URBAN DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENTS OF NET POSITION
DECEMBER 31, 2020**

	Buffalo Urban Development Corporation	683 WTC LLC	683 Northland LLC	Eliminations	Total
Operating revenues:					
Grant revenue	\$ 8,816,375	\$ -	-	\$ -	\$ 8,816,375
Brownfield funds	171,903	-	-	-	171,903
Loan interest and commitment fees	624,003	-	-	(471,406)	152,597
Rental and other revenue	155,688	-	1,878,119	-	2,033,807
Total operating revenue	<u>9,767,969</u>	<u>-</u>	<u>1,878,119</u>	<u>(471,406)</u>	<u>11,174,682</u>
Operating expenses:					
Development costs	5,315,984	-	238,341	-	5,554,325
Adjustment to net realizable value	419,111	-	-	-	419,111
Salaries and benefits	286,021	-	-	-	286,021
General and administrative	1,840,648	1,515	264,130	-	2,106,293
Management fee	91,454	-	-	-	91,454
Depreciation	77,916	-	4,120,464	-	4,198,380
Total operating expenses	<u>8,031,134</u>	<u>1,515</u>	<u>4,622,935</u>	<u>-</u>	<u>12,655,584</u>
Operating income (loss)	1,736,835	(1,515)	(2,744,816)	(471,406)	(1,480,902)
Nonoperating revenues (expenses):					
Interest income	1,081	-	197	-	1,278
Amortization expense	-	-	(74,872)	-	(74,872)
Interest expense	(12,356)	(471,406)	(905,294)	471,406	(917,650)
Total nonoperating revenues (expenses)	<u>(11,275)</u>	<u>(471,406)</u>	<u>(979,969)</u>	<u>471,406</u>	<u>(991,244)</u>
Change in net position	1,725,560	(472,921)	(3,724,785)	-	(2,472,146)
Net position - beginning of year	82,204,170	(485,509)	42,219,146	(45,333,911)	78,603,895
Add: capital contributions	-	(5,400,752)	6,140,656	(129,015)	610,889
Net position - end of year	<u>\$ 83,929,730</u>	<u>\$ (6,359,182)</u>	<u>\$ 44,635,017</u>	<u>\$ (45,462,926)</u>	<u>\$ 76,742,639</u>

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

INTERNAL CONTROL AND COMPLIANCE

DRAFT

AUDITED
FINANCIAL STATEMENTS

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

DECEMBER 31, 2020

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of
683 Northland Master Tenant, LLC
(A Limited Liability Company)

Report on the Financial Statements

We have audited the accompanying financial statements of 683 Northland Master Tenant, LLC (A Limited Liability Company) which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of operations and changes in members' equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 683 Northland Master Tenant, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 15, 2021

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

**BALANCE SHEETS
December 31,**

ASSETS	2020	2019
Current assets:		
Cash - operating	\$ 56,739	\$ 16,394
Tenant receivables	30,533	361,614
Prepaid insurance	90,355	18,501
Total current assets	<u>177,627</u>	<u>396,509</u>
Reserves:		
Operating reserve	335,689	335,383
Asset management fee reserve	40,095	50,057
Total reserves	<u>375,784</u>	<u>385,440</u>
Prepaid rent - sublessee	306,965	45,995
Prepaid leasing commission	112,223	-
Tenant security deposits	75,750	39,450
Equipment, net	8,964	7,481
Prepaid rent - Master Lease Agreement	<u>19,996,180</u>	<u>16,924,540</u>
Total assets	\$ <u>21,053,493</u>	\$ <u>17,799,415</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 119,334	\$ 32,428
Due to related parties	381,281	372,362
Total current liabilities	<u>500,615</u>	<u>404,790</u>
Operating deficit loan	49,931	-
Tenant security deposits	75,750	39,450
Deferred rent liability - Master Lease Agreement	3,916,352	2,471,223
Deferred rent liability - sublessee	6,703,913	7,284,396
Distribution payable - priority return	<u>148,209</u>	<u>105,026</u>
Total liabilities	11,394,770	10,304,885
Members' equity	<u>9,658,723</u>	<u>7,494,530</u>
Total liabilities and members' equity	\$ <u>21,053,493</u>	\$ <u>17,799,415</u>

See accompanying notes.

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

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

	<u>2020</u>	<u>2019</u>
Revenues:		
Rental revenue	\$ 1,249,168	\$ 754,631
Additional rental revenue	390,730	167,996
Other income	556	4,565
Total revenues	<u>1,640,454</u>	<u>927,192</u>
Expenses:		
Rent expense	1,879,742	1,879,742
Payroll	149,829	129,470
Utilities expense	126,631	111,798
Insurance expense	115,150	120,670
Repairs and maintenance	90,993	18,400
Professional fees	52,206	46,936
Property management fee	49,861	41,493
Real estate taxes	20,645	22,473
Asset management fee	10,000	10,000
Miscellaneous expense	7,232	8,851
Total expenses	<u>2,502,289</u>	<u>2,389,833</u>
Loss from operations	(861,835)	(1,462,641)
Other expenses:		
Depreciation expense	<u>(2,429)</u>	<u>(1,870)</u>
Net loss	\$ <u>(864,264)</u>	\$ <u>(1,464,511)</u>

See accompanying notes.

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

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

	<u>INVESTOR MEMBER</u>	<u>MANAGING MEMBER</u>	<u>TOTAL</u>
Members' equity - January 1, 2019	\$ 4,340,567	\$ 192,695	\$ 4,533,262
Members' capital contributions	4,536,758	-	4,536,758
Distributions	(110,979)	-	(110,979)
Net loss	<u>(1,449,866)</u>	<u>(14,645)</u>	<u>(1,464,511)</u>
Members' equity - December 31, 2019	<u>7,316,480</u>	<u>178,050</u>	<u>7,494,530</u>
Members' capital contributions	3,176,666	-	3,176,666
Distributions	(148,209)	-	(148,209)
Net loss	<u>(855,621)</u>	<u>(8,643)</u>	<u>(864,264)</u>
Members' equity - December 31, 2020	<u>\$ 9,489,316</u>	<u>\$ 169,407</u>	<u>\$ 9,658,723</u>
Percentage interest	<u>99.00%</u>	<u>1.00%</u>	<u>100%</u>

See accompanying notes.

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

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net loss	\$ (864,264)	\$ (1,464,511)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	2,429	1,870
Decrease (increase) in assets:		
Tenant receivables	331,081	(350,114)
Prepaid insurance	(71,854)	38,776
Accrued rental income	(260,970)	(45,995)
Prepaid leasing commission	(112,223)	-
Prepaid rent - Master Lease Agreement	1,445,129	1,844,742
Increase (decrease) in liabilities:		
Security deposit liability	36,300	34,450
Accounts payable	86,906	17,625
Due to related parties	58,850	204,891
Deferred rent liability - sublessee	(580,483)	(223,931)
Net cash provided by operating activities	<u>70,901</u>	<u>57,803</u>
Cash flows from investing activities:		
Equipment purchases	(3,912)	(9,351)
Net cash used by investing activities	<u>(3,912)</u>	<u>(9,351)</u>
Cash flows from financing activities:		
Members' contributions	3,176,666	4,536,758
Distributions	(105,026)	(30,583)
Payments of prepaid rent under the Master Lease Agreement	(3,071,640)	(4,121,175)
Net cash provided by financing activities	<u>-</u>	<u>385,000</u>
Net increase in cash and restricted cash	<u>66,989</u>	<u>433,452</u>
Cash and restricted cash - beginning of year	<u>441,284</u>	<u>7,832</u>
Cash and restricted cash - end of year	<u>\$ 508,273</u>	<u>\$ 441,284</u>
Non-cash financing transactions:		
Non-cash distribution recorded as distribution payable	<u>\$ 148,209</u>	<u>\$ 105,026</u>

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:

	<u>2020</u>	<u>2019</u>
Cash - operating	\$ 56,739	\$ 16,394
Tenant security deposits	75,750	39,450
Operating reserve	335,689	335,383
Asset management fee reserve	40,095	50,057
	<u>\$ 508,273</u>	<u>\$ 441,284</u>

See accompanying notes.

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

NOTES TO THE FINANCIAL STATEMENTS

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 is being 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, 2020, three tenants represented 95% of rental revenue and 97% of accounts receivable. During the year ended December 31, 2019 two tenants represented 100% of rental revenue and accounts receivable.

Tenant Receivables: Tenant receivables consists of receivables from tenants for rent 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, 2020 and 2019.

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 840. Prepaid leasing commissions amounted to \$112,223 as of the year ended December 31, 2020 (\$0 – 2019).

Revenue Income: The Company recognizes revenue on the date rent becomes due in accordance with the subleases. Rental payments received in advance are deferred until earned. All leases between parties 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Lease: The Company is obligated under a Master Lease Agreement (the Agreement) (Note 6), with a related entity, through 2037. Minimum rent is recognized over the term of the lease using the straight-line method. In addition to minimum rents, the lease requires payments for utilities, insurance, maintenance costs, real estate taxes, and all other operating expenses. Minimum rent due under the Agreement consists of base rent and prepaid rent. As of December 31, 2020, the Company paid \$19,996,180 in prepaid rent (\$16,924,540 – 2019).

Use of Estimates: In preparing financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Recently Issued Accounting Pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 820)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact the adoption of this guidance will have on the financial statements.

Reclassification: Certain 2019 amounts have been reclassified to conform to 2020 presentation.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after March 15, 2021, 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. As of December 31, 2020, the reserve amounted to \$40,095 (\$50,057 – 2019). The remaining required funding of the asset management fee reserve has been reduced by the investor member.

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, 2020, the reserve amounted to \$335,689 (\$335,383 – 2019).

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, 2020 and 2019, there was no net cash flow available to fund the replacement reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2020 and 2019, the managing member has made all required contributions.

The investor member is required to contribute capital of \$20,354,240 based upon the completion of requirements by the Company as defined in the amended and restated operating agreement. As of December 31, 2020, the investor member made required contributions amounting to \$12,639,458 (\$9,462,792 – 2019). Total remaining required capital contributions amounted to \$7,771,320 as of December 31, 2020 (\$10,947,986 – 2019).

NOTE 6. TRANSACTIONS WITH AFFILIATES

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 2037. For the years ended December 31, 2020 and 2019, the Company recognized \$1,879,742 in rental expense. 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 base over the term of the lease.

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

2021	\$	486,684
2022		484,486
2023		492,423
2024		528,046
2025		558,098
Thereafter		<u>7,455,990</u>
	\$	<u>10,005,727</u>

Due to Related Parties: The Company owes certain operating expenses paid by related parties directly to a third party on behalf of the Company. These amounts are recorded as due to related parties on the accompanying balance sheets.

NOTE 7. COMMERCIAL RENTAL REVENUE

The following are several subleases the Company has entered into:

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 rent and additional rent. Rental 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 rent in the amount of \$7,678,971 was due and paid during the year ended December 31, 2018; \$511,931 of rental income related to the prepaid rent was recognized during the years ended December 31, 2020 and 2019. Starting in 2019, the Company is required to estimate additional rental income on a monthly basis and provide NWTC with a statement of actual additional rent incurred within 90 days of year end. During the year ended December 31, 2020, \$196,903 in additional rental income was recognized (\$123,179 – 2019).

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. COMMERCIAL RENTAL REVENUE (CONTINUED)

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 rent in the amount of \$288,000. The entire prepaid rent balance was paid during the year ending December 31, 2020. For the year ended December 31, 2020, the Company recognized \$58,286 in rental income based on the second sublease agreement (\$10,258 – 2019).

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 year ended December 31, 2020, the Company recognized \$475,400 in rental income based on this agreement (\$237,700 – 2019).

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 rent payments begin March 1, 2020. For the year ended December 31, 2020, the Company recognized \$21,715 in rental income based on this agreement. For the year ended December 31, 2019, there was no rental income recognized for this sublease agreement.

Sparkcharge: The Company entered into a sublease agreement with Sparkcharge, Inc. commencing on March 1, 2020, and extending through February 28, 2023. For the year ended December 31, 2020, the Company recognized \$31,000 in rental income based on this agreement. For the year ended December 31, 2019, there was no rental income recognized for this sublease agreement.

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 year ended December 31, 2020, the Company recognized \$144,391 in rental income based on this agreement. For the year ended December 31, 2019, there was no rental income recognized for this sublease 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 year ended December 31, 2020, the Company recognized \$3,145 in rental income based on this agreement. For the year ended December 31, 2019, there was no rental income recognized for this sublease agreement.

Garwood Medical: The Company entered into a sublease agreement with Garwood Medical Device, LLC commencing on December 1, 2020, and extending through November 30, 2025. For the year ended December 31, 2020, the Company recognized \$3,300 in rental income based on this agreement. For the year ended December 31, 2019, there was no rental income recognized for this sublease agreement.

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

2021	\$ 1,453,514
2022	1,450,414
2023	1,416,314
2024	1,412,695
2025	1,388,154
Thereafter	<u>9,440,476</u>
Total	<u>\$ 16,561,567</u>

NOTES TO THE FINANCIAL STATEMENTS

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) 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 deficient 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;
- (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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. ALLOCATION OF PROFITS AND LOSSES (CONTINUED)

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, 2020 and 2019. 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, 2020, \$148,209 was accrued as payable to the investor member for the priority return (\$105,026 – 2019). During the year ended December 31, 2020, the investor member was paid \$105,026 for the 2019 accrued priority return (\$30,583 – 2019).

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, 2020, \$49,931 was loaned to the Company from the managing member (\$0 – 2019).

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. The original agreement was extended through December 31, 2020. 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. For the year ended December 31, 2020, \$49,861 of property management fees were incurred and paid (\$41,493 – 2019).

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:

	<u>2020</u>	<u>2019</u>
Financial statement net loss	\$ (864,264)	\$ (1,464,511)
Add (subtract) nondeductible items per tax return:		
Book to Tax depreciation	(1,484)	(7,481)
Section 467 income	(105,644)	413,479
Section 467 expense	193,128	91,157
Asset management fee/guaranteed payments	<u>10,000</u>	<u>10,000</u>
Taxable loss	<u>\$ (768,264)</u>	<u>\$ (957,356)</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. PAYMENT IN LIEU OF TAXES (PILOT)

The Company entered into a 7 year agreement (the Agreement), through December 31, 2026, 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 was exempt from taxes until the tax fiscal year beginning in 2019. Beginning in 2019, 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 \$20,645 for the year ended December 31, 2020 (\$22,473 - 2019).

NOTE 13. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The spread of the COVID-19 coronavirus has and will continue to result in economic and operational uncertainties including the commercial real estate industry in which the Company operates. Management continues to closely monitor and evaluate the situation. However, it is unknown how long these conditions will last and what the complete financial effect to the Company will be. The financial impact of such uncertainties have not been reflected in the financial statements presented as they are not deemed to be reasonably estimable at the current time.

Subsequent events have been evaluated through March 15, 2021, which is the date the financial statements were available to be issued.

REPORT TO THE MANAGING MEMBER

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

DECEMBER 31, 2020



March 15, 2021

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, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for 683 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 683 Northland Master Tenant, LLC.

Freed Maxick CPAs, P.C.

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Required Communications

Generally accepted auditing standards (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 reporting process.

Area	Comments
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 arrangement letter dated January 5, 2021. 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 January 5, 2021 regarding the planned scope and timing of our audit and identified significant risks.
Accounting Policies and Practices	<p data-bbox="633 819 1177 850">Preferability of Accounting Policies and Practices</p> <p data-bbox="633 850 1453 976">Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p data-bbox="633 1008 1153 1039">Adoption of, or Change in, Accounting Policies</p> <p data-bbox="633 1039 1453 1228">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. The Following is a description of significant accounting policies that are currently being evaluated for future application:</p> <ul data-bbox="682 1260 1453 1713" style="list-style-type: none"><li data-bbox="682 1260 1453 1713">• In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Area	Comments
Accounting Policies and Practices (Continued)	<p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>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.</p>
Basis of Accounting	The financial statements were prepared on the assumption that the Company will continue as a going concern.
Audit Adjustments	Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by 683 Northland Master Tenant, LLC are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
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 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 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.
Letter Communicating Deficiencies in Internal Control Over Financial Reporting	We have separately communicated the deficiencies in internal control over financial reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
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 B.

683 Northland Master Tenant, LLC
Year End: December 31, 2020
Summary of Recorded Audit Adjustments

Number	Date	Name	Account No	Debit	Credit
1	12/31/2020	Prepaid Expense	2602.000	231,455	
1	12/31/2020	Leasing Commission	6140.000		231,455

To properly adjust leasing commission prepaid and expense balances to actual at December 31, 2020.

Exhibit A - Letter Communicating Deficiencies in Internal Control Over Financial Reporting

To Managing Member and Management
683 Northland Master Tenant, LLC
Buffalo, NY

In planning and performing our audit of the financial statements of 683 Northland Master Tenant, LLC (the Company) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Leasing Commission Expense

During our review of expenditures, we noted a substantial amount of leasing commission expense related to subleases was recorded during the year ended December 31, 2020. Expenditures incurred to obtain long term leases should be recognized over the life of the corresponding lease. As such, prepaid expenditures were understated, and leasing commission expenditures were overstated. Management should implement a process to ensure startup costs incurred related to leases are properly recorded.

This communication is intended solely for the information and use of management, the Managing Member and is not intended to be, and should not be, used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 15, 2021

Exhibit B - Significant Written Communications Between Management and Our Firm

Engagement letter – previously furnished

Representation letter – see attached

683 Northland Master Tenant, LLC

March 15, 2021

Freed Maxick CPAs, P.C.
900 Liberty Building
424 Main Street
Buffalo, NY 14202

This representation letter is provided in connection with your audits of the financial statements of 683 Northland Master Tenant, LLC (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, the related statements of operations and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of your report:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 5, 2021, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. With respect to services performed (drafting financial statements and preparation of depreciation report) in the course of the audit:
 - a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services;
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;

- d. We have accepted responsibility for the results of the services; and
- e. We have accepted responsibility for all significant judgments and decisions that were made.

9. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

10. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
- b. Additional information that you have requested from us for the purpose of the audit.
- c. Unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence.
- d. Minutes of the meetings of stockholders, directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. All transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of allegations of fraud or suspected fraud affecting the Company's financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the [consolidated] [combined] financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.

15. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

16. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

17. We have disclosed to you the identity of the Company's related parties and all the related-party relationships and transactions of which we are aware.

18. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data.

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. As of December 31, 2020 \$176,277 are due to 683 Northland, LLC, \$254,935 are due to Buffalo Urban Development Corporation.
21. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

683 Northland Master Tenant, LLC

A handwritten signature in blue ink, reading "Mollie M Profic", is written over a horizontal line.

Mollie Profic
Treasurer
Buffalo Urban Development Corporation, as Agent

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

**BUFFALO BROWNFIELDS REDEVELOPMENT
FUND**

DECEMBER 31, 2020

DRAFT

**BUFFALO BROWNFIELDS REDEVELOPMENT FUND
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DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Erie County Industrial Development Agency
Buffalo Urban Development Corporation
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying schedule of revenues, expenses and changes in net position of Buffalo Urban Development Corporation's (BUDC), Buffalo Brownfields Redevelopment Fund for the year ended December 31, 2020 and the related notes to the schedule.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of revenues, expenses and changes in net position referred to above present fairly, in all material respects, the revenues and expenses of BUDC's Buffalo Brownfields Redevelopment Fund for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of BUDC as of and for the year ended December 31, 2020, and our report thereon, dated XXXXX, 2021, expressed an unmodified opinion on those consolidated financial statements.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the Erie County Industrial Development Agency, the Buffalo Urban Development Corporation, the County of Erie, and the City of Buffalo and is not intended to be and should not be used by anyone other than these specified parties.

Buffalo, New York
XXXXXXX, 2021

DRAFT

BUFFALO BROWNFIELDS REDEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

Operating revenue:	
City of Buffalo PILOTs by end user:	
Cobey	\$ 100,524
Total City of Buffalo PILOTs	<u>100,524</u>
County of Erie PILOTs by end user:	
Sonwil	60,794
Certainteed	75,993
Cobey	34,957
Total County of Erie PILOTs	<u>171,744</u>
Total operating revenues	272,268
Operating expenses:	
City of Buffalo share of PILOTs	50,262
County of Erie share of PILOTs	75,233
Eligible project costs	885,516
Total operating expenses	<u>1,011,011</u>
Operating loss	(738,743)
Nonoperating revenues:	
Interest income	<u>1,337</u>
Change in net position	(737,406)
Net position - beginning	<u>1,457,700</u>
Net position - ending	<u><u>\$ 720,294</u></u>

See accompanying notes.

**BUFFALO BROWNFIELDS REDEVELOPMENT FUND
NOTES TO THE SCHEDULE**

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 Brownfields 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.

DRAFT

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 5

MEMORANDUM

TO: Audit & Finance Committee
FROM: Mollie Profic, Treasurer
SUBJECT: Reimbursement of Brownfield Expenses from Brownfield Fund
DATE: March 22, 2021

The Buffalo Brownfields Redevelopment Fund (“BBRF” or the “Fund”) 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”.

On September 26, 2012, the Board designated the BLCP project as complete, which allowed 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.

Since 2011, reimbursements have been approved for costs incurred related to BLCP, Riverbend and Northland. Grant application fees related to Northland totaling \$311,848 were approved for reimbursement by the Board on May 10, 2018. Additional reimbursement of BLCP, Riverbend, Northland and 308 Crowley costs from January 1, 2018 – December 31, 2018 in the amount of \$419,785 were approved by the Board on March 26, 2019, for a total of \$731,633 in 2018. 2019 project costs (including Restore NY 4 grant local match) of \$787,080 were approved by the Board on March 31, 2020. Additional costs related to unrelated business income tax (UBIT) of \$98,436 was approved, bringing total 2020 approved project costs to \$886,366.

We are now requesting reimbursement of BLCP, Riverbend, Northland & 308 Crowley Street costs incurred in 2020. Attachment 1 to this memorandum details the \$454,828 in eligible third-party costs that have been incurred by BUDC and which are eligible for reimbursement by the Fund. After this reimbursement, the BBRF is anticipated to have a balance of approximately \$583,000

Action:

I am requesting that the Committee recommend the approval of the reimbursement to BUDC of \$454,828 in third party BLCP, Riverbend, 308 Crowley, and Northland costs from the BBRF as outlined in Attachment 1 to this memorandum.

Buffalo Urban Development Corporation
Summary of Costs Paid by BUDC & Reimbursable from BBRF
For the Year Ended December 31, 2020

Buffalo Lakeside Commerce Park

2020

<i>Landscaping</i>	\$ 41,215
<i>Legal Costs</i>	8,510
<i>Property Insurance</i>	17,513
<i>Snowplowing</i>	5,583
<i>Operations & Maintenance</i>	4,082
<i>Consultants</i>	35,820
<i>Utilities</i>	1,113
	113,836

Riverbend

<i>Taxes, Operations & Maintenance</i>	132
--	-----

308 Crowley

<i>Landscaping</i>	2,000
<i>Legal Costs</i>	4,620
<i>Operations & Maintenance</i>	280
<i>Property Insurance</i>	22,295
	29,195

Northland*

<i>Insurance</i>	69,875
<i>General Development</i>	14,337
<i>Operations & Maintenance</i>	20,106
<i>Legal Costs</i>	49,918
<i>Snowplowing</i>	55,056
<i>Landscaping</i>	18,780
<i>714 Northland costs</i>	47,594
<i>Consultants</i>	25,350
<i>Utilities</i>	2,285
<i>Marketing</i>	2,688
	305,989

683 Northland LLC*

<i>Insurance</i>	5,677
<i>Operations & Maintenance</i>	-
	5,677

Total	\$ 454,828
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BUFFALO URBAN DEVELOPMENT CORPORATION
INVESTMENT AND DEPOSIT POLICY

ARTICLE I
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 11 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 II
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 III **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 III.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 11 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 as may be permitted under Section 11 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 11 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 claims-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 not 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

Buffalo Urban Development Corporation
Investment Report
For the year ended December 31, 2020

Buffalo Urban Development Corporation

2020 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, 2020 and was approved by the BUDC Board of Directors at their March 30, 2021 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 30, 2021 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 31, 2020.

Investment Audit:

BUDC's auditors have audited the corporation's compliance with the Investment Guidelines for Public Authorities. In their report dated March XX, 2021 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, 2020

Account Type	Financial Institution	G/L Balance 1/1/2020	G/L Balance 12/31/2020	Interest Rate ^a Dec 2020	2020		Restricted	Purpose
					Investment Income	Fees		
BUDC Accounts:								
1 Interest Checking	KeyBank	145,459	315,188	0.01%	384	-	✓	General BUDC Checking account.
2 Interest Checking	KeyBank	2,000	6,100	-	-	-	✓	Northland Corridor account
3 Interest Checking	KeyBank	4,385	4,383	0.01%	2	-	✓	Imprest account for grant Z415
4 Interest Checking	KeyBank	2,119,328	2,550,261	-	-	-	✓	Downtown Loan Fund
5 Interest Checking	KeyBank	979,274	217,484	0.10%	1,341	-	✓	Restricted account for City of Buffalo real estate development ^b
6 Interest Checking	KeyBank	1,209,205	425,333	0.01%	431	-	✓	Imprest account for grant AC426
7 Interest Checking	KeyBank	21,534	55,647	0.05%	27	-	✓	Account for 714 Northland property
8 Interest Checking	KeyBank	17,531	-	0.10%	35	-	✓	Restricted account for eligible Erie County Development Projects ^c
		\$ 4,498,716	\$ 3,574,397		\$ 2,218	\$ -		
683 Northland LLC Accounts:								
9 Interest Checking	KeyBank	99,481	48,784	0.05%	91	-	✓	General 683 Northland Checking account
10 Interest Checking	KeyBank	361,690	55,490	0.05%	106	-	✓	Interest Reserve account
11 Checking	Citibank	-	-	-	-	-	✓	General 683 Northland Checking account
12 Checking	Citibank	170,000	160,250	-	-	-	✓	NTC Reserve Checking account
13 Checking	Citibank	351,638	284,508	-	-	642	✓	BACDE Reserve Checking account
		\$ 982,809	\$ 549,032		\$ 197	\$ 642		
683 WTC, LLC Accounts:								
14 Interest Checking	KeyBank	-	0	-	0	-		General 683 WTC Checking account
		\$ -	\$ 0		\$ 0	\$ -		
		\$ 5,481,525	\$ 4,131,261		\$ 2,424	\$ 642		

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 2020 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 This account is known as the Regionally Significant Projects (RSP) Fund and is held by the ECIDA on behalf of BUDC.

Account closed December 2020 after funds were fully disbursed.

Buffalo Urban Development Corporation

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



2020 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 under a shared services agreement due to shared office space. Examples of key internal controls are:

- Payroll: BUDC's payroll is processed by a third-party processor, Paychex. The CFO and Bookkeeper verify that payments are only made to employees that are entitled to be paid. As a service organization Paychex, Inc. undergoes a Service Organization Controls (SOC) audit each year. Their most recent SOC 1 audit asserts that the internal controls in place at Paychex are operating effectively.
 - Risk = Low
- Cash Disbursements: Disbursements are made primarily by check and wire transfer. Invoices require approval by the purchaser prior to payment. During the COVID-19 pandemic, email approval of invoices is also considered as an acceptable form of approval. Invoices are reviewed by the Senior Accountant prior to processing by the Bookkeeper. Two signatures are required on all checks (President, CFO or Assistant Treasurer). All wire transfers require dual approval. The CFO retrieves and reviews all bank statements and reviews all bank reconciliations. Only Finance Department staff have access to online banking sites.
 - Risk = Low
- Cash Receipts: Checks received are logged by the Receptionist and forwarded to the Senior Accountant. The Senior Accountant 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 Senior Accountant and are recorded in the general ledger software by the Bookkeeper.
 - Risk = Low

All computers are password protected and general ledger software is separately password protected. Access to the general ledger software is restricted to the CFO, Senior Accountant 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

Hon. Byron W. Brown, Chairman of the Board • Dennis Penman, Vice Chairman • Peter M. Cammarata, President • Rebecca Gandour, Vice President
 • Brandye Merriweather, Vice President • Mollie Profic, Treasurer • Atiqa Abidi, Assistant Treasurer • Kevin J. Zanner, Secretary

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, 2020. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.

**Buffalo Urban Development Corporation
2020 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	Pen ding	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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Did the Audit & Finance Committee meet a minimum of once (1) each calendar year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Audit & Finance Committee met on 2/5, 3/19, 6/10, 7/13, 9/21 and 10/14/20.
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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>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?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	See Questions #6-#10 below.
<p>6. Did the Audit & Finance Committee:</p> <p>(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?</p> <p>(b) Engage independent auditors to provide permitted audit services consistent with the procurement policy of the Corporation?</p> <p>(c) Review and approve the Corporation's audited financial statements, associated management letter, and all other auditor communications?</p> <p>(d) Review significant accounting and reporting issues and understand their impact on the financial statements of the Corporation?</p> <p>(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?</p> <p>(f) Review and discuss any significant risks reported in the independent audit and assess the responsiveness of management's follow-up activities regarding same?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>In March 2020, Freed Maxick completed audits of BUDC and 683 Northland Master Tenant, LLC., for the year ended 12/31/19. On 3/19/20, Freed Maxick presented the draft 2019 audited financial statements for both entities to the Audit & Finance Committee. 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 2019 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 for informational purposes only.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pen ding	Comments
<p>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?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Management's assessment of the effectiveness of internal controls was reviewed with the Committee at the March 2020 meeting.</p> <p>As per the March 2020 audit reports, no significant weaknesses in internal control were noted.</p>
<p>8. Did the Audit & Finance Committee:</p> <p>(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?</p> <p>(b) Develop procedures for the receipt, retention, investigation, or referral of complaints concerning accounting, internal controls, and auditing?</p> <p>(c) Request and oversee special investigations as needed or refer specific issues to the Board or appropriate committee for further investigation?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>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 2020.</p>
<p>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?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>During its meeting on 3/19/2020, the Audit & Finance Committee reviewed an article entitled, "On the Board's Agenda – The Strategic Audit Committee: A 2020 Preview" published by the Deloitte Center for Board Effectiveness.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>10. Did the Audit & Finance Committee:</p> <p>(a) Report its actions and recommendations to the Board?</p> <p>(b) Report to the Board at least annually regarding any changes to the Audit & Finance Committee Charter?</p> <p>(c) Provide a self-evaluation to the Board on an annual basis?</p> <p>(d) Report to the Board at least annually on the findings of its independent auditors?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>On 3/31/20, the Audit & Finance Committee reported on its activities to the BUDC Board of Directors. These activities included the: (1) 2019 Audit & Finance Committee self-evaluation; (2) Audit & Finance Committee Charter; (3) 2019 draft financial statements audited by Freed Maxick; (4) 2019 draft financial statements for the Buffalo Brownfields Redevelopment Fund audited by Freed Maxick; (5) 2019 Property Report; (6) Investment & Deposit Policy; and (7) 2019 Investment Report.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>11. Did the Audit & Finance Committee:</p> <p>(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?</p> <p>(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?</p> <p>(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?</p> <p>(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?</p> <p>(e) Review the Corporation's existing loan agreements and other debt facilities and make recommendations for repayment, consolidation and refinancing?</p> <p>(f) When requested by the Board, make recommendations to the Board concerning criteria that should govern the Corporation's financing?</p> <p>(g) Review, at least annually, the Corporation's insurance policies and liability coverage and recommend any necessary changes?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>(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 funds during all 2020 Audit & Finance Committee meetings, except for the special meeting held on 7/13/20.</p> <p>(c) Members present for the unofficial meeting of BUDC's Governance Committee reviewed the Procurement Policy on 3/16/20. The amended and restated Policy was adopted by the Board on 3/31/20.</p> <p>(e) The Audit & Finance Committee received an update on the BBRP/BUDC loan program during its 6/10/20 meeting. The update included status reports on all outstanding loans and loans in the pipeline. The COVID 19 pandemic had a significant negative impact on the lending program, which was reported to the Loan Committee at its 2020 meetings.</p> <p>(g) Insurance policies and liability coverages are reviewed throughout the year as renewals come due.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>12. Did the Audit & Finance Committee:</p> <p>(a) Review the Corporation's proposed annual operating budget as presented by Corporation management for the upcoming fiscal year?</p> <p>(b) Recommend the annual budget to the Board for approval after incorporating modifications the Audit Committee deemed appropriate?</p> <p>(c) Make recommendations to the Board regarding transfers of money under the budget, if requested by the Board?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The Audit & Finance Committee reviewed the 2021 draft budget and proposed three-year forecast during its 9/21/20 and 10/14/20 meetings. During its meeting on 10/14/20, the Committee recommended that the full Board approve the budget and three-year forecast.</p>

Audit & Finance Committee Self-Evaluation
<p>Other Self-Evaluation Notes</p>
<p>1) In addition to the above:</p> <ul style="list-style-type: none"> • During the 2/5/20 meeting, the CFO presented a proposal for Northland Project inter-company loan/note modifications. At this meeting, the Committee also recommended that a proposal for the establishment of two corporate lines of credit be taken to the full Board for approval. • During the 3/19/20 meeting, the Committee recommended approval by the full Board of the 2019 Buffalo Brownfields Redevelopment Fund (BBRF) reimbursement. • During the 6/10/20 meeting, the Committee received updates on all funding sources for various BUDC projects and initiatives. In addition the CFO presented an update on the Paycheck Protection Program (PPP) loan. • During the 7/13/20 meeting, the CFO reviewed the 2019 draft IRS Form 990/990T with the Committee. In addition, the President reviewed with the Committee a draft Amended and Restated Leasing Policy for Northland Corridor Properties. • During the 9/21/20 meeting, the Committee recommended that the full Board approve a proposal from the CFO to utilize the BBRF to reimburse BUDC for the payment of unrelated business income taxes for the 683 Northland project. • During the 10/14/20 meeting, the Committee discussed the structure of a cash flow analysis that will be presented to the full Board. • During a meeting with the Audit Committee Chairman on 11/19/20, Freed Maxick accountants presented their 2020 Annual Audit Plan, which included a timetable, objectives, strategy, and risk assessment.

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 I

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 II

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 III

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)



Center for Board Effectiveness

On the audit committee's agenda

The strategic audit committee: Navigating 2021

Introduction

It's been said a lot: 2020 was a difficult year. The effects of the COVID-19 pandemic have led to unprecedented economic conditions and continued uncertainty in the business environment. This has resulted in increased complexities and risks that may have long-term implications. Seemingly overnight, employees began working virtually, and boards and audit committees had to find new ways to engage with management and their auditors in order to effectively execute their oversight responsibilities.

As companies continue dealing with the impact of the pandemic, the audit committee's agenda and its processes will need to remain flexible to address issues and challenges as they arise. To provide effective oversight and help management navigate these challenging

times, audit committees need to ask direct, targeted questions to understand management's processes and decisions, as well as alternatives that were considered when addressing key issues.

We've been operating in this environment for three quarters and have learned much. Audit committees will continue to face an expanding agenda, and prioritization will be critical. While the role of the audit committee is vast, this publication focuses on two areas of oversight that may be critical for audit committees in the upcoming year: financial reporting and internal controls, and risk. Our focus is on providing a set of topics and additional resources for audit committees to consider as they manage their 2021 activities. ➔

Financial reporting and internal controls

Audit committees play a critical role in overseeing financial reporting and internal controls. Continued uncertainty in the business environment, combined with increasing complexities and risk, requires a high degree of judgment for many companies as they report their results. The pandemic introduced additional uncertainty into the various judgments and estimates included in financial statements. Additionally, the work-from-home environment required companies to modify or implement new internal controls that need to be reviewed in conjunction with financial reporting.

Although aspects of the internal control environment may have changed during the pandemic, the Sarbanes-Oxley Act's requirement for effective internal control over financial reporting (ICFR) has not, and regulators continue to emphasize the importance of ICFR. Accordingly, companies should not lose sight of what is appropriate for maintaining effective ICFR.

The audit committee's role in overseeing financial reporting and internal controls remains critical. As they perform their responsibilities in this area, topics to consider discussing with management and the auditors include:

- Forecasts and related impairment analyses
- Reg S-K modifications to MD&A, selected financial data, and supplementary financial information
- New or modified internal controls
- Going concern assessment
- Non-GAAP measures
- Stakeholder communications, including SEC filings and earnings releases



Additional featured resources

[On the audit committee's agenda | Year-end accounting and financial reporting considerations: Questions for audit committees to consider](#) (December 2020)

[Heads Up | SEC Modernizes MD&A and Related Financial Disclosure Requirements](#) (November 2020)

[The Center for Audit Quality | 2020 Audit Committee Transparency Barometer](#) (October 2020)

[Global Audit Committee Survey | Internal audit: Soaring through turbulent times](#) (September 2020)

[The Center for Audit Quality | The Role of Auditors in Non-GAAP Financial Measures and Key Performance Indicators: Present and Future](#) (September 2020)

Risk oversight

Given the volatility of the risk environment during the pandemic, it's more important than ever for boards and audit committees to understand management's process for managing risk, including how it identifies and assesses emerging and strategic risks. Risk is never the responsibility of a single individual or group, which is why it's critical for the audit committee to work with the board to allocate oversight of key risks across the full board and its committees.


Audit committees play a significant role in setting the tone around the importance of risk management and in understanding the infrastructure and related policies that govern an effective risk management program. The committee should understand how management continually senses and refreshes key risks, especially in an environment where disruption seems to be the norm. Additionally, the audit committee should understand how new risks are included on the company's risk map, who the risk owner is, and how risks are captured in disclosures. ➔



Finally, the audit committee should approach meeting agendas with a risk lens, prioritizing discussions with regard to risk oversight and making sure key risks are on the agenda. Beyond financial reporting risks, some of the highest-priority risks for audit committee oversight may include:

- Cyber risk
- Fraud risk
- Extended-enterprise risk
- Ethics and compliance
- Regulatory changes
- Environmental, social, and governance risk (ESG)



 **Additional featured resources**

[The Shifting Role of The Audit Committee in Working with Management to Effectively Oversee Risk](#) (as published in FEI Daily in January 2021)

[On the board's agenda | Cyber: New challenges in a COVID-19-disrupted world](#) (November 2020)

[Center for Audit Quality | The Role of Auditors in Company-Prepared Information: Present and Future](#) (September 2020)

[Heads Up | #DeloitteESGNow—Human Capital Measures Up](#) (December 2020)

[On the audit committee's agenda | Defining the role of the audit committee in overseeing ESG](#) (November 2020)

[Purpose-driven Business Reporting in Focus—Progress towards a comprehensive corporate reporting system](#) (September 2020)

[Heads Up | #DeloitteESGnow—Enhancing Trust in ESG Disclosures](#) (September 2020)

[The Anti-Fraud Collaboration | Skepticism in Practice](#) (September 2020)

Conclusion

The role of the audit committee has always been challenging and is unlikely to become easier in 2021. Whether dealing with the priorities discussed here or others the audit committee may face, it all comes down to execution. It's critical for audit committees to have processes and procedures in place to support its activities in times of calm and crisis.

The [Deloitte Governance Framework](#) provides four attributes to consider with regard to overall effectiveness: skills and knowledge, process, information, and behavior. These attributes can be useful as audit committees plan and prepare for the challenges in front of them in 2021. When considering how well-positioned they are to deal with these challenges, audit committees may want to ask the following questions, which are aligned to the four attributes:

- Do the members of the audit committee have the appropriate skills and knowledge to effectively execute their responsibilities?
- Does the audit committee's meeting frequency, structure, and format provide adequate time and flexibility for the committee to carry out its responsibilities, particularly in the mostly virtual world we're operating in today?
- Does the audit committee receive appropriate information from management, its internal and external auditors, and outside parties to be adequately informed for discussions?
- Are audit committee agendas structured to focus on key risks and priorities while allowing flexibility to address emerging risks and issues?
- Are audit committee meetings run in a manner that facilitates candid, open discussions and allows for healthy debate?

While we all may want to put 2020 behind us, 2021 will have its own challenges. Audit committees play an important oversight role for investors and other stakeholders. The committee's ability to effectively manage their calendars and agendas and prioritize the most critical financial reporting, risk, and other topics can help companies better navigate what lies ahead. ➤

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Deloitte's Center for Board Effectiveness helps directors deliver value to the organizations they serve through a portfolio of high quality, innovative experiences throughout their tenure as board members. Whether an individual is aspiring to board participation or has extensive board experience, the Center's programs enable them to contribute effectively and provide focus in the areas of governance and audit, strategy, risk, innovation, compensation, and succession.

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Buffalo Urban Development Corporation
Property Report
Year Ended: December 31, 2020

Table 1. This is a listing of all real property owned by BUDC, or through its affiliates or subsidiaries, at December 31, 2020

BUDC Facility	Address or SBL of Property	Full Description of Property	Estimated FMV of Property	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.	
Buffalo Lakeside Commerce Park 115.35 Acres 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		
	255 Ship Canal Parkway	20.37 acres of vacant land	\$ 509,000		
	280 Ship Canal Parkway	0.42 acre of vacant land	\$ 14,700		
	310 Ship Canal Parkway	10.84 acres of vacant land (5.33 Useable)	\$ 241,550		
	15 Laborer's Way	4.92 acres of vacant land	\$ 172,200		
	24 Laborer's Way	5.40 acres of vacant land	\$ 189,000		
	51 Laborer's Way	5.32 acres of vacant land	\$ 186,200		
	70 Laborer's Way	18.11 acres of vacant land (10.17 Useable)	\$ 435,350		
	87 Laborer's Way	4.67 acres of vacant land	\$ 163,450		
	125 Laborer's Way	5.47 acres of vacant land	\$ 191,450		
	126 Laborer's Way	18.08 acres of vacant land (6.00 Useable)	\$ 330,800		
	Northland Corridor 37.03 Acres Buffalo, New York Some Being Marketed	537 East Delaware Avenue	10.52 acres of land (69K s.f. vacant, 19K 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	\$ -		
654 Northland Avenue		12,000 s.f. of parking	\$ 50,000		
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		4.94 acres of land w/ a 92,000 s.f. derelict building	\$ 600,000		
767 Northland Avenue		7,989 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		15,630 s.f. of vacant land	\$ 15,000		
128 Dutton Avenue		12,480 s.f. of vacant land	\$ 12,000		
Other Not Marketed, Buffalo		1322 South Park Avenue	2,860 s.f. of vacant land	\$ 9,000	
		308 Crowley Avenue	6,240 acres of land w/ a 315,374 s.f. derelict building	\$ 118,000	

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 2020.

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 (Morbett II, LLC & King Crow, LLC)
690 Northland Avenue, Buffalo, NY	7,564 s.f. of vacant land	\$ 8,000	The City of Buffalo, 65 Niagara Square, Buffalo, NY 14203	11/24/20	\$ -
698 Northland Avenue, Buffalo, NY	2,976 s.f. of vacant land	\$ 3,000	"	"	"
A portion of 664 Northland Avenue, Buffalo, NY	8,000 s.f. of vacant land	\$ 8,000	"	"	"
A portion of 688 Northland Avenue, Buffalo, NY	50,000 s.f. of vacant land	\$ 50,000	"	"	"
A portion of 308 Crowley Avenue, Buffalo, NY	1 acre of vacant land	\$ 31,430	71 Isabelle, LLC, 71 Isabelle Street, Buffalo, NY	02/27/20	\$ 31,430

Table 3. The following is a listing of all real property that was acquired during 2020.

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 (Morbett II, LLC)
162 Winchester Street, Buffalo, NY	3,940 s.f. of vacant land	\$ 4,000	The City of Buffalo, 65 Niagara Square, Buffalo, NY 14203	11/24/20	\$ -
164 Winchester Street, Buffalo, NY	3,940 s.f. of vacant land	\$ 4,000	"	"	"
168 Winchester Street, Buffalo, NY	3,940 s.f. of vacant land	\$ 4,000	"	"	"
572 Northland Avenue, Buffalo, NY	4,560 s.f. of vacant land	\$ 5,000	"	"	"
574 Northland Avenue, Buffalo, NY	7,260 s.f. of vacant land	\$ 7,000	"	"	"
1668 Filmore Avenue, Buffalo, NY	6,144 s.f. of vacant land	\$ 6,000	"	"	"
1675 Filmore Avenue, Buffalo, NY	7,680 s.f. of vacant land	\$ 8,000	"	"	"
1679 Filmore Avenue, Buffalo, NY	9,467 s.f. of vacant land	\$ 2,800	"	"	"
1681 Filmore Avenue, Buffalo, NY	28,594 s.f. of vacant land	\$ 28,000	"	"	"