

**BUFFALO AND ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)**

FINANCIAL STATEMENTS

DECEMBER 31, 2022

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Erie County Industrial
Land Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Buffalo and Erie County Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of the County of Erie, New York, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise ILDC'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 ILDC 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 ILDC, 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 ILDC 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 ILDC'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 ILDC'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 ILDC'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ILDC'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 ILDC'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 ILDC'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

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2022

Buffalo and Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie, New York (the County). ILDC is considered a component unit of the County. ILDC also manages a microenterprise revolving loan program on behalf of the County.

As a special-purpose government engaged in business-type activities, ILDC 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*, ILDC is required to present management's discussion and analysis (MD&A) to assist readers in understanding ILDC's financial performance.

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

In 2022 the ILDC continued to move forward in developing Renaissance Commerce Park in Lackawanna, New York, and the former Angola Airport site in Evans, New York. ILDC constructed a new road and began work on new water and sewer lines at Renaissance Commerce Park and continued the Master Planning/GEIS process in Evans. Erie County continued to adjust the Microenterprise Loan/Grant Program in response to the COVID-19 pandemic and additional funding.

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 ILDC owns (assets and deferred outflows of resources) and what ILDC owes (liabilities and deferred inflows of resources). The difference between ILDC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) can be one way to measure ILDC's financial position. Over time, increases or decreases in ILDC'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 ILDC'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 ILDC's operating results for the year.
- 3) Statements of Cash Flows – These statements report ILDC's cash flows from operating, capital and related financing, and investing activities, if any.

Financial Highlights

- ILDC's total net position decreased by 7% from \$7,863,000 in 2021 to \$7,350,000 in 2022.
- ILDC experienced a decrease in net position of \$513,000 in 2022 compared to an increase of \$820,000 in 2021.
- Operating revenues increased 117% from (\$133,000) in 2021 to \$23,000 in 2022.
- Operating expenses increased 120% from \$435,000 in 2021 to \$957,000 in 2022.

Condensed Comparative Financial Statements:

Balance Sheets at December 31:

<i>in thousands</i>	2022	2021	\$ Change	% Change	2020
Assets					
Cash	\$ 1,265	\$ 2,037	\$ (772)	(38%)	\$ 1,945
Grants receivable	10,212	7,653	2,559	33%	514
Loans receivable, net	550	667	(117)	(18%)	36
Other assets	32	1	31	3,100%	2
Land held for sale	6,867	7,233	(366)	(5%)	6,900
Total assets	\$ 18,926	\$ 17,591	\$ 1,335	8%	\$ 9,397
Liabilities					
Accounts payable	\$ 824	\$ 23	\$ 801	3,483%	\$ 33
Due to affiliate	180	458	(278)	(61%)	283
Unearned revenue	10,572	9,247	1,325	14%	2,038
Total liabilities	11,576	9,728	1,848	19%	2,354
Net position					
Restricted	608	652	(44)	(7%)	206
Unrestricted	6,742	7,211	(469)	(7%)	6,837
Total net position	7,350	7,863	(513)	(7%)	7,043
Total liabilities and net position	\$ 18,926	\$ 17,591	\$ 1,335	8%	\$ 9,397

ILDC's cash balance decreased 38% or \$772,000 in 2022, compared to an increase of 5% or \$92,000 in 2021. The 2022 decrease was primarily due to the use of cash for land development activity.

Grants receivable increased 33% or \$2,559,000 due to grant awards from the U.S. Department of Commerce Economic Development Administration (EDA) of \$2,680,000, Empire State Development (ESD) of \$250,000, and Erie County of \$150,000, combined with grant receipts during the year. In 2021 there was an increase of 1,389% or \$7,139,000 due mainly to an award of \$7,695,000 from ESD.

Loans receivable relate to the microenterprise revolving loan fund, known as the Erie County Business Development Fund. Net loans receivable decreased \$117,000 from 2021 to 2022. While there were 14 new loans totaling \$435,000 in 2022, the decrease is due to principal payments received combined with a provision for uncollectible loan expense of \$483,000. The uncollectible loan expense is largely due to loans that are partially forgiven as certain requirements are met. There was a \$631,000 increase in loans receivable from 2020 to 2021.

Land held for sale consists of 153 acres of land at Renaissance Commerce Park in Lackawanna, New York and 238 acres of land at the former Angola Airport site in Evans, New York. In connection with its economic development purpose, ILDC is working with several partners to return these underutilized properties to productive use. The \$366,000 decrease in land held for sale from 2021 to 2022 reflects the sale of 8 acres at the Lackawanna site. The \$333,000 increase from 2020 to 2021 was due to the purchase of a second property in Lackawanna.

The \$801,000 increase in accounts payable from 2021 to 2022 is primarily due to construction-related payables outstanding at year end. The \$10,000 decrease in accounts payable between 2020 and 2021 related to a decrease in payables to project consultants.

The \$278,000 or 61% decrease in the total due to affiliate (ECIDA) from 2021 to 2022 is due to the repayment of \$255,000 with grant proceeds received in 2022. The \$175,000 increase from 2020 to 2021 was due to an increase in ECIDA staff time charged to the microenterprise loan fund.

Unearned revenue relates to grants awarded to the ILDC, for which the related revenue has not yet been recognized. The \$1,325,000 increase from 2021 to 2022 is due to an increase in the dollar amount of grants awarded, mainly \$2,680,000 from EDA, combined with grant revenue recognized. The increase from 2020 to 2021 was also due to an increase in grants awarded.

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 revenue:					
Administrative fee income	\$ 191	\$ 10	\$ 181	1,810%	\$ 382
Gain (loss) on land held for sale	(181)	(146)	(35)	24%	-
Interest from loans and other	13	3	10	333%	8
Total revenue	23	(133)	156	(117%)	390
Operating expenses:					
Transfer to ECIDA	282	130	152	117%	477
General, administrative, and depreciation	192	231	(39)	(17%)	190
Loan loss expense, net of recoveries	483	74	409	553%	-
Total operating expenses	957	435	522	120%	667
Operating loss before special project grants	(934)	(568)	(366)	64%	(277)
Special project grants:					
Grant income	2,038	1,814	224	12%	1,163
Grant expense	(1,617)	(426)	(1,191)	280%	(103)
Total special project grants	421	1,388	(967)	(70%)	1,060
Change in net position	\$ (513)	\$ 820	\$ (1,333)	(163%)	\$ 783

Revenue Analysis

ILDC is an issuer of tax-exempt bond financing for not-for-profit entities. These bonds are not obligations of the ILDC or the County. ILDC receives bond issuance fees from borrowers for providing this service. ILDC has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the related bond issuance fees received by ILDC. Administrative fees increased as a result of one bond issuance in 2022 and ILDC charges for amending documents. There were no such bonds issued in 2021 which also accounted for the decrease in fees from 2020.

ILDC sells rehabilitated land as part of its economic development activities. When the sale price of land is greater than the book cost (including land improvements), a gain is recognized, and when the sale price is less than the book cost, a loss is recognized. In both 2022 and 2021, the sale price of land sold was less than the cost of land to ILDC. In 2020, there were no land sales.

The \$10,000 increase in interest from loans and other revenue from 2021 to 2022 is due mainly to an increase in loan interest from microenterprise fund loans. The \$2,000 increase from 2020 to 2021 was due to land use agreement.

Expense Analysis

The amount transferred to ECIDA each year under the shared services agreement consists of administrative fees for bond issuances plus charges from ECIDA for personnel and overhead. Charges for personnel and overhead are derived from ECIDA employee hours dedicated to ILDC-related projects. The \$152,000 increase from 2021 to 2022 relates mainly to administrative fees of \$105,000 for bond activity in 2022, combined with an increase in ECIDA employee hours charged. There were no ILDC bonds issued in 2021. The decrease from 2020 to 2021 related to a \$382,000 administrative fee for a bond issuance in 2020.

In 2021, general, administrative, and depreciation expenses decreased \$39,000 from \$231,000 to \$192,000. The decrease was due mainly to a \$77,000 one-time grant application fee related to the \$7,695,000 award from Empire State Development in 2021. General, administrative, and depreciation expenses increased \$41,000 from 2020 to 2021 due to the same fee.

Most of the loans made under the microenterprise loan program are forgivable loans, which may provide up to 50% of loan forgiveness if certain criteria are met. The increase of \$409,000 in the provision for uncollectible loans from 2021 to 2022 reflects the balances of the outstanding loans that could potentially be forgiven under the terms of the program. There was an increase of \$74,000 from 2020 to 2021.

Grant income increased \$224,000 to \$2,038,000 in 2022, from \$1,814,000 in 2021. This was due to \$733,000 of grant income recognized related to engineering and road construction at Renaissance Commerce Park, combined with decreases in grant income related to the Angola site and microenterprise loan program. The increase from 2020 to 2021 related to grant income in 2021 for the microenterprise loan program and Angola site Master Plan/GEIS.

Grant expenses relate directly to the costs involved with certain projects undertaken by the ILDC and can vary from year to year based on activity. There was a \$1,191,000 increase in grant expenses from 2021 to 2022 due to an increase in grant-eligible project expenses. A majority of grant expenses are related to the Bethlehem Phase II project (See Note 3 to the financial statements for more details). The increase from 2020 to 2021 related to an increase in project costs related to the Angola site Master Plan/GEIS.

Budget Analysis

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

<i>in thousands</i>	Actual	Budget	\$ Variance	% Variance
Operating revenue:				
Administrative fee income	\$ 191	\$ -	\$ 191	100%
Gain (loss) on land held for sale	(181)	250	(431)	(172%)
Interest from loans and other	13	6	7	117%
Total revenue	23	256	(233)	(91%)
Operating expenses:				
Transfer to ECIDA	282	120	162	135%
General, administrative, and depreciation	192	100	92	92%
Loan loss expense, net of recoveries	483	-	483	100%
Total operating expenses	957	220	737	335%
Operating loss before special project grants	(934)	36	(970)	(2,694%)
Special project grants:				
Grant income	2,038	4,310	(2,272)	(53%)
Grant expense	(1,617)	(4,324)	2,707	(63%)
Total special project grants	421	(14)	435	(3,107%)
Change in net position	\$ (513)	\$ 22	\$ (535)	(2,432%)

Overall, ILDC fell below its budgeted increase in net position for 2022 by \$535,000. Total revenue was \$233,000, or 91%, below the budgeted amount due to a loss recorded on the sale of property in 2022. Total expenses were \$737,000, or 335%, above budget. Most of the variance is due to the provision for uncollectible loans of \$483,000 not being included in the original budget. Grant income was \$2,272,000 below the budgeted amount, while grant expenses were \$2,707,000 below budget.

Economic Factors Impacting ILDC

ILDC relies upon land sale income to generate revenue for continued operations, as well as grant income from Erie County and other economic development partners to defray the costs associated with land development. As a result of current uncertain economic conditions, ILDC'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 ILDC's finances. Questions concerning any of the financial information provided in this report should be addressed to the CFO of ILDC at (716) 856-6525. General information relating to ILDC can be found on ECIDA's website, www.ecidany.com.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Balance Sheets

December 31,	2022	2021
Assets		
Current assets:		
Cash	\$ 1,265,215	\$ 2,036,777
Grants receivable	10,212,072	7,653,095
Loans receivable (Note 2)	119,854	61,167
Prepaid expenses	31,500	-
	<u>11,628,641</u>	<u>9,751,039</u>
Noncurrent assets:		
Loans receivable, net (Note 2)	429,741	605,544
Capital assets, net	-	650
Land held for sale (Note 4)	6,867,153	7,233,513
	<u>7,296,894</u>	<u>7,839,707</u>
	<u>\$ 18,925,535</u>	<u>\$ 17,590,746</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 824,190	\$ 22,746
Due to affiliate (Note 5)	179,722	458,111
Unearned revenue	10,571,964	9,246,953
	<u>11,575,876</u>	<u>9,727,810</u>
Net position:		
Restricted	608,122	652,277
Unrestricted	6,741,537	7,210,659
	<u>7,349,659</u>	<u>7,862,936</u>
	<u>\$ 18,925,535</u>	<u>\$ 17,590,746</u>

See accompanying notes.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2022	2021
Operating revenues:		
Administrative fees	\$ 190,700	\$ 9,600
Loss on land held for sale	(181,324)	(146,122)
Interest from loans and other	13,024	3,304
Total operating revenues	<u>22,400</u>	<u>(133,218)</u>
Operating expenses:		
Transfer to Erie County Industrial Development Agency	282,224	129,863
General and administrative	191,170	229,612
Provision for uncollectible loans	482,505	74,079
Depreciation	650	975
Total operating expenses	<u>956,549</u>	<u>434,529</u>
Operating loss before special project grants	(934,149)	(567,747)
Special project grants:		
Special project grant income	2,037,945	1,813,707
Special project grant expense	(1,617,073)	(425,525)
Total special project grants	<u>420,872</u>	<u>1,388,182</u>
Change in net position	(513,277)	820,435
Net position - beginning	<u>7,862,936</u>	<u>7,042,501</u>
Net position - ending	\$ 7,349,659	\$ 7,862,936

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Statements of Cash Flows

For the years ended December 31,	2022	2021
Operating activities:		
Administrative fees	\$ 190,700	\$ 11,461
Transfers from (to) Erie County Industrial Development Agency	(560,613)	44,775
Principal and interest on loans and other	82,635	56,619
Loans awarded	(435,000)	(760,000)
Proceeds from sale of land	207,250	214,200
Purchase of land held for sale	(22,214)	(693,669)
Payments to vendors and affiliates	(227,807)	(239,514)
Special project grant income	803,979	1,883,564
Special project grant expense	(810,492)	(425,525)
Net change in cash	(771,562)	91,911
Cash - beginning	2,036,777	1,944,866
Cash - ending	\$ 1,265,215	\$ 2,036,777
Reconciliation of change in net position to net cash flows		
from operating activities:		
Change in net position	\$ (513,277)	\$ 820,435
Adjustments to reconcile change in net position to net cash flows from operating activities:		
Loss on land held for sale	181,324	146,122
Provision for uncollectible loans	(482,505)	(74,079)
Depreciation	650	975
Changes in other assets and liabilities:		
Grants receivable	(2,558,977)	(7,139,044)
Loans receivable	599,621	(556,666)
Prepaid expenses	(31,500)	-
Land held for sale	185,036	(479,469)
Accounts payable	801,444	(9,902)
Due to affiliate	(278,389)	174,638
Unearned revenue	1,325,011	7,208,901
Net operating activities	\$ (771,562)	\$ 91,911

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization

Buffalo and Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie, New York (the County). ILDC manages a microenterprise revolving loan program which is dedicated to improving economic conditions in the County.

ILDC has related party relationships with Erie County Industrial Development Agency (ECIDA) and Buffalo and Erie County Regional Development Corporation (RDC). All three entities are managed by the same personnel. 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.

In accordance with accounting standards, ILDC is considered a component unit of the County. The County, acting by and through the County Executive, is the sole member of ILDC and is financially accountable for it; as a result, ILDC is included in the financial statements of the County as a discretely presented component unit.

Basis of Presentation

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

Measurement Focus

ILDC 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. ILDC'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.

ILDC'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 or special project grants whose purpose aligns with the primary mission of ILDC. Grants receivable and unearned revenue are recognized at the time awarded and are recognized as revenue when all eligibility requirements imposed by the provider have been satisfied. ILDC receives special project grants from various Federal, State, and County governments.

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 ILDC'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, ILDC's deposits may not be returned to it. At December 31, 2022, ILDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging bank's agent in ILDC'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 and deferred outflows of resources 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 and include amounts maintained in the Erie County Business Development Fund (Erie County BDF) (Note 2).
- 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.

Tax-Exempt Bond Transactions

ILDC is an issuer of tax-exempt bond financing for not-for-profit entities which meets the definition of conduit debt obligations. These bonds are obligations of the borrower and secured by the assets they finance. ILDC receives administrative fees from the borrower for providing bond issues which are recognized according to the terms of the fee agreement. ILDC also has a shared services agreement with ECIDA under which administrative and staffing services are provided to ILDC in connection with bond issuances in exchange for the related bond issuance fees received by ILDC. At December 31, 2022, previously issued bonds have an aggregate outstanding principal amount payable of \$321,320,743, none of which is recognized as a liability of ILDC.

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

Income Taxes

Although the financial statements are required to be reported as a governmental entity, ILDC 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 microenterprise revolving loan program was originally funded through a Community Development Block Grant (CDBG). Loans receivable maintained in the Erie County BDF are restricted pursuant to the original grant terms.

Loans made to local businesses from the Erie County BDF complement private financing at an interest rate of 2% with varying repayment terms. In 2022, ILDC began to provide microenterprise forgivable loans that may provide up to 50% of loan forgiveness if certain criteria are met by the borrower.

ILDC previously provided a \$750,000 forgivable loan to a borrower. The full balance of the loan will be forgiven in installments of \$150,000 from 2025 through 2029 as long as the borrower meets certain job creation and retention requirements as set forth in the agreement. The entire balance of the loan is included in loans receivable and fully recognized in the allowance for uncollectible loans. The following is a summary of the loans receivable:

	2022	2021
Current status	\$ 1,856,179	\$ 1,490,790
Less allowance	1,306,584	824,079
	549,595	666,711
Less current portion	119,854	61,167
	<u>\$ 429,741</u>	<u>\$ 605,544</u>

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

	2022	2021
Balance, beginning of year	\$ 824,079	\$ 750,000
Additions charged to operations	482,505	74,079
	<u>\$ 1,306,584</u>	<u>\$ 824,079</u>

Scheduled maturities, net of allowance, for the next five years and thereafter are as follows:

	Principal	Interest
2023	\$ 119,854	\$ 20,280
2024	128,744	18,557
2025	122,080	16,035
2026	110,612	13,054
2027	63,382	6,301
Thereafter	4,923	491
	<u>\$ 549,595</u>	<u>\$ 74,718</u>

3. Special Project Grants:

Special project grants are comprised of the following:

Bethlehem Phase II

In connection with Phase II of the Renaissance Commerce Park redevelopment, ILDC authorized the execution of a \$1,755,000 grant from Empire State Development (ESD) as Phase I of a capital grant under the Buffalo Billion II Initiative. Proceeds from this grant will be used to acquire additional vacant Brownfield property at Renaissance Commerce Park, purchase a right-of-way along the eastern edge of the property, and plan for the Lackawanna-Woodlawn State Park Shoreline trail.

Phase II of the capital grant in the amount of \$7,695,000 under the Buffalo Billion II initiative was authorized by ILDC in 2021. Proceeds from this grant will be used toward the design and construction of infrastructure improvements including additional environmental remediation, construction of new roads, and installation of utility corridors.

Bethlehem EDA

In 2022, ILDC authorized a \$2,680,000 grant from the U.S. Department of Commerce Economic Development Administration (EDA). Proceeds from this grant will be used for the construction of water and sewer systems to facilitate development of land at Renaissance Commerce Park.

Angola Agribusiness Park

ILDC previously received grants from National Grid for \$354,000 and Erie County for \$230,000 for the development of an agribusiness park at the former Angola Airport in Angola, New York. In 2022, ILDC also received a grant from ESD for \$250,000 for this project.

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

	2022	2021
Bethlehem Phase II	\$ 6,695,000	\$ 6,695,000
Bethlehem EDA	2,680,000	-
Angola Agribusiness Park	687,072	492,765
Other	150,000	465,330
	<u>\$ 10,212,072</u>	<u>\$ 7,653,095</u>

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

	2022	2021
Bethlehem Phase II	\$ 7,297,293	\$ 8,656,168
Bethlehem EDA	2,590,483	-
Angola Agribusiness Park	526,410	325,255
Other	157,778	265,530
	<u>\$ 10,571,964</u>	<u>\$ 9,246,953</u>

4. Land Held for Sale

Land held for sale is recorded at net realizable value based on assessment of the fair value of each project. The net realizable value as of December 31, 2022 and 2021 amounted to \$6,867,153 and \$7,233,513, respectively.

In February 2017, ILDC entered into a funding agreement with ECIDA to accept \$6,700,000 in the form of a partially refundable grant from ECIDA's U.S. Department of Housing and Urban Development Urban Development Action Grant (UDAG) reflow fund in connection with a Brownfield reclamation and redevelopment project at Renaissance Commerce Park in Lackawanna, New York. \$5,700,000 of the grant was earmarked for the purchase of real property, with the remaining \$1,000,000 to be used for carrying costs during and after property acquisition. Additional funding of up to \$700,000 for property acquisition was granted from ECIDA's UDAG reflow fund in September 2017. As of December 31, 2022 and 2021, \$6,338,416 of the \$6,400,000 total amount granted has been spent on real property. As of December 31, 2022 and 2021, \$929,235 and \$921,181 of the \$1,000,000 granted for carrying costs was utilized, respectively.

In connection with the Phase I land purchase, ILDC authorized a \$2,780,000 grant from ESD. Proceeds from this grant were used to reimburse ECIDA. In addition, ILDC resolved to remit to ECIDA 50% of the net proceeds received upon the future sale of portions of land at Renaissance Commerce Park acquired using ECIDA grant funds, the aggregate of which is not to exceed \$6,700,000. As of December 31, 2022 and 2021, \$3,363,125 and \$3,259,500 in reimbursements have been made to ECIDA.

In December 2018, the ILDC entered into a funding agreement with the ECIDA to accept \$1,200,000 in the form of a partially refundable grant from ECIDA's UDAG reflow fund in connection with a redevelopment project at the former Angola Airport site in Angola, New York. \$900,000 of the grant was designated for the purchase of real property, with the remaining \$300,000 to be used for carrying costs during and after property acquisition. As of December 31, 2022 and 2021, \$855,084 of the \$900,000 granted for the purchase of real property was utilized. As of December 31, 2022 and 2021, \$118,452 and \$69,269 of the \$300,000 granted for carrying costs was utilized.

5. Related Party Transactions:

ECIDA allocates a portion of its personnel and overhead costs to ILDC which amounted to \$177,224 and \$124,534 in 2022 and 2021. The amount outstanding to ECIDA at December 31, 2022 and 2021 related to these costs amounted to \$179,722 and \$124,534. Amounts due to ECIDA totaled \$179,722 and \$458,111 at December 31, 2022 and 2021.

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 and are included in special project grant income in the accompanying 2022 statement of revenues, expenses, and changes in net position.

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

Supplementary Information
Combining Schedule of Balance Sheets

December 31, 2022

	Operating	Erie County BDF Program	Total
Assets			
Current assets:			
Cash	\$ 1,169,403	\$ 95,812	\$ 1,265,215
Grants receivable	10,212,072	-	10,212,072
Loans receivable	-	119,854	119,854
Prepaid expenses	31,500	-	31,500
	<u>11,412,975</u>	<u>215,666</u>	<u>11,628,641</u>
Noncurrent assets:			
Loans receivable, net	-	429,741	429,741
Land held for sale	6,867,153	-	6,867,153
	<u>6,867,153</u>	<u>429,741</u>	<u>7,296,894</u>
	<u>\$ 18,280,128</u>	<u>\$ 645,407</u>	<u>\$ 18,925,535</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 823,954	\$ 236	\$ 824,190
Due to affiliate	142,673	37,049	179,722
Unearned revenue	10,571,964	-	10,571,964
	<u>11,538,591</u>	<u>37,285</u>	<u>11,575,876</u>
Net position:			
Restricted	-	608,122	608,122
Unrestricted	6,741,537	-	6,741,537
	<u>6,741,537</u>	<u>608,122</u>	<u>7,349,659</u>
	<u>\$ 18,280,128</u>	<u>\$ 645,407</u>	<u>\$ 18,925,535</u>

BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION
(A Component Unit of County of Erie, New York)

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

For the year ended December 31, 2022

	Operating	Erie County BDF Program	Total
Operating revenues:			
Administrative fees	\$ 190,700	\$ -	\$ 190,700
Loss on sale of land	(181,324)	-	(181,324)
Interest from loans and other	629	12,395	13,024
Total operating revenues	10,005	12,395	22,400
Operating expenses:			
Transfer to Erie County Industrial Development Agency	245,506	36,718	282,224
General and administrative	190,491	679	191,170
Provision for uncollectible loans	-	482,505	482,505
Depreciation	650	-	650
Total operating expenses	436,647	519,902	956,549
Operating loss before special project grants	(426,642)	(507,507)	(934,149)
Special project grants:			
Special project grant income	1,574,593	463,352	2,037,945
Special project grant expense	(1,617,073)	-	(1,617,073)
Total special project grants	(42,480)	463,352	420,872
Change in net position	(469,122)	(44,155)	(513,277)
Net position - beginning	7,210,659	652,277	7,862,936
Net position - ending	\$ 6,741,537	\$ 608,122	\$ 7,349,659

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 Industrial
Land 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 Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of the County of Erie, New York, 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 ILDC'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 ILDC'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 ILDC's internal control. Accordingly, we do not express an opinion on the effectiveness of ILDC'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 ILDC'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 ILDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ILDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Symden & 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
Buffalo and Erie County Industrial
Land 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 Industrial Land Development Corporation (ILDC), a business-type activity and a component unit of the County of Erie, New York, 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 ILDC 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 ILDC'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