

**ERIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Table of Contents

December 31, 2022

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Balance Sheets

Statements of Revenues, Expenses, and Changes in Net Position

Statements of Cash Flows

Notes to Financial Statements

Supplementary Information

Combining Schedule of Balance Sheets

Combining Schedule of Revenue, Expenses, and Changes in Net Position

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*

Independent Auditors' Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Erie County Industrial Development Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Erie County Industrial Development Agency (ECIDA), 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 ECIDA'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 ECIDA 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 ECIDA, 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 ECIDA 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 the 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 ECIDA'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.

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 ECIDA'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 ECIDA'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.

Change in Accounting Principle

As described in Note 2 to the financial statements, ECIDA adopted GASB Statement No. 87, *Leases*, in 2022. Our opinion is not modified with respect to this matter.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ECIDA's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 ECIDA'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 ECIDA's internal control over financial reporting and compliance.

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

March 16, 2023

Management's Discussion and Analysis (unaudited)

December 31, 2022

Erie County Industrial Development Agency (ECIDA) is a public benefit corporation that provides tax incentives, financing programs, international trade assistance, land development, and other economic development services to the City of Buffalo (the City) and Erie County, New York (the County). In accomplishing its mission, ECIDA does not receive any operational funding from Federal, State, County, or local sources. Instead, ECIDA relies primarily upon administrative fees charged to those businesses that utilize its products and services.

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

In compliance with GASB Statement No. 34, we present the attached overview and analysis of the financial activities of ECIDA 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 ECIDA's audited financial statements.

Effective January 1, 2021, ECIDA adopted GASB *Statement No. 87, Leases* (GASB 87). This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized income or expense, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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 ECIDA owns (assets and deferred outflows of resources) and what ECIDA owes (liabilities and deferred inflows of resources). The difference between ECIDA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) can be one way to measure ECIDA's financial position. Over time, increases or decreases in ECIDA'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 - This statement reports ECIDA's operating and nonoperating revenues by major source along with operating and nonoperating expenses. The difference between total revenues and expenses can be one way to measure ECIDA's operating results for the year.
- 3) Statements of Cash Flows - This statement reports ECIDA's cash flows from operating, capital and related financing, and investing activities.

Financial Highlights

- ECIDA's total net position decreased by 2% from \$20,866,000 in 2021 to \$20,638,000 in 2022.
- ECIDA experienced a decrease in net position of \$228,000 in 2022 compared to \$195,000 in 2021.
- Administrative fees, a key source of revenue for ECIDA, decreased 32% from \$2,419,000 in 2021 to \$1,656,000 in 2022.
- Operating expenses increased from \$2,734,000 in 2021 to \$2,946,000 in 2022.

Condensed Comparative Financial Statements

Balance Sheets at December 31:

<i>in thousands</i>	2022	2021	\$ Change	% Change	2020
Assets					
Cash	\$ 18,401	\$ 18,638	\$ (237)	(1%)	\$ 18,670
Receivables and other assets	2,467	3,121	(654)	(21%)	2,088
Capital assets, net	1,166	1,422	(256)	(18%)	1,249
Restricted cash	9,524	8,870	654	7%	6,289
Total assets	31,558	32,051	(493)	(2%)	28,296
Liabilities					
Other liabilities	\$ 958	\$ 1,614	\$ (656)	(41%)	\$ 1,064
Funds held on behalf of others	9,318	8,718	600	7%	6,134
Total liabilities	10,276	10,332	(56)	(1%)	7,198
Deferred inflows of resources – leases	644	853	(209)	(25%)	-
Net position					
Net investment in capital assets	1,040	1,134	(94)	(8%)	1,249
Restricted	11,332	11,435	(103)	(1%)	11,647
Unrestricted	8,266	8,297	(31)	-	8,202
Total net position	20,638	20,866	(228)	(1%)	21,098
Total liabilities, deferred inflows, and net position	\$ 31,558	\$ 32,051	\$ (493)	(2%)	\$ 28,296

Restricted cash consists primarily of funds held on behalf of others including the Erie County Regional Redevelopment Fund, Buffalo Brownfields Redevelopment Fund, and PILOT Increment Financing (PIF) funds. The \$654,000 or 7% increase from 2021 is primarily due to PILOT and PIF receipts of \$1,414,000 and interest of \$30,000 exceeding required disbursements to municipalities of \$676,000 and eligible project funds of \$168,000. Restricted cash also includes \$207,000 for the Railway Trust Fund, which increased \$55,000 from 2021. The \$2,581,000, or 41%, increase in 2021 over 2020 was due to continued PILOT payments into PIF funds and the establishment of a new PIF in 2021.

Receivables and other assets include grants receivable, affiliate receivables, leases receivable, prepaid expenses, and venture capital investments. The decrease of \$654,000 is primarily the result of \$219,000 of cash received from special project grants, \$210,000 of cash received from building leases, and \$284,000 from affiliates. The increase from 2020 to 2021 is from implementation of GASB 87, resulting in \$853,000 of leases receivable and deferred inflow of resources at December 31, 2021.

The \$656,000 decrease in other liabilities is due to decreases in accounts payable of \$265,000, unearned revenue of \$229,000, and leases payable of \$162,000. Unearned revenue is offset by grants receivable and is recognized as special project revenue as eligible activities are performed. ECIDA rents office space that is capitalized as a right-to-use lease asset in accordance with GASB 87 and the related lease payable decreases as payments are made. The increase from 2020 to 2021 was partially caused by the implementation of GASB 87. Other liabilities include leases payable of \$288,000 at December 31, 2021 that were not included in 2020.

In accordance with GASB 87, ECIDA has capitalized the present value of future lease receipts as a lease receivable and deferred inflow of resources. The lease receivable is reduced as cash is received and the deferred inflow of resources is recognized as rental income over the term of the lease contract. ECIDA implemented GASB 87 as of January 1, 2021, the earliest year presented in the accompanying financial statements, and as such associated lease accounts are not reflected in this MD&A for 2020.

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

<i>in thousands</i>	2022	2021	\$ Change	% Change	2020
Operating revenues:					
Administrative fees	\$ 1,656	\$ 2,419	\$ (763)	(32%)	\$ 1,850
Affiliate management fees	466	419	47	11%	387
Rental and other	438	405	33	8%	439
Total operating revenues	2,560	3,243	(683)	(21%)	2,676
Operating expenses:					
Salaries and benefits	1,999	1,905	94	5%	2,004
General and administrative	687	564	123	22%	625
Depreciation, amortization, and other	260	265	(5)	(2%)	118
Total operating expenses	2,946	2,734	212	8%	2,747
Special project grants:					
Revenues	966	5,484	(4,518)	(82%)	113
Expenses	(896)	(6,228)	5,332	(86%)	(1,476)
Total special project grants	70	(744)	814	(109%)	(1,363)
Operating loss	(316)	(235)	(81)	34%	(1,434)
Nonoperating revenue (expense), net	88	40	48	120%	(90)
Change in net position	(228)	(195)	(33)	17%	(1,524)
Net position – beginning	20,866	21,098	(232)	(1%)	22,622
Restatement – GASB 87	-	(37)	-	-	-
Net position – ending	\$ 20,638	\$ 20,866	\$ (228)	(1%)	\$ 21,098

Revenue Analysis

Administrative fees are primarily collected from the issuance of various forms of tax abatements and tax-exempt financing. Fees for tax abatement are based on the amount of project investment. ECIDA relies on these fees to cover its operating costs; however, the amount of fees collected in any given year is largely dependent upon the local economic climate and the timing between project approval and project commencement. Administrative fees decreased \$763,000 or 32% in 2022 primarily due to a decrease in the value of induced projects. Administrative fees were collected related to 25 different projects in 2022, down from 31 in 2021. In 2020, administrative fees were collected related to 21 projects.

Affiliate management fees represent salaries and overhead costs charged to ECIDA affiliates for services that ECIDA's employees provide to these organizations. ECIDA's affiliates include Buffalo & Erie County Regional Development Corporation (RDC), a lending corporation, and Buffalo & Erie County Industrial Land Development Corporation (ILDC), a land development corporation. Affiliate management fees from ILDC increased \$53,000 while fees from RDC decreased \$6,000.

Rental and other income is primarily comprised of rental income for building leases and rental income from the Port Terminal Facility.

Expense Analysis

Salaries and benefits increased \$94,000, or 5%, in 2022 due to employee raises and performance incentives. In 2021, salaries and benefits decreased \$99,000 from 2020 due to no performance incentive payments, lower pension contributions due to newly hired employees, and decreases in accrued leave balances.

General and administrative expenses increased \$123,000 from \$564,000 in 2021 to \$687,000 in 2022 primarily due to an \$89,000 refund for previously recognized administrative fee revenue. The final project budget was below initial estimates and the fee due to ECIDA was reduced accordingly. In 2021, general and administrative expenses decreased \$61,000 which is partially due to the implementation of GASB 87 as lease payments in 2020 are reclassified as amortization and interest expense beginning in 2021. Consultant fees increased \$84,000 and insurance costs increased \$31,000 which partially offset the overall decrease in general and administrative expenses in 2021.

Net special project grants increased from a \$744,000 net loss in 2021 to net income of \$70,000 in 2022. In 2022, grant revenues mostly equaled grant expenses as the ECIDA passed through Erie County funds of \$385,000 to ILDC and \$198,000 of CARES Act funds to RDC. In 2021, ECIDA established a COVID-19 Personal Protective Equipment (PPE) Grant in response to the state of emergency declared in New York State and expended \$559,000 of funds for this purpose. ECIDA also granted ILDC \$213,000 to support carrying costs of property owned.

Budget Analysis

ECIDA 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 ECIDA's performance compared to the approved 2022 budget.

<i>in thousands</i>	Actual	Budget	Variance \$	%
Operating revenues:				
Administrative fees	\$ 1,656	\$ 1,855	\$ (199)	(11%)
Affiliate management fees	466	434	32	7%
Rental and other	438	450	(12)	(3%)
Total operating revenues	2,560	2,739	(179)	(7%)
Operating expenses:				
Salaries and benefits	1,999	2,092	(93)	(4%)
General and administrative	687	714	(27)	(4%)
Depreciation, amortization, and other	260	120	140	117%
Total operating expenses	2,946	2,926	20	1%
Operating income before special project grants	(386)	(187)	(199)	106%
Special project grants:				
Revenues	966	832	134	16%
Expenses	(896)	(824)	(72)	9%
Total special project grants	70	8	62	775%
Nonoperating revenue, net	88	13	75	577%
Change in net position	\$ (228)	\$ (166)	\$ (62)	37%

Budget to Actual Analysis

Overall, ECIDA exceeded its budgeted decrease in net position for 2022 by \$62,000. Administrative fees were 11% less than the budgeted amount due to smaller tax incentive projects approved and closed than anticipated. Total operating expenses were \$20,000 over budget and nonoperating revenue was higher than budget by \$75,000. Nonoperating revenue includes interest income on cash deposits that was \$60,000 greater than expected. Net special project grants had a positive variance of \$62,000.

ECIDA implemented GASB 87, *Leases*, which required various reclassifications on the Statements of Revenues, Expenses, and Changes in Net Position that were not reflected in the 2022 budget. A portion of rental income was reclassified to interest income. ECIDA's payments as a lessee are now capitalized as a right-to-use lease asset, resulting in lease payments budgeted as general and administrative expenses now recognized as amortization expense and a small portion as interest expense.

Economic Factors Impacting ECIDA

ECIDA relies extensively upon administrative fees to generate the majority of its annual revenue. As a result of current uncertain economic conditions and potential legislative/board actions, ECIDA's ability to generate the administrative fees necessary to support operations may be limited in the future.

Requests for Information

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

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheets

December 31,	2022	(As Restated) 2021
Assets		
Current assets:		
Cash	\$ 18,400,853	\$ 18,638,374
Receivables		
Affiliates	471,011	755,495
Grants	644,183	863,473
Leases	200,724	209,531
Other	111,376	111,804
Prepaid expenses	89,319	29,547
	<u>19,917,466</u>	<u>20,608,224</u>
Noncurrent assets:		
Leases receivable	443,203	643,927
Capital assets, net (Note 5)	1,166,361	1,422,178
Other assets	506,886	506,886
Restricted cash	9,524,124	8,870,022
	<u>11,640,574</u>	<u>11,443,013</u>
	<u>\$ 31,558,040</u>	<u>\$ 32,051,237</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 37,003	\$ 302,018
Lease payable	126,166	147,483
Accrued expenses	151,856	150,611
Unearned revenue	643,647	872,994
	<u>958,672</u>	<u>1,473,106</u>
Noncurrent liabilities:		
Lease payable	-	140,897
Funds held on behalf of others	9,317,525	8,717,606
	<u>9,317,525</u>	<u>8,858,503</u>
Deferred inflows of resources:		
Deferred inflows of resources related to leases	643,927	853,458
Net position:		
Net investment in capital assets	1,040,195	1,133,798
Restricted	11,331,382	11,434,813
Unrestricted	8,266,339	8,297,559
	<u>20,637,916</u>	<u>20,866,170</u>
	<u>\$ 31,558,040</u>	<u>\$ 32,051,237</u>

See accompanying notes.

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

(As Restated)

For the years ended December 31,	2022	2021
Operating revenues:		
Administrative fees	\$ 1,656,279	\$ 2,419,283
Affiliate management fees	465,692	419,100
Rental income	308,450	280,076
Other	129,643	126,161
Total operating revenues	<u>2,560,064</u>	<u>3,244,620</u>
Operating expenses:		
Salaries and benefits	1,999,345	1,905,312
General and administrative	687,125	564,443
Depreciation and amortization	258,776	263,932
Other	1,354	1,060
Total operating expenses	<u>2,946,600</u>	<u>2,734,747</u>
Operating income (loss) before special project grants	<u>(386,536)</u>	<u>509,873</u>
Special project grants:		
Revenues	965,710	5,484,283
Expenses	(895,280)	(6,228,502)
	<u>70,430</u>	<u>(744,219)</u>
Operating loss	<u>(316,106)</u>	<u>(234,346)</u>
Nonoperating revenues:		
Investment income	-	2,425
Interest income	102,271	59,683
Interest expense	(14,419)	(22,144)
	<u>87,852</u>	<u>39,964</u>
Change in net position	<u>(228,254)</u>	<u>(194,382)</u>
Net position - beginning	20,866,170	21,097,843
Cumulative effect of a change in accounting principle (Note 2)	-	(37,291)
Net position - beginning as restated	<u>20,866,170</u>	<u>21,060,552</u>
Net position - ending	<u>\$ 20,637,916</u>	<u>\$ 20,866,170</u>

See accompanying notes.

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Statements of Cash Flows

(As Restated)

For the years ended December 31,	2022	2021
Operating activities:		
Cash from fees and rental income	\$ 1,964,729	\$ 2,714,289
Cash from special project grants	955,653	5,500,302
Cash received from other sources	880,247	366,877
Payments to employees, suppliers, and other	(3,173,580)	(2,395,760)
Payments for special project grants	(895,280)	(6,228,502)
Net operating activities	(268,231)	(42,794)
Capital and related financing activities:		
Purchases of capital assets	(2,959)	(31,305)
Interest payments on leases	(14,419)	(22,144)
Interest received on leases	42,673	52,651
Net capital and related financing activities	25,295	(798)
Investing activities:		
Change in restricted cash, net	(54,183)	2,683
Cash received from equity investments	-	2,425
Interest received	59,598	7,032
Net investing activities	5,415	12,140
Net change in cash	(237,521)	(31,452)
Cash - beginning	18,638,374	18,669,826
Cash - ending	\$ 18,400,853	\$ 18,638,374
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (316,106)	\$ (234,346)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization	258,776	263,932
Changes in other assets and liabilities:		
Receivables	504,202	(195,429)
Prepaid expenses	(59,772)	16,011
Accounts payable	(265,015)	227,366
Lease payable	(162,214)	(154,489)
Accrued expenses	1,245	(13,833)
Unearned revenue	(229,347)	47,994
Net operating activities	\$ (268,231)	\$ (42,794)

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization

Erie County Industrial Development Agency (ECIDA) was created in 1970 by an act of the Legislature of the State of New York (the State) for the purpose of encouraging financially sound companies to establish themselves and prosper in Erie County (the County).

ECIDA has related party relationships with Buffalo and Erie County Industrial Land Development Corporation (ILDC) and Buffalo and Erie County Regional Development Corporation (RDC). 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 job retention for businesses and individuals which improves the quality of life for the residents of the region.

Basis of Presentation

The financial statements of ECIDA 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.

Financial Reporting Entity

In evaluating how to define ECIDA for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in ECIDA's reporting entity is based on accounting standards which consider legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no additional entities included in ECIDA's financial statements.

Measurement Focus

ECIDA 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. ECIDA'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.

ECIDA'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 and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include interest income, interest expense, and grants resulting from nonexchange transactions. Grants are recognized as receivable and unearned revenue at the time awarded and as revenue when all eligibility requirements imposed by the provider have been satisfied. ECIDA receives special project grants from various Federal, State, and County sources.

Estimates

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

Cash

Cash management is governed by State laws and as established by ECIDA's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Policies permit management to use demand accounts and certificates of deposit for daily operating funds. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral 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, ECIDA’s deposits may not be returned to it. At December 31, 2022, ECIDA’s bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution’s agent in ECIDA’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.

ECIDA previously provided a loan to a manufacturing company that would be forgiven as the company met certain criteria. At December 31, 2022, the entire loan is reserved with the remaining \$400,000 forgivable in \$100,000 installments between 2023 and 2026 as the borrower satisfies the loan requirements.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds to determine which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Buildings and improvements	\$ 1,000	5 - 40
Furniture and equipment	\$ 1,000	3 - 10

Rental Property:

In 1989, ECIDA developed a public warehouse and trans-shipment facility (the Port Terminal Facility) at the Gateway Metroport facility in the City of Lackawanna. The Port Terminal Facility provides enclosed storage facilities and materials handling services for the trans-shipment of goods by water, rail, and truck. The facility is owned by ECIDA and is operated by Gateway Trade Center, Inc. Port Terminal Facility rental property assets are fully depreciated. ECIDA receives a percentage of annual Excess Cash Flow, as defined, from the operations at the Port Terminal Facility.

ECIDA also owns its former office space at 143 Genesee Street. This property is recorded at cost and leased to a third party (Note 7).

Other Assets

Other assets include venture capital investments made by ECIDA in order to spur local economic growth. Venture capital investments are recorded at the lesser of cost or fair market value as determined by management’s estimates based on available financial information.

Net Position

Net position consists of the following components:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by the U.S. Department of Housing and Urban Development’s UDAG program.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by ECIDA.

Tax Incentive Transactions

ECIDA maintains an economic development incentive program to provide sales, property, and/or mortgage recording tax benefits for qualified construction, renovation, or expansion projects or other economic development activities within Erie County. Under this program, ECIDA may take title to or a leasehold interest in the real and/or personal property involved in the project for the term of the incentive period. ECIDA simultaneously leases the property under a lease agreement to the company undertaking the project (lessee). ECIDA receives administrative fees from the lessee for providing these tax incentives which are recognized according to the terms of the fee agreement.

ECIDA is an issuer of tax-exempt bond financing for qualified manufacturers and low-income housing projects which meets the definition of conduit debt obligations. These bonds are obligations of the borrower and secured by the assets they finance. ECIDA receives bond issuance fees from the borrower for providing this service which is recognized according to the terms of the fee agreement. ECIDA also has a shared services agreement with ILDC under which administrative and staffing services are provided to ILDC in connection with its bond issuances to nonprofit organizations in exchange for the related bond issuance fees received by ILDC. At December 31, 2022, previously issued bonds have an aggregate outstanding balance of \$540,645,622, none of which is recognized as a liability of ECIDA.

ECIDA received \$105,000 in administrative fees from ILDC in 2022. There were no administrative fees transferred in 2021.

2. Change in Accounting Principle:

Effective January 1, 2021, the earliest period presented, ECIDA adopted GASB Statement No. 87, *Leases*. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The impact of this Statement on ECIDA's balance sheet at January 1, 2021 is as follows:

Net position, January 1, 2021	\$ 21,097,843
Lease receivable	1,053,011
Right-to-use lease asset	737,415
Accumulated amortization	(331,837)
Lease liability	(442,869)
Deferred inflow of resources	(1,053,011)
Net position, as restated, January 1, 2021	\$ 21,060,552

3. Special Project Grants:

Bethlehem Shoreline Enhancement – ECIDA received a grant from the NYS Department of State in the amount of \$122,825 in June 2020 to support the construction and administration of Shoreline Trail enhancements on the former Bethlehem Steel property.

Bethlehem Water and Sewer Design – ECIDA received a grant from Erie County in the amount of \$700,000 in July 2020 to support the design, engineering and construction administration of water and sewer utility extensions and upgrades on the former Bethlehem Steel property.

National Grid – Zero Net Energy Building – ECIDA received an Economic Development Program grant from National Grid in the amount of \$125,000 in January 2017. Revenue was recognized during 2022 upon completion of the grant requirements.

U.S. Economic Development Administration (EDA) – Comprehensive Economic Development Strategy – ECIDA received a grant from the EDA in the amount of up to \$50,000 in October 2021 to support the Comprehensive Economic Development Strategy recovery plan implementation.

The following is a summary of grants receivable at December 31:

	2022	2021
Bethlehem Shoreline Enhancement	\$ 92,119	\$ 92,119
Bethlehem Water and Sewer Design	545,566	589,856
Buffalo Southern Railroad - 2017 PFRAP Rail Improvement	140	140
Sumitomo Dunlop Rail - PFRAP	6,358	6,358
National Grid - Zero Net Energy	-	125,000
EDA - Comprehensive Economic Development Strategy	-	50,000
	\$ 644,183	\$ 863,473

The following is a summary of unearned revenue at December 31:

	2022	2021
Bethlehem Shoreline Enhancement	\$ 108,152	\$ 122,373
Bethlehem Water and Sewer Design	535,495	575,621
National Grid - Zero Net Energy	-	125,000
EDA - Comprehensive Economic Development Strategy	-	50,000
	\$ 643,647	\$ 872,994

4. Funds Held on Behalf of Others:

ECIDA holds cash for various development activities. ECIDA disburses these funds when given the appropriate authorization. The funds include:

	2022	2021
Erie County Regional Redevelopment Fund	\$ 1,820,634	\$ 1,846,057
Buffalo Brownfields Redevelopment Fund	452,106	561,316
Jemal's Seneca Fund	427,340	348,142
Seneca Street Corridor Fund	2,387,879	2,304,585
Main Street Improvement Fund	4,229,566	3,657,506
	\$ 9,317,525	\$ 8,717,606

Restricted cash also includes \$206,599 and \$152,416 as of December 31, 2022 and 2021, respectively, for the Railway Trust Fund for activities related to two Erie County shortline railroads.

5. Capital Assets:

	Balance January 1, 2022	Increases	Retirements/ Reclassifications	Balance December 31, 2022
Land	\$ 167,400	\$ -	\$ -	\$ 167,400
Depreciable capital assets:				
Land improvements	1,106,386	2,959	-	1,109,345
Buildings	2,747,489	-	-	2,747,489
Furniture and equipment	470,145	-	-	470,145
Total depreciable assets	4,324,020	2,959	-	4,326,979
Less accumulated depreciation:				
Land improvements	879,876	54,824	-	934,700
Buildings	2,026,464	36,043	-	2,062,507
Furniture and equipment	420,997	20,426	-	441,423
Total accumulated depreciation	3,327,337	111,293	-	3,438,630
Total depreciable assets, net	996,683	(108,334)	-	888,349
Right-to-use lease assets:				
Building	737,415	-	-	737,415
Less accumulated amortization	479,320	147,483	-	626,803
Total right-to-use assets, net	258,095	147,483	-	110,612
	\$ 1,422,178	\$ (255,817)	\$ -	\$ 1,166,361
	Balance January 1, 2021	Increases	Retirements/ Reclassifications	Balance December 31, 2021
Land	\$ 167,400	\$ -	\$ -	\$ 167,400
Depreciable capital assets:				
Land improvements	1,106,386	-	-	1,106,386
Buildings	2,747,489	-	-	2,747,489
Furniture and equipment	471,536	31,305	(32,696)	470,145
Total depreciable assets	4,325,411	31,305	(32,696)	4,324,020
Less accumulated depreciation:				
Land improvements	825,348	54,528	-	879,876
Buildings	1,990,421	36,043	-	2,026,464
Furniture and equipment	427,815	25,878	(32,696)	420,997
Total accumulated depreciation	3,243,584	116,449	(32,696)	3,327,337
Total depreciable assets, net	1,081,827	(85,144)	-	996,683
Right-to-use lease assets:				
Building	737,415	-	-	737,415
Less accumulated amortization	331,837	147,483	-	479,320
Total right-to-use assets, net	405,578	147,483	-	258,095
	\$ 1,654,805	\$ (232,627)	\$ -	\$ 1,422,178

6. Related Party Transactions:

Affiliate Management Fees

ECIDA allocates a portion of personnel and rental costs to its affiliates, RDC and ILDC. ECIDA earned \$465,692 and \$419,100 in affiliate management fees for the years ended December 31, 2022 and 2021. Management fees and related receivables by affiliate are as follows:

	Management Fees		Receivables	
	2022	2021	2022	2021
RDC	\$ 288,468	\$ 294,566	\$ 291,289	\$ 297,384
ILDC	177,224	124,534	179,722	458,111
	<u>\$ 465,692</u>	<u>\$ 419,100</u>	<u>\$ 471,011</u>	<u>\$ 755,495</u>

In 2022, Erie County provided \$385,000 to ECIDA as a subrecipient of Community Development Block Grant funds. These funds were then transferred to ILDC for its Erie County BDF loan program. These amounts are included in special project grant revenues and expenses in the accompanying 2022 statement of revenues, expenses, and changes in net position.

7. Leases:

ECIDA, as lessee, entered into a non-cancelable lease for office space through September 30, 2023 and recognized a right-to-use lease asset at the present value of \$737,415 using a discount rate of 5%. The lease requires annual minimum payments of \$176,633 and utility charges that are determined on an annual basis. Principal and interest due in 2023 total \$126,166 and \$6,308, respectively.

ECIDA entered into a sublease agreement with Buffalo Urban Development Corporation for a portion of their office space through September 30, 2023. ECIDA recognized \$23,153 and \$23,338 in gross rental income, including interest at 5.0%, in 2022 and 2021. Expected receipts in 2023 total \$16,011.

ECIDA, as lessor, has entered into a non-cancelable lease for its former office through July 31, 2027. ECIDA recognized \$220,386 and \$213,681 in gross rental income, including interest at 5.0%, in 2022 and 2021. Annual receipts are expected to total \$230,856 through 2025.

8. Pension:

ECIDA maintains a defined contribution simplified employee pension (SEP) plan covering all of its employees. Employees are eligible to participate six months after employment, with employer contributions vesting immediately. During 2022 and 2021, ECIDA made discretionary contributions of 12% of eligible employees' salaries. ECIDA's expense for contributing to the plan for the years ended December 31, 2022 and 2021 amounted to \$162,663 and \$157,973 respectively. Employees are also permitted to participate in the New York State Deferred Compensation Plan but ECIDA does not make contributions to this plan.

9. Risk Management:

ECIDA purchases commercial insurance for various risks of loss due to torts, theft, damage, injuries to employees, and natural disasters in addition to insurance purchased to indemnify directors and officers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

10. Commitments and Contingencies:

Grants

ECIDA receives financial assistance from federal, state, and local agencies in the form of grants and fiduciary agreements. Managing these funds generally requires compliance with the terms and conditions specified in the agreements and may be subject to audit by the grantor agencies. Disallowed claims resulting from such audits could become a liability of ECIDA. Based on prior experience, management expects any such amounts to be immaterial.

Litigation

ECIDA is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of ECIDA.

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Supplementary Information
Combining Schedule of Balance Sheets

December 31, 2022

	General Account	UDAG Account	Total
Assets			
Current assets:			
Cash	\$ 7,475,718	\$ 10,925,135	\$ 18,400,853
Receivables			
Affiliates	471,011	-	471,011
Grants	644,183	-	644,183
Leases	200,724	-	200,724
Other	111,376	-	111,376
Prepaid expenses	89,319	-	89,319
	<u>8,992,331</u>	<u>10,925,135</u>	<u>19,917,466</u>
Noncurrent assets:			
Leases receivable	443,203	-	443,203
Capital assets, net	1,166,361	-	1,166,361
Other assets	100,639	406,247	506,886
Restricted cash	9,524,124	-	9,524,124
	<u>11,234,327</u>	<u>406,247</u>	<u>11,640,574</u>
	<u>\$ 20,226,658</u>	<u>\$ 11,331,382</u>	<u>\$ 31,558,040</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 37,003	\$ -	\$ 37,003
Lease payable	126,166	-	126,166
Accrued expenses	151,856	-	151,856
Unearned revenue	643,647	-	643,647
	<u>958,672</u>	<u>-</u>	<u>958,672</u>
Noncurrent liabilities:			
Funds held on behalf of others	9,317,525	-	9,317,525
Deferred inflows of resources:			
Deferred inflows of resources related to leases	643,927	-	643,927
Net position:			
Net investment in capital assets	1,040,195	-	1,040,195
Restricted	-	11,331,382	11,331,382
Unrestricted	8,266,339	-	8,266,339
	<u>9,306,534</u>	<u>11,331,382</u>	<u>20,637,916</u>
	<u>\$ 20,226,658</u>	<u>\$ 11,331,382</u>	<u>\$ 31,558,040</u>

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

For the year ended December 31, 2022

	General Account	UDAG Account	Total
Operating revenues:			
Administrative fees	\$ 1,656,279	\$ -	\$ 1,656,279
Affiliate management fees and rental income	465,692	-	465,692
Rental income	308,450	-	308,450
Other	129,643	-	129,643
Total operating revenues	2,560,064	-	2,560,064
Operating expenses:			
Salaries and benefits	1,999,345	-	1,999,345
General and administrative	631,269	55,856	687,125
Depreciation and amortization	258,776	-	258,776
Other	1,354	-	1,354
Total operating expenses	2,890,744	55,856	2,946,600
Operating loss before special project grants	(330,680)	(55,856)	(386,536)
Special project grants:			
Revenues	816,898	148,812	965,710
Expenses	(663,042)	(232,238)	(895,280)
	153,856	(83,426)	70,430
Operating loss	(176,824)	(139,282)	(316,106)
Nonoperating revenues:			
Interest income	66,420	35,851	102,271
Interest expense	(14,419)	-	(14,419)
	52,001	35,851	87,852
Change in net position	(124,823)	(103,431)	(228,254)
Net position - beginning	9,431,357	11,434,813	20,866,170
Net position - ending	\$ 9,306,534	\$ 11,331,382	\$ 20,637,916

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
Erie County Industrial Development Agency

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 Erie County Industrial Development Agency (ECIDA), 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 ECIDA'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 ECIDA'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 ECIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of ECIDA'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 ECIDA'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*.

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

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

March 16, 2023

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

The Board of Directors
Erie County Industrial Development Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Erie County Industrial Development Agency (ECIDA), 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 ECIDA 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 ECIDA'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