

## Buffalo Urban Development Corporation

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### **Audit & Finance Committee Meeting Wednesday – October 2, 2019 - Noon BUDC Offices, 4<sup>th</sup> Floor, 95 Perry**

#### **Agenda**

1. Approval of Minutes from the September 11, 2019 Meeting *(Action) (Handout)*
2. 2020 BUDC Proposed Budget & Three Year Forecast *(Recommendation) (Handout)*
3. 2020 683 Northland Master Tenant Proposed Budget *(Information) (Handout)*
4. Freed Maxick 2019 Audit Plan *(Information) (Handout)*
5. Adjournment *(Action)*

**Buffalo Urban Development Corporation**  
**2020 Proposed Budget**

REVENUE	Budget 2020	Projected 2019	YTD July 2019	Actual 2018
Grant Revenue				
Empire State Development	\$ -	\$ 16,222,574	\$ 13,690,164	\$ 20,868,055.00
Restore NY	4,198,500	745,290	412,739	699,252
Ralph C. Wilson, Jr. Foundation	3,112,000	1,442,100	57,100	-
National Grid - Urban Corridor Program	250,000	250,000	-	-
National Grid - Brownfield	131,500	300,000	300,000	-
NYPA (carryover)	500,000	2,011,018	969,785	4,260,589
City of Buffalo - CDBG	-	-	-	279,074
National Grid - Building WNY	-	5,000	-	-
ECIDA	100,000	100,000	58,333	100,000
Other	108,500	40,000	-	45,707
Gross Proceeds from Land Sales	935,000	-	-	-
Less: Cost of Land Sales	(799,452)	-	-	-
Buffalo Brownfield Fund Revenue (net)	115,000	299,000	83,643	427,232
Regionally Significant Project Fund (net)	-	-	-	19,532
Developer Fee	5,145,000	6,741,746	6,741,746	-
Rental Income	2,036,707	35,804	8,000	639,981
BLCP Property Owners' Association	5,200	10,400	5,200	5,200
Interest Income & Fees - Loans	113,664	149,914	80,762	137,914
Investment Interest Income/Miscellaneous	324,000	18,090	10,552	12,733
Other Income	-	-	2,229	57
<b>Total</b>	<b>16,275,619</b>	<b>28,370,936</b>	<b>22,420,254</b>	<b>27,495,325</b>
<b>OPERATING EXPENSES</b>				
Property Operations & Maintenance	(119,879)	(151,929)	(89,954)	(476,643)
Legal	(153,000)	(218,642)	(127,541)	(133,643)
Insurance	(150,000)	(167,730)	(97,843)	(89,904)
Marketing	(36,000)	(35,462)	(27,280)	(55,914)
Utilities	(14,645)	(1,298)	(757)	(964)
Misc.	(10,000)	(4,140)	(2,415)	(2,817)
Consultants	(2,590,000)	(101,753)	(59,356)	(43,847)
General Development Expenses	(702,000)	(677,149)	(395,004)	(5,992,543)
Personnel Costs	(600,449)	(494,170)	(288,266)	(442,813)
Interest	(528,675)	(13,963)	(8,145)	(358,923)
Rent	(25,000)	(24,763)	(14,445)	(19,922)
ECIDA Management Fee	(102,500)	(81,686)	(47,650)	(59,722)
Audit & Tax	(62,250)	(53,275)	(53,275)	(53,275)
Operating Expenses	(13,500)	-	-	-
Grant Expense	-	(54,773)	(31,951)	-
General & Administrative	(198,399)	(50,031)	(29,185)	(51,008)
Depreciation	(4,500,000)			
Amortization	(74,872)	2,565,159	1,496,343	(1,118,733)
<b>Total</b>	<b>(9,881,169)</b>	<b>434,394</b>	<b>223,276</b>	<b>(8,900,671)</b>
<b>Net Income / (Loss)</b>	<b>\$ 6,394,450</b>	<b>\$ 28,805,330</b>	<b>\$ 22,643,531</b>	<b>\$ 18,594,653</b>
<b>CAPITAL/LOAN FUND BUDGET</b>				
Property Acquisition	(9,512,500)	(25,000,000)	-	(50,232,126)
Capital contributions	-	-	-	2,049,294
Proceeds from loans	-	-	-	25,453,754
<b>CASH FLOW ADJUSTMENTS</b>				
Cost of Land Sales	749,452	-	-	-
Interest held by NYBDC/Loan Admin Fees	14,500	-	-	-
Prepaid rental income	(1,445,129)	(1,844,742)	-	(626,481)
Use of reserves	85,909	85,909	63,409	65,300
Construction loan interest (prefunded)	327,000	1,275,360	843,820	397,640
Depreciation	4,500,000	(2,565,159)	(1,496,343)	1,118,733
<b>Net Cash Increase/(Decrease)</b>	<b>\$ 1,113,682</b>	<b>\$ 756,697</b>	<b>\$ 22,054,417</b>	<b>\$ (3,179,233)</b>

**Buffalo Urban Development Corporation**  
**2020 Proposed Budget - Project Detail**

	BLCP*	BBRP**	Downtown Waterfront	Northland Corridor	308 Crowley	Corporate Operations	Total
<b>REVENUE</b>							
Grant Revenue							
Restore NY	\$ -	\$ -	\$ -	\$ 4,198,500	\$ -	\$ -	\$ 4,198,500
Ralph C. Wilson, Jr. Foundation (2)	-	-	3,112,000	-	-	-	3,112,000
National Grid - Urban Corridor Program	-	250,000	-	-	-	-	250,000
National Grid - Brownfield	-	-	-	131,500	-	-	131,500
NYPA (carryover)	-	-	-	500,000	-	-	500,000
ECIDA	-	100,000	-	-	-	-	100,000
Other	-	-	-	108,500	-	-	108,500
Gross Proceeds from Land Sales	935,000	-	-	-	-	-	935,000
Less: Cost of Land Sales + closing costs	(799,452)	-	-	-	-	-	(799,452)
Buffalo Brownfield Fund Revenue (net)	-	-	-	-	-	115,000	115,000
Developer Fee	-	-	-	5,145,000	-	-	5,145,000
Rental Income	-	-	-	2,036,707	-	-	2,036,707
BLCP Property Maintenance	5,200	-	-	-	-	-	5,200
Interest Income & Fees - Loans	-	17,000	-	96,664	-	-	113,664
Investment Interest Income/Miscellaneous	-	-	-	314,000	-	10,000	324,000
Total	140,748	367,000	3,112,000	12,530,871	-	125,000	16,275,619
<b>OPERATING EXPENSES</b>							
Property Operations & Maintenance	(64,111)	-	-	(50,768)	(5,000)	-	(119,879)
Legal	(25,000)	(8,000)	(10,000)	(50,000)	(5,000)	(55,000)	(153,000)
Insurance	(18,000)	-	-	(74,000)	(22,000)	(36,000)	(150,000)
Marketing	(1,000)	(10,000)	-	-	-	(25,000)	(36,000)
Utilities	(2,645)	-	-	(11,000)	(1,000)	-	(14,645)
Misc.	(2,500)	(4,000)	-	-	(1,000)	(2,500)	(10,000)
Consultants	-	-	(2,540,000)	(25,000)	(25,000)	-	(2,590,000)
General Development Expenses	-	(250,000)	(417,000)	(25,000)	(10,000)	-	(702,000)
Personnel Costs	-	(117,499)	(130,000)	(10,000)	-	(342,950)	(600,449)
Interest	-	-	-	(528,675)	-	-	(528,675)
Operating Expenses	-	-	-	(10,000)	(3,500)	-	(13,500)
Rent	-	-	-	-	-	(25,000)	(25,000)
ECIDA Management Fee	-	-	(7,500)	(25,000)	-	(70,000)	(102,500)
Audit & Tax	-	-	-	(45,000)	-	(17,250)	(62,250)
General & Administrative	-	(15,000)	(7,500)	(147,899)	-	(28,000)	(198,399)
Depreciation	-	-	-	(4,500,000)	-	-	(4,500,000)
Amortization	-	-	-	(74,872)	-	-	(74,872)
Total	(113,256)	(404,499)	(3,112,000)	(5,577,214)	(72,500)	(601,700)	(9,881,169)
<b>Net Income / (Loss)</b>	<b>27,492</b>	<b>(37,499)</b>	<b>-</b>	<b>6,953,657</b>	<b>(72,500)</b>	<b>(476,700)</b>	<b>6,394,450</b>
<b>CAPITAL BUDGET</b>							
Property Acquisition/Equipment	-	-	-	(9,512,500)	-	-	(9,512,500)
Total	-	-	-	(9,512,500)	-	-	(9,512,500)
<b>CASH FLOW ADJUSTMENTS</b>							
Cost of Land Sales	749,452	-	-	-	-	-	749,452
Interest held by NYBDC/Loan Admin Fees	-	14,500	-	-	-	-	14,500
Prepaid Rental Income	-	-	-	(1,445,129)	-	-	(1,445,129)
Use of reserves	-	-	-	85,909	-	-	85,909
Construction loan interest	-	-	-	327,000	-	-	327,000
Depreciation	-	-	-	4,500,000	-	-	4,500,000
Amortization	-	-	-	74,872	-	-	74,872
Net Cash Increase/(Decrease)	\$ 776,944	\$ (22,999)	\$ -	\$ 983,809	\$ (72,500)	\$ (476,700)	\$ 1,188,554

\* Buffalo Lakeside Commerce Park

\*\* Buffalo Building Reuse Project

**Buffalo Urban Development Corporation**  
**2020 Proposed Budget - Northland Corridor Project Breakout**

	683 Northland LLC				Northland Corridor Total
	BUDC	683 WTC, LLC	LLC	Eliminations <sup>1</sup>	
<b>REVENUE</b>					
Grant Revenue					
Restore NY 4 + 5	\$ 4,198,500	\$ -	\$ -	\$ -	\$ 4,198,500
National Grid - Brownfield	131,500	-	-	-	131,500
NYPA (carryover)	500,000	-	-	-	500,000
Other	108,500	-	-	-	108,500
Tenant reimbursement	-	-	314,000	-	314,000
Loan interest	446,664	-	-	(350,000)	96,664
Developer Fee	5,145,000	-	-	-	5,145,000
Rental Income	156,965	-	1,879,742	-	2,036,707
Total	10,687,129	-	2,193,742	(350,000)	12,530,871
<b>OPERATING EXPENSES</b>					
Property Operations & Maintenance	(50,768)	-	-	-	(50,768)
Legal	(40,000)	-	(10,000)	-	(50,000)
Insurance	(74,000)	-	-	-	(74,000)
Rent expense	-	-	-	-	-
Utilities	(10,000)	-	(1,000)	-	(11,000)
Operating expenses	-	-	(10,000)	-	(10,000)
Administrative	-	-	(97,290)	-	(97,290)
Consultants	(20,000)	-	(5,000)	-	(25,000)
General Development Expenses	(25,000)	-	-	-	(25,000)
Personnel Costs	-	-	(10,000)	-	(10,000)
Interest	(18,000)	(350,000)	(510,675)	350,000	(528,675)
Real Estate Taxes	-	-	-	-	-
Asset Management Fee	-	-	(55,000)	-	(55,000)
Audit & Tax	-	(5,000)	(40,000)	-	(45,000)
Loan servicing fees	-	-	(20,609)	-	(20,609)
Depreciation	-	-	(4,500,000)	-	(4,500,000)
Amortization	-	-	(74,872)	-	(74,872)
Total	(237,768)	(355,000)	(5,334,446)	350,000	(5,577,214)
<b>Net Income / (Loss)</b>	<b>10,449,361</b>	<b>(355,000)</b>	<b>(3,140,704)</b>	<b>-</b>	<b>6,953,657</b>
<b>CAPITAL BUDGET</b>					
Property Acquisition/Equipment	(9,198,500)	-	(314,000)	-	(9,512,500)
<b>CASH FLOW ADJUSTMENTS</b>					
Prepaid rent	-	-	(1,445,129)	-	(1,445,129)
Deferred lease liability	-	-	-	-	-
Deferred interest payments	(350,000)	350,000	-	-	-
Construction loan interest	-	-	327,000	-	327,000
Use of/(additions to) reserves	-	-	85,909	-	85,909
Depreciation/amortization	-	-	4,574,872	-	4,574,872
<b>Net Cash Increase/(Decrease)</b>	<b>\$ 900,861</b>	<b>\$ (5,000)</b>	<b>\$ 87,948</b>	<b>\$ -</b>	<b>\$ 983,809</b>

<sup>1</sup> Eliminations consist of interest revenue/expense between BUDC and 683 WTC, LLC.

<sup>2</sup> 683 Northland Master Tenant, LLC's 1% owner and Managing Member is 683 WTC, LLC. An investor-owned fund owns 99% of the entity.

# Buffalo Urban Development Corporation

## 2020 Proposed Budget and 3 Year Forecast

REVENUE	Budget 2020	Projected 2021	Projected 2022	Projected 2023
Grant Revenue	\$ 8,400,500	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Gross Proceeds from Land Sales	935,000	560,000	-	-
Less: Cost of Land Sales	(799,452)	(400,000)	-	-
Buffalo Brownfield Fund Revenue (net)	115,000	115,000	-	-
Developer Fees	5,145,000	-	-	-
Rental Income	2,036,707	2,250,000	2,250,000	2,250,000
BLCF Property Owners' Association	5,200	10,400	10,400	10,400
Interest Income & Fees - Loans	113,664	40,000	40,000	40,000
Investment Interest Income	324,000	324,000	324,000	324,000
Other Income	-	3,000	3,000	3,000
Total	16,275,619	4,902,400	4,627,400	4,627,400
OPERATING EXPENSES				
Property Operations & Maintenance	(119,879)	(115,000)	(118,000)	(120,000)
Legal	(153,000)	(110,000)	(110,000)	(110,000)
Insurance	(150,000)	(150,000)	(150,000)	(150,000)
Marketing	(36,000)	(45,000)	(48,000)	(50,000)
Utilities	(14,645)	(15,000)	(15,000)	(15,000)
Misc.	(10,000)	(10,000)	(10,000)	(10,000)
Consultants	(2,590,000)	(100,000)	(100,000)	(100,000)
General Development Expenses	(702,000)	(500,000)	(500,000)	(500,000)
Personnel Costs	(600,449)	(510,382)	(530,797)	(552,029)
Interest	(528,675)	(625,000)	(625,000)	(625,000)
Operating Expenses	(13,500)	(46,000)	(48,000)	(50,000)
Rent	(25,000)	(47,000)	(48,000)	(49,000)
ECIDA Management Fee	(102,500)	(100,000)	(100,000)	(100,000)
Audit	(62,250)	(46,000)	(46,000)	(46,000)
General & Administrative	(198,399)	(200,000)	(200,000)	(200,000)
Depreciation	(4,500,000)	(4,500,000)	(4,500,000)	(4,500,000)
Amortization	(74,872)	(74,872)	(43,676)	-
Total	(9,881,169)	(7,194,254)	(7,192,473)	(7,177,029)
Net Income / (Loss)	\$ 6,394,450	\$ (2,291,854)	\$ (2,565,073)	\$ (2,549,629)

# 683 Northland Master Tenant, LLC

## 2020 Budget (GAAP Basis)

### REVENUE

Base rent	
Northland Workforce Training Center	\$ 511,931
Buffalo Manufacturing Works	389,161
Manna @ Northland	13,636
Prospective tenants	364,872
Additional rent	
Northland Workforce Training Center	162,300
Buffalo Manufacturing Works	91,000
Manna @ Northland	7,200
Prospective tenants	136,000
Utilities reimbursement	
Northland Workforce Training Center	130,000
Buffalo Manufacturing Works	150,000
Manna @ Northland	10,000
Prospective tenants	100,000
Interest	100
Total	<u>2,066,200</u>

### EXPENSES

Rent (to Landlord)	(1,879,742)
Utilities	(254,000)
Property management:	
Facility staff	(138,432)
Snow removal	(32,000)
Building maintenance	(50,000)
Landscaping	(7,000)
Property management fee	(64,000)
Insurance	(144,000)
Tax & Audit	(18,000)
Leasing commissions	(283,600)
Asset management fee	(10,000)
Real estate taxes	(70,000)
Miscellaneous	(30,000)
Total	<u>(2,980,774)</u>
<b>Net Income / (Loss)</b>	<u><u>(914,574)</u></u>

### MEMBERS' EQUITY

Members' capital contributions (anticipated)	5,582,838
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### CASH FLOW ADJUSTMENTS

Prepaid rent	1,445,129
Deferred lease liability	(511,931)
Usage of/(additions to) reserves	(34,961)
Net Cash Increase/(Decrease)	<u><u>\$ 5,566,501</u></u>

683 Northland Master Tenant, LLC's 1% owner and Managing Member is 683 WTC, LLC.  
An investor-owned fund owns 99% of the entity.

# **BUFFALO URBAN DEVELOPMENT CORPORATION**

## **AUDIT PLAN**

**DECEMBER 31, 2019**





October 2, 2019

Finance & Audit Committee Members  
Buffalo Urban Development Corporation  
Buffalo, New York

Dear Audit and Finance Committee Members:

We are pleased to present you our audit plan for the fiscal year ending December 31, 2019, for the Buffalo Urban Development Corporation (BUDC). Our plan includes a summary of our mutual understanding and expectations between you and others within the BUDC and Freed Maxick CPAs, P.C. (FM), an analysis of key audit risks, our audit strategy and responses to identified audit risks, the reporting and audit timetable and other matters of relevance to the Finance & Audit Committee Members. Discussion of our plan with you ensures our FM engagement team members fully understand your concerns and that we agree on mutual needs and expectations to provide the highest level of service quality. We believe our approach is designed to achieving those outcomes.

If you have any questions regarding this plan please contact Laura Landers at (716) 847-2651.

Very truly yours,

*Freed Maxick CPAs, P.C.*





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# Engagement Management Team

The following individuals have been assigned to lead and manage the BUDC's audit engagement for 2019. All are available to management and the Finance & Audit Committee Members at any time.

Name	Role	Email	Telephone
Laura Landers, MPA, CPA Engagement Director	Engagement relationship and coordination of oversight of audit services	Laura.Landers@feedmaxick.com	(716) 847-2651
Kathryn Barrett, CPA Technical Director	Engagement technical director	Kathryn.Barrett@feedmaxick.com	(716) 847-2651
Nicole Ryan, CPA Engagement Manager	Day-to-day management of the operations of audit services	Nicole.Ryan@feedmaxick.com	(716) 847-2651
Matthew Strauss, CPA Engagement Supervisor	Day-to-day supervision of staff during audit field work	Matthew.Strauss@feedmaxick.com	(716) 847-2651

# Understanding Your Needs and Expectations

To provide an effective and efficient audit, we wish to discuss and agree with the BUDC on our mutual needs and expectations. A summary of our understanding of what has been agreed to is set out below:

Needs and expectations		FM Response
<i>Maintain consistency of directors and managers on the BUDC's service team and meet reporting deadlines</i>		We strive to maintain top management consistency. Any significant changes would be discussed with the BUDC. As a result, management will have multiple points of consistent FM contact with whom they can communicate. Further, we will continue to use formal and regular face-to-face communications with management and the audit team to ensure all reporting deadlines are met
<i>Avoid surprises. Communicate accounting and auditing issues on a timely basis and work with management to ensure appropriate resolution</i>		We will continue to notify management as audit issues are identified and will continue to hold weekly update meetings throughout fieldwork. Upon completion of our procedures, we will conduct a formal exit meeting with management to discuss our findings and results.
<i>Upfront planning and coordination; early concurrence on key estimates and judgments; early substantive tests performed at interim to reduce burden on year-end fieldwork</i>		We have proposed a detailed audit timetable that has been discussed with and agreed to by management. This timetable lays out timing during which these key activities will occur.
<i>Timely resolution to issues and responses to questions; empowered, responsive engagement team who are readily accessible</i>		Our core engagement management team has been structured to allow for proactive, timely responsiveness and service. We work closely with all local resources and decision makers to ensure timely resolution to issues that arise.

# Reporting Timetable

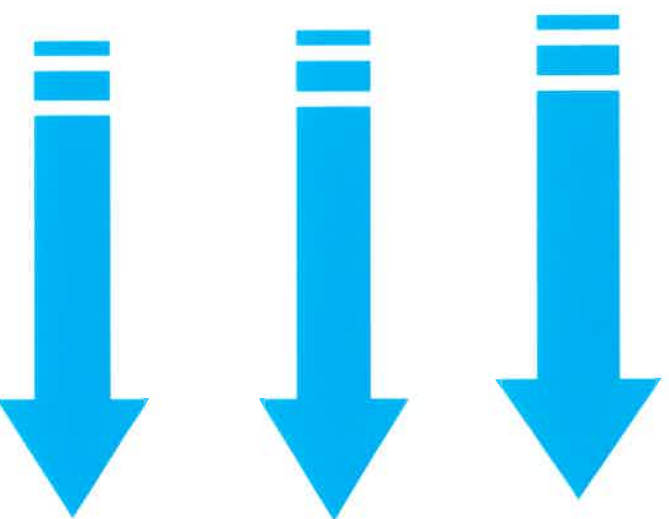
## Reporting/deliverables:

Your FM team works on the engagement throughout the year to provide the BUDC with timely, responsive service. Below are the dates you can expect our audit reports and related deliverables.

Audit Stage	Completed by:
Fieldwork – Interim (including tests of internal controls) – Year-end (completed on or before, but not later than)	January 31, 2020 February 29, 2020
Issuance of draft independent auditor's opinion on financial statements (completed on or before, but not later than)	March 6, 2020
Issuance of final financial statements, required communications and presentation to the Finance & Audit Committee (completed on or before, but not later than)	March 31, 2020

# Audit Objectives

Our audit of the BUDC is directed toward delivering assurance to three key stakeholders:

- 
- Independent audit opinions and other reports that add credibility to financial information released by the BUDC.
  - Assistance to BUDC's Finance & Audit Committee Members discharging their governance and compliance responsibilities.
  - Observations and advice on financial reporting and business issues from experienced professionals who have in-depth understanding of your organization and industry. We also share experience on industry best practice issues





# Developments Affecting Your Business & Financial Reporting

Based upon discussions with management, prior experience with and our understanding of the BUDC, we have identified the following recent developments affecting your business and our audit approach. Our audit strategy has been developed to give consideration to the impact of these factors on your financial accounting reporting environment.

## **Business Operations**

- Complexities of the BUDC's financial management and reporting;
- Relationship and transactions with City of Buffalo and Erie County Industrial Development Agency;
- Risk management activities / internal control efforts;
- Compliance with legislative and environmental requirements; and
- Cyber Security Issues

## **Financial Reporting and Auditing Developments**

- GASB 83-*Certain Asset Retirement Obligations* - effective 2019.
- GASB 87- *Leases* - effective 2020.
- GASB 90- *Majority Equity Interests* – effective 2019.

# Audit Strategy Overview

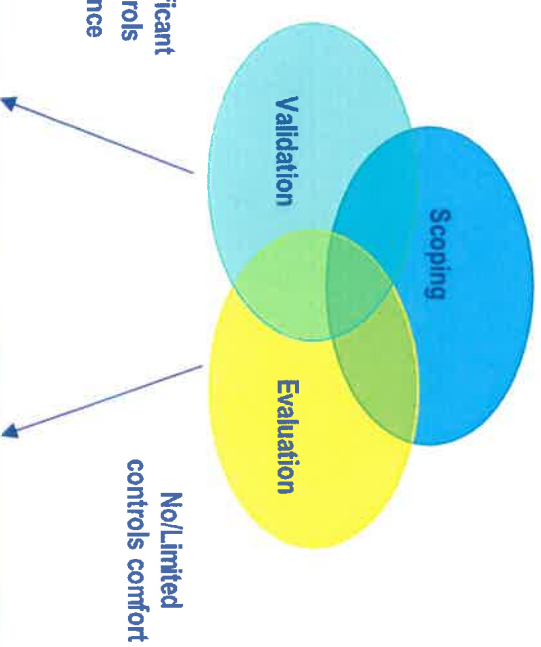
Annual Client Continuance Assessment Process

Update Understanding of business, market  
and financial performance

The FM audit process is based on the following  
principles and practices:

- A thorough and detailed understanding of the BUDC's operations and its related financial risks;
- Gathering much of our audit evidence through a process of inquiry, observation and testing which evaluates how your internal controls address the risks identified and whether assertions about control effectiveness can be supported by verifiable evidence (i.e. documentation, re-performance, etc.);
- Periodically evaluating our progress to date and assessing the extent to which we need to further support the audit work done with additional substantive audit procedures and evidence;
- Communicate regularly with management to avoid surprises, resolve identified issues and share best practices.

Audit Cycle



**Substantive audit evidence**  
Mainly substantive  
analytical procedures

Mainly tests of  
details

Other audit procedures  
Financial statements  
Completion

# Audit Risk Assessment & Approach

Based on the FM engagement team's prior experience of the BUDC and, review of the prior years financial statements, we have identified the following risk areas that will require particular attention during the course of our audit of the BUDC:

Audit Risk Areas	Audit Approach
<i>Financial statement presentation and disclosures</i>	Review accounting and disclosures for appropriateness, transparency and consistency with the BUDC's policies, as well as for newly issued authoritative literature. Inclusion of entities in consolidated financials.
<i>Cash, cash equivalents and investments</i>	Confirm balances. Test reconciliations. Review collateral. Validate market valuation of investments, if applicable. Review for alternative investment vehicles. Review for impairments. Review contracts and agreements for accounting and disclosure implications.
<i>Receivables</i>	Obtain understanding of management's estimation process. Validate period-end receivable balances. Perform detailed tests on outstanding accounts. Confirm a sample of receivables. Review and test development of reserves for allowance for doubtful accounts. Perform substantive analytics.
<i>Land, construction work-in-progress, buildings, idle buildings and improvements and general assets.</i>	Verify significant additions, significant deletions, construction work-in-process, and buildings. Review for reasonableness depreciation expense and other related costs. Review for potential impairments related to idle buildings and improvements.



# Audit Risk Assessment & Approach (cont.)

Audit Risk Areas	Audit Approach
<i>Accounts payable/Other liabilities/Unearned revenue</i>	Obtain understanding of management's estimation process. Test accounts payable and other liabilities reconciling items, if any. Perform search for unrecorded liabilities to test the BUDC's year-end cut-off procedures. Review management's calculation of unearned revenues. Review attorney responses and minutes for contingent liabilities.
<i>Loans and notes payable and deferred rent and developer fees.</i>	Obtain loan and note amortization schedules. Obtain understanding of purpose of these borrowings; review of significant covenants & status. Trace and agree amounts from amortization schedules to current years payments. Review developer agreements and rent agreements to determine accuracy of amounts recorded for these deferred amounts.
<i>Net Position</i>	Determine opening balances are properly stated. Examine documentation for any direct adjustments to equity accounts. Review restricted net position for proper classification and utilization.

# Audit Risk Assessment & Approach (cont.)

Audit Risk Areas	Audit Approach
<i>Revenues</i>	Review prior year to current year actual results for significant fluctuations. Perform analytical procedures and review of loan income compared to agreements. Confirmation of significant grant revenues if deemed appropriate.
<i>Expenses</i>	Perform tests of controls over disbursements in order to reduce substantive testing related to expenses. Review current year to prior year actual results for significant fluctuations. Perform analytical procedures.
<i>Litigation, compliance and contingencies</i>	Confirm understanding of legal and compliance matters through inquiry and legal confirmation letters and review of BUDC minutes. Review compliance programs and results.
<i>Fraud</i>	Identify balances, transactions and other elements susceptible to fraud. Assess risk and gauge management's awareness and responses to identified risks. Test, as appropriate, journal entries, source documentation and other transactions for indicators of fraud. Include in audit planning an element of "surprise" in our audit substantive testing plan (i.e. testing of random transactions, small balances, etc.).