

THE CHEEKTOWAGA ECONOMIC
DEVELOPMENT CORPORATION

Financial Statements

March 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Cheektowaga Economic Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of The Cheektowaga Economic Development Corporation (the Corporation) (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cheektowaga Economic Development Corporation as of March 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2021, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Corporation's 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 the Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
February 10, 2021

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
 Statements of Financial Position
 March 31, 2020 and 2019

	<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash:			
Checking account		\$ 398,644	341,262
Savings account		<u>67,152</u>	<u>67,051</u>
Total cash		<u>465,796</u>	<u>408,313</u>
Certificates of deposit		<u>135,429</u>	<u>235,429</u>
Accounts receivable - due from New York State		<u>100,000</u>	<u>-</u>
Accrued interest receivable less allowance for doubtful accounts of \$232,456 in 2020 and 2019		<u>903</u>	<u>903</u>
Loans receivable:			
Global Asset Management Solutions, Inc.		-	27,903
Gordon Companies, Inc.		199,023	212,682
930 Bailey Avenue, LLC, less allowance for doubtful accounts of \$8,391 in 2020		-	8,391
John and Sue of WNY, Inc.		-	26,108
Latina Boulevard Foods, LLC		260,743	360,445
Speed Motor Express of Western New York Inc.		<u>87,653</u>	<u>-</u>
Total loans receivable		<u>547,419</u>	<u>635,529</u>
Total assets		<u>\$ 1,249,547</u>	<u>1,280,174</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable and accrued expenses		26,871	14,168
Accounts payable - Town of Cheektowaga		<u>30,232</u>	<u>-</u>
Total current liabilities		57,103	14,168
Net assets without donor restrictions		<u>1,192,444</u>	<u>1,266,006</u>
Total liabilities and net assets		<u>\$ 1,249,547</u>	<u>1,280,174</u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
 Statements of Activities
 Years ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue:		
Loan interest	\$ 5,357	15,280
Recovery of bad debt	-	25,000
Miscellaneous	<u>2,417</u>	<u>1,469</u>
Total revenue	<u>7,774</u>	<u>41,749</u>
Expenses:		
Program services	37,015	402,348
Management and general	<u>14,089</u>	<u>15,284</u>
Total expenses	<u>51,104</u>	<u>417,632</u>
Change in net assets without donor restrictions from operations	(43,330)	(375,883)
Non-operating expenses - program income recapture	<u>(30,232)</u>	<u>(100,000)</u>
Change in net assets without donor restrictions	(73,562)	(475,883)
Net assets without donor restrictions at beginning of year	<u>1,266,006</u>	<u>1,741,889</u>
Net assets without donor restrictions at end of year	<u>\$ 1,192,444</u>	<u>1,266,006</u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
Statement of Functional Expenses
Year ended March 31, 2020
with comparative totals for 2019

	Program <u>services</u>	Management and <u>general</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
Payroll	\$ 16,561	-	16,561	17,501
Professional fees	-	13,254	13,254	13,586
Consulting	10,979	-	10,979	20,439
Business meetings	592	-	592	1,297
Advertising	492	-	492	120
Bad debt expense	8,391	-	8,391	362,991
Miscellaneous	-	835	835	1,698
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ 37,015	14,089	51,104	417,632

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION
Statement of Functional Expenses
Year ended March 31, 2019

	Program services	Management and general	<u>Total</u>
Payroll	\$ 17,501	-	17,501
Professional fees	-	13,586	13,586
Consulting	20,439	-	20,439
Business meetings	1,297	-	1,297
Advertising	120	-	120
Bad debt expense	362,991	-	362,991
Miscellaneous	-	1,698	1,698
Total expenses	<u>\$ 402,348</u>	<u>15,284</u>	<u>417,632</u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ (73,562)	(475,883)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Change in provision for doubtful accounts	8,391	337,991
Increase in accrued interest receivable	-	(12,323)
Principal payments on loans receivable	184,719	133,768
Loan granted during the year	(105,000)	-
Changes in:		
Accounts receivable - due from New York State	(100,000)	-
Accounts payable and accrued expenses	12,703	(32,621)
Accounts payable - Town of Cheektowaga	<u>30,232</u>	<u>-</u>
Net cash used in operating activities	(42,517)	(49,068)
Cash flows from investing activities - change in certificates of deposit	<u>100,000</u>	<u>-</u>
Net change in cash	57,483	(49,068)
Cash at beginning of year	<u>408,313</u>	<u>457,381</u>
Cash at end of year	<u>\$ 465,796</u>	<u>408,313</u>

See accompanying notes to financial statements.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Cheektowaga Economic Development Corporation (the Corporation) was formed on June 10, 1983 pursuant to resolution of the Town Board of the Town of Cheektowaga, New York (the Town), as a quasi-public local development corporation under the New York Not-For-Profit Corporation Law. The Corporation was intended to combat community deterioration, protect and increase the local tax base, retain and create private sector employment in the municipality and lessen the burdens upon local government by operating a program to retain and attract private sector industry and business to the Town.

The Corporation has been designated by the Town's Community Development Program under the Department of Housing and Urban Development (HUD) regulation as a sub-recipient to carry out community economic development under the Community Development Block Grant Program. Funds have been obligated by the Town under its Community Development Block Grant Program to fund a revolving loan program to be administered by the Corporation, permitting the financing of a portion of the costs of private industrial relocation or expansion taking place within the boundaries of the municipality. Funds generated through the loan program, in the nature of interest and principal payments on loans made, are returned to the loan program and are used for making additional approved loans and payment of administrative costs of the program, as permitted under HUD regulations.

(b) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Corporation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Corporation. The Corporation had only net assets without donor restrictions in 2020 and 2019.

(c) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Cash

For purposes of the statements of cash flows, the Corporation considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(f) Accounts Receivable - due from New York State

Accounts receivable - due from New York State represents funds that were previously held in certificates of deposits; however, due to inactivity in these accounts, the bank remitted the funds to New York State unclaimed funds. These funds were subsequently received by the Corporation from New York State.

(g) Loans Receivable and Allowance for Doubtful Loans

Loans receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income and commitment fees on loans are accrued as earned. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on loans receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

(h) Expense Allocation

The Corporation operates a program to retain and attract private sector industry and business to the Town. All expenses related to providing these services have been allocated to program services with the exception of certain components of administrative expense. Administrative expense is allocated based on direct usage.

(i) Contributed Services

During the years ended March 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(k) Recent Accounting Standards Issued

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made." ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

(2) Liquidity

The Corporation has \$465,796 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash and cash equivalents. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2020 statement of financial position.

(3) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) Fair Value Measurements, Continued

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(4) Certificates of Deposit

Certificates of deposit at March 31, 2020 and 2019 are considered to be level 1 assets as described in note 3 and consist of the following:

	<u>2020</u>	<u>2019</u>
0.10% due November 22, 2020	\$ 135,429	-
0.03% due April 2, 2019	-	50,000
0.03% due April 2, 2019	-	50,000
0.10% due October 22, 2019	-	<u>135,429</u>
	<u>\$ 135,429</u>	<u>235,429</u>

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(5) Concentrations of Credit Risk

The Corporation provides funds under a revolving loan program to businesses located within the boundaries of the municipality of Cheektowaga, New York. The Corporation performs ongoing credit evaluations of its loans receivable and substantially all loans require collateral (note 6).

(6) Loans Receivable

Loans receivable at March 31, 2020 and 2019 are considered to be level 3 assets as described in note 3 and consist of the following:

	<u>2020</u>	<u>2019</u>
<u>Walden Commerce Exchange (Note 7)</u>		
The original amount of this loan, issued May 26, 1993, was \$100,000 and was later amended to \$150,000; however, at March 31, 2020, only \$130,535 has been disbursed. The loan is unsecured and bears interest at a rate of 2% in excess of the prime rate offered by a local bank. The note is payable on demand. During 2019, an allowance for doubtful accounts was established for the entire loan balance.	\$ -	-
<u>Global Asset Management Solutions, Inc.</u>		
The original amount of this loan, issued June 6, 2013, was \$200,000, and is secured by a collateral security mortgage on certain real property, a general security interest - in other assets, and a personal guarantee of the company's owners. The note bears interest at .50% per annum. The note has a term of 5.5 years and is payable in monthly interest only installments of \$83.33 for the first six months and \$3,375.87 each month thereafter. During 2018, an allowance for doubtful accounts was established for \$25,000, which was reversed as the loan was repaid during the year ended March 31, 2020.	-	27,903

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(6) Loans Receivable, Continued

	<u>2020</u>	<u>2019</u>
<u>Gordon Companies, Inc.</u>		
The original amount of this loan, issued February 7, 2013, was \$300,000, and is secured by a collateral security mortgage on the property, a general security interest in other assets, proceeds of all life insurance policies, and the personal guarantee of the company's owner. The life insurance interest is subordinate to the interests in the proceeds and shall be granted in favor of Five Star Bank and Amazon Capital Services, Inc. The note bears interest at .5% per annum. The note had an original term of 5 years and was payable in monthly installments of \$1,314 with a balloon payment of \$227,788 due by March 31, 2018. In November 2017 this loan was extended another 5 years.	\$ 199,023	212,682
<u>930 Bailey Avenue, LLC</u>		
The original amount of this loan, issued April 4, 2012, was \$500,000, and is secured by a collateral security mortgage on the property, and a corporate security interest in other assets of the company. The collateral security mortgage is subordinate to the interests in the proceeds and shall be granted in favor of a local bank. The note bears interest at .5% per annum. The note has a term of 5 years and is payable in monthly installments of \$8,440. During 2020, an allowance for doubtful accounts was established for the entire loan balance.	-	8,391
<u>John and Sue of WNY, Inc.</u>		
The original amount of this loan, issued May 23, 2012, was \$80,000, and is secured by all corporate assets, the personal guarantee of the company's owners and the second position mortgage on the owners' personal residence. The note bears interest at .5% per annum. The note has a term of 10 years and is payable in monthly installments of \$684. During 2020, the loan was repaid.	-	26,108

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(6) Loans Receivable, Continued

	<u>2020</u>	<u>2019</u>
<u>Buffalo Bread Company, Inc.</u>		
The original amount of the loan, issued September 30, 2016, was \$200,000, and is secured by all corporate assets, the personal and unconditional guarantee of the company's owner. The note bears interest at .5% per annum. The note has a term of 5 years and is payable in monthly installments of \$3,375. During 2017, an allowance for doubtful accounts was established for the entire loan balance.	\$ -	-
<u>Latina Boulevard Foods, LLC</u>		
The original amount of the loan, issued September 6, 2017 was \$500,000 and is secured by all present and future assets of the borrower and an assignment of rents and leases at another real property. The note bears interest at .05% per annum. The note has a term of 5 years and is payable in equal monthly payments of principal and interest.	260,743	360,445
<u>Speed Motor Express of Western New York Inc.</u>		
The original amount of the loan, issued August 9, 2019 was \$140,000; however, as of March 31, 2020 only \$105,000 had been disbursed. The loan is secured by all present and future assets of the borrower. The note bears interest at .05% per annum. The note has a term of 4 years and is payable in equal monthly payments of principal and interest.	<u>87,653</u>	<u>-</u>
Total loans receivable	\$ <u>547,419</u>	<u>635,529</u>

The table below sets forth a summary of changes in the fair value of the Corporation's level 3 assets for the years ended March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 635,529	874,832
Add loans issued	105,000	-
Add recovery of bad debt	-	25,000
Less allowance for doubtful accounts	(8,391)	(130,535)
Less amounts repaid	(184,719)	(133,768)
Balance at end of year	\$ <u>547,419</u>	<u>635,529</u>

THE CHEEKTOWAGA ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(6) Loans Receivable, Continued

A summary of current, past due and nonaccrual loans as of March 31, 2020 are as follows:

<u>Category</u>	<u>Current</u>	<u>30 - 90 days past due</u>	<u>Nonaccrual</u>	<u>Total</u>
Commercial	\$ <u>547,419</u>	<u>-</u>	<u>-</u>	<u>547,419</u>

(7) Related Party

Walden Commerce Exchange is a joint venture between the Corporation and Ciminelli Development Company, Inc. formed for the purpose of acquiring, developing and leasing or selling certain real property located in the Town. The Corporation accounts for this investment using the equity method of accounting. At March 31, 2020 and 2019, there was no investment balance with regard to the Walden Commerce Exchange under the equity method.

The Corporation provided a loan receivable to Walden Commerce Exchange in 1993 (note 6). On February 24, 2000, the approved loan amount was amended to \$150,000. The balance outstanding on the loan as of March 31, 2020 and 2019 amounted to \$130,535. Accrued interest receivable at March 31, 2020 and 2019 amounted to \$232,456. Both the loan and the interest have been fully allowed.

(8) Program Income Recapture

During the year ended March 31, 2020 and 2019, the Town of Cheektowaga recaptured \$30,232 and \$100,000, respectively, of program income in order for the Town to stay in compliance with HUD requirements.

(9) Subsequent Event

Subsequent to the year ended March 31, 2020, the Corporation issued a loan in the amount of \$150,000 to Hanzlian Sausage Incorporated.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

(10) Litigation

The Corporation is involved in litigation arising in the ordinary course of its operations. The Corporation believes that its ultimate liability, if any, in connection with these matters will not have a material effect on its financial condition or results of operations.