



Buffalo Urban Development Corporation

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**Buffalo Urban Development Corporation
MEETING NOTICE**

*Meeting of the BUDC Finance & Audit Committee Meeting
is scheduled for:*

Friday, March 14, 2014

at

12:00 p.m.

at the New Offices of

BUDC/ECIDA

95 Perry Street

4th Floor - Vista Room

Buffalo, New York 14203

Please confirm your attendance plans with Carrie Hocieniec (362-8367) or e-mail:
chocieni@ecidany.com as soon as possible.

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Audit & Finance Committee Meeting Friday, March 14th, 2014, Noon BUDC Offices, 4th Floor, 95 Perry

Agenda

1. Approval of Minutes of September 16, 2013 Meeting *(Action) (Enclosure)*
2. Draft 2013 BUDC Audited Financial Statements *(Action) (Enclosure)*
3. Draft 2013 BBRF Audited Financial Statements *(Information)*
4. Investment & Deposit Policy Re-adoption *(Action) (Enclosure)*
5. 2013 BUDC Investment Report *(Action) (Enclosure)*
6. Audit & Finance Committee Charter Review *(Action) (Enclosure)*
7. Audit & Finance Committee Self-Evaluation *(Action) (Enclosure)*
8. Audit and Tax Services Contract Renewal Option *(Action)*
9. Audit & Finance Committee Training *(Information)*
10. 2013 ECIDA Salary Reimbursement Invoice *(Information)*
11. 2013 ECIDA BBRP Grant Recap *(Information)*
12. 2013 Summary of Legal Invoices *(Information)*
13. BBRP/BUDC Loan Program Update *(Information)*
14. Adjournment *(Action)*

**Minutes of the Audit & Finance Committee Meeting
of
Buffalo Urban Development Corporation
143 Genesee Street
September 16, 2013
12:00 p.m.**

Call to Order:

Committee Members Present:

Catherine M. Braniecki
James W. Comerford
Woodrow W. Maggard

Committee Members Absent:

Hon. Richard A. Fontana
Dennis M. Penman

Officers Present:

Peter M. Cammarata, President
David A. Stebbins, Vice President
Andrew Schoeppich, Treasurer
Kevin J. Zanner, Secretary
Theresa Carpenter, Assistant Treasurer

Guests Present: Dawn Boudreau, ECIDA Compliance Officer; and Brandye Merriweather, BUDC Project Coordinator.

Roll Call: The Secretary called the roll of Committee members at 12:05 p.m. and a quorum was determined to be present. Mr. Maggard served as chair of the meeting.

1.0 Approval of Minutes of the March 19, 2013 Meeting – The minutes of the March 19, 2013 meeting of the Audit & Finance Committee were presented. Upon motion made by Mr. Comerford, seconded by Ms. Braniecki and unanimously carried, the minutes of the March 19, 2013 meeting were approved by the Audit & Finance Committee.

2.0 2014 BUDC Draft Budget and Projections – Mr. Schoeppich presented the draft 2014 budget and 2015-2017 forecast to the Committee. He noted that staff held three internal meetings to develop the draft budget and forecast. Mr. Schoeppich then reviewed the 2014 proposed budget on a project-by-project basis, including the budgets for RiverBend, Buffalo Lakeside Commerce Park, the Buffalo Building Reuse Program, the South Buffalo BOA grant and general corporate operations. Mr. Schoeppich noted that the proposed budget assumes a land sale at BLCF or RiverBend in the amount of \$450,000, which would need to close by the end of 2014. It was noted that the budget does not include any sale associated with the Alita project. The Committee discussed the proposed budget, including cash flow burn rate. In response to a question from Ms. Braniecki, Mr. Stebbins circulated a document setting forth the projected revenues from the Buffalo Building Reuse project loan program for 2014-2017 and explained the basic assumptions set forth in the projections.

There being no further discussion, Mr. Comerford made a motion to approve the proposed 2014 budget and 2015-2017 forecast and to recommend approval by the Board of Directors of the proposed 2014 budget and 2015-2017 forecast. The motion was seconded by Ms. Braniecki and unanimously carried.

3.0 BUDC Related Item in 2014 ECIDA Budget – Messrs. Cammarata and Schoeppich reported that is expected that the 2014 ECIDA budget will include an allocation of \$100,000 in funding to BUDC for staffing and related costs for the Buffalo Building Reuse project.

- 4.0 **2013 ECIDA Downtown Grant YTD Summary** – Mr. Schoeppich reported on BUDC's use and expenditure of the \$100,000 BBRP grant provided by ECIDA for 2013, including amounts utilized for staffing costs, BBRP loan project consulting fees and related BBRP matters. Mr. Cammarata noted that a portion of the grant will not be spent in 2013 and will roll over into 2014.
- 5.0 **Creation of a New 501(c)(3) Corporation** – Mr. Cammarata circulated copies of an August 23, 2013 letter from Internal Revenue Service acknowledging receipt of BUDC's application for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Mr. Zanner indicated that he recently spoke with an IRS representative regarding the status of the application, and was advised that there is a significant back-log of applications at this time. It may be a number of months before BUDC's application is reviewed and processed by the IRS.
- 6.0 **New York State "Grants Gateway" Registration** – Mr. Cammarata reported New York State is implementing a new protocol for the application and distribution of grant funding through New York State agencies. Staff will register BUDC in compliance with the new protocol.
- 7.0 **BUDC Loan Policy Update** – Mr. Stebbins circulated an updated version of the BUDC Loan Policy Guidelines and Operating Plan, and the Committee discussed the proposed Guidelines. In response to a question from Mr. Comerford, Mr. Stebbins indicated that the Guidelines incorporate some concepts from the loan policies and procedures for the loan programs administered by BURA and other City agencies, but are tailored for a real estate-based lending program.
- 8.0 **BBRP/Downtown Committee Update** – Mr. Stebbins reported that staff is working on finalizing the grant disbursement agreement between the City of Buffalo and Empire State Development (ESD). ESD is imposing a new liability insurance requirement which would obligate borrowers to obtain coverage in the amount of \$5M per occurrence and \$10M in the aggregate. Mr. Stebbins commented that the coverage limits will increase project costs and could dissuade certain borrowers from applying for a loan through BUDC. He indicated that staff will request that ESD modify the insurance requirements. Ms. Merriweather then updated the Committee regarding a request for proposals that will be issued for loan underwriting and loan management services, and a recent meeting with the City of Buffalo Public Works Department regarding downtown infrastructure project recommendations.
- 9.0 **ECIDA/BUDC Sublease and Shared Services Agreement Update** – Mr. Cammarata circulated copies of a July 18, 2013 letter from ECIDA notifying BUDC of the termination of the Amended and Restated Occupancy, Use and Shared Services Agreement. Mr. Cammarata noted that this agreement was applicable to the 143 Genesee Street arrangement with ECIDA and will be replaced by the ECIDA/BUDC sub-lease and shared services agreement, which are now in final form and will be executed by ECIDA and BUDC within the next week.
- 10.0 **Office Relocation Update** – Mr. Cammarata updated the Committee regarding the logistics of relocating BUDC's operations from 143 Genesee Street to 95 Perry Street. The effective date of the relocation is September 30th, and BUDC will co-host an open house event at 95 Perry Street on October 9th.
- 11.0 **Adjournment** – There being no further business to come before the Audit & Finance Committee, upon motion made by Mr. Comerford, seconded by Ms. Braniecki and

unanimously carried, the September 16, 2013 meeting of the Audit & Finance Committee was adjourned.

Respectfully submitted,



Kevin J. Zanner, Secretary

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

February 24, 2014

Members of the Audit and Finance Committee
and Board of Directors
Buffalo Urban Development Corporation

We have audited the financial statements of Buffalo Urban Development Corporation (BUDC), a business-type activity, for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 2, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by BUDC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by BUDC during the year for which there is a lack of authoritative guidance or consensus.

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly important because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is the fair value of land and improvements held for sale.

Management's process for determining the above estimate is based on firm concepts and reasonable assumptions of future events. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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Footnote Disclosures

Certain financial statement disclosures are particularly important because of their significance to financial statement users. The most important disclosure affecting the financial statements is reflected in Note 4 – Land and Improvements Held for Sale. This note provides information on the available land for sale developed by BUDC.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We discovered no such misstatements during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 24, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to BUDC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as BUDC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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Other Matters

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

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

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MANAGEMENT LETTER

February 24, 2014

The Audit and Finance Committee, Board of Directors and Management
Buffalo Urban Development Corporation

In planning and performing our audit of the financial statements of Buffalo Urban Development Corporation (BUDC) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered BUDC'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 and for the purpose of expressing an opinion on the effectiveness of BUDC'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.

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

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

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BUFFALO URBAN DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo Urban Development Corporation

We have audited the accompanying balance sheets of Buffalo Urban Development Corporation (BUDC), a business-type activity, as of December 31, 2013 and 2012 and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended. We have also audited BUDC's internal control over financial reporting as of December 31, 2013, based on *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Financial Statements and Internal Control Over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to error or fraud. Management is also responsible for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on BUDC's internal control over financial reporting based on our audits. We conducted our audits of the financial statements 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 and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements 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. An audit of internal control over financial reporting involves obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing other such procedures as we considered necessary in the circumstances.

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

Definitions and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BUDC as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, BUDC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on *Internal Control – Integrated Framework* issued by the COSO.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10 be presented to supplement the financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

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Supplementary Information

The additional information on page 18 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the 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 February 24, 2014 on our consideration of BUDC'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 BUDC's internal control over financial reporting and compliance.

February 24, 2014

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Buffalo Urban Development Corporation's (BUDC) internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of BUDC's internal control over financial reporting as of December 31, 2013, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2013, BUDC's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

Buffalo Urban Development Corporation
February 24, 2014

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BUFFALO URBAN DEVELOPMENT CORPORATION

Management's Discussion and Analysis

December 31, 2013

(UNAUDITED)

Buffalo Urban Development Corporation (BUDC) is a not-for-profit corporation whose mission is to support the urban economic development efforts of the region through acquisition, remediation and management of distressed properties, and to engage in related real estate development activities for the purpose of attracting and/or retaining new and existing businesses to the City of Buffalo, New York (the City) as part of the region. The mission of BUDC also includes supporting the revitalization of the City by serving as the lead management entity for Buffalo Building Reuse Project (BBRP) initiatives, working in collaboration with the Mayor's office of Strategic Planning, including the coordination of financial assistance for downtown adaptive re-use projects and public rights-of-way improvements.

For financial reporting purposes, BUDC is classified as a governmental entity that is required to comply with accounting standards issued by the Governmental Accounting Standards Board (GASB) because a majority of its governing body are officials of local governments or appointed by officials of local governments. Under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, BUDC is required to present management's discussion and analysis (MD&A) to assist readers in understanding BUDC's financial performance.

In compliance with GASB Statement No. 34, we present the attached overview and analysis of the financial activities of BUDC for the years ended December 31, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with BUDC's audited financial statements.

Basic Overview of the Financial Statements

Included in this Annual Report are the following financial statements:

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

Financial Highlights

- BUDC's net position decreased by 0.6% from \$11.31 million in 2012 to \$11.24 million in 2013.
- BUDC experienced a decrease in net position (net loss) of \$73,000 in 2013 compared to a net profit of \$168,000 in 2012.
- BUDC's total assets and liabilities decreased by \$799,000 and \$726,000 respectively as it paid liabilities and recognized grant revenue earned during 2013.

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Condensed Comparative Financial Statements:

1. Net Position:

The following table (Table 1) presents condensed comparative financial information and was derived from the audited balance sheets of BUDC.

Table 1
Net Position as of December 31, 2013 and 2012
(Amounts in thousands)

	2013	2012	\$ Change	% Change
Assets:				
Cash	\$ 580	\$ 955	\$ (375)	-39%
Receivables	707	1,258	(551)	-44%
Restricted cash	1,496	1,421	75	5%
Other assets	57	5	52	1040%
Land and improvements held for sale	9,396	9,396	-	0%
Total assets	\$ 12,236	\$ 13,035	\$ (799)	-6%
Liabilities:				
Current liabilities	\$ 737	\$ 1,463	\$ (726)	-50%
Long-term liabilities	257	257	-	0%
Total liabilities	994	1,720	(726)	-42%
Net position:				
Restricted	1,538	1,449	89	6%
Unrestricted	9,704	9,866	(162)	-2%
Total net position	11,242	11,315	(73)	-1%
Total liabilities and net position	\$ 12,236	\$ 13,035	\$ (799)	-6%

Receivables - Receivables include grant and other receivables owed as a result of BUDC's development projects. The \$551,000 decrease is primarily due to the collection of \$408,000 under the NYS Department of State (NYS DOS) grant for the South Buffalo Brownfield Opportunity Area (BOA) grant. This grant funded a number of projects in the South Buffalo area, including a new master development plan for the RiverBend Commerce Park (Riverbend). In addition, BUDC collected another \$77,000 in remaining Greenway Commission and NYS DOS grant funds related to the completion of the new public park at BUDC's Buffalo Lakeside Commerce Park (BLCP). Finally, two loans totaling \$66,000 were received in full during 2013.

Restricted cash - Restricted cash relates primarily to the Buffalo Brownfields Redevelopment Fund (the Fund) held by the Erie County Industrial Development Agency (ECIDA) on behalf of BUDC. The Fund increased by a net \$75,000 as a result of \$461,000 in net tax receipts plus \$2,000 in interest less \$388,000 in expenditures for eligible BLCP and RiverBend development costs.

Other assets - Other assets include prepaid insurance and other amounts. The increase of \$52,000 primarily relates to a \$50,000 receivable for net taxes owed to the Buffalo Brownfields Redevelopment Fund.

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Current liabilities - The \$726,000 or 50% decrease in current liabilities was primarily due to \$684,000 of previously unearned grant revenue being recognized in income in 2013 principally due to various project expenditures related to the South Buffalo BOA grant.

Long-term liabilities - Long-term liabilities consists of a note payable to the former owner of certain BLCF property. As portions of this land are sold by BUDC, the note payable balance is reduced. Since BUDC did not sell any of this land in 2013, there was no reduction in the note payable balance.

2. Change in Net Position:

The following table (Table 2) presents condensed comparative financial information and was derived from BUDC's audited statements of revenues, expenses, and changes in net position.

Table 2
Change in Net Position for the Years ended December 31, 2013 and 2012
(Amounts in thousands)

	2013	2012	\$ Change	% Change
Revenue:				
Grants	\$ 765	\$ 382	\$ 383	100%
PILOT agreements	567	614	(47)	-8%
Other	31	259	(228)	-88%
Total revenue	1,363	1,255	108	9%
Expenses:				
Development costs	836	217	619	285%
Adjustment to net realizable value	126	389	(263)	-68%
Salaries and benefits	340	272	68	25%
Management fee - ECIDA	41	44	(3)	-7%
General and administrative	97	98	(1)	-1%
Interest	-	70	(70)	-100%
Total expenses	1,440	1,090	350	32%
Operating income (loss)	(77)	165	(242)	-147%
Interest income	4	3	1	33%
Change in net position	\$ (73)	\$ 168	\$ (241)	-143%

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3. Revenue and Expense Analysis:

Grants – Grant income includes income from the South Buffalo BOA projects and the new BLCF public park and road infrastructure. Grant income is recognized as the related grant expenses are incurred. In 2013, the majority of grant income, \$622,000, was derived from project management and implementation of the South Buffalo BOA. This included a study to determine the feasibility of developing a golf course on two nearby landfills to facilitate the relocation of the South Park Golf Course from the Frederick Law Olmsted-designed park. In 2012, grant income was lower due to minimal South Buffalo BOA grant expenditures and the conclusion of the BLCF public park and road infrastructure grants.

Other income – Other income decreased \$228,000 in 2013 as a result of a one-time recovery of \$229,000 in 2012 from a loan previously written-off.

Development costs – Development costs include those costs related to various BUDC projects, but excludes certain BLCF and Riverbend development costs that are reflected in “adjustment to net realizable value” as discussed below. The increase in development costs is attributable to the South Buffalo BOA development costs discussed in “Grant income” above as well as the costs associated with the BBRP initiative to re-energize the City of Buffalo’s downtown area.

Adjustment to net realizable value – The adjustment to net realizable value represents certain BLCF and Riverbend capitalized development costs. These costs are added to the book value of the land and improvements held for sale, however an offsetting adjustment is recorded to reduce the net book value to equal the estimated net realizable value of each property.

Salaries and benefits – Salaries and benefits increased by \$68,000 or 25% primarily due to the hiring of a Downtown Project Coordinator and Manager in 2013 to implement the BBRP project. This new position and other BBRP activities were funded with a \$100,000 annual grant from the Erie County Industrial Development Agency (ECIDA).

Management fee - ECIDA – ECIDA’s management fee represents costs charged for certain ECIDA staff that spend a portion of their time performing financial, compliance, administrative and property management services on behalf of BUDC.

Interest – Interest expense relates to interest on a short-term construction loan that BUDC utilized to fund the BLCF road improvements prior to receiving the ESDC grant funds. The loan was repaid in September 2012.

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4. Budget Analysis:

Each year, BUDC prepares an operating budget and three-year forecast. BUDC's 2013 budget was presented and approved by the Board of Directors on September 25, 2012. The following table (Table 3) presents an analysis of BUDC's performance compared to the approved 2013 budget.

Table 3
Budget to Actual Analysis for the year ended December 31, 2013
(Amounts in thousands)

	<u>Actual</u>	<u>Original Budget</u>	<u>Actual to Budget</u>	
			<u>\$ Change</u>	<u>% Change</u>
Revenue:				
Grants	\$ 765	\$ 2,590	\$ (1,825)	-70%
Brownfield Fund revenue	567	562	5	1%
Other income	31	83	(52)	-63%
Total revenue	1,363	3,235	(1,872)	-58%
Expenses:				
Development projects	962	1,693	(731)	-43%
Salaries and benefits	340	368	(28)	-8%
Management fee - ECIDA	41	45	(4)	-9%
Loss on land sales	-	66	(66)	-100%
General and administrative	97	97	-	0%
Total expenses	1,440	2,269	(829)	-37%
Operating income (loss)	(77)	966	(1,043)	-108%
Interest income	4	4	-	0%
Change in net position	\$ (73)	\$ 970	\$ (1,043)	-108%

Note: The original 2013 budget was not amended; therefore, only one budget column is presented.

Budget to Actual Analysis:

Overall, BUDC's change in net position was below budget by \$1,043,000. This was primarily due to BUDC not receiving a \$1 million draw under a \$3 million grant from Empire State Development Corporation (ESDC) for the establishment of a BBRP loan fund. This grant draw is expected to occur in 2014.

Grant income was \$1.825 million below budget as a result of BUDC not recognizing income on the \$1 million ESDC grant discussed above, as well as a \$500,000 Riverbend shoreline restoration grant and two grants of \$125,000 each for a Strategic Downtown Infrastructure Plan. The latter two grants were also the primary reason Development Projects were under budget by \$731,000 or 43%.

In the 2013 budget, BUDC had anticipated selling 10 acres of property at BLCF for gross proceeds of \$500,000 with a net loss on land sales of \$66,000. However, no such land sales occurred in 2013.

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5. Economic Factors Impacting BUDC:

BUDC has limited sources of operating funds that can support its ongoing operating costs. As a result, BUDC is reliant upon future land sales occurring at its two business parks (BLCP and Riverbend) to support operations. In January 2014, a memorandum of understanding was signed by the Chairman of BUDC's Board of Directors to sell 88 acres of Riverbend property. It is anticipated that a purchase agreement for this land sale will be finalized in 2014.

6. Requests for Information:

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

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BUFFALO URBAN DEVELOPMENT CORPORATION

Balance Sheet

<u>December 31,</u>	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash	\$ 580,420	\$ 954,793
Receivables		
Current portion of loans (Note 2)	-	65,953
Grants (Note 3)	707,094	1,191,912
Restricted cash	1,495,946	1,420,767
Other current assets	57,018	5,733
	<u>2,840,478</u>	<u>3,639,158</u>
Land and improvements held for sale, net (Note 4)	9,395,685	9,395,685
	<u>\$ 12,236,163</u>	<u>\$ 13,034,843</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 376,903	\$ 439,925
Unearned grant revenue (Note 3)	360,206	1,022,776
	<u>737,109</u>	<u>1,462,701</u>
Note payable (Note 5)	257,381	257,381
	<u>994,490</u>	<u>1,720,082</u>
Net position:		
Restricted	1,538,441	1,448,462
Unrestricted	9,703,232	9,866,299
	<u>11,241,673</u>	<u>11,314,761</u>
	<u>\$ 12,236,163</u>	<u>\$ 13,034,843</u>

See accompanying notes.

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BUFFALO URBAN DEVELOPMENT CORPORATION

Statements of Revenues, Expenses, and Changes in Net Position

<u>For the years ended December 31,</u>	<u>2013</u>	<u>2012</u>
Operating revenues:		
Grants	\$ 765,069	\$ 381,867
PILOT agreements	566,684	613,955
Loan interest	5,959	11,002
Rental and other	25,292	248,200
Total operating revenues	<u>1,363,004</u>	<u>1,255,024</u>
Operating expenses:		
Development costs	836,102	216,678
Adjustment to net realizable value	125,967	389,466
Salaries and benefits	340,261	272,488
Management fee	41,405	44,149
General and administrative	96,799	97,687
Interest	-	69,637
Total operating expenses	<u>1,440,534</u>	<u>1,090,105</u>
Operating income (loss)	(77,530)	164,919
Nonoperating revenue:		
Interest income	4,442	2,978
Change in net position	<u>(73,088)</u>	<u>167,897</u>
Net position - beginning	<u>11,314,761</u>	<u>11,146,864</u>
Net position - ending	<u>\$ 11,241,673</u>	<u>\$ 11,314,761</u>

See accompanying notes.

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BUFFALO URBAN DEVELOPMENT CORPORATION

Statements of Cash Flows

For the years ended December 31,

	2013	2012
Operating activities:		
Cash from PILOT agreements	\$ 516,244	\$ 613,955
Cash from grants	587,317	4,367,018
Loans and loan interest collected	71,912	209,625
Other sources	25,292	248,200
Payments to employees, suppliers, and other	(1,410,551)	(639,203)
Net operating activities	(209,786)	4,799,595
Noncapital financing activities:		
Principal payments on note payable	-	(2,298,861)
Capital and related financing activities:		
Payments for land purchases and improvements on property held for sale	(93,850)	(1,285,759)
Investing activities:		
Interest	4,442	2,978
Change in restricted cash	(75,179)	(447,373)
Net investing activities	(70,737)	(444,395)
Net change in cash	(374,373)	770,580
Cash - beginning	954,793	184,213
Cash - ending	\$ 580,420	\$ 954,793
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ (77,530)	\$ 164,919
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Adjustment to net realizable value	125,967	389,466
Changes in other assets and liabilities:		
Grants and other receivables	484,818	4,347,851
Loans receivable	65,953	198,420
Other current assets	(51,285)	61,639
Accounts payable and accrued expenses	(95,139)	-
Unearned grant revenue	(662,570)	(362,700)
Net operating activities	\$ (209,786)	\$ 4,799,595

See accompanying notes.

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BUFFALO URBAN DEVELOPMENT CORPORATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization:

Buffalo Urban Development Corporation (BUDC), formerly Development Downtown, Inc., was incorporated in 1978 by the City of Buffalo, New York (the City) to facilitate partnership with the private sector in the development of the City, primarily through the administration of Federal Urban Development Action (UDAG) grants.

Funding was initially received from the City, however the City has not allocated direct funding to BUDC for several years and future allocations are not expected. Funding is received primarily from land sales, grant funding, and loan repayments.

In 2005, an agreement between BUDC, Erie County Industrial Development Agency (ECIDA), the City, and Erie County (the County) established the Buffalo Brownfields Redevelopment Fund (the Fund). This Fund dedicates certain payments received in lieu of real estate tax (PILOT) for future eligible project costs. The Fund is administered by ECIDA and reimburses BUDC for eligible project costs incurred. The activity of the Fund is included in these financial statements.

BUDC is the sole member of Riverbend LLC (Riverbend), which was formed in 2008 to purchase 185 acres of land along South Park Avenue in Buffalo, New York. Riverbend is also responsible for maintenance, the administration of site improvements, marketing, leasing, and eventual sale of the property.

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

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:

BUDC 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. BUDC'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.

BUDC's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those from PILOT payments, grants, or 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 BUDC's interest income.

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.

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Cash:

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

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance (FDIC). 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 BUDC's deposits may not be returned to it. At December 31, 2013, BUDC's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging bank's agent in BUDC'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 charged 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:

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

Income Taxes:

BUDC is a 501(c)(4) organization exempt from income taxes under §501(a) of the Internal Revenue Code. Management believes BUDC is no longer subject to examination by Federal taxing authorities for years ended prior to December 31, 2010.

Reclassifications:

Certain reclassifications were made to the 2012 financial statements to conform to the 2013 presentation.

2. Loans Receivable:

At December 31, 2012 loans receivable amounted to \$65,953 which consisted of two commercial loans made to assist the private sector in City development or to facilitate land sales. Loan terms vary with interest rates ranging from 3% to 4%, and specify periodic principal repayments. Both loans were repaid during 2013.

Excluded from loans receivable is a note in the amount of \$536,000 in connection with certain development property. The loan is offset by a \$536,000 payable to the City for demolition costs of the original building located on the property. Terms of the loan require that if the façade of the original building is used in future development of the property, the loan will be forgiven. If the façade is not used, the loan is due in full and the proceeds will be used to reimburse the City for the original cost of the demolition. BUDC is not otherwise responsible for the repayment of this loan.

3. Grants Receivable and Unearned Grant Revenue:

In 2011, BUDC was awarded two grants amounting to \$1,708,000 from the State Department of State (DOS) for reimbursement of administrative and construction costs incurred at Buffalo Lakeside Commerce Park (BLCP). Grants are recognized at the time awarded, with timing differences resulting from funds spent and earned. The following is a summary of grants receivable and unearned grant revenue:

	<u>2013</u>	<u>2012</u>
Grants receivable:		
DOS	\$ 684,594	\$ 1,136,312
Other	22,500	55,600
	<u>\$ 707,094</u>	<u>\$ 1,191,912</u>
Unearned grant revenue:		
DOS	\$ 334,502	\$ 963,030
Other	25,704	59,746
	<u>\$ 360,206</u>	<u>\$ 1,022,776</u>

4. Land and Improvements Held for Sale:

Buffalo Lakeside Commerce Park:

In 2002, on behalf of the City, BUDC agreed to undertake a multi-phase Brownfield reclamation and redevelopment project at the former Hanna Furnace site and land surrounding the Union Ship Canal, now known as BLCP. BUDC accepted 104 acres of tax-foreclosed property from the City, demolished derelict structures, and constructed approximately 5,000 linear feet of roads and infrastructure. Funding for this work was provided by the State, the City and the County.

With additional funding from the State, BUDC purchased 130 acres of land to add to BLCP and constructed additional roads and infrastructure.

Riverbend, LLC:

In 2008, Riverbend acquired 185 acres of land from Steelfields Ltd for \$4,638,250. The City provided this funding through BEREC with State funds and the agreement that BUDC would pay for all costs incurred to plan, improve, market, sell, and lease the property. In the event that income exceeded total costs, BUDC would split the net profit equally with BEREC. In addition, BEREC agreed to split equally the net profit of two properties it owns with BUDC. Riverbend has not generated a net profit since acquisition and, therefore, no amounts are due to BEREC at December 31, 2013.

In January 2014, a memorandum of understanding was signed by the Chairman of BUDC's Board of Directors to sell 88 acres. The agreement could require BUDC to return a portion of the sale proceeds to the City. This transaction could reduce BUDC's net position by approximately \$700,000. At this time, the sale has not been approved by BUDC's Board of Directors and no loss has been recorded in these financial statements.

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

	<u>2013</u>	<u>2012</u>
BLCP	\$ 8,971,873	\$ 8,866,781
Riverbend	5,424,140	5,403,265
	<u>14,396,013</u>	<u>14,270,046</u>
Less adjustment to net realizable value	5,000,328	4,874,361
	<u>\$ 9,395,685</u>	<u>\$ 9,395,685</u>

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5. Notes Payable:

In connection with the purchase of property related to BLCP, BUDC issued a non-interest bearing note payable in the amount equal to the greater of \$525,000 (\$13,125 per acre) or a percentage of the resale price of the developed property. At December 31, 2013 and 2012, the note payable amounted to \$257,381, which represents the remaining 19.61 acres of land at \$13,125 per acre.

6. Management Fee:

BUDC has an agreement with ECIDA to provide certain personnel to perform administrative and accounting functions on behalf of BUDC. Total expenses paid to ECIDA amounted to \$41,405 and \$44,149 for the years ended December 31, 2013 and 2012. Amounts owed to ECIDA under this agreement totaled \$42,383 and \$58,096 at December 31, 2013 and 2012.

7. Cash Flows Information:

Noncash capital and related financing activities excluded from the 2013 and 2012 statements of cash flows include land improvements purchased with trade payables of \$32,117 and \$439,925 at December 31, 2013 and 2012.

8. Contingencies:

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

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BUFFALO URBAN DEVELOPMENT CORPORATION

Supplementary Information Schedules of Revenues and Expenditures of Riverbend LLC

For the years ended December 31,

2013

2012

Revenues:

\$ - \$ -

Expenditures:

Monitoring and maintenance

115,004 95,566

Insurance

16,135 15,327

Utilities

7,925 7,598

General and administrative

- 1,928

Professional fees

20,875 4,248

Total disbursements and excess expenditures

\$ 159,939 \$ 124,667

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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 Urban 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 financial statements of Buffalo Urban Development Corporation (BUDC), a business-type activity, which comprise the balance sheet as of December 31, 2013, 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 have issued our report thereon dated February 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BUDC's internal control over financial reporting (internal control) to determine the 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 BUDC's internal control. Accordingly, we do not express an opinion on the effectiveness of BUDC'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BUDC'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 determination of financial statement amounts. 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*.

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Purpose of this Report

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

February 24, 2014

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

The Board of Directors
Buffalo Urban Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Buffalo Urban Development Corporation (BUDC), a business-type activity, which comprise the balance sheet as of December 31, 2013, 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 February 24, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that BUDC failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2013. 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 BUDC'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.

February 24, 2014

BUFFALO URBAN DEVELOPMENT CORPORATION
INVESTMENT AND DEPOSIT POLICY

ARTICLE I
Scope

Section 2925 of the New York Public Authorities Law requires the Buffalo Urban Development Corporation (the “Corporation”) to adopt by resolution comprehensive investment guidelines which detail its operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the Corporation.

This investment and deposit policy (“Investment Policy”) is adopted by the Corporation pursuant to the foregoing provisions of the Public Authorities Law and shall apply to all moneys and other financial resources available for investment on the Corporation’s own behalf or, when applicable, on behalf of any other entity or individual. The provisions of this Investment Policy are also consistent with the requirements of Sections 10 and 11 of the New York General Municipal Law, which the Corporation is not required to comply with, but has elected to follow as a “best practice.”

This Investment Policy shall be applicable to all affiliates and subsidiaries of the Corporation, and to all other affiliates or subsidiary companies of the Corporation which may hereafter be established by the Corporation and which are determined to be subject to the requirements of Section 2925 of the Public Authorities Law (an “Affiliate”). Unless otherwise indicated, all references to the “Corporation” herein shall also include the each Affiliate.

ARTICLE II
Governing Principles

A. Investment Objectives.

The primary objectives of the Corporation’s investment policy are, in order of priority, as follows: (i) to conform with all applicable federal, state and local laws and legal requirements; (ii) to adequately safeguard principal; (iii) to provide sufficient liquidity to meet all operating requirements of the Corporation; and (iv) to obtain a reasonable rate of return.

B. Diversification.

The policy of the Corporation is to diversify by investment instrument, by maturity, and where practicable by financial institution.

C. Internal Controls.

1. All funds received by an officer or employee of the Corporation shall be promptly deposited with the depositories designated by the Corporation (pursuant to Article III.A of this Investment Policy) for the receipt of such funds.

2. The Treasurer of the Corporation shall maintain or cause to be maintained a proper record of all books, notes, securities or other evidence of indebtedness held by the Corporation for investment and deposit purposes. Such record shall identify the security, the fund for which it is held, the place where kept, the date of sale or other disposition, and the amount received from such sale or other disposition.

3. The Corporation is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

D. Authorized Financial Institutions and Dealers.

The Corporation shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments that may be outstanding with each financial institution or dealer. All financial institutions with which the Corporation conducts business must be creditworthy as determined by criteria established by the Treasurer of the Corporation. All banks with which the Corporation does business shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers.

E. Purchase of Investments.

The Corporation may contract for the purchase of investments directly, including through a repurchase agreement, from an authorized trading partner. All purchased obligations, unless registered or inscribed in the name of the Corporation, shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Corporation by the bank or trust company shall be held pursuant to a written custodial agreement as described in Article IV.C.2 of this Policy.

F. Repurchase Agreements.

The Corporation may enter into repurchase agreements subject to the following restrictions:

1. All repurchase agreements must be entered into subject to a Master

Repurchase Agreement.

2. Trading partners are limited to commercial banks or trust companies authorized to do business in New York State and primary reporting dealers.
3. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
4. No substitution of securities will be allowed.
5. Obligations purchased pursuant to a repurchase agreement shall be held by a custodian other than the trading partner, pursuant to a written custodial agreement that complies the terms of Article IV.C.2 of this Policy.

ARTICLE III
Investments

A. General Policy.

It is the general policy of the Corporation that funds not required for immediate expenditure shall be invested as described in Article III.B below. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

B. Permitted Investments.

The Treasurer is authorized to invest funds not required for immediate expenditure in the following investments, which are permitted under Section 11 of the General Municipal Law:

1. Special time deposit accounts in, or certificates of deposit issued by any commercial bank or trust company that is located in and authorized to do business in New York State, provided that such deposit account or certificate of deposit is secured in the same manner as provided in Article IV.B of this Investment Policy and is payable within such time as the proceeds shall be needed to meet expenditures for which the funds were obtained;
2. Obligations of the United States of America;
3. Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;
4. Obligations of the State of New York; and

5. Such other obligations as may be permitted under Section 11 of the General Municipal Law.

All investments as provided in Sections B(2) through B(5) of this Article shall be payable or redeemable at the option of the Corporation within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Corporation within two years of the date of purchase, and comply with such other requirements as set forth in Section 11 of the General Municipal Law.

ARTICLE IV **Deposits**

A. Designation of Depositories.

The Corporation shall, by resolution, designate one or more commercial banks or trust companies for the deposit of Corporation funds received by the Corporation. Such resolution shall specify the maximum amount that may be kept on deposit at any time with each bank or trust company. Such designations and amounts may be changed at any time by further resolution of the Corporation.

B. Collateralization of Deposits.

All deposits of the Corporation (including certificates of deposit and special time deposits) in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured as follows:

1. By a pledge of “eligible securities” with an aggregate “market value” as defined by Section 10 of the General Municipal Law, at least equal to the aggregate amount of deposits. A list of eligible securities is attached hereto as Schedule A.

2. By an irrevocable letter of credit issued by a qualified bank (other than the bank with which the money is being deposited or invested) in favor of the Corporation for a term not to exceed ninety (90) days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable minimum risk-based capital requirements.

3. By an eligible surety bond payable to the Corporation for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The terms and conditions of any eligible surety bond shall be

subject to Board approval.

C. Safekeeping and Collateralization.

Eligible securities used for collateralizing deposits shall be held by the depository and/or third party bank or trust company subject to security and custodial agreements as described below.

1. Security Agreement Requirements. The security agreement shall provide that eligible securities are being pledged to secure Corporation deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events which will enable the Corporation to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Corporation, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the depository or its custodial bank.

2. Custodial Agreement Requirements. The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The custodial agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The custodial agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities and may include such other terms as the Board deems necessary.

ARTICLE V

Monitoring and Reporting Obligations

The following monitoring and reporting procedures shall be applicable in connection with the deposit and investment of funds subject to this Investment Policy:

A. Monthly Monitoring.

Each cash and investment account statement will be reviewed and reconciled by staff on a monthly basis. The Treasurer will review each account reconciliation for accuracy and will investigate any unusual items noted.

B. Monitoring and Reporting.

Pursuant to Section 2925(5) of the Public Authorities Law, the Treasurer of the Corporation shall present a report at each meeting of the Board of Directors which will include the following information: (i) the cash and investment balances of the Corporation; (ii)

identification of any new investments since the last report; (iii) information concerning the selection of investment bankers, brokers, agents dealers or auditors since the last report; and (iv) the names of the financial institutions holding Corporation deposits.

C. Annual Monitoring and Reporting.

1. On an annual basis, the Corporation will obtain an independent audit of its financial statements, which shall include an audit of its cash and investments and the Corporation's compliance with this Investment Policy. The results of the independent audit shall be made available to the Board of Directors at the time of its annual review of this Investment Policy.

2. Pursuant to Section 2925(6) of the Public Authorities Law, staff shall, on an annual basis, prepare and submit for Board approval an investment report which shall include this Investment Policy, amendments to the Investment Policy since the last investment report, an explanation of the Investment Policy and any amendments, the results of the annual independent audit, the investment income record of the Corporation and a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the last investment report. The investment report will be distributed to those individuals identified in Section 2925(7)(b) of the Public Authorities Law. The Corporation shall make available to the public copies of its investment report upon reasonable request therefor.

ARTICLE VI
Annual Review

This Investment Policy shall be reviewed and approved by the Board of Directors of the Corporation on an annual basis.

ARTICLE VII
Savings Clause

Nothing contained in Section 2925 of the Public Authorities Law shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into by the Corporation in violation of, or without compliance with the provisions of Section 2925 of the Public Authorities Law.

SCHEDULE A
ELIGIBLE SECURITIES

Obligations issued by the United States of America, an Corporation thereof or a United States government sponsored corporation or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an Corporation thereof or a United States government sponsored corporation.

Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank.

Obligations partially insured or guaranteed by any Corporation of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.

Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation or such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.

Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Obligations of counties, cities and other governmental entities of another state having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest categories by at least one nationally recognized statistical rating organization.

Obligations of domestic corporations rated one of the two highest rating categories by at least one nationally recognized statistical rating organization.

Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.

Commercial paper and bankers' acceptances issued by a bank (other than the bank with which the money is being deposited or invested), rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than sixty days from the date they are pledged.

Zero Coupon obligations of the United States government marketed as "Treasury STRIPS".

Adopted: 4/7/2009
Re-Adopted: 4/6/2010
Re-Adopted: 3/29/2011
Re-Adopted: 3/27/2012
Re-Adopted: 3/26/2013

Buffalo Urban Development Corporation
Investment Report
For the year ended December 31, 2013

Buffalo Urban Development Corporation

2013 Annual Investment Report

Purpose of Report:

Under Section 2925(6) of the Public Authorities Law, BUDC is required to annually prepare and approve an Investment Report. The Investment Report is to include: BUDC's Investment Guidelines (see below), the results of the annual independent audit (see below), a list of the total investment income received by the corporation and a list of the fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the corporation since the last investment report.

The attached schedule details the corporation's investment income and related fees for the year ended December 31, 2013 and was approved by the BUDC Board of Directors at their March 25, 2014 meeting.

Investment Guidelines:

In accordance with Section 2925 of the Public Authorities Law, BUDC is required to adopt Investment Guidelines which detail its operative policy and instructions to staff regarding the investing, monitoring and reporting of funds of the Agency. In addition, BUDC has elected to follow the deposit and investment restrictions contained in Sections 10 and 11 of the General Municipal Law as a "best practice".

BUDC's Investment Guidelines were approved by the BUDC Board of Directors at their March 25, 2014 meeting and are posted on the BUDC website at <http://www.buffalourbandevelopment.com/budc-corporate-policies>. The Investment Guidelines are consistent with the Guidelines adopted on March 26, 2013.

Investment Audit:

BUDC's auditors have audited the corporation's compliance with the Investment Guidelines for Public Authorities. In their report dated February 14, 2014 Lumsden & McCormick LLP have indicated that BUDC complied, in all material respects, with these Investment Guidelines.

Buffalo Urban Development Corporation (BUDC)
Buffalo Brownfield Restoration Corporation (BBRC)
 Annual Investment Report
 For the year ended December 31, 2013

Account Type	Financial Institution	G/L Balance		Interest Rate* Dec 2013	Fees	Restricted	Purpose
		1/1/2013	12/31/2013				
1 Interest Checking	First Niagara Bank	\$ 905,132	\$ 538,122	0.10%	\$ -		General BUDC Checking account.
2 Interest Checking	First Niagara Bank	3,402	85	-	-		General BUDC Payroll account
2 Interest Checking	First Niagara Bank	4,792	3,237	-	-		General BBRC Checking/Savings account
3 Interest Checking	First Niagara Bank	1,420,767	1,495,946	0.15%	2,496	√	Restricted account for City of Buffalo real estate development**
4 Interest Checking	First Niagara Bank	46,259	42,213	0.01%	5	√	Restricted account for eligible Erie County Development Projects***
		<u>\$ 2,380,362</u>	<u>\$ 2,079,604</u>		<u>\$ 3,237</u>		

Notes:

In 2011, a joint BUDC/ECIDA Request for Proposal for banking services was completed. Based on the RFP's received, First Niagara was selected as the new financial institution for BUDC/ECIDA and their affiliated companies.

All accounts are FDIC guaranteed and secured by collateral posted by the depository or its agent for balances above the FDIC limit.

* The Interest Rate is the annualized rate for the month of December 2013 and is prior to the deduction of fees (if any).
 ** This account is known as the Buffalo Brownfields Redevelopment Fund and is held by the ECIDA on behalf of BUDC.
 *** This account is known as the Regionally Significant Projects Fund and is held by the ECIDA on behalf of BUDC.

BUFFALO URBAN DEVELOPMENT CORPORATION

AUDIT AND FINANCE COMMITTEE CHARTER

The Board of Directors of Buffalo Urban Development Corporation (the "Corporation") hereby adopts this charter as the Audit and Finance Committee Charter (the "Charter") of the Corporation as of the Effective Date set forth herein.

ARTICLE I

Composition of the Audit and Finance Committee

A. The Audit and Finance Committee (the "Audit Committee") shall be appointed by the Board and shall be comprised of not less than three (3) independent members, who shall constitute a majority of the Committee. In the event that the Board has less than three (3) independent members, the Board may appoint non-independent members to the Audit Committee so long as the independent members constitute a majority of the Audit Committee. The term "independent member" shall have the meaning set forth in Section 2825 of the Public Authorities Law, as the same may be amended from time to time.

B. Appointees to the Audit Committee are required to possess the necessary skills to understand the duties and functions of the Audit Committee and be familiar with corporate financial and accounting practices. The Board shall designate one member of the Audit Committee to serve as Chair of the Audit Committee. Each member of the Audit Committee shall serve for a term of one (1) year and until his or her successor shall be appointed and qualified.

C. Audit Committee members shall be prohibited from being an employee of the Corporation or an immediate family member of an employee of the Corporation. Members of the Audit Committee shall not engage in any private business transactions with the Corporation or receive compensation from any private entity that has material business relationships with the Corporation, or be an immediate family member of an individual that engages in private business transactions with the Corporation or receives compensation from an entity that has material business relationships with the Corporation.

ARTICLE II

Committee Meetings

A. The Audit Committee will meet at least annually and as frequently as may be necessary or appropriate in order to fulfill the functions outlined in this Charter. The Audit Committee may invite other individuals, such as staff members, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

B. Meeting notices will be prepared for each meeting and provided to Audit Committee members by electronic or regular mail at least five (5) days in advance of the scheduled meeting. Meetings shall be held in compliance with the requirements of the Open Meetings Law. Agenda materials will be provided in advance of each meeting. A quorum of the Audit Committee shall consist of a majority of the members then serving on the Audit Committee. The affirmative vote of a majority of the members then serving on the Audit Committee shall constitute an act of the Audit Committee. Minutes of the Committee meetings shall be recorded by the Secretary or, in his or her absence, an Assistant Secretary or any other person designated as secretary of the meeting by the Chair of the Audit Committee.

ARTICLE III **Committee Responsibilities**

The Audit Committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) oversight of management's internal controls, compliance and risk assessment practices; (c) special investigations and whistleblower policies; and (d) miscellaneous issues related to the financial practices of the Corporation.

A. Independent Auditors and Financial Statements

The Audit Committee shall:

(i) Recommend to the Board the appointment of independent auditors, establish the compensation to be paid to the auditors retained by the Corporation, pre-approve all audit services provided by the independent auditor and provide oversight of the audit services provided by the independent auditor.

(ii) Engage independent auditors to provide permitted audit services, consistent with and in accordance with the procurement policy of the Corporation. The Corporation's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services include tasks that directly support the Corporation's operations, such as (a) bookkeeping or other services related to the accounting records or financial statements of the Corporation; (b) financial information systems design and implementation; (c) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (d) actuarial services; (e) internal audit outsourcing services; (f) management functions or human resource services; (g) broker or dealer, investment advisor, or investment banking services; and (h) legal services and expert services unrelated to the audit function.

(iii) Review and approve the Corporation's audited financial statements, associated management letter and all other auditor communications.

(iv) Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements of the Corporation.

(v) Meet with the Corporation's independent auditor at least annually to discuss the financial statements of the Corporation, and on an as-needed basis to discuss any significant issues that may have arisen during the course of the audit.

(vi) Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

B. Internal Controls, Compliance and Risk Assessment

The Audit Committee shall review management's assessment of the effectiveness of the Corporation's internal controls and review the actions taken by management on the independent accountants' and auditors' suggestions for correcting weaknesses, if any, in the Corporation's internal controls, regulatory compliance, organizational structure and operations, and if applicable, any weaknesses noted.

C. Special Investigations

The Audit Committee shall:

(i) Ensure that the Corporation has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers or employees of the Corporation or any persons having business dealings with the Corporation or breaches of internal control.

(ii) Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing.

(iii) Request and oversee special investigations as needed and/or refer specific issues to the Board or appropriate committee of the Board for further investigation.

D. Other Responsibilities

The Audit Committee shall obtain information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process, internal controls and an appropriate level of familiarity in financial reporting standards and processes.

ARTICLE IV
Committee Reports

The Audit Committee shall:

A. Report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Audit Committee and when otherwise requested by the Board;

B. Report to the Board, at least annually, regarding any proposed changes to this Charter;

C. Provide a self-evaluation of the Audit Committee's functions to the Board on an annual basis; and

D. Report to the Board on a periodic basis, at least annually, the findings of its independent auditors. These reports shall include careful consideration of the actions taken by management on the independent auditors' suggestions for correcting weaknesses, if any, in the Corporation's internal controls, regulatory compliance, organizational structure and operations. These reports may include the adequacy of the audit effort by the Corporation's independent auditors, the financial and regulatory compliance reporting decisions of management, the adequacy of disclosure of information essential to a fair presentation of the financial affairs and regulatory compliance efforts of the Corporation, and the organization and quality of the Corporation's system of management and internal accounting controls.

ARTICLE V **Amendments**

This Charter shall be effective upon the affirmative vote of the Board of Directors of the Corporation and may be amended upon affirmative vote of a majority of the Board of Directors of the Corporation.

Effective Date: April 7, 2009

Amended: March 2, 2010

Re-adopted: March 26, 2013

**Buffalo Urban Development Corporation
2013 Audit & Finance Committee Self-Evaluation**

Responsibilities of the Audit & Finance Committee:

The core responsibilities of the Audit & Finance Committee, as mandated under Section 2825 of the New York Public Authorities Law, are set forth in the Bylaws and include: (i) the independent auditor and annual financial statements; (ii) oversight of management's internal controls, compliance, and risk assessment practices; (iii) special investigations and whistleblower policies; and (iv) miscellaneous issues related to the financial practices of the Corporation.

Audit & Finance Committee Self-Evaluation	Yes	No	Pen ding	Comments
1. Are the members of the Audit & Finance Committee appointed in accordance with the Bylaws and do individuals appointed to the Audit & Finance Committee possess the necessary skills to understand the duties and functions of the Audit & Finance Committee and are familiar with corporate financial and accounting practices?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Is each member of the Audit & Finance Committee an "independent member" within the meaning of, and to the extent required by, Section 2825 of the New York Public Authorities Law, as amended from time to time? Did Audit & Finance Committee members, who are members of the Agency, comply with the conflict of interest provisions applicable to public officers under Article 18 of the New York General Municipal Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Did the Audit & Finance Committee meet a minimum of once (1) each calendar year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Audit & Finance Committee met on 1/16/13, 3/19/13, and 9/16/13.
4. Were meeting notices and agendas prepared for each meeting and provided to Audit & Finance Committee members by electronic or regular mail at least five (5) days in advance of the scheduled meeting? Were minutes of all meetings recorded by the Secretary or any Assistant Secretary of the Agency? Did all meetings comply with the requirements of the Open Meetings Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Audit & Finance Committee Self-Evaluation	Yes	No	Pen ding	Comments
<p>5. Did the Audit & Finance Committee develop the Agency's audit practices, which should address independent auditors and financial statements; internal controls, compliance, and risk assessment; special investigations; and other responsibilities?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	See Questions #6-#10 below
<p>6. Did the Audit & Finance Committee:</p> <p>(a) Recommend to the Board the appointment of independent auditors, establish the compensation to be paid to the auditors, pre-approve all audit services provided by the independent auditor, and provide oversight of the audit services provided by the independent auditor?</p> <p>(b) Engage independent auditors to provide permitted audit services consistent with the procurement policy of the Corporation?</p> <p>(c) Review and approve the Corporation's audited financial statements, associated management letter, and all other auditor communications?</p> <p>(d) Review significant accounting and reporting issues and understand their impact on the financial statements of the Corporation?</p> <p>(e) Meet with the Corporation's independent auditor at least annually to discuss the financial statements of the Corporation and any issues that may have arisen during the audit?</p> <p>(f) Review and discuss any significant risks reported in the independent audit and assess the responsiveness of management's follow-up activities regarding same?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>In March 2013, Lumsden & McCormick, LLP completed a financial audit of the BUDC. On 3/19/13, Lumsden McCormick presented the draft 2012 audited financial statements to the Audit & Finance Committee. Lumsden issued an unqualified (clean) opinion. They also indicated that the audit did not uncover any significant weaknesses in internal control. Following discussion, the Committee recommended that the Board accept the draft audited financial statements. Lumsden McCormick also presented the 2012 draft financial statements of the Buffalo Brownfields Redevelopment Fund. The ECIDA is the custodian for the Brownfields Fund. Accordingly, the financial statements were presented to the Committee for informational purposes only.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pen ding	Comments
7. Did the Audit & Finance Committee review management's assessment of the effectiveness of the Corporation's internal controls and review the actions taken by management on the independent accountants' and auditors' suggestions for correcting weaknesses in the Corporation's internal controls, regulatory compliance, and organizational structure and operations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	As per the March 2013 audit report, no significant weaknesses in internal control were noted.
8. Did the Audit & Finance Committee: (a) Ensure that the Corporation has a confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest by directors, officers, or employees of the Corporation or anyone having business dealings with the Corporation? (b) Develop procedures for the receipt, retention, investigation, or referral of complaints concerning accounting, internal controls, and auditing? (c) Request and oversee special investigations as needed or refer specific issues to the Board or appropriate committee for further investigation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The BUDC adopted a Whistleblower Policy in March of 2012. The Policy describes the process for reporting suspected fraudulent activities and describes the protections provided to individuals who report suspected fraudulent activities. The Policy was re-adopted by the Board on 2/26/13.
9. Did the Audit & Finance Committee obtain information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process, internal controls; and appropriate level of familiarity in financial reporting standards and processes?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	During its meeting on 3/19/13, the Audit & Finance Committee reviewed a Not-for-Profit Audit Committee handbook.

Audit & Finance Committee Self-Evaluation	Yes	No	Pen ding	Comments
<p>10. Did the Audit & Finance Committee:</p> <p>(a) Report its actions and recommendations to the Board?</p> <p>(b) Report to the Board at least annually regarding any changes to the Audit & Finance Committee Charter?</p> <p>(c) Provide a self-evaluation to the Board on an annual basis?</p> <p>(d) Report to the Board at least annually on the findings of its independent auditors?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>On 3/26/13, the Audit & Finance Committee reported on its activities to the BUDC Board of Directors. These activities included the: (1) Audit & Finance Committee self-evaluation; (2) Audit & Finance Committee Charter; (3) proposed 2012 audited financial statements prepared by Lumsden McCormick; (5) 2012 drafted audited financial statements for the Buffalo Brownfields Redevelopment Fund prepared by Lumsden McCormick; (6) 2012 Public Authorities Annual Report; (7) Investment & Deposit Policy; and (8) 2012 Investment Report.</p>

Audit & Finance Committee Self-Evaluation
Other Self-Evaluation Notes
<p>1) In addition to the above:</p> <ul style="list-style-type: none"> • The Finance & Audit Committee discussed and approved the financial arrangements and additional costs incurred by the Corporation in connection with its move to 95 Perry Street. • The Finance & Audit Committee discussed funding for loan management services, loan fund underwriting, and the loan guidelines & operating plan for the BUDC Loan Fund which is expected to be operational in early 2014. • During its 1/16/13 meeting, the Audit & Finance Committee discussed the conversion of BUDC from a 501(c)(4) corporation to a 501(c)(3) not-for-profit corporation in order to attract new funding sources and donations. The Board approved the conversion during its meeting on 3/26/13. • During the 9/16/13 meeting, the Audit & Finance Committee reviewed and discussed the 2014 draft budget for the BUDC. The Committee recommended that the Board approve the proposed 2014 budget and 2015-2017 budget forecast.