

**Buffalo and Erie County Regional Development Corporation**  
**Meeting of the Membership**  
**March 22, 2023 @ 12:00 p.m.**



**701 Ellicott Street, Center of Excellence in Bioinformatics and Life Sciences**  
**(CBLS) - The Event Space/Conference Room B2-205, located on the 2nd floor, Buffalo, New York 14203**

**1.0 Call to Order**

**2.0 Approval of Minutes**

- 2.1 Approval of the February 22, 2023 Minutes of the Meeting of the Membership (Action Item) (Pages 2-4)

**3.0 Reports / Action Items / Information Items:**

- 3.1 Financial Report (Informational) (Pages 5-8)  
3.2 Finance & Audit Committee Update (Informational) (Pages 9-10)  
    a) Committee Self-Evaluation (Informational) (Pages 11-15)  
3.3 Audited Financial Statements (Action Item) (Pages 16-45)  
3.4 2022– Investment Report (Action Item) (Pages 46-48)  
3.5 Governance Committee Report (Informational) (Pages 49-50)  
    a) Committee Self-Evaluation (Informational) (Pages 51-54)  
    b) Board of Directors Evaluation/Survey (Informational) (Pages 55-57)  
3.6 2023 Loan Status Report (Informational) (Page 58)  
3.7 Approval of Board Certification of Loan Administration Plan-CARES ACT RLF (Pages 59-61)

**4.0 Review and Adoption of Policies, Reports and Committee Charters: (Separate Package)**

1. 2022 - Mission Statement, Performance Measures and Results (Action Item) (Pages 2-17)  
2. 2023 - Mission Statement and Performance Measures (Action Item) (Pages 18-26)  
3. 2022 - Public Authorities Report (Action Item) (Pages 27-92)  
4. Airborne Infectious Disease Policy (Action Item) (Pages 93-101)

**Re-Adopt Policies & Charters (Action Item)**

5. Board Member Compensation, Reimbursement & Attendance Policy (Page 102)  
6. Code of Ethics & Conflict of Interest Policy (Pages 103-108)  
7. Corporate Credit Card Policy (Pages 109-111)  
8. Defense & Indemnification Policy (Page 112)  
9. Employee Compensation Program (Pages 113-114)  
10. Fee Structure Policy (For ECIDA & ILDC Only) (Page 115)  
11. Finance & Audit Committee Charter (Pages 116-120)  
12. Governance Committee Charter (Pages 121-123)  
13. Investment & Deposit Polic (Pages 124-131)  
14. Procurement Policy (Pages 132-136)  
15. Professional Services RFP Process and Policy (Pages 137-139)  
16. Property Disposition Guidelines (Pages 140-146)  
17. Real Property Acquisition Policy (Pages 147-148)  
18. Sexual Harassment Policy (Pages 149-157)  
19. Statement of Duties & Responsibilities of the Board of Directors (Pages 158-160)  
20. Statement of the Competencies & Personal Attributes Required of Board Members (Page 161)  
21. Travel, Conferences, Meals & Entertainment Policy (Pages 167)  
22. Whistleblower Policy and Procedures (Pages 168-170)

**5.0 Management Team Reports:**

- 5.1 2022 Year in Review

**6.0 Adjournment- Next Meeting April 26, 2023 (Annual Meeting)**

**MINUTES OF THE MEETING OF THE  
BOARD OF DIRECTORS OF THE  
BUFFALO AND ERIE COUNTY REGIONAL  
DEVELOPMENT CORPORATION  
(RDC)**

**DATE AND PLACE:** February 22, 2023, at the Center of Excellence in Bioinformatics and Life Sciences (CBLIS), 701 Ellicott Street, The Event Space/Conference Room B2-205, located on the 2nd floor, Buffalo, New York 14203.

**PRESENT:** Denise Abbott, Hon. Diane Benczkowski, Hon. Bryon W. Brown, Dottie Gallagher, Tyra Johnson, Denise McCowan, Brenda W. McDuffie, Hon. Mark C. Poloncarz, Kenneth A. Schoetz and Paul Vukelic

**EXCUSED:** Rev. Mark E. Blue, James Doherty, Hon. Joseph Emminger, Michael P. Hughes, Hon. Howard Johnson, Hon. Brian Kulpa, Richard Lipsitz, Jr., Hon. Glenn R. Nellis and Hon. Darius G. Pridgen

**OTHERS PRESENT:** John Cappellino, President & CEO; Beth O’Keefe, Vice President of Operations/Secretary; Mollie Profic, Chief Financial Officer; Atiqa Abidi, Senior Accountant; Daryl Spulecki, Credit Analyst; Grant Lesswing, Director of Business Development; Andrew Federick, Business Development Officer; Soma Hawramee, Compliance Portfolio Manager, Brian Krygier, Director of Information Technology; Carrie Hocieniec, Operations Assistant/Assistant Secretary; Laurie Hendrix, Administrative Coordinator; Robbie Ann McPherson, Director of Marketing & Communications; Robert G. Murray, Esq., General Counsel/Harris Beach PLLC

**GUESTS:** Zachary Evans and Daniel Castle on behalf of Erie County; Alex Carducci on behalf of the City of Buffalo; Sean Greenhouse on behalf of Linita; William Brady on behalf of Top Seedz Food Corp.; and Jonathan Epstein on behalf of the Buffalo News

There being a quorum present at 12:34 p.m., the meeting of the Buffalo and Erie County Regional Development Corporation (the “RDC”), was called to order by its Chair, Ms. McDuffie.

**MINUTES**

The minutes of the December 21, 2022, meeting of the members were presented. Ms. Gallagher moved, and Mr. Schoetz seconded, to approve of the minutes. Ms. McDuffie called for the vote, and the minutes were then unanimously approved.

## **REPORTS/ACTION ITEMS/INFORMATION ITEMS**

Financial Report. Ms. Profic presented the January financial reports. The balance sheet shows the RDC ended 2022 with total assets of \$22.6M, consisting mainly of cash and loans receivable. Liabilities reflect amounts due to ECIDA and some grant revenue to be recognized in the coming year. We also ended 2022 with 64 active RDC loans. In 2022, RDC recognized income of \$667,000, mainly interest income on loans (\$536,000). Expenses for 2022 were \$245,000, leading to net income of \$422,000 for 2022. Further information will be provided when the 2022 audited financial statements are presented to the Board on March 22<sup>nd</sup>.

RDC finished the month of January with total assets of \$22.6M and net assets of \$22.2M. The balance sheet accounts stayed largely unchanged from December. The RDC recognized income of \$57,000 and expenses of \$26,000, for a net income of \$31,000 in January. Ms. McDuffie directed that the report be received and filed.

Finance and Audit Committee Update. Ms. Profic presented a summary of the most recent Finance and Audit Committee meeting to the members. During the meeting there was a presentation by Lumsden McCormick discussing their 2022 audit plan and discussion with the Committee members.

Public Sector Banking Services RFP. Ms. Profic reviewed the RFP and evaluation process. While all of the respondents were capable and suitable partners, M&T Bank was the staff committee's recommendation. We have been with M&T Bank since our last RFP in 2017, and have been pleased with their services and staff. The Finance & Audit Committee voted to recommend that the Boards approve the retention of M&T Bank as the prime bank of the ECIDA, RDC and ILDC.

Mr. Poloncarz moved and Mr. Vukelic seconded to approve of the Public Sector Banking Services to be provided by M&T Bank. Ms. McDuffie called for the vote and the Public Sector Banking Services to be provided by M&T Bank was unanimously approved.

Governance Committee Update: Ms. McDuffie provided the Committee with an update on the most recent Governance Committee meeting.

Loan Status Report. Mr. Spulecki provided this report to the members. Ms. McDuffie directed that the report be received and filed.

### Approval of the Following Loan Case:

Linita Design & Manufacturing Corp., 951 Hamburg Turnpike, Lackawanna, New York, \$750,000 96-month Term Loan, Secured and Guaranteed. Mr. Spulecki reviewed this proposed \$750,000 loan request, proceeds of which will be used for working capital and equipment.

Ms. Gallagher moved and Mr. Vukelic seconded to approve of the loan as proposed. Ms. McDuffie called for the vote and the requested loan was unanimously approved.

Top Seedz Foods, LLC, 247 Cayuga Road, Cheektowaga, New York. \$750,000 90-month Term Loan, Secured and Guaranteed. Mr. Spulecki reviewed this proposed \$750,000 loan request, proceeds of which will be used for equipment.

Mr. Brown moved and Ms. Johnson seconded to approve of the loan as proposed. Ms. McDuffie called for the vote and the requested loan was unanimously approved.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 12:53 p.m.

Dated: February 22, 2023

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Elizabeth A. O'Keefe, Secretary

**Regional Development Corporation**

**Financial Statements**

As of February 28, 2023

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**

**Balance Sheet**

February 28, 2023

	February 2023	January 2023	December 2022
<b>ASSETS:</b>			
Restricted Cash**	\$ 5,587,013	\$ 5,372,313	\$ 5,256,480
Accounts Receivable	205,001	203,424	204,250
Direct Loans *	17,354,990	17,512,811	17,567,963
50/50 Bank Participation Loans *	52,013	56,510	60,989
Reserve for Loan losses	(524,886)	(524,886)	(524,886)
Total Loan Assets, net	<u>16,882,117</u>	<u>17,044,435</u>	<u>17,104,065</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 22,674,130</u></b>	<b><u>\$ 22,620,172</u></b>	<b><u>\$ 22,564,795</u></b>
<b>LIABILITIES &amp; NET ASSETS</b>			
Accounts Payable	\$ -	\$ -	\$ 1,518
Deferred Revenue	97,105	97,105	97,105
Due to ECIDA	344,939	316,889	291,289
Total Liabilities	<u>442,044</u>	<u>413,994</u>	<u>389,912</u>
Restricted Fund Balance	<u>22,232,086</u>	<u>22,206,178</u>	<u>22,174,884</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 22,674,130</u></b>	<b><u>\$ 22,620,172</u></b>	<b><u>\$ 22,564,795</u></b>

<b>* Loan Portfolio Summary:</b>	February 2023	January 2023	December 2022
# of Legacy RLF Loans	34	34	33
# of CARES Act RLF Loans	30	30	30
# of 50/50 Bank Participation Loans	1	1	1
	<u>65</u>	<u>65</u>	<u>64</u>

\*\* Cash is invested in interest bearing accounts at M&T Bank. The maximum FDIC insured amount is \$250,000, with the remainder collateralized with government obligations by the financial institution.

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Income Statement**  
 Month of February 2023

	Actual vs. Budget		
	Actual	Budget	Variance
<b>REVENUES:</b>			
Interest Income - Loans	\$ 46,799	\$ 52,500	\$ (5,701)
Interest Income - Cash & Inv.	7,215	58	7,157
Administrative Fees	-	1,250	(1,250)
Other Income	19	417	(398)
<b>Total Revenues</b>	<u>54,033</u>	<u>54,225</u>	<u>(192)</u>
<b>EXPENSES:</b>			
Management Fee - ECIDA*	23,400	23,800	(400)
Rent & Facilities Expenses	2,200	1,125	1,075
Professional Services	-	3,333	(3,333)
General Office Expenses	-	167	(167)
Other Expenses	2,525	2,248	277
<b>Total Expenses</b>	<u>28,125</u>	<u>30,673</u>	<u>(2,548)</u>
<b>NET INCOME/(LOSS):</b>	<u>\$ 25,908</u>	<u>\$ 23,552</u>	<u>\$ 2,356</u>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2023 budgeted figures.

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Income Statement**  
Year to Date: February 28, 2023

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
<b>REVENUES:</b>						
Interest Income - Loans	\$ 95,785	\$ 105,000	\$ (9,215)	\$ 95,785	\$ 73,079	\$ 22,706
Interest Income - Cash & Inv.	15,136	117	15,020	15,136	227	14,909
Administrative Fees	-	2,500	(2,500)	-	-	-
Other Income	213	833	(621)	213	438	(226)
Total Revenues	111,134	108,450	2,684	111,134	73,745	37,389
<b>EXPENSES:</b>						
Management Fee - ECIDA*	46,800	47,700	(900)	46,800	47,600	(800)
Rent & Facilities Expenses	4,400	2,250	2,150	4,400	4,200	200
Professional Services	-	6,667	(6,667)	-	4,083	(4,083)
General Office Expenses	-	333	(333)	-	-	-
Other Expenses	2,731	4,496	(1,765)	2,731	85	2,646
Total Expenses	53,931	61,446	(7,515)	53,931	55,968	(2,037)
<b>NET INCOME/(LOSS):</b>	<b>\$ 57,203</b>	<b>\$ 47,004</b>	<b>\$ 10,199</b>	<b>\$ 57,203</b>	<b>\$ 17,776</b>	<b>\$ 39,426</b>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2023 budgeted figures.





To: ECIDA, RDC & ILDC Boards of Directors  
From: Michael Szukala, Chair  
Date: March 22, 2023  
Re: Finance & Audit Committee Report

In accordance with its Committee Charter, the Finance & Audit Committee is required to “report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Finance and Audit Committee and when otherwise requested by the Board”. This report is prepared to satisfy this requirement.

A joint meeting of the ECIDA, RDC & ILDC Finance & Audit Committee was held on March 16, 2023. Committee members present were: Michael Szukala, Chair, Penny Beckwith, Glenn Nellis, and William Witzleben. The following items were reviewed:

- 1) Lumsden McCormick CPAs Report including Draft 2022 Audited Financial Statements  
The Agency’s auditors presented the Draft 2022 Audited Financial Statements for ECIDA, RDC, and ILDC (copies of which are included in respective Board packages).
  - The independent auditors expressed an unmodified (clean) opinion on the financial statements of all entities. This type of opinion indicates that the financial statements present fairly, in all material respects, the financial position of the entities as of December 31, 2022 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.
  - No uncorrected audit adjustments were noted.
  - No significant deficiencies or material weaknesses in internal controls noted.
- 2) Public Authorities Accountability Act (PAAA) 2022 Annual Report  
The joint Finance & Audit Committee reviewed the PAAA 2022 Annual Report required under the Public Authorities Law and recommended that it be approved by their respective Boards.
- 3) 2022 Investment Reports  
The joint Finance & Audit Committee reviewed the 2022 Investment Reports, which are required under the Public Authorities Law and recommended that they be approved by their respective Boards.
- 4) Investment and Deposit Policy (Re-adoption)  
The joint Finance & Audit Committee reviewed the Investment and Deposit Policy and recommended that it be approved by the respective Boards.
- 5) Finance & Audit Committee Charter (Re-adoption)  
The joint Finance & Audit Committee reviewed the joint Committee Charter and recommended that it be approved by the respective Boards.
- 6) Corporate Credit Card Policy (Re-adoption)  
The joint Finance & Audit Committee reviewed the Corporate Credit Card policy and recommended that it be re-adopted by the respective Boards. The Committee also reviewed a report of the corporate credit card usage over the past year as required by the policy.

7) Finance & Audit Committee Self-Evaluation

The joint Finance & Audit Committee approved a report that documents the Committee's activities for 2022 as required under the Public Authorities Law.

- 8) The Committee reviewed Management's Assessment of the Effectiveness of Internal Controls, a document prepared by management based on internal control processes and procedures of the organization. The document will be posted on the website as required by the ABO.
- 9) The Committee reviewed a document entitled "2023: The Year of the Risk-Centric Agenda" by Deloitte's Center for Board Effectiveness to satisfy the educational requirements set forth in the Finance & Audit Committee Charter.

**Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County  
Regional Development Corporation (RDC), and Buffalo and Erie County  
Industrial Land Development Corporation (ILDC)**

**2022 Finance & Audit Committee Self-Evaluation**

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

The core responsibilities of the Finance & Audit Committee, as mandated under Section 2825 of the New York Public Authorities Law, are set forth in the Bylaws and include: (i) providing assistance to members of the Agency in fulfilling their fiduciary responsibilities relating to accounting, reporting, and regulatory compliance practices; (ii) maintaining, through regular meetings, direct communication between the members of the Agency and the Agency’s independent accountants and auditors; (iii) maintaining direct communication between members of the Agency and the governmental authorities having audit authority or fiscal oversight of the Agency; (iv) approving the budget of the Agency for submission to the Board; (v) approving and/or directing the transfers of moneys under the budget; (vi) recommending to the Board the level of cash reserves and the level of fund balances of the Agency.

Finance & Audit Committee Self-Evaluation	Yes	No	Pen ding	Comments
1. Are the members of the Finance & Audit Committee appointed in accordance with the Bylaws and do individuals appointed to the Finance & Audit Committee possess the necessary skills to understand the duties and functions of the Finance & Audit 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 Finance & Audit 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 Finance & Audit Committee members, who are members of the Agency, 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 Finance & Audit Committee meet a minimum of twice each calendar year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Finance & Audit Committee met on 3/16/22, 4/20/22, 8/19/22, 9/23/22 (no quorum), and 10/17/22.

Finance & Audit Committee Self-Evaluation	Yes	No	Pending	Comments
<p>4. Were meeting notices and agendas prepared for each meeting and provided to Finance &amp; Audit 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 Agency? Did all meetings comply with the requirements of the Open Meetings Law?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>5. Did the Finance &amp; Audit Committee develop the Agency'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 Finance &amp; Audit Committee:</p> <p>(a) Recommend to the Board the appointment of independent auditors, establish the compensation to be paid to the auditors, and provide oversight of the audit services provided by the independent auditor?</p> <p>(b) Establish procedures for the engagement of the independent auditors to provide permitted audited services?</p> <p>(c) Review and approve the Agency'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 Agency?</p> <p>(e) Meet with the Agency's independent auditor at least annually to discuss the financial statements of the Agency 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 of 2022, Freed Maxick completed audits of the ECIDA, RDC, and ILDC for the year ended 12/31/21. The auditors issued unmodified (clean) opinions that the statements fairly presented the financial position of the above referenced corporations. The auditors also indicated that the audits did not uncover any material weaknesses in internal control and there were no instances of non-compliance in accordance with government auditing standards.</p>

Finance & Audit Committee Self-Evaluation	Yes	No	Pending	Comments
7. Did the Finance & Audit Committee review management's assessment of the effectiveness of the Agency's internal controls and review the actions taken by management on the independent accountants' and auditors' suggestions for correcting weaknesses in the Agency's internal controls, regulatory compliance, and organizational structure and operations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Management's assessment of the effectiveness of internal controls was reviewed with the Committee at the 3/16/22 meeting. The March 2022 audit reports did not identify any internal controls or material weaknesses.
8. Did the Finance & Audit Committee: (a) Ensure that the Agency 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 Agency or anyone having business dealings with the Agency? (b) Develop procedures for the receipt, retention, investigation, or referral of complaints concerning accounting, internal controls, and auditing? (c) Request and oversee special investigations as needed or refer specific issues to the Board or appropriate committee for further investigation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The ECIDA adopted a Whistleblower Policy in March of 2012. The Policy describes the process for reporting suspected fraudulent activities and describes the protections afforded to individuals who report suspected fraudulent activities. The Policy was re-adopted by the Board of Directors on 3/23/22.
9. Did the Finance & Audit 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?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	On 3/16/22, the Committee received an article entitled, "What's on the horizon for 2022?" published by the Deloitte Center for Board Effectiveness.

Finance & Audit Committee Self-Evaluation	Yes	No	Pending	Comments
<p>10. Did the Finance &amp; Audit 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 Finance &amp; Audit 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>The Committee reported its actions and recommendations to the Board following each meeting. On 3/23/22, the Audit &amp; Finance Committee reported on its activities to the ECIDA Board of Directors. These activities included the: (1) Audit &amp; Finance Committee self-evaluation; (2) Audit &amp; Finance Committee Charter; (3) draft 2021 financial statements audited by Freed Maxick; (4) Corporate Credit Card Policy; (5) 2021 Public Authorities Annual Report; (6) Investment &amp; Deposit Policy; and (7) 2021 Investment Report.</p>

**Other Self-Evaluation Notes**

In addition to the above:

- During its 3/16/22 meeting, the Committee reviewed drafts of the 2021 audited financial statements for the ECIDA, RDC, and ILDC. The Committee also reviewed the 2021 PAAA Annual Report, 2021 Investment Reports, Investment & Deposit Policy, Finance & Audit Committee Charter, Corporate Credit Card Policy, the 2021 Finance & Audit Self-Evaluation, 2021 Management's Assessment of Internal Controls, and Corporate Credit Card Usage Report.
- During its 4/20/22 meeting, the Committee approved the City of Buffalo Schools Refunding Bond Series 2022A and recommended that the ECIDA board approve of same. The Committee also received updates on the 2022 budget.
- During its 8/19/22 meeting, ECIDA staff discussed the ECIDA, RDC, and ILDC budget review process and the timelines for obtaining approval for those budgets. The Committee also reviewed drafts of the 2023 ECIDA, RDC, and ILDC operating and capital budgets and three-year forecasts. The ECIDA staff present the 2021 single audit report to the Committee. The draft reported resulted in a "clean" audit of ECIDA. The report was forwarded to the Board for approval.
- During the 10/17/22 meeting, the Committee approved a motion was made to forward the 2023 ECIDA, RDC and ILDC Budgets to the Boards of each entity for ultimate approval. The Committee approved tax-exempt bond issuances for Ellicott Park Townhomes Community Partners, LP and OAHS Tonawanda TC, LLC be forwarded to the ECIDA board for approval.

# DRAFT

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

March 16, 2023

Members of the Finance & Audit Committees and Boards of Directors  
Erie County Industrial Development Agency and related entities

We have audited the separate financial statements of Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Regional Development Corporation (RDC), and Buffalo and Erie County Industrial Land Development Corporation (ILDC), business-type activities (collectively, the Organizations) for the year ended December 31, 2022. Professional standards require that we advise you the following matters related to our audits.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated January 9, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether each entity's financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audits of each entity's financial statements do not relieve you or management of their respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of each entity's internal control over financial reporting. Accordingly, as part of our audits, we considered the internal control of each entity solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible to communicate significant matters related to the audits that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audits consistent with the planned scope and timing we previously communicated to you in the engagement letter.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

Our audit planning and risk assessment identified management override of controls and improper revenue recognition as significant audit risks, both of which are presumptive risks in financial statement audits. Our audit procedures were designed to address these risks and no matters of concern were identified as a result of our procedures.



# DRAFT

## Qualitative Aspects of the Organizations' Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organizations are included in Note 1 to each entity's financial statements. The Organizations adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during 2022. Other than the adoption of this standard, no other accounting policies were adopted and the application of existing policies was not changed during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting each entity's financial statements are:

- Establishing allowances for uncollectible loans
- Depreciable lives and methods
- Valuation of other assets
- Valuation of leases receivable and payable

Management's estimates of the above are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the estimates above and determined that they are reasonable in relation to each entity's financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We evaluated all disclosures in relation to each entity's financial statements as a whole and determined that they are reasonable.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audits.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We discovered no such misstatements during our audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No audit adjustments were made for the year ended December 31, 2022.

# DRAFT

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to each entity's financial statements or the auditors' report. No such disagreements arose during the course of the audits.

## **Circumstances that Affect the Form and Content of the Auditors' Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditors' reports. There were no modifications to the audit opinions.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated consistent with the financial statement audit report date.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matter.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Organizations, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the Organizations, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our appointment as the Organizations' auditors.

## **Other Matters**

We applied certain limited procedures to Management's Discussion and Analysis that supplements the basic financial statements for each entity. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to each of the supplementary information accompanying the financial statements of each entity, we made certain inquiries of management and evaluated the form, content, and methods of preparing the schedules to determine that the information complies with accounting principles generally accepted in the United States of America, the methods of preparing them has not changed from the prior period, and the schedules are appropriate and complete in relation to our audits of the Organizations' financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

# DRAFT

## MANAGEMENT LETTER

March 16, 2023

The Finance & Audit Committees, Boards of Directors, and Management  
Erie County Industrial Development Agency and related entities

In planning and performing our audits of the financial statements of Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Regional Development Corporation, and Buffalo and Erie County Industrial Land Development Corporation (collectively, the Organizations), business-type activities, as of and for the year ended December 31, 2022, 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

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

**DRAFT**

**BUFFALO AND ERIE COUNTY REGIONAL  
DEVELOPMENT CORPORATION**

**SINGLE AUDIT REPORTING PACKAGE**

**DECEMBER 31, 2022**

# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

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December 31, 2022

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# DRAFT

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Buffalo and Erie County Regional  
Development Corporation

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise RDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RDC as of December 31, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### *Basis for Opinion*

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

#### *2021 Financial Statements*

The financial statements of RDC as of and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 24, 2022.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RDC's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

## *Required Supplementary Information*

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



# DRAFT

## *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise RDC's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023 on our consideration of RDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RDC's internal control over financial reporting and compliance.

March 16, 2023



# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

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### Management's Discussion and Analysis (Unaudited)

December 31, 2022

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Buffalo and Erie County Regional Development Corporation (RDC) was incorporated for the purpose of encouraging the expansion of existing companies in target areas of Erie County (the County) by establishing a revolving loan fund (RLF). The U.S. Department of Commerce Economic Development Administration (EDA) is the oversight body of one of RDC's RLFs. A Loan Administration Plan (LAP) that outlines RDC's lending processes and goals is approved by EDA every five years. The EDA released its federal interest in RDC's Legacy (original) RLF during 2021. In 2020, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, EDA awarded \$5 million to ECIDA to capitalize a new RLF, which ECIDA sub-granted to RDC to administer.

As a special-purpose government engaged in business-type activities, RDC is required to comply with accounting standards issued by the Governmental Accounting Standards Board (GASB). Under GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, RDC is required to present management's discussion and analysis (MD&A) to assist readers in understanding RDC's financial performance.

In compliance with GASB Statement No. 34, we present the attached overview and analysis of the financial activities of RDC as of and for the years ended December 31, 2022, 2021, and 2020. We encourage readers to consider the information presented here in conjunction with RDC's audited financial statements.

#### Basic Overview of the Financial Statements

Included in this report are the following financial statements:

- 1) Balance Sheets – The balance sheets show the reader what RDC owns (assets and deferred outflows of resources) and what RDC owes (liabilities and deferred inflows of resources). The difference between RDC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) can be one way to measure RDC's financial position. Over time, increases or decreases in RDC's net position are an indicator of whether its financial health is improving or deteriorating.
- 2) Statements of Revenues, Expenses, and Changes in Net Position – These statements report RDC's operating and nonoperating revenues by major sources along with operating and nonoperating expenses. The difference between total revenues and expenses can be one way to measure RDC's operating results for the year.
- 3) Statements of Cash Flows – These statements report RDC's cash flows from operating, capital and related financing, and investing activities.

#### Financial Highlights

- RDC's total net position increased slightly from \$21,753,000 in 2021 to \$22,175,000 in 2022.
- RDC experienced an increase in net position of \$422,000 in 2022 compared to an increase of \$4,738,000 in 2021.
- Operating revenues increased 24% from \$447,000 in 2021 to \$555,000 in 2022.
- Operating expenses decreased 70% from \$823,000 in 2021 to \$243,000 in 2022.

# DRAFT

## Condensed Comparative Financial Statements:

### Balance Sheets at December 31:

<i>in thousands</i>	2022	2021	\$ Change	% Change	2020
<b>Assets</b>					
Cash	\$ 5,461	\$ 7,790	\$ (2,329)	(30%)	\$ 6,543
Accounts and grants receivable	-	10	(10)	(100%)	11
Loans receivable, net	17,104	14,250	2,854	20%	10,758
<b>Total assets</b>	<b>\$ 22,565</b>	<b>\$ 22,050</b>	<b>\$ 515</b>	<b>2%</b>	<b>\$ 17,312</b>
<b>Liabilities</b>					
Accounts payable	\$ 2	\$ -	\$ 2	100%	\$ 3
Due to affiliate	291	297	(6)	(2%)	294
Unearned revenue	97	-	97	100%	-
<b>Total liabilities</b>	<b>390</b>	<b>297</b>	<b>93</b>	<b>31%</b>	<b>297</b>
<b>Net position</b>					
Restricted	22,175	21,753	422	2%	17,015
<b>Total liabilities and net position</b>	<b>\$ 22,565</b>	<b>\$ 22,050</b>	<b>\$ 515</b>	<b>2%</b>	<b>\$ 17,312</b>

RDC's cash balance decreased 30% or \$2,329,000 primarily due to loan disbursements in 2022. The cash increase from \$6,543,000 in 2020 to \$7,790,000 in 2021 was a result of loan repayments.

Loans receivable relate to the RLFs operated by RDC, net of an allowance. Loans receivable increased \$2,854,000 or 20% from 2021 to 2022, due to loans awarded during 2022. The increase in loans receivable from \$10,758,000 in 2020 to \$14,250,000 in 2021 was also a result of new loans. Most of the loans closed in 2021 were funded by new capital into the RLF through the CARES Act sub-grant award.

Due to affiliate reflects the amount due to ECIDA under a shared services agreement for personnel and overhead at the end of the year. The \$6,000 decrease in due to affiliate from 2021 to 2022 reflects a decrease in hours spent on RDC activities by ECIDA employees. The increase in amounts due to affiliate from \$294,000 in 2020 to \$297,000 in 2021 reflected increased hourly rates of ECIDA employees.

Unearned revenue reflects a portion of the CARES Act sub-grant funds received that were not spent as of the end of the year.

# DRAFT

## Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31:

<i>in thousands</i>	2022	2021	\$ Change	% Change	2020
<b>Operating revenue:</b>					
Interest from loans	\$ 536	\$ 447	\$ 89	20%	\$ 375
Loan commitment fees	19	-	19	100%	13
<b>Total revenue</b>	<b>555</b>	<b>447</b>	<b>108</b>	<b>24%</b>	<b>388</b>
<b>Operating expenses:</b>					
General and administrative	\$ 331	\$ 405	\$ (74)	(18%)	\$ 450
Loan loss expense, net of recoveries	(88)	418	(506)	(121%)	91
<b>Total operating expenses</b>	<b>243</b>	<b>823</b>	<b>(580)</b>	<b>(70%)</b>	<b>541</b>
<b>Operating income (loss)</b>	<b>312</b>	<b>(376)</b>	<b>688</b>	<b>(183%)</b>	<b>(153)</b>
<b>Nonoperating revenue</b>					
Interest income	13	3	10	333%	15
Grant contributions	97	5,111	(5,014)	(98%)	111
<b>Total nonoperating revenue</b>	<b>110</b>	<b>5,114</b>	<b>(5,004)</b>	<b>(98%)</b>	<b>126</b>
<b>Change in net position</b>	<b>\$ 422</b>	<b>\$ 4,738</b>	<b>\$ (4,316)</b>	<b>(91%)</b>	<b>\$ (27)</b>

### Revenue Analysis

Interest from loans is collected from borrowers in accordance with the terms of each promissory note. RDC loans bear interest at rates ranging from 1.0% to 5.5%, in accordance with the Loan Administration Plan provisions in effect at the time the loan is approved. Interest from loans increased \$89,000, or 20%, from 2021 to 2022 because of the increase in loans receivable. Interest increased from \$375,000 in 2020 to \$447,000 in 2021 due to the expiration of deferral periods approved in 2020.

Loan commitment fees are generally charged on loans greater than \$100,000. Commitment fees vary from year to year depending on the dollar amounts of individual loans. In 2022 there were six loans closed and each was greater than \$100,000. In 2021, commitment fees were waived as a result of the COVID-19 pandemic.

### Expense Analysis

In 2022, general and administrative expenses decreased \$74,000 from \$405,000 to \$331,000. The decrease in general and administrative expenses is attributable mainly to costs associated with the CARES Act RLF. In 2021, RDC spent \$56,000 on temporary labor and a consultant to assist with the increased underwriting related to the CARES Act RLF, as well as \$14,000 of marketing costs. After the initial \$5,000,000 of loan funds were exhausted, activity related to that RLF decreased. General and administrative expenses decreased \$45,000 from 2020 to 2021 primarily due to additional legal expenses incurred in 2020 related to delinquent loans.

Loan loss expense, net of recoveries consists of the amount of loan loss expense in a year, net of any recoveries during that same year of previously written off loans. In 2022, loan loss expense was \$4,000, net of reductions in the allowance of \$92,000. Two loans that were part of the reserve in 2021 were paid off in 2022, and the reserve on a third loan was removed due to a satisfactory payment history. In 2021 loan loss expense was \$418,000 due to \$474,000 of reserves established for CARES Act RLF loans, net of \$56,000 of loan recoveries. No loans written off in 2022 or 2021.

Grant contributions relate directly to amounts granted from ECIDA under the CARES Act RLF. The RLF was established in 2020 when \$111,000 of costs were incurred. In 2022 there was \$97,000 related to loans and administrative costs, compared to \$5,111,000 in 2021.

# DRAFT

## Budget to Actual Analysis for the year ended December 31, 2022:

RDC prepares an annual budget which was presented and approved by the Board of Directors on October 27, 2021. The following table presents an analysis of RDC's performance compared to the approved 2022 budget.

<i>in thousands</i>	Actual	Budget	\$ Variance	% Variance
<b>Operating revenue:</b>				
Interest from loans	\$ 536	\$ 565	\$ (29)	(5%)
Loan commitment fees	19	15	4	100%
<b>Total revenue</b>	<b>555</b>	<b>580</b>	<b>(25)</b>	<b>(4%)</b>
<b>Operating expenses:</b>				
General and administrative	\$ 331	\$ 415	\$ (84)	(20%)
Loan loss expense, net of recoveries	(88)	245	(333)	(136%)
<b>Total operating expenses</b>	<b>243</b>	<b>660</b>	<b>(417)</b>	<b>(63%)</b>
<b>Operating income (loss)</b>	<b>312</b>	<b>(80)</b>	<b>392</b>	<b>(490%)</b>
<b>Nonoperating revenue</b>				
Interest income	13	-	13	100%
Grant contributions	97	103	(6)	(6%)
<b>Total nonoperating revenue</b>	<b>110</b>	<b>103</b>	<b>7</b>	<b>7%</b>
<b>Change in net position</b>	<b>\$ 422</b>	<b>\$ 23</b>	<b>\$ 399</b>	<b>1,735%</b>

Overall, RDC exceeded its budgeted increase in net position for 2022 by \$399,000. Total operating revenue was \$25,000, or 4%, below budget due to lower than anticipated interest income from loans in 2022. Total expenses were \$417,000, or 63%, below budget. This was due mainly to the payoff of loans that had been previously included in the reserve for loan losses.

### Economic Factors Impacting RDC

RDC relies upon loan interest income to generate revenue for continued operations. As a result of economic conditions and borrowers' ability to repay, RDC's ability to generate the income necessary to support operations may be limited in the future.

### Requests for Information

This financial report is designed to provide a general overview of RDC's finances. Questions concerning any of the financial information provided in this report should be addressed to the CFO of RDC at (716) 856-6525. General information relating to RDC can be found on ECIDA's website, [www.ecidany.com](http://www.ecidany.com).

# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

### Balance Sheets

December 31,	2022	2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 5,460,730	\$ 7,790,415
Accounts and grants receivable	-	10,168
Loans receivable (Note 2)	3,056,101	1,415,466
	<u>8,516,831</u>	<u>9,216,049</u>
<b>Noncurrent assets:</b>		
Loans receivable, net (Note 2)	<u>14,047,965</u>	<u>12,834,682</u>
	<u>\$ 22,564,796</u>	<u>\$ 22,050,731</u>
<b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,516	\$ 133
Due to affiliate (Note 3)	291,289	297,384
Unearned revenue	97,105	-
	<u>389,910</u>	<u>297,517</u>
<b>Net position:</b>		
Restricted	<u>22,174,886</u>	<u>21,753,214</u>
	<u>\$ 22,564,796</u>	<u>\$ 22,050,731</u>

See accompanying notes.

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# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

### Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2022	2021
<b>Operating revenues:</b>		
Interest from loans	\$ 536,412	\$ 447,255
Loan commitment fees	18,625	-
Total operating revenues	<u>555,037</u>	<u>447,255</u>
<b>Operating expenses:</b>		
General and administrative	331,379	405,359
Provision for uncollectible loans (recoveries), net	(88,495)	417,627
Total operating expenses	<u>242,884</u>	<u>822,986</u>
Operating income (loss)	<u>312,153</u>	<u>(375,731)</u>
<b>Nonoperating revenues:</b>		
Interest income	12,974	2,586
Grant contributions	96,545	5,111,029
Total nonoperating revenues	<u>109,519</u>	<u>5,113,615</u>
Change in net position	421,672	4,737,884
Net position - beginning	<u>21,753,214</u>	<u>17,015,330</u>
Net position - ending	<u>\$ 22,174,886</u>	<u>\$ 21,753,214</u>

See accompanying notes.

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# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

### Statements of Cash Flows

For the years ended December 31,	2022	2021
<b>Operating activities:</b>		
Payments collected on loans receivable	\$ 2,047,009	\$ 2,018,149
Loan interest and fees	555,037	447,255
Loans awarded	(4,814,910)	(5,940,090)
Payments to vendors and affiliates	(330,762)	(409,468)
Bad debt recoveries	2,478	11,863
<b>Net operating activities</b>	<b>(2,541,148)</b>	<b>(3,872,291)</b>
<b>Capital and related financing activities:</b>		
Grant contributions	198,489	5,117,205
<b>Investing activities:</b>		
Interest income	12,974	2,586
<b>Change in cash</b>	<b>(2,329,685)</b>	<b>1,247,500</b>
Cash - beginning	7,790,415	6,542,915
<b>Cash - ending</b>	<b>\$ 5,460,730</b>	<b>\$ 7,790,415</b>
<b>Reconciliation of operating income (loss)</b>		
<b>to net cash flows from operating activities:</b>		
Operating income (loss)	\$ 312,153	\$ (375,731)
Adjustments to reconcile operating income (loss)		
to net cash flows from operating activities		
Provision for uncollectible loans	(86,017)	429,490
Changes in other assets and liabilities:		
Accounts and grants receivable	5,329	(5,329)
Loans receivable	(2,767,901)	(3,921,941)
Accounts payable	1,383	(2,526)
Due to affiliate	(6,095)	3,746
	<b>\$ (2,541,148)</b>	<b>\$ (3,872,291)</b>

See accompanying notes.

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# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

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### Notes to Financial Statements

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#### 1. Summary of Significant Accounting Policies:

##### Nature of Organization

Buffalo and Erie County Regional Development Corporation (RDC) was incorporated for the purpose of encouraging the expansion of existing companies in target areas of the County of Erie (the County) by establishing an Industrial Revolving Loan Fund from which RDC makes loans to individual companies. RDC manages two revolving loan programs maintained under agreements or established loan administration plans approved by the grantor governing the management of the revolving loan program.

RDC has related party relationships with Erie County Industrial Development Agency (ECIDA) and Buffalo and Erie County Industrial Land Development Corporation (ILDC). All three entities are managed by the same personnel and RDC currently shares a common board with ECIDA. These entities share the same mission, which is to provide the resources that encourage investment, innovation, workforce development, and international trade resulting in a successful business climate focused on growth, economic stability, job creation, and retention for businesses and individuals which improves the quality of life for the residents of the region.

In accordance with accounting standards, RDC is not considered a component unit of another entity.

##### Basis of Presentation

The financial statements of RDC have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

##### Measurement Focus

RDC reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. RDC's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

RDC's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services, including interest earned on revolving loan funds, and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include RDC's interest income from deposits and grants resulting from nonexchange transactions. Grants are recognized as revenue when all eligibility requirements imposed by the provider have been satisfied.

##### Estimates

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

##### Cash

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



# DRAFT

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

Custodial credit risk is the risk that, in the event of a bank failure, RDC's deposits may not be returned to it. At December 31, 2022, RDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging bank's agent in RDC's name.

## Loans Receivable

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

Determination of the balance of the allowance for uncollectible loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are 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. Interest accrual stops when management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

## Net Position

Net position may consist of two components:

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the restricted component of net position and therefore are available for general use.

## Income Taxes

Although the financial statements are required to be reported as a governmental entity, RDC is a 501(c)(3) not-for-profit organization for income tax purposes and is exempt from income taxes under §501(a) of the Internal Revenue Code.

## 2. Loans Receivable:

The legacy revolving loan program was originally established through multiple grants received between 1979 and 1983 from the U.S. Economic Development Administration (EDA) amounting to \$7,000,000. Matching funds totaling \$5,250,500 were also received from various sources. The EDA released its federal interest in the legacy RLF as of September 30, 2021 through the Reinvigorating Lending for the Future Act, due to the RFL operating satisfactorily for at least seven years beyond the disbursement of grant funds.

During 2020, RDC was awarded an EDA grant (passed through ECIDA) totaling \$5,415,694 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act to establish the CARES Act revolving loan fund to assist the region in response to the COVID-19 pandemic. Loan terms include one year interest-free, one year of interest-only payments, and then principal payments begin in the third year. In 2022, RDC received the remaining grant funds of \$198,489, of which \$97,105 is included in unearned revenue on the accompanying balance sheet.

Loans awarded to local businesses bear interest at rates ranging from 1% to 5.5% with varying repayment terms. The following is a summary of loans receivable:

	2022	2021
Current status	\$ 17,628,952	\$ 14,861,051
Less allowance	524,886	610,903
	17,104,066	14,250,148
Less current portion	3,056,101	1,415,466
	\$ 14,047,965	\$ 12,834,682

Following is a summary of the activity in the allowance for uncollectible loans:

	2022	2021
Balance, beginning of year	\$ 610,903	\$ 181,412
Additions charged to operations	4,415	441,354
Reduction in allowance	(90,432)	(11,863)
	\$ 524,886	\$ 610,903

Scheduled maturities for the next five years and thereafter are as follows:

	Principal	Interest
2023	\$ 3,001,246	\$ 549,088
2024	2,935,157	436,838
2025	2,886,235	344,534
2026	2,857,431	254,981
2027	2,445,665	171,219
Thereafter	3,442,228	213,923
	\$ 17,567,962	\$ 1,970,583

# DRAFT

This schedule does not include variable interest rate loans that are administered by various financial institutions. The total outstanding balance of those loans is \$60,990 at December 31, 2022 with a current portion of \$54,855.

### 3. Related Party Transactions:

ECIDA allocates a portion of its personnel and overhead costs to RDC based on a cost allocation plan. Costs allocated by ECIDA amounted to \$288,468 and \$294,567 for the years ended December 31, 2022 and 2021. Amounts owed to ECIDA at December 31, 2022 and 2021 totaled \$291,289 and \$297,384, respectively.

### 4. Contingencies:

#### Grants

RDC receives financial assistance from government agencies in the form of grants. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of RDC. Based on prior experience, management expects such amounts, if any, to be immaterial.

### 5. Commitments:

Outstanding loan commitments approved but not yet paid total \$2,850,000 at December 31, 2022.

# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

### Supplementary Information Combining Schedule of Balance Sheets

December 31, 2022

	Legacy Account	CARES Act Account	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 5,105,295	\$ 355,435	\$ 5,460,730
Loans receivable	2,523,530	532,571	3,056,101
	<u>7,628,825</u>	<u>888,006</u>	<u>8,516,831</u>
<b>Noncurrent assets:</b>			
Loans receivable, net	10,202,675	3,845,290	14,047,965
	<u>17,831,500</u>	<u>4,733,296</u>	<u>22,564,796</u>
<b>Liabilities and Net Position</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,176	\$ 340	\$ 1,516
Due to affiliate	210,753	80,536	291,289
Unearned revenue	-	97,105	97,105
	<u>211,929</u>	<u>177,981</u>	<u>389,910</u>
<b>Net position:</b>			
Restricted	17,619,571	4,555,315	22,174,886
	<u>17,831,500</u>	<u>4,733,296</u>	<u>22,564,796</u>

# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

### Supplementary Information Combining Schedule of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2022

	Legacy Account	CARES Act Account	Total
<b>Operating revenues:</b>			
Interest from loans	\$ 507,419	\$ 28,993	\$ 536,412
Loan commitment fees	18,625	-	18,625
Total operating revenues	526,044	28,993	555,037
<b>Operating expenses:</b>			
General and administrative	234,834	96,545	331,379
Provision for uncollectible loans (recoveries), net	(88,495)	-	(88,495)
Total operating expenses	146,339	96,545	242,884
Operating income (loss)	379,705	(67,552)	312,153
<b>Nonoperating revenues:</b>			
Interest income	12,744	230	12,974
Grant contributions	-	96,545	96,545
Total nonoperating revenues	12,744	96,775	109,519
Change in net position	392,449	29,223	421,672
Net position - beginning	17,227,122	4,526,092	21,753,214
<b>Net position - ending</b>	<b>\$ 17,619,571</b>	<b>\$ 4,555,315</b>	<b>\$ 22,174,886</b>

# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

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### Supplementary Information Schedule of Expenditures of Federal Awards

For the year ended December 31, 2022

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Commerce:</u>			
<u>Passed through Erie County Industrial     Development Agency</u>			
COVID-19 - Economic Adjustment Assistance	11.307	01-79-15022	\$ 5,303,841

See accompanying notes.

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# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

### Notes to Schedule of Expenditures of Federal Awards

#### 1. Summary of Significant Accounting Policies:

##### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs administered by Buffalo and Erie County Regional Development Corporation (RDC), an entity as defined in Note 1 to RDC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the SEFA.

Expenditures are calculated as required by the Uniform Guidance or the applicable program and do not constitute actual program disbursements. All expenditures reported on the SEFA represent revolving loan programs.

The Economic Adjustment Assistance – CARES Act program, administered by the EDA, specifically requires the amount on the SEFA to be calculated as follows:

Cash	\$ 355,435
Balance of loans outstanding	4,851,861
Administrative expenses	96,545
Loan write-offs	-
	<u>5,303,841</u>
Total EDA Share	100%
	<u>\$ 5,303,841</u>

##### Basis of Accounting

RDC uses the accrual basis of accounting for each federal program, consistent with the financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with RDC's financial reporting system.

##### Indirect Costs

RDC has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

# DRAFT

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

The Board of Directors  
Buffalo and Erie County Regional  
Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise RDC's basic financial statements, and have issued our report thereon dated March 16, 2023.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RDC'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 RDC's internal control. Accordingly, we do not express an opinion on the effectiveness of RDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### Report on Compliance and Other Matters

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

# DRAFT

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 16, 2023



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors  
Buffalo and Erie County Regional  
Development Corporation

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Buffalo and Erie County Regional Development Corporation's (RDC), a business-type activity, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of RDC's major federal programs for the year ended December 31, 2022. RDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, RDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of RDC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of RDC's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to RDC's federal programs.

# DRAFT

## *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on RDC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about RDC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding RDC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of RDC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of RDC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

# DRAFT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

March 16, 2023

# DRAFT

## BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

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### Schedule of Findings and Questioned Costs

For the year ended December 31, 2022

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#### Section I. Summary of Auditors' Results

##### Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

##### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? *No*

Identification of major programs:

Name of Federal Program of Cluster	Assistance Listing Number	Amount
COVID-19 - Economic Adjustment Assistance	11.307	<u>\$ 5,303,841</u>

Dollar threshold used to distinguish between type A and type B programs: *\$750,000*

Auditee qualified as low-risk auditee? *Yes*

#### Section II. Financial Statement Findings

No matters were reported.

#### Section III. Federal Award Findings and Questioned Costs

No matters were reported.

# DRAFT

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

The Board of Directors  
Buffalo and Erie County Regional  
Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 16, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that RDC failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2022. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding RDC's noncompliance with the above rules and regulations.

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

March 16, 2023

**Buffalo & Erie County Regional Development Corp.**

**Investment Report**

For the year ended December 31, 2022

# **Buffalo & Erie County Regional Development Corporation**

## **2022 Annual Investment Report**

### **Purpose of Report:**

Under Section 2925(6) of the Public Authorities Law, RDC is required to prepare and approve an annual Investment Report. The investment report is to include: RDC's Investment Guidelines (see below), the results of the annual independent investment 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, 2022 and were approved by the RDC Board of Directors on March 22, 2023.

### **Investment Guidelines:**

In accordance with Section 2925 of the Public Authorities Law, RDC 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. RDC has elected to follow the deposit and investment restrictions contained in Sections 10 and 11 of the General Municipal Law as a "best practice."

The Investment Guidelines were approved by the RDC Board of Directors on March 22, 2023 and are posted on the ECIDA's website at <http://www.ecidany.com/about-us-corporate-policies>. The Investment Guidelines are consistent with the prior Guidelines adopted on March 23, 2022.

### **Investment Audit:**

RDC's auditors have audited the corporation's compliance with the Investment Guidelines for Public Authorities. In their report dated March 16, 2023 Lumsden McCormick LLP have indicated that RDC complied, in all material respects, with these Investment Guidelines.

**Buffalo & Erie County Regional Development Corporation (RDC)**

**Annual Investment Report**

For the year ended December 31, 2022

Account Type	Financial Institution	G/L Balance		Interest Rate <sup>a</sup> Dec 2022	Investment Income	Fees	Restricted	Purpose
		1/1/2022	12/31/2022					
1 Checking	M&T Bank	959,469	511,970	0.50%	441	-	√	Legacy Loan Fund Checking/investment account
2 Savings	M&T Bank	6,451,405	4,398,628	2.00%	12,303	-	√	Legacy Loan Fund Savings/investment account
3 Checking	M&T Bank	379,541	345,882	0.50%	230	-	√	EDA CARES Act Loan Fund Checking account
		<u>\$ 7,790,415</u>	<u>\$ 5,256,480</u>		<u>\$ 12,973</u>	<u>\$ -</u>		

**Notes:**

<sup>a</sup> The Interest Rate is the annualized rate for the month of December 2022 and is prior to the deduction of any fees.





To: ECIDA, RDC & ILDC Board of Directors  
From: Brenda McDuffie, Governance Committee Chair  
Date: March 22, 2023  
Re: Governance Committee Report

In accordance with its Committee Charter, the Governance Committee is required to “report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Governance Committee and when otherwise requested by the Board”. This report is prepared to satisfy this requirement.

The ECIDA/RDC/ILDC Governance Committee met on March 13, 2023. Committee members present were Brenda McDuffie, Chair, Tyra Johnson, Ken Schoetz, Thomas Baines, and Zachary Evans. David State was also present via videoconferencing. The following items were reviewed:

1) 2022 PAAA Annual Report

The Governance Committee reviewed the ECIDA/RDC/ILDC 2022 PAAA Annual Report. No changes were recommended. The PAAA Annual Report will be reviewed by the full Boards during the March 22, 2023 Board meetings.

2) Results of 2022 Performance Measures

The Governance Committee met on January 26 and February 13, 2023 to discuss the ECIDA/RDC/ILDC Mission Statement and 2022 Performance Measures. The Committee did not recommend any changes during the March 13 meeting. The results of the 2022 Performance Measures will be reviewed by the Boards during the March 22, 2023 Board meetings.

3) Mission Statement and 2023 Performance Measures

The Governance Committee met on January 26 and February 13, 2023 to discuss the ECIDA/RDC/ILDC Mission Statement and 2023 Performance Measures. During these meetings the Committee provided input and made changes to certain metrics based on current economic conditions. No additional changes were recommended during the March 13 meeting. The 2023 Mission Statement & Performance Measures will be reviewed by the Boards during the March 22, 2023 Board meetings.

4) 2022 Board of Directors’ Self-Evaluation

The Governance Committee reviewed the summary sheets for the ECIDA, RDC, and ILDC Board self-evaluations and discussed the importance of open dialogue and communication. The results will be reviewed with the Boards. The Governance Committee Chair will forward the summary sheets to the Authorities Budget Office (ABO) as required.

5) 2022 Governance Committee Self-Evaluation

The Governance Committee reviewed and approved the 2022 Governance Committee Self-Evaluation. The evaluation documents the activities of the Governance Committee during 2022.

6) Adoption of Policies, Charters & Guidelines

ECIDA staff and General Counsel Harris Beach recommend adoption of the Airborne Infectious Disease Policy. This is a required policy for all employers.

7) Re-Adoption of Policies, Charters & Guidelines

The Governance Committee reviewed the following policies, charters & guidelines of the ECIDA/RDC/ILDC:

- Board Member Compensation, Reimbursement & Attendance Policy
- Code of Ethics & Conflict of Interest Policy
- Defense & Indemnification Policy
- ECIDA Employee Compensation Program
- Fee Structure Policy
- Governance Committee Charter
- Procurement Policy
- Property Disposition Guidelines
- Real Property Acquisition Policy
- Sexual Harassment Policy
- Statement of Duties & Responsibilities of the Board of Directors
- Statement of the Competencies & Personal Attributes Required of Board Members
- Travel, Conferences, Meals & Entertainment Policy
- Whistleblower Policy and Procedures

ECIDA General Counsel Harris Beach reviewed the above referenced policies and did not recommend any changes. The ABO did not publish any new recommended guidance for any of these policies. The Boards will be asked to re-adopt these policies during the March 22, 2023 Board meetings.

8) PARIS Report Update

The Governance Committee received an update on the status of the ABO's reporting requirements through the Public Authorities Reporting Information System (PARIS). The Agency is on track to complete the ECIDA, RDC, and ILDC PARIS reports on or before the March 31, 2023 deadline.

9) Board Member PAAA Training Update

The Governance Committee members present received an update on the status of the required ABO board member training. The Agency's Compliance Portfolio Manager tracks and forwards training opportunities to board members who have not had the required training and to those who have not had training within the last three years.

**Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Regional Development Corporation (RDC), and Buffalo and Erie County Industrial Land Development Corporation (ILDC)**

**2022 Governance Committee Self-Evaluation**

**Responsibilities of the Governance Committee:**

The core responsibilities of the Governance Committee, as mandated under Section 2824(7) of the New York Public Authorities Law, are set forth in the Bylaws and include: (i) keeping the Board informed of current best governance practices; (ii) reviewing corporate governance trends; (iii) updating the Agency’s corporate governance principles; and (iv) advising those responsible for appointing members to the Board on the skills and experiences necessary required of potential Board members..

Governance Committee Self-Evaluation	Yes	No	Pen ding	Comments
1. Are the members of the Governance Committee appointed in accordance with the Bylaws and are individuals appointed to the Governance Committee knowledgeable, or have expressed a willingness to become knowledgeable, in matters pertaining to governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Is each member of the Governance 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 Governance Committee members, who are members of the Agency, 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 Governance Committee meet a minimum of once (1) each calendar year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Governance Committee met on 1/25/22, 2/22/22, and 6/2/22.
4. Were meeting notices and agendas prepared for each meeting and provided to Governance 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 Agency? Did all meetings comply with the requirements of the Open Meetings Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Governance Committee Self-Evaluation	Yes	No	Pending	Comments
5. Did the Governance Committee develop the Agency's governance practices, which should address transparency, independence, accountability, fiduciary responsibilities and management oversight?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	See Questions #6-#9 below.
6. Did the Governance Committee develop a statement of the competencies and personal attributes required of Board members to assist those authorized to appoint members to the Board in identifying qualified individuals (it being acknowledged that membership in the Agency is determined pursuant to Section 891-a of the General Municipal Law)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A Statement of the Competencies and Personal Attributes is posted on the ECIDA website. It was approved by the ECIDA Board of Directors on 2/16/10. Revisions to this document were not necessary in 2022.
7. Did the Governance Committee develop and recommend to the Board any revisions to the number and/or structure of Board committees?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No additional committees were recommended by the Governance Committee in 2022.
8. Did the Governance Committee develop and provide recommendations to the Board regarding Board member education, including new member orientation and regularly scheduled Board member training to be obtained from state-approved trainers as required under Section 2824(2) of the New York Public Authorities Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>New Board members attend an orientation session hosted by ECIDA staff and are provided with a New Member Orientation Manual.</p> <p>As of 12/31/22, 16 of 19 ECIDA/RDC Board members and 7 of 7 ILDC Board members have received the PAAA required training. All Board members who have not received the training received notifications throughout the year regarding PAAA training session dates.</p>
9. Did the Governance Committee develop, review and recommend to the Board the adoption and/or revisions to the following:  (i) the Agency's Code of Ethics.  (ii) written policies regarding conflicts of interest.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Governance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>(iii) written policies regarding the protection of whistleblowers from retaliation.</p> <p>(iv) equal opportunity and affirmative action policies.</p> <p>(v) written policies regarding procurement of goods and services, including policies relating to the disclosure of persons who attempt to influence the Agency's procurement process.</p> <p>(vi) written policies regarding the disposition of real and personal property and the acquisition of property.</p> <p>(vii) committee charters, including this Charter.</p> <p>(viii) any other policies or documents relating to the governance of the Agency, including rules and procedures for conducting the business of the Agency's Board, including the Agency's Bylaws. The Governance Committee will oversee the implementation and effectiveness of the Bylaws and other governance documents and recommend modifications to the Board as necessary or appropriate.</p>				<p>Items i) &amp; ii) are included in the ECIDA Code of Ethics and Conflict of Interest Policy. The Code was re-adopted by the full Board during its meeting on 3/23/22.</p> <p>(iii) In 2012, the Governance Committee approved a formal Whistleblower Policy. The Policy was re-adopted by the full Board during its meeting on 3/23/22.</p> <p>iv) The ECIDA's EEO policy is included in the Employee Handbook and the Procurement Policy.</p> <p>v) The ECIDA Procurement Policy was re-adopted by the full Board during its 3/23/22 meeting.</p> <p>vi) The ECIDA Property Disposition Guidelines were re-adopted by the full Board during its meeting on 3/23/22.</p> <p>vii) The ECIDA Governance Committee Charter was re-adopted by the full Board during its meeting on 3/23/22.</p> <p>viii) At its 3/14/22 meeting the Governance Committee reviewed and recommended the adoption of the Fee Structure Policy (ECIDA/ILDC). The policy was adopted by the full Board during its meeting on 3/23/22.</p>
<p>10. Did the Governance Committee:</p> <p>(i) report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Governance Committee and when otherwise requested by the Board.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The Committee reports its actions and recommendations to the Board following each meeting.</p> <p>i) &amp; ii) As stated above, all policies/guidelines referenced above were adopted or re-adopted by the Board on 3/23/22.</p>

Governance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>(ii) report to the Board, at least annually, regarding any proposed changes to this Charter.</p> <p>(iii) provide a self-evaluation of the Governance Committee's functions to the Board on an annual basis.</p>				<p>iii) On 3/23/22, the Board was provided a status report to the Board.</p>

Governance Committee Self-Evaluation
<i>Other Self-Evaluation Notes</i>
<ol style="list-style-type: none"> <li>1) During its 1/25/22 and 2/22/22 Governance Committee meetings, the Governance Committee, ECIDA staff and counsel discussed the results of ECIDA's 2021 Performance Measures.</li> <li>2) During its 1/25/22 and 2/22/22 Governance Committee meetings, the Governance Committee, ECIDA staff and counsel discussed the ECIDA Mission Statement and 2022 Performance Measures.</li> <li>3) During the 6/2/22 Governance Committee meetings, the Governance Committee approved the proposed 1-year extension of the legal contracts proposed.</li> <li>4) Governance Committee meetings scheduled for 3/14/22 and 5/23/22 were not held due to lack of quorum.</li> </ol>

**2022 RDC Summary Results of Confidential Evaluation of Board Performance**

<b>Criteria</b>	<b>Agree</b>	<b>Somewhat Agree</b>	<b>Somewhat Disagree</b>	<b>Disagree</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Board members have a shared understanding of the mission and purpose of the Authority.	10	1		
The policies, practices and decisions of the Board are always consistent with this mission.	10	1		
Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles.	9	2		
The Board has adopted policies, by-laws, and practices for the effective governance, management and operations of the Authority and reviews these annually.	10	1		
The Board sets clear and measurable performance goals for the Authority that contribute to accomplishing its mission.	10		1	
The decisions made by Board members are arrived at through independent judgment and deliberation, free of political influence, pressure or self-interest.	9	1	1	
Individual Board members communicate effectively with executive staff so as to be well informed on the status of all important issues.	10	1		
Board members are knowledgeable about the Authority's programs, financial statements, reporting requirements, and other transactions.	8	3		
The Board meets to review and approve all documents and reports prior to public release and is confident that the information being presented is accurate and complete.	10	1		
The Board knows the statutory obligations of the Authority and if the Authority is in compliance with state law.	10	1		
Board and committee meetings facilitate open, deliberate and thorough discussion, and the active participation of members.	11			
Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.	10	1		
Individual Board members feel empowered to delay votes, defer agenda items, or table actions if they feel additional information or discussion is required.	10		1	
The Board exercises appropriate oversight of the CEO and other executive staff, including setting performance expectations and reviewing performance annually.	11			
The Board has identified the areas of most risk to the Authority and works with management to implement risk mitigation strategies before problems occur.	10	1		
Board members demonstrate leadership and vision and work respectfully with each other.	11			

Name of Authority: **Buffalo & Erie County Regional Development Corporation**

Date Completed: **March 7, 2023**

**2022 Comments to Summary Results of Confidential Evaluation of Board Performance**

<b>Criteria</b>	<b>Comments</b>
Board members have a shared understanding of the mission and purpose of the Authority.	ECIDA: The mission is reflected and reiterated in all the organization's work.  RDC: The mission is reflected and reiterated in all the organization's work as we review and act on products
The policies, practices and decisions of the Board are always consistent with this mission.	
Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles.	ILDC: Seems that quorum is often hard to achieve, which may be an indication that not enough of the ILDC Board Members are committed to making the time to attend. The ILDC Board members are all very busy people, perhaps allowing them to designate an Alternate to vote their proxy may be a solution.
The Board has adopted policies, by-laws, and practices for the effective governance, management and operations of the Authority and reviews these annually.	
The Board sets clear and measurable performance goals for the Authority that contribute to accomplishing its mission.	
The decisions made by Board members are arrived at through independent judgment and deliberation, free of political influence, pressure or self-interest.	ECIDA: The opinions and actions by each board member is respected and welcomed.
Individual Board members communicate effectively with executive staff so as to be well informed on the status of all important issues.	ECIDA: Executive staff is always responsive to board member during and after and in between meetings.  RDC: Executive staff is always responsive to board members.
Board members are knowledgeable about the Authority's programs, financial statements, reporting requirements, and other transactions.	
The Board meets to review and approve all documents and reports prior to public release and is confident that the information being presented is accurate and complete.	
The Board knows the statutory obligations of the Authority and if the Authority is in compliance with state law.	
Board and committee meetings facilitate open, deliberate and thorough discussion, and the active participation of members.	ECIDA/RDC: Committee members as well as any board member is welcome to attend board and committee meetings to encourage active communication.
Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.	RDC: Staff provides comprehensive information on all subjects to the board and counsel provides additional information and insight.
Individual Board members feel empowered to delay votes, defer agenda items, or table actions if they feel additional information or discussion is required.	
The Board exercises appropriate oversight of the CEO and other executive staff, including setting performance expectations and reviewing performance annually.	
The Board has identified the areas of most risk to the Authority and works with management to implement risk mitigation strategies before problems occur.	



Board members demonstrate leadership and vision and work respectfully with each other.	
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Authority: Erie County Industrial Development Agency (ECIDA); Buffalo and Erie County Regional Development Corporation (RDC) and Buffalo & Erie County Industrial Land Development Corporation (ILDC)

Date Completed: March 7, 2023



**Loan Status Report  
March 2023**

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Top Seedz, LLC (manufacturer)	Buffalo	\$750,000
Linita Design & Manufacturing Corp. (manufacturer)	Lackawanna	\$750,000
El Canto Café (restaurant)	Buffalo	\$100,000
<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Johnson's Taphouse (brewery)	Hamburg	\$600,000
Rustbelt Love, Inc. (stationary supplier)	Buffalo	\$100,000
<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Perry's Ice Cream Inc.	Akron	\$2,000,000
A. Pratt Holdings/Sherex Fastening (mfg/distributor)	Tonawanda	\$ 750,000
Top Seedz, LLC (manufacturer)	Buffalo	\$ 750,000
Linita Design & Manufacturing Corp. (manufacturer)		<u>\$ 750,000</u>
<b>Total: 4 loans</b>		<b>\$4,250,000</b>

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
None		

<u>2023 - Loans Closed</u>	<u>YTD Loan Total</u>	<u>Jobs to be Created</u>	<u>Retained Jobs</u>	<u>Dollars Leveraged</u>
1	\$100,000	2	3	\$10,000
MWBE Loans - 1				

**Loan Portfolio Performance**

**Past Due Loans:**

<u>Loan</u>	<u>Balance</u>	<u>Principal/Interest Amount Past Due</u>	<u>Days Past Due</u>	<u>Comments</u>
Peterson Heating & Cooling	\$100,000	\$250.02	68	Legal Action: Borrower past due for Jan., Feb. & March interest only payments plus Legal Fees. Awarded judgment on 2/3/2023

**Portfolio Delinquency Rate** (Past Due Outstanding Loan Balance *divided by* Portfolio Balance):

\$100,000 / \$17,723,940 = 0.6% Delinquency Rate (65 Loans)

**RDC Funds Available to Lend:** \$1,233,590



**Item 3.7**

To: ECIDA & RDC Boards of Directors  
From: Mollie Profic, CFO  
Jerry Manhard, Chief Lending Officer  
Re: Board Certification of CARES Act Revolving Loan Fund Plan  
Date: March 22, 2023

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In 2020 the Erie County Industrial Development Agency (ECIDA) received an award of \$5,415,694 from the U.S. Department of Commerce, Economic Development Administration (EDA) Coronavirus Aid, Relief, and Economic Security (CARES) Act Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Awards. \$5 million was used to establish the CARES Act Revolving Loan Fund (RLF), with the remaining \$415,694 earmarked for administrative costs. The purpose of establishing the RLF was to alleviate sudden and severe economic dislocation caused by the COVID-19 pandemic, to provide permanent resources to support economic resiliency, and to further the long-term economic adjustment objectives of the region served by this award.

As part of the required reporting to the EDA in connection with the operations of the RLF administered by the Buffalo & Erie County Regional Development Corporation (RDC), the ECIDA must certify that the RLF is being operated in accordance with the policies and procedures contained in the Loan Administration Plan (LAP), also referred to as the RLF Plan. The LAP for the CARES Act RLF was approved on March 2, 2021, in connection with the grant award. Under the terms of the award conditions, the LAP will be updated and approved by EDA every five years.

The CARES Act RLF is currently in the revolving phase of the award, with 30 loans approved and outstanding. As these loans are repaid, the principal and interest will be added back to the fund and start to be lent out again in accordance with the LAP.

Key components of the LAP include borrower eligibility, loan size, interest rate, and loan terms. Many of the requirements of the LAP overlap with the Federal regulations under Title 2 of the U.S. *Code of Federal Regulations* Part 200 and are tested as part of the Single Audit performed annually. The testing performed as part of the Single Audit yielded an unmodified (clean) opinion and did not yield any audit findings.

**Action:**

Requesting approval of the attached resolution certifying that the CARES Act Revolving Loan Fund is operating in accordance with the approved Loan Administration Plan.

**BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION**

**CARES ACT REVOLVING LOAN FUND ANNUAL RESOLUTION**

The meeting of the Buffalo and Erie County Regional Development Corporation was convened on March 22, 2023 at 12:30 p.m.

The following resolution was duly offered and seconded, to wit:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION (THE "RLF LOAN BOARD" OR "RDC") IN CONNECTION WITH AN ANNUAL CERTIFICATION TO BE MADE UNDER THE STANDARD TERMS AND CONDITIONS AND ADMINISTRATIVE MANUAL REQUIREMENTS OF THE FEDERAL ECONOMIC DEVELOPMENT ADMINISTRATION

**WHEREAS**, the RDC was incorporated as an affiliate of the Erie County Industrial Development Agency (the "RLF Board" or "Agency") for the purpose of encouraging the retention and expansion of existing companies as well as the attraction of new companies to target areas of Erie County using the resources from various Revolving Loan Funds (the "RLF") to make direct loans to individual companies; and

**WHEREAS**, the Agency received an award of \$5,415,694 from the U.S. Department of Commerce, Economic Development Administration (the "EDA") Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Awards (the "CARES Act Award") and related thereto, \$5,000,000 million was used to establish the CARES Act Revolving Loan Fund (the "RLF"), with the remaining \$415,694 earmarked for administrative costs; and

**WHEREAS**, the purpose of establishing the RLF was to alleviate sudden and severe economic dislocation caused by the COVID-19 pandemic, to provide permanent resources to support economic resiliency, and to further the long-term economic adjustment objectives of the region served by the CARES Act Award; and

**WHEREAS**, as part of the required reporting to the EDA in connection with the operations of the RLF administered by the RDC, the Agency must certify that the RLF is being operated in accordance with the policies and procedures contained in the Loan Administration Plan (the "LAP"), also referred to as the RLF Plan; and

**WHEREAS** the LAP for the CARES Act RLF was approved on March 2, 2021, in connection with the CARES Act Award, and under the terms of the award conditions, the LAP will be updated and approved by EDA every five (5) years; and

**WHEREAS**, procedures were conducted on a sample of loans in the RLF portfolio by Lumsden & McCormick, LLP as part of the audit requirements of Title 2 *U.S. Code of Federal*

*Regulations Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* to ensure RDC's compliance with LAP as set forth by the EDA; and

**WHEREAS**, the Standard Terms and Conditions and Administrative Manual Requirements of the EDA require the RLF Board to provide annual certification that the RDC and the Grant Recipient's governing body (the Agency) have reviewed the RLF and have determined that the RLF is being operated in accordance with the policies and procedures contained in the LAP, and that the loan portfolio meets the standards contained therein.

**NOW, THEREFORE, BE IT RESOLVED BY THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION AS FOLLOWS:**

Section 1. To the best knowledge and belief of the members of the RDC and with the disclosures provided above, the RLF is being operated in accordance with the policies and procedures contained in the LAP, and the loan portfolio meets the standards contained therein.

Section 2. The Chair or Vice Chair, President/Chief Executive Officer, the Treasurer/Chief Financial Officer, the Vice President, and/or Assistant Treasurer of the Agency are hereby authorized to execute all necessary documents to make the required annual certification to the EDA including the notations as listed above.

Section 3. This resolution shall take effect immediately.

Dated: March 22, 2023