

## Buffalo Urban Development Corporation

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Buffalo Urban Development Corporation  
Hon. Christopher P. Scanlon, Chairman

### **Audit & Finance Committee Meeting Thursday, March 13, 2025 – 12:00 p.m. 95 Perry Street, 4<sup>th</sup> Floor Vista Room**

#### **Agenda**

1. Minutes of Joint Meeting of Audit & Finance and Real Estate Committees December 10, 2024 *(Approval) (Enclosure)*
2. Draft 2024 683 Northland Master Tenant, LLC Audited Financial Statements *(Information) (Enclosure)*
3. Draft 2024 683 Northland, LLC Audited Financial Statements *(Information) (Enclosure)*
4. Draft 2024 BUDC Audited Financial Statements *(Recommendation) (Enclosure)*
5. Draft 2024 BBRF Audited Financial Statements *(Information) (Enclosure)*
6. Re-Adoption Items for Review – *(Recommendation) (Enclosure)*
  - a. Investment & Deposit Policy
  - b. Credit Card Policy
7. 2024 BUDC Investment Report *(Recommendation) (Enclosure)*
8. 2024 Corporate Credit Card Usage Report *(Information) (Enclosure)*
9. 2024 Management's Assessment of Internal Controls *(Information) (Enclosure)*
10. 2024 Audit & Finance Committee Self-Evaluation *(Action) (Enclosure)*
11. Audit & Finance Committee Charter Review *(Information) (Enclosure)*
12. Audit & Finance Committee Training *(Information) (Enclosure)*
13. 2024 Property Report Review *(Information) (Enclosure)*
14. Adjournment *(Approval)*

Hon. Christopher P. Scanlon, Chairman of the Board • Dennis Penman, Vice Chairman • Brandye Merriweather, President  
Rebecca Gandour, Executive Vice President • Mollie Profic, Treasurer • Atiqa Abidi, Assistant Treasurer • Kevin J. Zanner, Secretary

**Minutes of the Joint Meeting  
of the  
Audit & Finance and Real Estate Committees  
of  
Buffalo Urban Development Corporation**

**95 Perry Street  
Buffalo, New York  
December 10, 2024  
12:00 p.m.**

**Call to Order:**

**Committee Members Present:**

Catherine Amdur (A&F)  
Janique S. Curry (A&F, R.E.)  
Elizabeth Holden (R.E.)  
Thomas Kucharski (R.E.)  
Kimberly Minkel (R.E. Committee Chair)  
Crystal Morgan (A&F)  
David J. Nasca (A&F)  
Dennis M. Penman (A&F Committee Chair,  
R.E.)

**Committee Members Absent:**

Scott Bylewski (R.E.)

**Officers Present:**

Brandye Merriweather, President  
Rebecca Gandour, Executive Vice President  
Mollie M. Profic, Treasurer  
Kevin J. Zanner, Secretary  
Atiqa Abidi, Assistant Treasurer

**Others Present:** Dennis Cannon, Comvest; Keith Carretto, Comvest; Barb Danner, Freed Maxick; Alexis M. Florczak, Hurwitz Fine P.C.; Laurie Hendrix, Administrative Coordinator, ECIDA; Brian Krygier, Director of IT, ECIDA; Caroline Mazzone, Freed Maxick; Yolando Mullen, BUDC Project Manager; Angelo Rhodes II, Northland Project Manager; Shana Stegner, CBRE; and Paul Tronolone, Empire State Development.

**Roll Call** – The meeting was called to order at 12:00 p.m. Mr. Zanner called the roll of both Committees and a quorum of the Audit & Finance Committee was determined to be present. Ms. Minkel, Ms. Amdur, Ms. Holden, Mr. Kucharski, and Ms. Curry joined the meeting during the presentation of item 3, at which time a quorum of the Real Estate Committee was determined to be present.

Mr. Penman served as chair of the meeting with respect to items 1 through 5 of the meeting agenda. Ms. Minkel served as chair of the meeting with respect to items 6 through 11 of the meeting agenda.

**Audit and Finance Committee Items**

- 1.0 **Approval of Audit & Finance Committee Minutes of the October 17, 2024 Meeting** – The minutes of the October 17, 2024 meeting of the Audit & Finance Committee were presented to the Audit & Finance Committee. Mr. Nasca made a motion to approve the meeting minutes. The motion was seconded by Ms. Morgan and unanimously carried (3-0-0).
- 2.0 **2024 Audit Engagement Letters** – Ms. Profic reported that staff received audit engagement letters from Freed Maxick and referred the Committee to the Freed Maxick required communications letters dated November 1, 2024, copies of which were included in the Committee meeting packet.
- 3.0 **2024 Audit Plan Discussion** – Ms. Profic introduced Barbara Danner and Caroline Mazzone of Freed Maxick to present the 2024 Audit Plan. Ms. Danner and Ms. Mazzone provided an overview of the audit scope, deliverables and timeline for completion of the audit process. They reviewed the respective expectations and responsibilities of the Freed Maxick audit team and BUDC. Also reviewed were 2025 developments potentially impacting BUDC operations and financial reporting. The Committee discussed several aspects of the audit process with Ms. Danner and Ms. Mazzone, including potential audit risk areas and the audit strategy for identified risks.
- 4.0 **683 Northland Tax Credits Discussion** – Ms. Danner led a discussion regarding the unwinding process for the 683 Northland tax credits transaction. She presented an overview of the tax credits structure, and timeframe within which the unwind and exit will occur for the New Market Tax Credits and Historic Tax Credits. Ms. Danner also reviewed with the Committee the cost to BUDC to unwind the tax credits structure. The Committee asked several questions of Ms. Danner relating to the unwinding of the tax credits structure. Ms. Danner indicated that losses and depreciation will offset the loan forgiveness income that would otherwise result in taxes being owed on that income. She also noted that any remaining losses would be carried forward for future tax years.
- 5.0 **Strategic Resources and Financial Sustainability Discussion** – Ms. Gandour distributed copies of the most recent cash flow statement and reviewed BUDC's cash obligations and grant fund match requirements. Ms. Gandour also reviewed projected Northland Corridor property information with estimates on rent to be collected for 541 E. Delavan Avenue and the "A" Building of 612 Northland once construction has been completed. Ms. Profic also reviewed updates to BUDC cash flow sheets from November 2024. The Committee then discussed the establishing reserve accounts for grant match requirements, operating reserves and capital costs relating to the Northland portfolio.

The Audit & Finance Committee portion of the meeting concluded at 1:00 p.m.

**Real Estate Committee Items**

- 6.0 **Real Estate Committee Minutes of November 12, 2024 Meeting** – The minutes of the November 12, 2024 Real Estate Committee meeting were presented to the Real Estate Committee. Mr. Kucharski made a motion to approve the meeting minutes. The motion was seconded by Ms. Holden and unanimously carried (5-0-0).
- 7.0 **Northland Beltline Corridor**
- (a) **Northland Corridor – Phase 3 Redevelopment Update** – Mr. Rhodes presented an update regarding the Phase 3 Northland redevelopment project. Responses to Phase 3 bid documents are due Friday, December 13<sup>th</sup>. Mr. Zanner reported that the petition with respect to the substation was filed with PSC and a copy provided to National Grid.

- (b) **Northland Corridor – Phase 4 Redevelopment Update** – Mr. Rhodes presented an update regarding the Phase 4 project. Wendel continues to work on SHPO requirements for the 631 Northland building. NYSDEC provided feedback on BUDC's Brownfield Cleanup Program application for the project. BUDC has thirty days to respond to NYSDEC's comments.
- (c) **Northland Corridor– 741 Northland and 777 Northland Building Condition Update** – Mr. Rhodes reported that BUDC will be consulting with SHPO regarding these buildings.
- (d) **Northland Corridor– Brownfield Opportunity Area (BOA) Plan** – Mr. Rhodes reported that BUDC and Colliers Engineering & Design met last week to discuss the status of the project. Collier is drafting a report and will be conducting additional stakeholder meetings.
- (e) **Northland Corridor – Tenant & Property Management Updates** – Mr. Cannon presented an update regarding property management at Northland. The Rookery paid its security deposit for the "red shed" building last week. The Northland Workforce Training Center's auto-tech training space is essentially completed. The snow removal contractor at Northland has been on-site in response to recent snowfall.

Ms. Stegner presented an update regarding CBRE marketing efforts. CBRE received a letter of intent from a potential buyer for the Fillmore parcels to construct a daycare facility. CBRE is reviewing the business terms proposed by the potential purchaser. CBRE also met with Manna to discuss the extension of its lease. Manna is currently in holdover status and has been invoiced for December rent. The Committee discussed Manna's limited hours of operation and the importance of having on-site food options for the building.

Ms. Stegner also informed the Committee that Well Worth Products, the tenant at 714 Northland, is in discussions to sell its business to an as-yet identified buyer, who plans to secure a loan through the U.S. Small Business Administration (SBA). One of SBA's lending requirements is that the lease term for 714 Northland Avenue be no less than the term of the loan. Due to this requirement, and in order for the transaction to move forward, Well Worth has asked BUDC to extend its option to renew by two years, to a total of seven years. The Committee discussed the extension request. At the conclusion of the discussion, Mr. Kucharski made a motion to recommend that the BUDC Board of Directors: (i) approve a two year extension of the option, subject to the following: (i) disclosure to BUDC of the identity of the prospective buyer/tenant and BUDC's review of the prospective buyer/tenant's financial information and such other information as BUDC may deem necessary or appropriate; and (ii) consummation of the sale of the business to the new buyer/tenant. The motion was seconded by Ms. Curry and unanimously carried (5-0-0).

- (f) **Northland Corridor – Phase I Construction Additional HVAC Work Claim Update** – Ms. Merriweather reported that BUDC received the settlement proceeds and this matter is now finally resolved.

## **8.0 Buffalo Lakeside Commerce Park**

- (a) **193, 80, 134, 158 and 200 Ship Canal Parkway Update** – Ms. Stegner reported that CBRE has received an expression of interest in 80 and 134 Ship Canal Parkway, but no formal letters of intent or proposed terms have been submitted to date.
- (b) **Buffalo Lakeside Commerce Park Property Owners Association** – Ms. Gandour reported that the POA Board of Directors held a meeting last month. Uniland continues to bring up its solar field assessment. BUDC reminded Uniland that it sent Uniland a letter with a directive to submit an alternate proposal, which BUDC has not received to date. 2025 assessment notices have been issued.

- 9.0**     **2024 Authorities Budget Office Property Report** – Ms. Gandour reported that BUDC is working with legal counsel to update the property report to reflect the subdivision of 541 E. Delavan into multiple parcels.
- 10.0**   **Executive Session** – None.
- 11.0**   **Adjournment** – There being no further business to come before the Committees, upon motion made by Mr. Kucharski, seconded by Ms. Curry and unanimously carried, the December 10, 2024 joint meeting of the Audit & Finance and Real Estate Committees was adjourned at 1:31 p.m.

Respectfully submitted,

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Kevin J. Zanner  
Secretary

AUDITED  
FINANCIAL STATEMENTS

# 683 NORTHLAND MASTER TENANT, LLC (A LIMITED LIABILITY COMPANY)

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DECEMBER 31, 2024

DRAFT  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision

683 NORTHLAND MASTER TENANT, LLC  
(A LIMITED LIABILITY COMPANY)

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DRAFT  
Tentative and Preliminary  
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**683 NORTHLAND MASTER TENANT, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**BALANCE SHEETS**  
**December 31,**

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>Current assets:</b>		
Cash - operating	\$ 444,821	\$ 518,270
Tenant receivables	30,811	26,512
Prepaid insurance	112,860	117,269
Total current assets	<u>588,492</u>	<u>662,051</u>
<b>Reserves:</b>		
Operating reserve	341,852	339,078
Asset management fee reserve	239	10,228
Total reserves	<u>342,091</u>	<u>349,306</u>
Prepaid lease - sublessee	552,943	535,596
Prepaid leasing commission	179,703	190,936
Tenant security deposits	109,324	79,908
Equipment, net	27,786	23,162
Right of use asset - Master Lease Agreement	24,822,352	26,671,582
<b>Total assets</b>	<u>\$ 26,722,691</u>	<u>\$ 28,512,541</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	100,407	\$ 83,987
Current portion- deferred operating lease liability - Master Lease Agreement	558,096	415,430
Current portion - deferred operating lease liability - sublessee	601,473	553,075
Total current liabilities	<u>1,259,976</u>	<u>1,052,492</u>
Operating deficit loan	387,294	387,294
Tenant security deposits	109,266	79,850
Deferred operating lease liability - Master Lease Agreement	6,460,239	6,983,739
Deferred operating lease liability - sublessee	3,891,443	4,493,565
Distribution payable - priority return	257,904	257,904
<b>Total liabilities</b>	<u>12,366,122</u>	<u>13,254,844</u>
<b>Members' equity</b>	<u>14,356,569</u>	<u>15,257,697</u>
<b>Total liabilities and members' equity</b>	<u>\$ 26,722,691</u>	<u>\$ 28,512,541</u>

See accompanying notes.



**683 NORTHLAND MASTER TENANT, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31,**

	<u>2024</u>	<u>2023</u>
<b>Revenues:</b>		
Lease revenue	\$ 1,455,050	\$ 1,445,435
Additional lease revenue	652,904	752,071
Other income	<u>7,443</u>	<u>7,033</u>
Total revenues	2,115,397	2,204,539
<b>Expenses:</b>		
Lease expense	1,896,444	1,913,150
Repairs and maintenance	231,928	166,757
Payroll	114,147	155,609
Utilities expense	172,866	129,992
Insurance expense	136,220	127,632
Professional fees	84,141	75,857
Property management fee	76,041	69,719
Real estate taxes	28,866	25,914
Asset management fee	10,000	10,000
Miscellaneous expense	<u>7,999</u>	<u>347</u>
Total expenses	2,752,652	2,674,977
<b>Loss from operations</b>	(637,255)	(470,438)
<b>Other expenses:</b>		
Depreciation expense	<u>(5,969)</u>	<u>(6,448)</u>
<b>Net loss</b>	\$ <u><u>(643,224)</u></u>	\$ <u><u>(476,886)</u></u>

See accompanying notes.

**683 NORTHLAND MASTER TENANT, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**For the Years Ended December 31,**

	<b>INVESTOR MEMBER</b>	<b>MANAGING MEMBER</b>	<b>TOTAL</b>
<b>Members' equity - January 1, 2023</b>	<b>\$ 15,832,746</b>	<b>\$ 159,628</b>	<b>\$ 15,992,374</b>
Distributions	(257,791)	-	(257,791)
Net loss	(472,117)	(4,769)	(476,886)
<b>Members' equity - December 31, 2023</b>	<b>15,102,838</b>	<b>154,859</b>	<b>15,257,697</b>
Distributions	(257,904)	-	(257,904)
Net loss	(636,792)	(6,432)	(643,224)
<b>Members' equity - December 31, 2024</b>	<b>\$ 14,208,142</b>	<b>\$ 148,427</b>	<b>\$ 14,356,569</b>
<b>Percentage interest</b>	<b>99.00%</b>	<b>1.00%</b>	<b>100%</b>

**DRAFT**  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision

See accompanying notes.

**683 NORTHLAND MASTER TENANT, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31,**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (643,224)	\$ (476,886)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	5,969	6,448
Decrease (increase) in assets:		
Tenant receivables	(4,299)	15,694
Prepaid insurance	4,409	(1,387)
Accrued rental income	(17,347)	(52,202)
Prepaid leasing commission	11,233	(2,320)
Right of use asset - Master Lease Agreement	1,368,396	1,420,727
Increase (decrease) in liabilities:		
Security deposit liability	29,416	(5,000)
Accounts payable	16,420	(46,908)
Due to related parties	(553,724)	(37,718)
Deferred operating lease liability - sublessee	(553,724)	(553,075)
<b>Net cash provided by operating activities</b>	<u>247,249</u>	<u>267,373</u>
<b>Cash flows from investing activities:</b>		
Equipment purchases	(10,593)	(9,741)
<b>Net cash used by investing activities</b>	<u>(10,593)</u>	<u>(9,741)</u>
<b>Cash flows from financing activities:</b>		
Distributions	(257,904)	(238,207)
<b>Net cash used by financing activities</b>	<u>(257,904)</u>	<u>(238,207)</u>
<b>Net (decrease) increase in cash and restricted cash</b>	<u>(51,248)</u>	<u>19,425</u>
<b>Cash and restricted cash - beginning of year</b>	<u>947,484</u>	<u>928,059</u>
<b>Cash and restricted cash - end of year</b>	<u>\$ 896,236</u>	<u>\$ 947,484</u>
<b>Non-cash financing transactions</b>		
Non-cash distribution recorded as distribution payable	<u>\$ 257,904</u>	<u>\$ 257,904</u>

The following table provides a reconciliation of cash and restricted cash to the amounts reported within the balance sheets:

	<u>2024</u>	<u>2023</u>
Cash - operating	\$ 444,821	\$ 518,270
Tenant security deposits	109,324	79,908
Operating reserve	341,852	339,078
Asset management fee reserve	239	10,228
	<u>\$ 896,236</u>	<u>\$ 947,484</u>

See accompanying notes.

**683 NORTHLAND MASTER TENANT, LLC  
(A LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. ORGANIZATION**

683 Northland Master Tenant, LLC (the Company) is a limited liability company formed pursuant to the laws of the State of New York on September 7, 2017. 683 Northland LLC, a related entity, was formed to facilitate the ownership, rehabilitation and operation of a commercial and industrial facility located at 683 Northland Avenue, City of Buffalo, known as the Niagara Machine & Tool Works Factory (the Property). 683 Northland LLC serves as lessor to the Company. The relationship between lessor and lessee is governed by a Master Lease Agreement dated December 28, 2017. The major activities of the Company are governed by the Master Tenant Amended and Restated Operating Agreement.

The Property is located in a historic district on the National Register of Historic Places and will receive an allocation of federal and state historic rehabilitation tax credits under Section 47 of the Internal Revenue Code of 1986, as amended, and New York credit for Rehabilitation of Historic Properties under Section 606(00) of New York State tax law. The Property was developed in two phases; Phase 1 received an allocation of rehabilitation tax credits during the year ended December 31, 2018; Phase 2 received allocations for the years ending December 31, 2020 and 2019. No further credits are anticipated.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting:** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Cash:** The statement of cash flows considers amounts available for current operations to be cash and includes amounts restricted for repayment of tenant security deposits and reserves.

**Concentration of Credit Risk:** The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

During the year ended December 31, 2024, three tenants represented 93% (94% - 2023) of lease revenue and 85% (94% - 2023) of accounts receivable.

**Tenant Receivables:** Tenant receivables consists of receivables from tenants for lease payments and other charges, if applicable, recorded according to the terms of their sublease agreements. Tenant receivables do not bear interest. The Company holds tenant security deposits as collateral for tenant receivables. On a periodic basis, the Company evaluates its tenant receivables and establishes an allowance for doubtful accounts. There was no allowance for doubtful accounts for the years ended December 31, 2024 and 2023.

**Prepaid Leasing Commissions:** Prepaid leasing commissions consists of commission paid out in connection with obtaining long term subleases. The Company recognizes commission expenses incurred over the life of the applicable lease as required under ASC 842. Prepaid leasing commissions amounted to \$179,703 as of the year ended December 31, 2024 (\$190,936 - 2023).

**Lease Income:** The Company recognizes revenue on the date lease payments become due in accordance with the subleases. Lease payments received in advance are deferred until earned. All leases between parties are operating leases.

**Equipment:** Equipment is carried at cost. Renewals and betterments that materially extend the life of the assets are capitalized. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided for using the straight-line method.

NOTES TO THE FINANCIAL STATEMENTS

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases:** The Master Lease Agreement (MLA) and all sublease agreements with tenants are operating leases under ASC 842. A lease is a sales-type lease if any one of five criteria are met, each of which indicate that the lease, in effect, transfers control of the underlying asset to the lessee. If none of those five criteria are met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee and a third party, the lease is a direct financing lease. All leases that are not sales-type or direct financing leases are operating leases.

**Income Taxes:** No provision or benefit has been made for income taxes in the accompanying financial statements since taxable income or loss of the Company is passed through to the respective members for reporting passes through to, and is reportable by, the members individually.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events:** These financial statements have not been updated for subsequent events occurring after [DATE], which is the date these financial statements were available to be issued.

**NOTE 3. TENANT SECURITY DEPOSITS**

Tenant security deposits are maintained in a separate bank account from operating funds. They are tracked by name of the tenant internally by the Company and are segregated on the accompanying balance sheets.

**NOTE 4. RESERVES**

**Asset Management Fee Reserve:** The Company was required to establish a reserve to fund the payment of asset management fees in the amount of \$69,000 upon receipt of the third capital contribution from the investor member. All required funding of the asset management fee reserve has been made. As of December 31, 2024, the reserve amounted to \$239 (\$10,228 - 2023).

**Operating Reserve:** The Company was required to establish an operating reserve to fund any operating deficits as approved by the investor member. An initial contribution of \$335,000 was to be deposited into the operating reserve upon receipt of the third capital contribution from the investor member which occurred during the year ended December 31, 2019. Funds are required to be held in a segregated, interest-bearing account with a federally insured financial institution. As of December 31, 2024, the reserve amounted to \$341,852 (\$339,078 - 2023).

**Replacement Reserve:** The Company is required to establish a replacement reserve to fund any replacement costs as approved by the investor member. The reserve is to be funded annually in the amount of \$48,000 (subject to a 3% increase per year) from net cash flow in accordance with the allocation of profits and losses (Note 8). Funds are required to be held in a segregated, interest-bearing account with a federally insured financial institution. As of December 31, 2024 and 2023, there was no net cash flow available to fund the replacement reserve.

**683 NORTHLAND MASTER TENANT, LLC  
(A LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5. CAPITAL CONTRIBUTIONS**

The Company consists of two members: 683 WTC, LLC and NTCIC HTC Community Fund II, LLC (NTCIC). 683 WTC, LLC is the managing member and a 1% owner. NTCIC is the investor member and has a 99% membership interest.

The managing member is required to contribute capital of \$198,360 according to the terms of the amended and restated operating agreement. As of December 31, 2024 and 2023, the managing member has made all required contributions.

The investor member is required to contribute capital of \$19,637,612 based upon the completion of requirements by the Company as defined in the amended and restated operating agreement. There were no capital contributions made during the year ending December 31, 2024 or 2023.

**NOTE 6. TRANSACTIONS WITH AFFILIATES**

**Master Lease Agreement:** The Company has a Master Lease Agreement (the Agreement) with the lessor, a related entity, to pay rental expense commencing on August 26, 2018, the day prior to the first date on which Phase I of the building was placed in service for purposes of the historical tax credits through 2038. The lease is classified as an operating lease and accordingly, the underlying building and other assets are recorded as a right to use asset and corresponding lease liability on the Company's balance sheets. The Company utilized an interest rate of 2.05% to calculate the lease liability.

Under the Agreement, the Company is to make minimum lease payments. In addition to minimum rents, the lease requires payments for utilities, insurance, maintenance costs, real estate taxes, and all other operating expenses. Minimum lease payments due under the Agreement consists of base lease payments and prepaid rent. As of December 31, 2024 and 2023, the Company paid \$22,877,906 in prepaid rent. All prepaid rent payments under the Agreement have been made as of December 31, 2022. Prepaid rent is combined with the right to use asset under ASC 842.

For the year ended December 31, 2024, the Company recognized \$1,896,444 in lease expense (\$1,913,150 - 2023). The lease agreement includes scheduled rent increases over the term of the lease, which in accordance with U.S. GAAP will be recognized on a straight-line basis over the term of the lease.

Future minimum rental payments to be paid under the Master Lease Agreement are contractually due as follows:

2025	\$	558,098
2026		565,617
2027		580,645
2028		596,024
2029		612,561
Thereafter		<u>5,101,143</u>
	\$	<u>8,014,088</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. COMMERCIAL LEASE REVENUE

**Northland Workforce Training Center:** The Company entered into a sublease agreement with the Economic Development Group, Inc. d/b/a Northland Workforce Training Center, (NWTC), commencing on September 1, 2018, and extending through August 31, 2033. The agreement calls for payment of prepaid lease payments and additional lease payments. Lease income from the sublease agreement is being recognized on a straight-line basis, in accordance with U.S. GAAP, over the term of the lease. Prepaid lease payments in the amount of \$7,678,971 was due and paid during the year ended December 31, 2018; \$511,931 of lease income related to the prepaid lease payments was recognized during the years ended December 31, 2024 and 2023. The Company is required to estimate additional lease income on a monthly basis and provide NWTC with a statement of actual additional lease incurred within 90 days of year end. During the year ended December 31, 2024, \$312,585 in additional lease income was recognized (\$320,178 - 2023).

Additionally, the Company entered into a second sublease agreement during 2019 for an additional space related to the Northland Workforce Training Center commencing October 1, 2019 and extending through July 31, 2026. The agreement calls for prepayment of lease expense in the amount of \$288,000. The entire prepaid lease balance was paid during the year ending December 31, 2020. For the year ended December 31, 2024 and 2023, the Company recognized \$41,143 in lease income based on the second sublease agreement.

Further, the Company entered into a third sublease agreement during 2023 for an additional space related to the Northland Workforce Training Center commencing January 1, 2024 and extending through December 31, 2033. For the year ended December 31, 2024, the Company recognized \$48,396 in lease income based on the third sublease agreement.

**Buffalo Manufacturing Works:** The Company entered into a sublease agreement with Edison Welding Institute Inc. d/b/a Buffalo Manufacturing Works, commencing on July 1, 2019, and extending through June 30, 2034. For the years ended December 31, 2024 and 2023, the Company recognized \$475,400 in lease income based on this agreement.

The Company has several lease agreements with other commercial tenants to receive rental income through December 31, 2030. For the year ending December 31, 2024, the Company recognized \$378,177 in lease income based on these agreements (\$418,961 - 2023).

The following is a schedule of minimum future lease revenue on noncancelable leases with an initial term greater than one year:

2025	\$ 1,484,484
2026	1,439,601
2027	1,410,645
2028	1,412,512
2029	1,414,435
Thereafter	<u>4,540,585</u>
Total	<u>\$ 11,702,262</u>

NOTE 8. ALLOCATION OF PROFITS AND LOSSES

In accordance with the amended and restated operating agreement, operating profits and losses and credits, other than those arising from a capital transaction, will be allocated in the ratio 1% to the managing member and 99% to the investor member. Profits and losses arising from a capital transaction will be allocated to the members in various amounts as described in the amended and restated operating agreement depending on if the amounts are profits or losses and if the members' capital account balances are negative or positive.

NOTES TO THE FINANCIAL STATEMENTS

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**NOTE 8. ALLOCATION OF PROFITS AND LOSSES (CONTINUED)**

All net cash flow available for distribution shall be paid annually as follows:

- (i) To the investor member in the amount of any unpaid adjusters;
- (ii) To the investor member in the amount of any outstanding special tax distribution;
- (iii) To the investor member in the amount of any outstanding priority return for the fiscal year plus any outstanding priority return for any prior fiscal year;
- (iv) To fund the replacement reserve;
- (v) To the repayment of any subordinated loans (and accrued interest thereon) and any operating deficit loans; and
- (vi) The balance to the members in accordance with their percentage interests.

Profits arising from a capital transaction will be distributed in the following order: first to each member, an amount equal to their negative capital account basis based on their proportionate share of the anticipated distribution; second, any remaining profits are distributed in accordance with the members' capital accounts.

Losses arising from a capital transaction will be allocated in the following order: first to each member, an amount equal to their positive capital account basis based on their proportionate share of the anticipated distribution; second, any remaining losses are distributed in accordance with the members' capital accounts.

For distributions other than cash flow and distributions prior to dissolution or termination of the Company, assets and proceeds will be distributed in the following order:

- (i) To the payment of all matured debts and liabilities of the Company and all expenses of the Company incident to any Capital Transaction, excluding (i) debts and liabilities of the Company to members or any affiliates, and (ii) all unpaid fees owing to any developer entity;
- (ii) To the setting up of any reserves which the liquidator (or the managing member if the distribution is not pursuant to the liquidation of the Company) deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Company;
- (iii) To the payment to the investor member of any unpaid credit recovery loans and interest thereon;
- (iv) To the investor member in the amount of any outstanding priority return;
- (v) To the payment of any unpaid special tax distribution plus an amount equal, on an after-tax basis, to the local, state and federal taxes projected (at the applicable tax rate) to be imposed on the members of the investor member as a result of the capital transaction;
- (vi) To the repayment of any unpaid debts and liabilities (including unpaid fees) owed to the members or any affiliates by the Company for Company obligations; and
- (vii) The balance to the members in accordance with their percentage interests.



NOTES TO THE FINANCIAL STATEMENTS

**NOTE 8. ALLOCATION OF PROFITS AND LOSSES (CONTINUED)**

The amended and restated operating agreement requires the distribution of cash based upon the net cash flow calculation. Distributable cash flow is calculated annually as defined by the amended and restated operating agreement. Based upon the calculation, there is no net cash flow available to be distributed for the years ending December 31, 2024 and 2023. However, according to the amended and restated operating agreement, any priority return not distributed shall accrue and remain payable until net cash flow becomes available. Under the amended and restated operating agreement, the priority return is based upon 1.5% of the portion of capital contributions attributable to federal historic tax credits and is pro-rated for any periods less than a full year. As of December 31, 2024 and 2023, \$257,904 was accrued as payable to the investor member for the priority return. During the year ended December 31, 2024, the investor member was paid \$257,904 for the 2023 priority return (\$238,207 - 2023).

**NOTE 9. OPERATING DEFICIT GUARANTY**

In accordance with the amended and restated operating agreement, the managing member will provide funds to the Company so as to allow them to cover accrued accounts payable on a 60-day current basis. Any funds advanced shall be provided in the form of an operating deficit loan. An operating deficit loan shall be treated as a subordinated loan and shall bear no interest. As of December 31, 2024 and 2023, \$387,294 was loaned to the Company from the managing member and a related party.

**NOTE 10. PROPERTY MANAGEMENT**

The Company entered into a property management agreement with Mancuso Management Inc. (Mancuso) in December 2017. Under the agreement, Mancuso was to provide leasing and property management services with a monthly management fee calculated at 5% of rents billed or \$2,700, whichever is higher. The Company entered into a property management agreement with Comvest Consulting Inc. (Comvest) to replace Mancuso Management beginning in March 2024. Under the agreement, Comvest is to provide leasing and property management services for a monthly fee of \$6,175. For the year ended December 31, 2024, \$76,041 of property management fees were incurred and paid (\$69,719 - 2023).

**NOTE 11. RECONCILIATION OF TAXABLE LOSS**

The reconciliation of financial statement net loss to the taxable loss of the Company for the years ended December 31, are as follows:

	<u>2024</u>	<u>2023</u>
Financial statement net loss	\$ (643,224)	\$ (476,888)
Add (subtract) nondeductible items per tax return:		
Book to Tax depreciation	0	(1,841)
Section 467 income	0	670,521
Section 467 expense	0	(837,611)
Taxable loss	\$ 0	\$ (645,817)

The Company files income tax returns in the U.S. Federal jurisdiction and New York State.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. PAYMENT IN LIEU OF TAXES (PILOT)

The Company entered into a 7-year agreement (the Agreement), through December 31, 2027, with the Erie County Industrial Development Agency (ECIDA), on behalf of the City of Buffalo (the City), the City of Buffalo School District (the School District), and County of Erie (the County), whereby the Company pays an annual PILOT payment to the City, the County and the School District. The Company shall pay a payment in lieu of taxes composed of a land component, an existing improvements component, and a variable component. The variable component will be impacted by application of an annual payment factor. The payment factor will be 10% for the first two years of the Agreement, 20% for the next two years of the Agreement, and 30% for the final three years of the Agreement. The Company paid taxes amounting to \$28,866 for the year ended December 31, 2024 (\$25,914 - 2023).

NOTE 13. EQUIPMENT

Equipment consisted of the following at December 31:

	Estimated Useful Life	2024	2023
Furniture and equipment	5 years	\$ 51,988	\$ 41,395
Less: accumulated depreciation		(24,202)	(18,233)
		<u>\$ 27,786</u>	<u>\$ 23,162</u>

Depreciation expense for the year ended December 31, 2024 related to equipment amounted to \$5,969 (\$6,448 - 2023).

**REPORT TO THE MANAGING MEMBER**

**683 NORTHLAND MASTER TENANT, LLC  
(A LIMITED LIABILITY COMPANY)**

**DECEMBER 31, 2024**

**DRAFT**  
**Tentative and Preliminary**  
**For Discussion and Internal**  
**Purposes Only-Subject to Revision**



[date]

To the Managing Member of  
683 Northland Master Tenant, LLC  
(A Limited Liability Company)  
95 Perry Street, Suite 404  
Buffalo, New York 14203

Attention Managing Member:

We are pleased to present this report related to our audit of the financial statements of 683 Northland Master Tenant, LLC (the Company) as of and for the year ended December 31, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for 683 Northland Master Tenant, LLC's financial reporting process.

This report is intended solely for the information and use of the Managing Member and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Company.

[signature]

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## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

### Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated November 4, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated November 4, 2024 regarding the planned scope and timing of our audit and identified significant risks.

### Accounting Policies and Practices

#### Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Company. The Company did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

#### Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### Significant Unusual Transactions

We did not identify any significant unusual transactions.

#### Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. There were no significant accounting estimates.

### Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit. We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### Observations About the Audit Process

#### Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultations With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Difficult or Contentious Matters That Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## **Shared Responsibilities for Independence**

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) independence rules. For Freed Maxick (FM) to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and FM each play an important role.

### **Our Responsibilities**

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. FM is to ensure that the AICPA's General Requirements for performing non-audit services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

### **The Company's Responsibilities**

- Timely inform FM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - Changes in the organizational structure of the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units or jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Company and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with FM.
- Not entering into arrangements of non-audit services resulting in FM being involved in making management decisions on behalf of the Company.
- Not entering into relationships resulting in close family members of FM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Company.

## **Significant Written Communications Between Management and Our Firm**

Copies of significant written communications between our firm and the management of the Company, including the representation letter provided to us by management, are attached as Exhibit A.

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## EXHIBIT A

### Significant Written Communications Between Management and Our Firm

*Engagement Letter – Previously furnished*

*Representation Letter – See attached*



AUDITED  
FINANCIAL STATEMENTS

**683 NORTHLAND LLC**  
**(A LIMITED LIABILITY COMPANY)**

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DECEMBER 31, 2024

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Tentative and Preliminary  
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**683 NORTHLAND LLC**  
**(A LIMITED LIABILITY COMPANY)**

**BALANCE SHEETS**  
**December 31,**

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>Current assets:</b>		
Operating cash	\$ 17,547	\$ 23,208
Total current assets	17,547	23,208
Restricted cash	38,749	143,926
Due from related party	132,359	132,359
Land, property and equipment, net	88,338,949	92,274,970
<b>Total assets</b>	<b>\$ 88,527,604</b>	<b>\$ 92,574,463</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable		\$ 280
Accrued interest		3,973
Current portion of long term debt	504,304	100,188
Line of credit	-	570,000
Total current liabilities	504,304	674,441
Deferred lease liability - Master Lease Agreement	17,920,717	19,272,413
Long term debt	13,225,696	13,629,812
<b>Total liabilities</b>	<b>31,650,717</b>	<b>33,576,666</b>
<b>Members' equity</b>	<b>56,876,887</b>	<b>58,997,797</b>
<b>Total liabilities and members' equity</b>	<b>\$ 88,527,604</b>	<b>\$ 92,574,463</b>

See accompanying notes.

**683 NORTHLAND LLC**  
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31,**

	<u>2024</u>	<u>2023</u>
<b>Operating revenues:</b>		
Lease revenue	\$ 1,879,742	\$ 1,913,150
Total operating revenues	<u>1,879,742</u>	<u>1,913,150</u>
<b>Operating expenses:</b>		
Professional fees	55,282	123,841
Asset management fees	55,000	55,000
Donation	32,000	13,420
Loan servicing fees	21,941	21,941
Miscellaneous expense	934	874
Total operating expenses	<u>165,157</u>	<u>215,076</u>
Operating income	1,714,585	1,698,074
<b>Other (expense) income:</b>		
Gain on disposal	8,840	8,329
Interest income	227	361
Interest expense	(141,701)	(168,678)
Depreciation	(3,926,861)	(4,058,307)
Total other expense, net	<u>(4,045,495)</u>	<u>(4,218,295)</u>
<b>Net loss</b>	<u>\$ (2,330,910)</u>	<u>\$ (2,520,221)</u>

See accompanying notes.

**683 NORTHLAND LLC**  
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**For the Years Ended December 31,**

	<u>MEMBER</u>	<u>MANAGING MEMBER</u>	<u>TOTAL</u>
<b>Members' equity - January 1, 2023</b>	\$ 3,724,900	\$ 56,944,606	\$ 60,669,506
Members' capital contributions	44,711	852,001	896,712
Distribution	(2,400)	(45,800)	(48,200)
Net loss	<u>(126,011)</u>	<u>(2,394,210)</u>	<u>(2,520,221)</u>
<b>Members' equity - December 31, 2023</b>	<b>3,641,200</b>	<b>55,356,597</b>	<b>58,997,797</b>
Members' capital contributions	-	210,000	210,000
Net loss	<u>(76,546)</u>	<u>(2,214,365)</u>	<u>(2,330,910)</u>
<b>Members' equity - December 31, 2024</b>	<b>\$ 3,524,654</b>	<b>\$ 53,352,233</b>	<b>\$ 56,876,887</b>
Percentage interest	<u>5.00%</u>	<u>95.00%</u>	<u>100%</u>

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See accompanying notes.

**683 NORTHLAND LLC**  
**(A LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31,**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,330,910)	\$ (2,520,221)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	3,926,861	4,058,307
Gain on disposal	(22,840)	(8,329)
Decrease in liabilities:		
Accounts payable	(280)	(6,439)
Accrued interest	(3,973)	(5,195)
Deferred lease liability - Master Lease Agreement	(1,351,696)	(1,420,727)
<b>Net cash provided by operating activities</b>	<u>217,162</u>	<u>97,396</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposals of land, property and equipment	32,000	15,400
<b>Net cash provided by investing activities</b>	<u>32,000</u>	<u>15,400</u>
<b>Cash flows from financing activities:</b>		
Members' contributions	209,000	896,712
Distribution	-	(48,200)
Payments on line of credit	(570,000)	(107,158)
Repayments of long term debt	-	(1,001,167)
<b>Net cash used by financing activities</b>	<u>(360,000)</u>	<u>(259,813)</u>
<b>Net decrease in cash and restricted cash</b>	<u>(110,838)</u>	<u>(147,017)</u>
<b>Cash and restricted cash - beginning of year</b>	<u>167,134</u>	<u>314,151</u>
<b>Cash and restricted cash - end of year</b>	<u>\$ 56,296</u>	<u>167,134</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 145,674</u>	<u>\$ 173,873</u>

The following table provides a reconciliation of cash and restricted cash to the amounts reported within the balance sheets:

	<u>2024</u>	<u>2023</u>
Operating cash	\$ 17,547	\$ 23,208
Restricted cash	<u>38,749</u>	<u>143,926</u>
<b>Total cash and restricted cash</b>	<u>\$ 56,296</u>	<u>\$ 167,134</u>

See accompanying notes.

**683 NORTHLAND LLC  
(A LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION**

683 Northland LLC (the Company) is a limited liability company formed pursuant to the laws of the State of New York on December 13, 2016. The Company was formed to facilitate the ownership, rehabilitation and operation of a commercial and industrial facility located at 683 Northland Avenue, City of Buffalo, known as the Niagara Machine & Tool Works Factory (the Building). The Company serves as lessor to 683 Northland Master Tenant, LLC, a related entity. The relationship between lessor and lessee is governed by a Master Lease Agreement dated December 28, 2017.

The Building is listed on the National Register of Historic Places and will receive an allocation of federal and state historic rehabilitation tax credits under Section 47 of the Internal Revenue Code of 1986, as amended, and New York credit for Rehabilitation of Historic Properties under Section 606(00) of New York State tax law. The Building was developed in two phases; Phase 1 received an allocation of rehabilitation tax credits during the year ended December 31, 2018; Phase 2 received allocations in the years ending December 31, 2020 and 2019. No further credits are anticipated.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting:** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Cash:** The statement of cash flows considers amounts available for current operations to be cash and includes amounts for restricted reserves.

**Concentration of Credit Risk:** The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

During the years ended December 31, 2024 and 2023, one tenant represented 100% of lease revenue.

**Lease Income:** The Company recognizes revenue on the date lease payment becomes due in accordance with the Master Lease Agreement. Lease payments received in advance are deferred until earned. The Master Lease Agreement is an operating lease.

**Land, Property and Equipment:** Land, property and equipment are carried at cost which includes all direct costs of acquisition and construction as well as indirect costs including interest incurred during the rehabilitation period. Renewals and betterments that materially extend the life of the assets are capitalized. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided for using the straight-line method based on the following useful lives:

Building	39 years
Land improvements	15 years
Leasehold improvements	15 years
Building improvements	10 years
Furniture, fixtures, and equipment	7 years
Equipment	5 years

The Company reviews its land, property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of land, property and equipment to the future net undiscounted cash flow expected to be generated by the land, property and equipment and any estimated proceeds from the eventual disposition of the land, property and equipment. If the land, property and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the land, property and equipment exceeds the fair value of such land, property and equipment. There were no impairment losses recognized for the years ended December 31, 2024 and 2023.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income Taxes:** No provision or benefit has been made for income taxes in the accompanying financial statements since taxable income or loss of the Company passed through to the respective members for reporting passes through to, and is reportable by, the members individually.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Leases:** In February 2016, the Financial Accounting Standards Board (FASB) issued Topic 842, Leases, by issuing Accounting Standards Update (ASU) 2016-02, which requires lessors to classify leases as a sales-type, direct financing, or operating lease. Topic 842 was subsequently amended by ASU 2018-10, Codification Improvements to Topic 842, Leases; and ASU 2018-11, Targeted Improvements. A lease is a sales-type lease if any one of five criteria are met, each of which indicate that the lease, in effect, transfers control of the underlying asset to the lessee. If none of those five criteria are met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee and a third party, the lease is a direct financing lease. All leases that are not sales-type or direct financing leases are operating leases. The Company has an operating lease.

NOTE 3. LAND, PROPERTY AND EQUIPMENT

Land, property and equipment consists of the following as of December 31:

	2024	2023
Land	\$ 589,272	\$ 589,272
Buildings and improvements	104,433,211	104,433,211
Furniture, fixtures and equipment	7,291,731	7,336,991
Leasehold improvements	291,222	291,222
	<u>112,605,436</u>	<u>112,650,696</u>
Less: Accumulated depreciation	<u>(24,266,487)</u>	<u>(20,375,726)</u>
	<u>\$ 88,338,949</u>	<u>\$ 92,274,970</u>

Depreciation expense for the year ended December 31, 2024 amounted to \$3,926,861 (\$4,058,307 - 2023).

NOTE 4. CAPITAL CONTRIBUTIONS AND ALLOCATION OF PROFITS AND LOSSES

The Company consists of two members; 683 WTC, LLC and BBRC Land Company I, LLC. 683 WTC, LLC is the managing member and a 95% owner. BBRC Land Company I, LLC has a 5% membership interest. Both members fulfilled all required capital contributions in prior years.

The managing member contributed a total of \$210,000 during the year ended December 31, 2024 (\$852,001 - 2023). The managing member received no distributions during the year ended December 31, 2024 (\$45,800 - 2023).

The member interest made no additional contributions during the year ended December 31, 2024 (\$44,711 - 2023). The member interest received no distributions during the year ended December 31, 2024 (\$2,400 - 2023).



NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4. CAPITAL CONTRIBUTIONS AND ALLOCATION OF PROFITS AND LOSSES (CONTINUED)**

The terms of the amended and restated operating agreement of the Company, effective as of December 28, 2017, provides for, among other things, that profits and losses be allocated to each member in accordance with the ratio of the value of the respective capital account to the value of all capital accounts in the aggregate.

**NOTE 5. TRANSACTIONS WITH AFFILIATES**

The Company has a Master Lease Agreement (the Agreement) with the master tenant member to receive lease income commencing August 26, 2018, the day prior to the first date on which Phase I of the Building was placed in service for purposes of the historical tax credits, through August 31, 2038. For the year ended December 31, 2024, the Company recognized \$1,879,742 in lease revenue related to the Agreement (\$1,913,150 - 2023). The lease agreement includes scheduled lease increases over the term of the lease, which in accordance with U.S. GAAP, will be recognized on a straight-line basis over the term of the lease. The Company will reduce the deferred lease liability by \$1,896,446 over each of the next 5 years.

Future minimum lease receipts to be received under the Master Lease Agreement are contractually due as follows as of December 31:

2025	\$ 658,098
2026	665,641
2027	580,645
2028	596,024
2029	642,561
Thereafter	<u>2,101,143</u>
	<u>\$ 8,094,088</u>

**Due from Related Party:** The Company has paid certain operating expenses directly to third parties on behalf of 683 Northland Master Tenant, LLC ("Master Tenant"). The amounts represent an operating deficit loan on the Master Tenant's books. The loan can only be repaid from positive net cash flow on the Master Tenant as defined by the Master Tenant's operating agreement. There was no positive net cash flow for the years ending December 31, 2024 and 2023. The outstanding amount for the year ending December 31, 2024 and 2023 is \$132,359.

**NOTE 6. LONG TERM DEBT**

**Mortgage Payable:** During 2027, the Company borrowed amounts totaling \$13,730,000 related to the Northland Corridor project from BACDE NMTC Fund 16, LLC and NTCIC-NORTHLAND, LLC. Buffalo Urban Development Corporation, a related party, is a guarantor on the loan agreement. Interest accrues at the rate of 1.33776% and is due quarterly. The loans are collateralized by the building. Interest only payments from the date of the agreement, December 28, 2017 through December 31, 2024 are payable quarterly. Principal and interest are due quarterly, commencing December 31, 2024, until the maturity date of December 28, 2052. Under the loan agreements, the Company shall pay BACDE NMTC Fund 16, LLC an annual asset management fee of \$45,000 through 2025 and NTCIC-NORTHLAND, LLC an annual asset management fee of \$10,000 through 2026. Asset management fees amounted to \$55,000 for years ending December 31, 2024 and 2023. During 2025, each of the loans totaling \$13,730,000 were assigned to Northland NMTC Investment Fund, LLC. \$9,034,400 was subsequently assigned to Buffalo Urban Development Corporation. After the assignments, the full \$13,730,000 outstanding was forgiven by both Buffalo Urban Development Corporation and Northland NMTC Investment Fund, LLC. See Note 9.

**683 NORTHLAND LLC  
(A LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6. LONG TERM DEBT (CONTINUED)**

**Bridge Loans:** The Company entered into bridge loan agreements with KeyBank on December 28, 2017, in the amount of \$20,000,000 (Loan A). Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors on the loan agreements. The loan is collateralized by security interest in all assets of 683 WTC, LLC, BBRC Land Company I, LLC and 683 Northland LLC, assignment of rents by the Company, and assignment of construction contracts and architect's agreements. The bridge loan agreement for Loan A was extended through June 30, 2023 and has been fully paid off as of December 31, 2023. Interest on Loan A was calculated at the adjusted daily SOFR rate plus 2.4%.

The above long term debt is summarized by funding source below as follows at December 31:

	<u>2024</u>	<u>2023</u>
BACDE NMTC Fund 16, LLC	\$ 8,730,000	\$ 8,730,000
NTCIC-NORTHLAND, LLC	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 13,730,000</u>	<u>\$ 13,730,000</u>

Current maturities of long-term debt are as follows for the years ending December 31:

2025	\$ 504,304
2026	489,549
2027	119,056
2028	420,636
2029	426,291
Thereafter	<u>11,544,164</u>
	<u>\$ 13,730,000</u>

**NOTE 7. LINE OF CREDIT**

**Line of Credit:** The Company entered into a non-revolving line of credit agreement with KeyBank on April 29, 2020 which allows for borrowings up to \$1,000,000. The agreement was amended on December 29, 2022, and allows borrowings up to \$677,158. A further amendment was made on September 24, 2024 extending the maturity date to December 31, 2024. Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors on this agreement. Borrowings were used to pay interest on the Bridge loans (see Note 6) while awaiting member contributions. Borrowed amounts on the line bear interest at an adjusted daily SOFR rate plus 2.4% per annum and are collateralized by security interest in all assets of 683 WTC, LLC, BUDC and BBRC Land Company I, LLC. The line of credit was paid in full during the year ended December 31, 2024. The line of credit amounted to \$570,000 at December 31, 2023. There was no accrued interest at December 31, 2024. Accrued interest amounted to \$3,973 at December 31, 2023.

**683 NORTHLAND LLC  
(A LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8. RESTRICTED CASH AND FUNDED RESERVES**

The Company was required to establish interest reserve accounts for the KeyBank bridge loans and asset management fees in connection with the loans due to BACDE NMTC Fund 16, LLC and NTCIC-NORTHLAND, LLC. The interest and asset management fees incurred in connection to these loans are paid from these reserve accounts. The balances in the reserve accounts were as follows as of December 31:

	<u>2024</u>	<u>2023</u>
KeyBank interest reserve	\$ 5	\$ 5,007
BACDE NMTC Fund 16, LLC reserve	8,507	77,919
NTCIC-NORTHLAND, LLC reserve	<u>30,237</u>	<u>61,000</u>
	<u>\$ 38,749</u>	<u>\$ 143,926</u>

**NOTE 9. SUBSEQUENT EVENTS**

The New Market Tax Credit (NMTC) seven year compliance period expired on December 31, 2024. As a result on January 27, 2025, the investor in the NMTC exercised its put option, selling their interest in the Northland NMTC Investment Fund, LLC (the Fund) to the Buffalo Urban Development Corporation for \$1,000 and as a result acquired sole ownership interest in the Fund. Additionally, NTCIC-Northland, LLC and BACDE NMTC Fund 16, LLC assigned their promissory notes to the Fund. These promissory notes totaled \$13,730,000. Northland NMTC Investment Fund, LLC and Buffalo Urban Development Corporation forgave the \$13,730,000 in promissory notes outstanding. Additionally, the remaining reserves for BACDE NMTC Fund 16, LLC and NTCIC-Northland, LLC were utilized in full to pay for interest incurred prior to assignment and associated costs.

These financial statements have not been updated for subsequent events occurring after [date], which is the date these financial statements were available to be issued.

REPORT TO THE MANAGING MEMBER

**683 NORTHLAND LLC  
(A LIMITED LIABILITY COMPANY)**

DECEMBER 31, 2024

DRAFT  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision



[Date of Issuance of Communication]

To the Managing Member  
683 Northland LLC  
(A Limited Liability Company)  
95 Perry Street, Suite 400  
Buffalo, NY 14203

Attention Managing Member:

We are pleased to present this report related to our audit of the financial statements of 683 Northland LLC (the Organization) as of and for the year ended December 31, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Organization's financial reporting process.

This report is intended solely for the information and use of the Managing Member, management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Organization.

[Firm Signature]

DRAFT  
Tentative and Preliminary  
For Discussion and Internal Review  
Purposes Only-Subject to Revision

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DRAFT  
Tentative and Preliminary  
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## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

### Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated November 4, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated November 4, 2024 regarding the planned scope and timing of our audit and identified significant risks.

### Accounting Policies and Practices

#### Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Company. The Company did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

#### Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### Significant Unusual Transactions

We did not identify any significant unusual transactions.

#### Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the accounting estimates reflected in the Company's financial statements:

- Estimated useful life of fixed assets
- Impairment of building

### Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Organization are shown in the attached list of Recorded Audit Adjustments.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

## Observations About the Audit Process

### Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

### Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) independence rules. For Freed Maxick (FM) to fulfill its professional responsibility to maintain and monitor independence, management, and FM each play an important role.

### Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. FM is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

### The Organization's Responsibilities

- Timely inform FM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - Changes in the organizational structure of the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Organization and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with FM.
- Not entering into arrangements of non-audit services resulting in FM being involved in making management decisions on behalf of the Organization.
- Not entering into relationships resulting in close family members of FM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Organization.

## Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Organization, including the representation letter provided to us by management, are attached as Exhibit A.



**683 Northland LLC****Year End: December 31, 2024****Summary of Recorded Audit Adjustment**

Number	Date	Name	Debit	Credit
1	12/31/2024	Accumulated Depreciation - FF&E	36,100	
1	12/31/2024	Furniture, Fixtures & Equipment		13,260
1	12/31/2024	Loss in Disposal		22,840

To properly adjust cost basis of  
fixed assets, gain on disposal and accumulated  
depreciation related to disposals during the year  
ended 12/31/2024

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**Tentative and Preliminary**  
**For Discussion and Internal**  
**Purposes Only-Subject to Revision**

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**Significant Written Communications Between Management  
and Our Firm**

**EXHIBIT A**

AUDITED  
CONSOLIDATED FINANCIAL STATEMENTS

# **BUFFALO URBAN DEVELOPMENT CORPORATION**

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DECEMBER 31, 2024

DRAFT  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
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**FINANCIAL SECTION**

**DRAFT**  
**Tentative and Preliminary**  
**For Discussion and Internal**  
**Purposes Only-Subject to Revision**

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**CONSOLIDATED STATEMENTS OF NET POSITION**

**December 31,**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 5,226,778	\$ 16,542,113
Grants receivable	64,930,711	89,350,024
Restricted cash	18,344,520	460,544
Other current assets	5,192,326	5,749,149
Total current assets	<u>93,694,335</u>	<u>112,101,830</u>
<b>Noncurrent assets:</b>		
Loans receivable	9,666,400	9,666,400
Equity investment	148,427	154,859
Capital assets, net	100,773,021	100,961,985
Right to use asset	7,070,837	7,470,200
Land and improvements held for sale, net	788,212	788,212
Total noncurrent assets	<u>118,446,897</u>	<u>119,041,656</u>
Total assets	<u>\$ 212,141,232</u>	<u>\$ 231,143,486</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 946,322	\$ 528,067
Unearned revenue	85,011,299	104,383,474
Line of credit	-	570,000
Current portion of loans payable	504,304	469,938
Total current liabilities	<u>86,431,925</u>	<u>105,951,479</u>
<b>Noncurrent liabilities:</b>		
Deferred lease liability	24,991,554	26,742,613
Loans payable	13,225,696	13,629,812
Total noncurrent liabilities	<u>38,217,250</u>	<u>40,372,425</u>
<b>NET POSITION</b>		
Net investment in capital assets	87,831,233	87,650,447
Restricted position	37,212	233,870
Unrestricted (deficit) position	<u>(376,388)</u>	<u>(3,064,735)</u>
Total net position	<u>87,492,057</u>	<u>84,819,582</u>
Total liabilities and net position	<u>\$ 212,141,232</u>	<u>\$ 231,143,486</u>

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the year ended December 31,**

	<u>2024</u>	<u>2023</u>
Grant revenue	\$ 37,137,425	\$ 31,596,676
Lease and other revenue	2,253,737	2,951,472
Loan interest	96,664	96,664
Brownfield funds	35,964	35,823
Total operating revenues	<u>39,523,790</u>	<u>34,680,635</u>
<b>Operating expenses:</b>		
Development costs	30,402,586	30,900,700
Depreciation	4,007,389	4,138,093
General and administrative	1,617,205	1,742,514
Salaries and benefits	495,817	440,561
Management fee	84,382	142,262
Adjustment to net realizable value	202,199	74,961
Total operating expenses	<u>36,809,578</u>	<u>37,439,091</u>
Operating (loss) income	2,714,212	(2,758,456)
<b>Nonoperating revenues (expenses):</b>		
Gain on disposal	22,849	8,329
Interest income	98,812	126,418
Interest expense	(163,389)	(197,771)
Total nonoperating expenses, net	<u>(41,737)</u>	<u>(63,024)</u>
Change in net position	2,672,475	(2,821,480)
Net position - beginning of year	84,819,582	87,598,751
Add: capital contributions	-	44,711
Less: capital distributions	-	(2,400)
Net position - end of year	<u>\$ 87,492,057</u>	<u>\$ 84,819,582</u>

See accompanying notes.

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the year ended December 31,**

	2024	2023
<b>Cash flows from operating activities:</b>		
Amounts provided by (paid from) Brownfields funds	\$ 53,683	\$ (25,641)
Grants received	42,184,563	24,969,512
Receipts from loans and commitment fees	96,664	96,664
Rental and other revenue	1,413,972	2,042,677
Payments to employees, suppliers, and other	(32,382,788)	(32,981,356)
<b>Net cash provided (used) by operating activities</b>	<b>11,366,094</b>	<b>(5,898,144)</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(3,827,583)	(363,935)
Proceeds from sale/disposal of capital assets	32,000	15,400
Repayment of loans	(939,752)	(1,108,325)
Capital distributions	-	(2,400)
Capital contributions	-	44,711
<b>Net cash used by capital and related financing activities</b>	<b>(4,735,335)</b>	<b>(1,414,549)</b>
<b>Cash flows from investing activities:</b>		
Change in restricted cash	(17,883,976)	3,553,492
Interest earned	105,244	149,610
Interest paid	(167,862)	(202,966)
<b>Net cash (used) provided by investing activities</b>	<b>(17,946,094)</b>	<b>3,500,136</b>
<b>Net decrease in cash</b>	<b>(1,815,335)</b>	<b>(3,812,557)</b>
<b>Cash - beginning of year</b>	<b>16,542,113</b>	<b>20,354,670</b>
<b>Cash - end of year</b>	<b>5,226,778</b>	<b>16,542,113</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 2,714,212	\$ (2,758,456)
Adjustment to reconcile operating income (loss) from operations to net cash (used) provided by operating activities:		
Depreciation expense	4,007,389	4,138,093
Decrease (increase) in grants receivable	24,419,313	(57,166,818)
Decrease in other current assets	556,823	480,969
Increase in accounts payable and accrued expenses	392,228	289,140
(Decrease) increase in unearned revenue	(19,372,175)	50,539,654
Decrease in deferred lease liability	(1,351,696)	(1,420,726)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 11,366,094</b>	<b>\$ (5,898,144)</b>
<b>Non-cash transactions:</b>		
Grants received but not yet earned	\$ 16,651,541	\$ 50,742,522

See accompanying notes.



**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Buffalo Urban Development Corporation (BUDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the BUDC's accounting policies are described below.

**A. REPORTING ENTITY**

The Buffalo Urban Development Corporation (BUDC) was incorporated to facilitate partnership with the private sector in the development of the City of Buffalo (the City). 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). The Fund dedicates certain payments received in lieu of real estate taxes (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.

The financial reporting entity consists of (a) the primary entity, which is BUDC, (b) 683 WTC, LLC, (WTC) of which BUDC is the sole member, and (c) 683 Northland LLC, (Northland) in which 683 WTC, LLC has a 95% equity interest.

In accordance with U.S. GAAP, BUDC is not considered a component unit of another entity.

**B. BASIS OF PRESENTATION**

Revenues from grants, Brownfield funds, rental payments and interest on loans are reported as operating revenues. All expenses related to operating BUDC are reported as operating expenses. Certain other transactions are reported as nonoperating activities including BUDC's interest income from deposits and interest expense related to long-term debt.

When both restricted and unrestricted resources are available for use, it is BUDC's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. CONSOLIDATED FINANCIAL STATEMENT PRESENTATION**

The consolidated financial statements include the accounts of BUDC, WTC, and Northland. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. These consolidated financial statements have been prepared in conformity with U.S. GAAP.

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

BUDC is considered 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. The financial statements of BUDC are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred; regardless of when the cash transaction takes place.

Nonexchange transactions, in which BUDC gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied.

**E. CASH AND RESTRICTED CASH**

BUDC's cash consists of cash on hand and demand deposits. Certain assets are classified on the consolidated statements of net position as restricted because their use is limited.

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. LOANS RECEIVABLE**

Loans receivable are presented net of an allowance for uncollectible accounts. BUDC maintains an allowance for estimated uncollectible accounts which is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are written off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Accrual of interest ceases when management adjusts a loan reserve to 50% or more of the loan's outstanding balance.

**G. OTHER CURRENT ASSETS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. These amounts are included in other current assets and amounted to \$4,666,905 and \$5,206,009 for December 31, 2024 and 2023, respectively. Other current assets include interest and accounts receivables and amounted to \$393,062 and \$410,078 for December 31, 2024 and 2023, respectively.

**H. CAPITAL ASSETS**

Capital assets are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The cost of repairs, maintenance and minor replacements are expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. Contributed capital assets are recorded at fair value at the date received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the BUDC are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture and equipment	\$1,000	Straight-line	3-10 years
Buildings and improvements	\$1,000	Straight-line	5-40 years

**I. INSURANCE**

BUDC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three years.

**J. NET POSITION**

Equity is classified as net position and displayed in three components:

- Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and related debt.
- Restricted* - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Included in this classification are the Buffalo Brownfields Redevelopment Fund and a loan fund.
- Unrestricted* - The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by BUDC.

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. INCOME TAXES**

BUDC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and the income realized will not be subject to New York State corporate franchise tax. BUDC is subject to unrelated business income tax related to certain lending transactions associated with WTC.

**L. STATEMENTS OF CASH FLOWS**

For the purposes of the statements of cash flows, BUDC considers all cash, other than restricted cash, which includes cash and demand accounts.

**M. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**N. LEASES**

BUDC determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to. A contract is or contains a lease when the contract conveys control of the right to use another entity's nonfinancial asset for a period of time in an exchange or an exchange-like transaction.

As a lessor, Northland has a lease under the Master Lease Agreement (See Note 8). Northland recorded a right to use asset and liability amounting to \$8,060,094 at January 1, 2023 upon adoption of Statement No. 87 Leases. The liability includes unamortized prepaid rent payments. Lease revenue is recognized straight line over the life of the Master Lease Agreement.

As a lessee, BUDC has a lease for office space. The agreement was month to month through November 2023. Effective December 1, 2023 an agreement was signed that extended the lease through July 31, 2027. BUDC recorded a right to use asset and liability amounting to \$52,498 as of December 31, 2024 (\$71,029 – 2023).

**O. ACCOUNTING PRONOUNCEMENTS**

BUDC has evaluated the provisions of Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements* and Statement No. 99, *Omnibus 2022*, which will be effective based on individual applications and determined that they have no significant impact on BUDC's financial statements.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the BUDC, for their potential impact in future years.

- Statement No. 102, *Certain Risk Disclosures*, which will be effective for the year ending December 31, 2025.
- Statement No. 103, *Financial Reporting Model Improvements*, which will be effective for the year ending December 31, 2026.
- Statement No. 104, *Disclosure of Certain Capital Assets*, which will be effective for the year ending December 31, 2026.

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2. CASH AND INVESTMENTS**

BUDC's investment policies are governed by State statutes. In addition, BUDC has its own written investment policy. BUDC monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State. BUDC is authorized to use interest bearing 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 and its localities.

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

As of December 31, 2024 and 2023, BUDC's aggregate bank deposits were considered fully collateralized.

**Investment and Deposit Policy**

BUDC follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of BUDC's Treasurer.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. BUDC's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

BUDC's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. BUDC's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with BUDC's investment and deposit policy, all deposits of BUDC including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Corporation (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. BUDC restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by the State of New York and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**NOTE 3. LOANS RECEIVABLE**

In 2017, BUDC made a loan in the amount of \$9,666,400 to Northland NMTC Investment Fund, LLC (NMTC). Interest accrues at the rate of one percent per annum (1%) and is due quarterly. Interest only payments from the date of first advance, which was December 28, 2017 through December 31, 2024 are payable quarterly. Principal and interest shall be paid commencing December 31, 2024 through December 31, 2042. NMTC pledges its entire interest in BACDE NMTC Fund 16, LLC and NTCIC-Northland, LLC. BUDC's policy is to present loans receivable net of an allowance for uncollectible loans. Management has determined that no allowance for this loan was necessary in 2024 and 2023. Subsequent to year end, this loan receivable was forgiven in full by BUDC (see Note 15).

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the BUDC for the year ended December 31, 2024 was as follows:

	<u>January 1, 2024</u>	<u>Increase</u>	<u>Decreases</u>	<u>December 31, 2024</u>
Non-depreciable capital assets:				
Land	\$ 874,014	\$ -	\$ -	\$ 874,014
Idle buildings and improvements	<u>5,503,188</u>	<u>767,445</u>	<u>-</u>	<u>6,297,633</u>
Total non-depreciable capital assets	<u>6,404,202</u>	<u>767,445</u>	<u>-</u>	<u>7,171,647</u>
Depreciable capital assets:				
Buildings and improvements	107,887,554	16,921	-	107,887,554
Furniture and equipment	7,400,650	3,043,221	45,262	10,398,609
Less: accumulated depreciation	<u>20,730,421</u>	<u>4,007,389</u>	<u>36,100</u>	<u>24,701,710</u>
Total depreciable assets, net	<u>94,557,783</u>	<u>(947,247)</u>	<u>9,162</u>	<u>93,601,374</u>
Total capital assets, net	<u>\$ 100,961,985</u>	<u>\$ (179,802)</u>	<u>\$ 9,162</u>	<u>\$ 100,773,021</u>

Capital asset activity for the BUDC for the year ended December 31, 2023 was as follows:

	<u>January 1, 2023</u>	<u>Increase</u>	<u>Decreases</u>	<u>December 31, 2023</u>
Non-depreciable capital assets:				
Land	\$ 874,014	\$ -	\$ -	\$ 874,014
Idle buildings and improvements	<u>5,169,695</u>	<u>360,493</u>	<u>-</u>	<u>5,503,188</u>
Total non-depreciable capital assets	<u>6,043,709</u>	<u>360,493</u>	<u>-</u>	<u>6,404,202</u>
Depreciable capital assets:				
Buildings and improvements	107,884,114	3,440	-	107,887,554
Furniture and equipment	7,424,410	-	23,760	7,400,650
Less: accumulated depreciation	<u>16,609,018</u>	<u>4,138,093</u>	<u>16,690</u>	<u>20,730,421</u>
Total depreciable assets, net	<u>98,699,506</u>	<u>(4,134,653)</u>	<u>7,070</u>	<u>94,557,783</u>
Total capital assets, net	<u>\$ 104,743,215</u>	<u>\$ (3,774,160)</u>	<u>\$ 7,070</u>	<u>\$ 100,961,985</u>

Land, buildings, and improvements related to the Northland Corridor amounted to \$7,171,646 and \$6,404,202 at December 31, 2024 and 2023. BUDC intends to return these properties to productive use, assist with revitalizing the surrounding neighborhood, and provide employment opportunities for nearby residents by creating a new manufacturing hub on the City's east side. Once completed, BUDC expects to lease the property to local businesses, government agencies, and nonprofit organizations.

Due to the extensive amount of revitalization, pollution remediation (See Note 14), and other related activities, the anticipated costs of certain Northland properties exceed the expected fair value of the properties based on current estimates. Adjustments to net realizable value totaled \$158,386 and \$51,838 for the years ended December 31, 2024 and 2023 respectively.

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5. LAND AND IMPROVEMENTS HELD FOR DEVELOPMENT AND SALE**

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 Buffalo Lakeside Commerce Park (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 the BLCP and constructed additional roads and infrastructure. Between 2004 and 2008 there were multiple BLCP parcels sold to local businesses. In 2022, approximately 72 acres of land, was sold to local developers.

Land and improvements held for sale are recorded at net realizable value based on assessment of the fair value of each project as follows at December 31:

	<u>2024</u>	<u>2023</u>
BLCP	\$ 6,045,055	\$ 6,045,055
Less adjustment to net realizable value (BLCP)	<u>5,256,843</u>	<u>5,256,843</u>
Total capital assets, net	<u>\$ 788,212</u>	<u>\$ 788,212</u>

**NOTE 6. GRANTS RECEIVABLE AND UNEARNED REVENUE**

In 2019, BUDC was awarded a \$3,998,549 grant from ESD under the Restore NY Program in support of the demolition and rehabilitation at certain properties in the Northland Corridor. In 2023, an additional \$55,000,000 was awarded from ESD's RECAP program relating to this project, as well as \$1,800,000 from ESD to support work on solar micro-grid projects at the properties. As of December 31, 2024, \$34,220,852 is outstanding in grants receivable from ESD (\$58,535,726 – 2023).

In 2022, BUDC was awarded two grants totaling \$14,446,429 for Phase 1 of the Build Back Better Regional Challenge to be utilized for the demolition, remediation, renovation, construction and site/street improvements for various Northland properties. \$14,400,000 remains outstanding in grants receivable from the U.S. Department of Commerce Economic Development Administration (EDA) as of December 31, 2024 (\$14,431,065 – 2023).

Between 2019-2024, BUDC was awarded thirteen grants from the Ralph C. Wilson, Jr. Foundation totaling \$67,055,200 for project coordination and advancing the transformation of Ralph C. Wilson, Jr. Centennial Park into a world-class park and recreational amenity for the City and the Western New York Region. As of December 31, 2024, \$7,126,000 is outstanding in grants receivable from the Ralph C. Wilson, Jr. Foundation (\$4,689,000 – 2023).

To further add the shoreline components of the Centennial Park project, BUDC was awarded five grants totaling \$13,619,102 from the Great Lakes Commission between 2020-2024. \$6,960,559 is outstanding in grants receivable at December 31, 2024 (\$10,584,233 – 2023).

In 2024, BUDC was award a \$1,200,000 grant from to be utilized for COVID-19 economic recovery operations and initiatives. As of December 31, 2024, \$908,050 is outstanding in grants receivable.

In 2022, BUDC was awarded a \$960,000 grant from the MLB-MLBPA Youth Development Foundation in support of field lighting and youth baseball fields construction. As of December 31, 2024 and 2023, \$860,000 is outstanding in grants receivable.

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6. GRANTS RECEIVABLE AND UNEARNED REVENUE (CONTINUED)**

The following is a summary of grants receivable and unearned grant revenue at December 31,:

	<u>2024</u>	<u>2023</u>
Grant receivable:		
ESD	\$ 34,220,852	\$ 58,535,726
EDA	14,400,000	14,431,065
Ralph C Wilson Jr. Foundation	7,126,000	4,689,000
Great Lakes Commission	6,960,559	10,584,233
American Rescue Plan	908,050	-
MLB-MLBPA Youth Development	860,000	860,000
NYS DHSES	360,000	-
Other	95,251	-
National Grid	-	250,000
	<u>\$ 64,930,711</u>	<u>\$ 89,350,024</u>
Unearned revenue:		
ESD	\$ 51,698,865	\$ 58,155,314
EDA	14,371,154	14,371,153
Ralph C Wilson Jr. Foundation	9,256,632	19,842,714
Great Lakes Commission	7,573,023	10,648,043
American Rescue Plan	908,050	-
MLB-MLBPA Youth Development	860,000	960,000
Other	178,129	-
NYS DHSES	165,446	-
National Grid	-	381,250
Community Foundation	-	25,000
	<u>\$ 85,011,299</u>	<u>\$ 104,383,474</u>

**NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

The following is a summary of accounts payable and accrued expenses at December 31,:

	<u>2024</u>	<u>2023</u>
Accounts payable	\$ 884,857	\$ 493,866
Accrued payroll	30,365	27,128
Other accrued expenses	1,100	3,100
Accrued interest	-	3,973
	<u>\$ 916,322</u>	<u>\$ 528,067</u>

**NOTE 8. MASTER LEASE AGREEMENT**

Northland has a Master Lease Agreement (the Agreement) with the master tenant member to receive lease income commencing August 26, 2018, the day prior to the first date on which Phase I of the Building was placed in service for purposes of the historical tax credits, through August 31, 2038. As a lessor, the underlying building and other assets are recorded as a right to use asset and corresponding deferred lease liability. Northland utilized an interest rate of 2.05% to calculate the deferred lease liability. Additionally, the underlying assets were not derecognized and remain on the statements of net position within capital assets.

Northland recognized \$1,879,742 in lease revenue related to the Agreement for the year ended December 31, 2024 (\$1,913,150 – 2023). The lease agreement includes scheduled lease increases over the term of the lease, which in accordance with U.S. GAAP, will be recognized on a straight-line basis over the term of the lease. Northland will reduce the deferred lease liability by \$1,896,446 over each of the next 5 years and through the remainder of the life of the lease agreement.

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 8. MASTER LEASE AGREEMENT (CONTINUED)**

Under the Agreement, Northland receives base and prepaid lease payments. All prepaid rent payments required under the Agreement have been made as of December 31, 2022. Unamortized prepaid lease payments amounted to \$17,920,717 as of December 31, 2024 (\$19,272,413 – 2023). The unamortized lease payments related to base rent amounted to \$7,399,171 as of December 31, 2024 and 2023.

Future minimum rental receipts to be received under the Master Lease Agreement are contractually due as follows as of December 31, 2024:

2025	558,098
2026	565,617
2027	580,645
2028	596,024
2029	612,561
Thereafter	5,101,143
	<u>\$ 8,014,088</u>

**NOTE 9. LINE OF CREDIT**

BUDC entered into a revolving line of credit agreement with KeyBank on April 29, 2020 which allows for borrowings up to \$1,800,000. Borrowings are to be used to pay for specific projects that are reimbursed through grants but require the work to be completed prior to reimbursement and for general working capital purposes. Borrowed amounts on the line bear interest at an adjusted SOFR (previously LIBOR) rate per annum and are collateralized by security interest in all assets of BUDC. Interest payments are due on the first of each month. Principal is due upon demand. The line of credit had no outstanding balance at December 31, 2024 and 2023.

Northland entered into a non-revolving line of credit agreement with KeyBank on April 29, 2020 which allows for borrowings up to \$1,000,000. The agreement was amended on March 22, 2024, extending the maturity date through December 31, 2024. Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors under this agreement. Borrowings were used to pay interest on the Bridge loans (see Note 10) while awaiting member contributions. Borrowed amounts on the line bear interest at an adjusted daily SOFR rate plus 2.4% per annum (7.8% at December 31, 2023) and are collateralized by security interest in all assets of 683 WTC, LLC, BUDC and BBRC Land Company I, LLC. The line of credit was paid in full during the year ended December 31, 2024. The line of credit amounted to \$570,000 at December 31, 2023. There was no accrued interest at December 31, 2024. Accrued interest amounted to \$3,973 at December 31, 2023.

**NOTE 10. LOANS PAYABLE**

**Mortgage Payable**

During 2017, Northland borrowed amounts totaling \$13,730,000 related to the Northland Corridor project from BACDE NMTC Fund 16, LLC and NTCIC-NORTHLAND, LLC. Buffalo Urban Development Corporation, a related party, is a guarantor on the loan agreement. Interest accrues at the rate of 1.33776% and is due quarterly. The loans are collateralized by the building. Interest only payments from the date of the agreement, December 28, 2017 through December 31, 2024 are payable quarterly. Principal and interest are due quarterly, commencing December 31, 2024, until the maturity date of December 28, 2052. Under the loan agreements, Northland shall pay BACDE NMTC Fund 16, LLC an annual asset management fee of \$45,000 through 2025 and NTCIC-NORTHLAND, LLC an annual asset management fee of \$10,000 through 2026. Asset management fees amounted to \$55,000 for years ending December 31, 2024 and 2023. Subsequent to year end, each of the loans totaling \$13,730,000 were assigned to Northland NMTC Investment Fund, LLC of which \$9,666,400 was subsequently assigned to Buffalo Urban Development Corporation. After the assignments, the \$13,730,000 outstanding was forgiven (See Note 15).



**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10. LOANS PAYABLE (CONTINUED)**

Bridge Loans

Northland entered into a bridge loan agreement with KeyBank on December 28, 2017, in the amount of \$20,000,000 (Loan A). Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors on these loan agreements. The loan is collateralized by security interest in all assets of 683 WTC, LLC, BBRC Land Company I, LLC and 683 Northland LLC, assignment of rents by the Company, and assignment of construction contracts and architect's agreements. The bridge loan agreement for Loan A was extended through June 30, 2023 and has been fully paid off as of December 31, 2023. Interest on Loan A is calculated at the adjusted daily SOFR rate plus 2.4%.

Term Note

BUDC entered into a term note agreement with M&T Bank on February 28, 2019 totaling \$369,750 for the purchase of the land and building at 714 Northland. This note was interest-bearing only until it matured and was paid in full in 2024. Interest on the note is calculated at one-month LIBOR plus 2.65 percentage points. \$369,750 was outstanding on the term note at December 31, 2023.

The above debt is summarized by funding source below as follows at December 31:

	<u>2024</u>	<u>2023</u>
BACDE NMTC Fund 16, LLC	\$ 8,730,000	\$ 8,730,000
NTCIC-NORTHLAND, LLC	5,000,000	5,000,000
M&T Bank	369,750	369,750
	<u>\$ 13,730,000</u>	<u>\$ 14,099,750</u>

Current maturities of long term debt are as follows for the years ended December 31:

2025	\$ 504,304
2026	409,849
2027	216,056
2028	420,636
2029	426,291
Thereafter	11,554,164
	<u>\$ 13,730,000</u>

Interest expense for the year ending December 31, 2024 was \$163,389 (\$197,771 – 2023).

**NOTE 11. EQUITY INVESTMENT**

Equity investment represents WTC's 1% investment in 683 Northland Master Tenant, LLC (Master Tenant). WTC utilizes the historical cost method of accounting for its investment in the Master Tenant which results in the equity investment balance being comprised of WTC's original capital contribution in the Master Tenant. The investment amounted to \$148,427 at December 31, 2024 and (\$154,859 – 2023).

**NOTE 12. RESTRICTED NET POSITION**

BUDC's restricted net position consists of amounts related to the Buffalo Brownfields Redevelopment Fund in the amount of \$37,212 at December 31, 2024. BUDC's restricted net position related to the Buffalo Brownfields Redevelopment Fund was \$233,870 at December 31, 2023. BUDC's restricted net position also consisted of a loan fund that was terminated during 2023.

**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 13. NOTES RECEIVABLE WTC**

BUDC and WTC have note agreements in the amount of \$25,045,279 and \$27,712,000 whereby BUDC will advance proceeds to WTC as requested. The notes carry an interest rate of one percent (1%), compounded annually and the notes are for a period of thirty years. The balance of the notes plus accrued interest is due upon maturity date at December 28, 2047 and November 24, 2050. The total outstanding balance on these notes was \$52,397,279 at December 31, 2024 (\$52,187,279 – 2023). Accrued interest on the loan amounted to \$3,067,329 at December 31, 2024 (\$2,545,392 – 2023). These notes and the related interest are eliminated upon consolidation.

**NOTE 14. POLLUTION REMEDIATION**

Various pollution remediation activities will be necessary as BUDC moves into Phase 3 redevelopment at the Northland Corridor. Based on preliminary environmental studies, demolition plans, and design plans, management believes that remediation activities should total approximately \$3,000,000. Management expects that the entire cost of the remediation will be reimbursed by grants; therefore, no pollution remediation liability has been accrued in these consolidated financial statements.

**NOTE 15. SUBSEQUENT EVENTS**

The New Market Tax Credit (NMTC) seven year compliance period expired on December 31, 2024. As a result on January 27, 2025, the investor in the NMTC exercised its put option, selling their interest in the Northland NMTC Investment Fund, LLC (the Fund) to the Buffalo Urban Development Corporation for \$1,000 and as a result acquired sole ownership interest in the Fund. Additionally, NTCIC-Northland, LLC and BACDE NMTC Fund 16, LLC assigned their promissory notes to the Fund. These promissory notes totaled \$13,730,000. Northland NMTC Investment Fund, LLC then assigned \$9,666,400 of these promissory notes to BUDC. Northland NMTC Investment Fund, LLC and Buffalo Urban Development Corporation forgave the \$13,730,000 in promissory notes outstanding and the loan receivable to Northland NMTC Investment Fund, LLC from BUDC. Additionally, the remaining reserves for BACDE NMTC Fund 16, LLC and NTCIC-Northland, LLC were utilized in full to pay for interest incurred prior to assignment and associated costs.

Management has evaluated subsequent events through \_\_\_\_\_, which is the date the consolidated financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

**SUPPLEMENTARY INFORMATION**

**DRAFT**  
**Tentative and Preliminary**  
**For Discussion and Internal**  
**Purposes Only-Subject to Revision**

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**CONSOLIDATING STATEMENTS OF NET POSITION**  
**December 31, 2024**

	Buffalo Urban Development Corporation	683 WTC LLC	683 Northland LLC	Eliminations	Total
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 5,206,543	\$ 2,688	\$ 17,547	\$ -	\$ 5,226,778
Grants receivable	64,930,711	-	-	-	64,930,711
Restricted cash	18,305,771	-	38,749	-	18,344,520
Other current assets	8,134,099	1,097	132,359	(1) (3,075,229)	5,192,326
Total current assets	96,577,124	3,785	188,655	(3,075,229)	93,694,335
<b>Noncurrent assets:</b>					
Loans receivable	62,063,679	-	-	(52,397,279)	9,666,400
Equity investment	-	67,278,340	-	(67,129,913)	148,427
Capital assets, net	12,434,072	-	86,338,949	-	100,773,021
Right to use asset	52,498	-	7,018,399	-	7,070,837
Land and improvements held for sale, net	788,212	-	-	-	788,212
Total noncurrent assets	75,338,461	67,278,340	95,887,288	(119,527,192)	118,446,897
Total assets	\$ 171,915,585	\$ 67,282,125	\$ 95,545,943	\$ (122,602,421)	\$ 212,141,232
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	\$ 916,322	\$ 1,075,229	-	(1) \$ (3,075,229)	\$ 916,322
Unearned grant revenue	85,011,299	-	-	-	85,011,299
Current portion of loans payable	-	-	504,304	-	504,304
Total current liabilities	85,927,621	1,075,229	504,304	(3,075,229)	86,431,925
<b>Noncurrent liabilities:</b>					
Deferred lease liability	52,498	-	24,939,056	-	24,991,554
Loans payable	-	52,397,279	13,225,696	(1) (52,397,279)	13,225,696
Total noncurrent liabilities	52,498	52,397,279	38,164,752	(52,397,279)	38,217,250
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets	13,225,284	-	74,608,949	-	87,831,233
Restricted position	37,212	-	-	-	37,212
Unrestricted (deficit) position	2,675,970	11,809,617	(17,732,062)	(1) (67,129,913)	(376,388)
Total net position (deficit)	5,935,466	11,809,617	56,876,887	(67,129,913)	87,492,057
Total liabilities and net position	171,915,585	67,282,125	95,545,943	\$ (122,602,421)	\$ 212,141,232

(1) This represents activities between the entities to be eliminated for the consolidated financial statements.

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the year ended December 31, 2024**

	<b>Buffalo Urban Development Corporation</b>	<b>683 WTC LLC</b>	<b>683 Northland LLC</b>	<b>Eliminations</b>	<b>Total</b>
<b>Operating revenues:</b>					
Grant revenue	\$ 37,137,425	\$ -	\$ -	\$ -	\$ 37,137,425
Lease and other revenue	373,995	-	1,879,742	-	2,253,737
Loan interest	618,601	-	-	(1) (521,937)	96,664
Brownfield funds	35,964	-	-	-	35,964
Total operating revenue	38,165,985	-	1,879,742	(521,937)	39,523,790
<b>Operating expenses:</b>					
Development costs	30,402,586	-	-	-	30,402,586
Adjustment to net realizable value	202,199	-	-	-	202,199
Salaries and benefits	495,817	-	-	-	495,817
General and administrative	1,425,267	9,491	182,447	-	1,617,205
Management fee	101,672	-	(17,290)	-	84,382
Depreciation	80,528	-	3,826,861	-	4,007,389
Total operating expenses	32,708,069	9,491	4,002,018	-	36,809,578
Operating (loss) income	5,457,916	(9,491)	(2,212,276)	(1) (521,937)	2,714,212
<b>Nonoperating revenues (expenses):</b>					
Gain on disposal	-	-	22,840	-	22,840
Interest income	105,029	(6,444)	227	-	98,812
Interest expense	(21,688)	(521,937)	(141,701)	(1) 521,937	(163,389)
Total nonoperating revenues (expenses), net	83,341	(528,381)	(118,634)	521,937	(41,737)
Change in net position	5,541,257	(537,872)	(2,330,910)	-	2,672,475
Net position - beginning of year	80,394,209	12,341,489	58,997,797	(1) (66,919,913)	84,819,582
Add: capital contributions	-	-	210,000	(1) (210,000)	-
Net position - end of year	\$ 85,935,466	\$ 11,803,617	\$ 56,876,887	\$ (67,129,913)	\$ 87,492,057

(1) This represents activities between the entities to be eliminated for the consolidated financial statements.

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed-through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Commerce</u></b>				
<i>Passed through Great Lakes Commission</i>				
Habitat Conservation	11.463	3876	\$ 1,595,716	\$ 1,595,716
Habitat Conservation	11.463	3992	3,856,365	3,921,387
Total U.S. Department of Commerce			<u>5,452,081</u>	<u>5,517,103</u>
<b><u>Federal Emergency Management Agency</u></b>				
<i>Passed through New York State Division of Homeland Security and Emergency Services and City of Buffalo</i>				
Hazard Mitigation Grant	24.039	001009	\$ -	\$ 194,554
Total Federal Emergency Management Agency			<u>-</u>	<u>194,554</u>
<b><u>U.S. Department of Treasury</u></b>				
<i>Passed through City of Buffalo</i>				
Coronavirus State and Local Fiscal Recovery Fund	24.027	ARP6.1-26	\$ -	\$ 291,950
Total U.S. Department of Treasury			<u>-</u>	<u>291,950</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 5,452,081</b>	<b>\$ 6,003,607</b>

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**BUFFALO URBAN DEVELOPMENT CORPORATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

---

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity for all programs of BUDC under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Organization's consolidated financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. INDIRECT COST RATE**

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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**INTERNAL CONTROL AND COMPLIANCE**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
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 consolidated financial statements of Buffalo Urban Development Corporation (BUDC) as of and for the year ended December 31, 2024, and the related notes to the consolidated financial statements, which collectively comprise BUDC's consolidated financial statements, and have issued our report thereon dated [date]. The financial statements of 683 Northland, LLC and 683 WTC, LLC were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with 683 Northland, LLC and 683 WTC, LLC.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, 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 consolidated financial statements, but not for the purpose of expressing an opinion of the effectiveness of BUDC's internal control. Accordingly, we do not express an opinion of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the BUDC's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BUDC's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Buffalo, New York  
[date]

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Buffalo Urban Development Corporation

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Buffalo Urban Development Corporation's (BUDC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of BUDC's major federal programs for the year ended December 31, 2024. BUDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, BUDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BUDC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of BUDC's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to BUDC's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on [Client Name]'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BUDC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BUDC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BUDC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BUDC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

[Firm Signature]

Buffalo, New York

[Date of the Auditor's Report]

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2024**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Consolidated Financial Statements*

Type of Auditor's Report Issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to consolidated financial statements noted?

☐ Yes ☒ No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2CFR 200.516(a)?

☐ Yes ☒ No

Identification of major Federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

11.463

Habitat Conservation

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2024**

---

**II. CONSOLIDATED FINANCIAL STATEMENT FINDINGS**

There were no findings relating to the consolidated financial statement audit as required to be reported in accordance with Government Auditing Standards (GAS) during the year ended December 31, 2024. No Uniform Guidance audit was performed for the year ended December 31, 2023.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs relating to the audit of the major federal programs during the year ended December 31, 2024.

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**Tentative and Preliminary**  
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**Purposes Only-Subject to Revision**

**REPORT TO THE BOARD OF DIRECTORS**

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**DECEMBER 31, 2024**

**DRAFT**  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision



[date]

To the Members of the Board of Directors  
Buffalo Urban Development Corporation  
95 Perry Street, Suite 403  
Buffalo, New York 14203

Members of the Board:

We are pleased to present this report related to our audit of the financial statements of Buffalo Urban Development Corporation (BUDC) as of and for the year ended December 31, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for BUDC's financial reporting process.

This report is intended solely for the information and use of BUDC and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to BUDC.

[signature]

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For Discussion and Internal  
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## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

### Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our engagement letter dated January 22, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated January 22, 2025 regarding the planned scope and timing of our audit and identified significant risks.

### Accounting Policies and Practices

#### Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by BUDC. BUDC did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

#### Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### Significant Unusual Transactions

We did not identify any significant unusual transactions.

#### Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

### Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by BUDC are shown in the attached list of Recorded Audit Adjustments. We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### Observations About the Audit Process

#### Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

#### Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

### Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For Freed Maxick (FM) to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and FM each play an important role.

### Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. FM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

### BUDC's Responsibilities

- Timely inform FM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - Changes in organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, or jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to BUDC and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with FM.
- Not entering into arrangements of nonaudit services resulting in FM being involved in making management decisions on behalf of BUDC.
- Not entering into relationships resulting in close family members of FM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at BUDC.

## Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of BUDC, including the representation letter provided to us by management, are attached as Exhibit A.

## SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in BUDC's December 31, 2024 financial statements.

### Significant Accounting Estimates

#### Depreciation of Property, Plant & Equipment and Land Adjustments to Net Realizable Value

<b>Accounting policy</b>	Management depreciates property, plant and equipment over the estimated lives of the assets. Management adjusts net realizable value of land for capitalizable expenses.
<b>Management's estimation process</b>	Useful lives were assigned based on BUDC's useful life policy. Management was consistent in calculating depreciation based on the useful lives assigned to each asset. Land adjustments to net realizable value are calculated by management utilizing actual capitalizable expenses and information from annual Property Report regarding the fair value of the properties.
<b>Basis for our conclusion on the reasonableness of the estimate</b>	The methods and lives used to estimate depreciation expense appears reasonable. Methods used to estimate adjustments to net realizable value of land appear reasonable.

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**Buffalo Urban Development Corporation**  
**Year End: December 31, 2024**  
**Summary of Recorded Audit Adjustments**

Number	Date	Name	Debit	Credit
1	12/31/2024	Accounts Payable		256,065
1	12/31/2024	Grant Expense - Waterfront	256,065	
1	12/31/2024	Deferred Revenue - Waterfront	256,065	
1	12/31/2024	Grant Income - Waterfront		256,065

To properly account for grant expenditures incurred during the year ending December 31, 2024.

2	12/31/2024	Investment Interest Income	6,432	
2	12/31/2024	Investment - Master Tenant		6,432

To properly record investment activity for the year ending December 31, 2024.

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The Finance & Audit Committees, Boards of Directors, and Management  
Buffalo Urban Development Corporation

In planning and performing our audits of the financial statements of the Buffalo Urban Development Corporation (BUDC), of and for the year ended December 31, 2024, 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 opinions on the separate financial statements, but not for the purpose of expressing an opinion on the effectiveness of BUDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operations exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 BUDC'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.

Following are descriptions of other deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

#### **Recognition of Grant Revenue**

During our audit procedures over deferred grant income, several expenditures were noted that had not yet been identified for recognition into grant income during the year end close process. This could lead to an overstatement of deferred grant monies and understatement of grant income. Expenditures amounting to approximately \$2.46 million were identified by management. Management should review grant expenditures on a monthly basis and recognize income as the expenditures are incurred.

#### **Management Response:**

*We appreciate this matter being brought to our attention. The expenditures identified related to prior years and their allowance was not determined by the grantor until very near year end. This, combined with a very short turnaround time for the audit contributed to the oversight. BUDC management recognizes the importance of accurate grant revenue recognition and will continue to review on a monthly basis.*

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

[signature]

Buffalo, New York

[date]

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## EXHIBIT A

### Significant Written Communications Between Management and Our Firm

Engagement Letter – previously furnished

Representation Letter – previously furnished



**AUDITED  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

## **BUFFALO BROWNFIELDS REDEVELOPMENT FUND**

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**DECEMBER 31, 2024**

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**BUFFALO BROWNFIELDS REDEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2024**

<b>Operating revenues:</b>	
City of Buffalo PILOTs - Sonwil	\$ 8,618
County of Erie PILOTs - Sonwil	63,311
Total operating revenues	<u>71,929</u>
<b>Operating expenses:</b>	
County of Erie share of PILOTs	31,656
City of Buffalo share of PILOTs	4,309
Eligible project costs	235,090
Total operating expenses	<u>271,055</u>
Operating loss	(199,126)
<b>Nonoperating revenues:</b>	
Interest income	<u>2,468</u>
Change in net position	(196,658)
Net position - beginning	<u>233,870</u>
Net position - ending	<u>\$ 37,212</u>

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See accompanying notes.

**BUFFALO BROWNFIELDS REDEVELOPMENT FUND  
NOTES TO THE SCHEDULE**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity:** The Buffalo Brownfields Redevelopment Fund (the Fund) was formed in July 2005 by agreement between Erie County Industrial Development Agency (ECIDA), the City of Buffalo (the City), the County of Erie (the County), and Buffalo Urban Development Corporation (BUDC) for the purpose of remediation and redevelopment of Brownfield properties in the City. Under this agreement, ECIDA receives payments in lieu of taxes (PILOTs) from property owners located within the Buffalo Lakeside Commerce Park (BLCP). These PILOT payments are the result of abated City and County property taxes, as authorized by ECIDA. A portion of these PILOT payments is paid to the City and County, while the remainder is held in the Fund to assist in further development of BLCP. After completion of BLCP, funds can be used in connection with similar projects located within the City that are undertaken by BUDC.

**Basis of Presentation:** The schedule of revenues, expenses, and changes in net position (the schedule) presents the activity of the Fund, which is accounted for and is part of BUDC's financial statements. The schedule has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental units and specifically business-type activities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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# **BUFFALO URBAN DEVELOPMENT CORPORATION**

## **INVESTMENT AND DEPOSIT POLICY**

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### **ARTICLE 1**

#### **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 11**

#### **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 or Assistant 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 or Assistant 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 and 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 111**

**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, net of fees, to be derived.

**B. Permitted Investments.**

The Treasurer or Assistant Treasurer is authorized to invest funds not required for immediate expenditure in the following investments, which are permitted under Section 1 1 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 may be permitted under Section 1 1 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 1 1 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 a pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the aggregate amount of deposits from all such officers within New York State at such bank or trust company.

3. 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.

4. 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 claim's 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 on a monthly basis. The Treasurer or Assistant 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 or Assistant 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 agency 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 agency 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 agency 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 of New York 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 rating categories by at least one nationally recognized statistical rating organization.

Obligations of domestic corporations rated in 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 federal 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 no longer than sixty days from the date they are pledged.

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

Adopted: April 7, 2009

Re-Adopted: April 6, 2010

Re-Adopted: March 29, 2011

Re-Adopted: March 27, 2012

Re-Adopted: March 26, 2013

Re-Adopted: March 25, 2014

Amended and Adopted: March 31, 2015

Re-Adopted: March 29, 2016

Re-Adopted: March 28, 2017

Amended and Adopted: March 27, 2018

Re-adopted: March 26, 2019

Re-adopted: March 31, 2020

Re-adopted: March 30, 2021

Re-adopted: March 29, 2022

Re-adopted: March 28, 2023

Re-adopted: March 26, 2024

# **BUFFALO URBAN DEVELOPMENT CORPORATION**

## **CREDIT CARD POLICY**

### **I. Purpose**

To establish the policy and procedures for the use of a credit card or cards by Buffalo Urban Development Corporation ("BUDC").

### **II. Introduction/Background**

It is commonplace for organizations to use credit cards for the convenience of making purchases on behalf of the organization. In some instances, purchases can only be made with a credit card as manual checks are not accepted (i.e. hotel reservations, internet purchases). In order to simplify the process for purchasing certain items on behalf of BUDC, the following policy outlines the use of credit cards.

### **III. Authorization**

A resolution will be presented to the BUDC Board of Directors prior to the issuance of the credit card that authorizes:

- The approval of the issuance of the credit card and the number and type(s) of credit cards to be used, such as general-purpose cards or vendor specific cards
- Identification of all authorized users
- Setting of appropriate credit limits
- Establish custody of the credit card when not in use
- Permitted uses of the credit card
- The appropriate internal control structure for monitoring the use of the credit card
- The approval process for payment of the charges
- The establishment of a means to recoup any unauthorized expenditures

The use of a BUDC credit card(s) shall be in accordance with, and is not intended to circumvent, the BUDC Procurement Policy and/or the BUDC Travel, Conference, Meals and Entertainment Policy.

BUDC shall be permitted to obtain and utilize a credit card(s) as so authorized by the Board resolution. In addition to BUDC itself, the individuals authorized to be issued a credit card

are listed on Schedule A, along with the credit limit authorized. Schedule A shall be updated as the individuals authorized and credit limits change. The credit cards will be issued to the specific individuals listed on Schedule A in order to help maintain accountability. Once issued, all cards are to be locked in the Treasurer's lockbox when not in use. If an individual is no longer designated as a cardholder, and/or leaves BUDC employment, the credit card issued to this individual will be cancelled. As determined by the resolution of BUDC, only authorized personnel of BUDC may be assigned and use the BUDC credit card.

The BUDC Audit and Finance Committee will evaluate the use of the credit card(s) on an annual basis to determine the continued need for the credit card(s) and the nature and type of purchases being made.

#### **IV. Use of Cards**

All purchases made on BUDC's credit card must comply with the BUDC Procurement Policy and the Travel, Conferences, Meals and Entertainment Policy. The BUDC credit card may be used only for official business of BUDC to pay for actual and necessary expenses incurred in the performance of work-related duties for BUDC. The credit card may be used only for the following purchases:

- Hotel reservations
- Rental car reservations
- Training, conference, luncheons and seminar registrations
- Meals for meetings in which the vendor will not accept a check
- Internet purchases where a vendor will not accept a check
- Supplies and items needed for BUDC programs, events or meetings with short-lead times

Personal expenses on the BUDC credit card are strictly prohibited. A credit card that allows cash advances or cash back from purchases is also prohibited. The card will be issued in the name of Buffalo Urban Development Corporation with the name of the individual authorized on the credit card.

The BUDC employee issued the credit card is responsible for its protection and custody and shall immediately notify the Treasurer or Assistant Treasurer if the credit card is lost or stolen.

Employees must immediately surrender the BUDC credit card upon termination of employment.

## **V. Recordkeeping**

The use of the BUDC credit card may be substantiated with a purchase order, receipts and documentation detailing the goods or services purchased, cost, date of the purchase and the official business explanation. Receipts and documentation must be submitted to the Treasurer or Assistant Treasurer following the purchase to reconcile against the monthly credit card statement.

At the end of each month, the Treasurer or Assistant Treasurer is to review the monthly card statement and reconcile it with the receipts and documentation received for that month. The Treasurer or Assistant Treasurer should determine that all purchases are supported by documentation. Any variances are to be investigated. Any purchase/charge without appropriate supporting documentation requires a detailed explanation and description and the written approval of the BUDC President (or Audit and Finance Committee Chair in the case of President charges). Unauthorized or improper purchases will result in credit card revocation and discipline of the employee. BUDC shall also take appropriate action to recoup unauthorized or improper expenditures. Once the reconciliation is complete, the Treasurer or Assistant Treasurer will initial the reconciliation to show it has been completed.

Once the credit card has been reconciled, payment via check will be made. All purchases made with credit cards shall be paid for within the grace period so that no interest charges or penalties will accrue.

## **VI. Effective Date/Amendments**

This Credit Card Policy shall be effective upon approval of BUDC Board of Directors and may be amended by the Board of Directors from time to time as the Board deems necessary or appropriate.

Approved and Adopted: April 30, 2024 (Board of Directors)

**SCHEDULE A**

<b>Name</b>	<b>Title</b>	<b>Credit Limit Authorized</b>
Brandye Merriweather	President	\$
Rebecca Gandour	Executive Vice President	\$
Mollie Profic	Treasurer	\$

**Buffalo Urban Development Corporation**  
**Investment Report**  
For the year ended December 31, 2024



# **Buffalo Urban Development Corporation**

## **2024 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, 2024 and was approved by the BUDC Board of Directors at their March 25, 2025 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, 2025 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, 2024.

### **Investment Audit:**

BUDC's auditors have audited the corporation's compliance with the Investment Guidelines for Public Authorities. In their report dated March X, 2025 Freed Maxick CPAs have indicated that BUDC complied, in all material respects, with these Investment Guidelines.

**Buffalo Urban Development Corporation (BUDC) and Affiliates**  
**Annual Investment Report**  
**For the year ended December 31, 2024**

Account Type	Financial Institution			Interest Rate <sup>a</sup> Dec 2024	2024		Restricted	Purpose
		G/L Balance	G/L Balance		Investment	Fees		
		1/1/2024	12/31/2024		Income			
<b><u>BUDC Accounts:</u></b>								
1 Interest Checking	KeyBank	\$16,281,041	\$ 5,154,327	0.68%	\$ 102,081	\$ -		General BUDC checking account
2 Checking	KeyBank	1,100	1,100	-	-	-	✓	Northland Corridor account
3 Interest Checking	M&T Bank	231,550	39,318	2.25%	2,468	-	✓	Restricted account for City of Buffalo real estate development <sup>b</sup>
4 Interest Checking	KeyBank	236,704	51,116	0.68%	480	-		Account for 714 Northland property
5 Interest Checking	KeyBank	85,068	680,203	0.68%	3,033	-	✓	Imprest account for ESD grant #133857 <sup>c</sup>
6 Interest Checking	KeyBank	-	17,586,250	1.88%	364,888	-	✓	Imprest account for ESD RECAP grant <sup>c</sup>
		<u>\$16,835,463</u>	<u>\$23,512,314</u>		<u>\$ 472,950</u>	<u>\$ -</u>		
<b><u>683 Northland LLC Accounts:</u></b>								
7 Interest Checking	KeyBank	\$ 23,208	\$ 17,547	0.67%	\$ 23	\$ -		General 683 Northland checking account
8 Interest Checking	KeyBank	5,007	5	0.62%	3	-	✓	Interest Reserve account
9 Checking	Citibank	61,000	30,237	-	-	935	✓	NTCIC Reserve checking account
10 Checking	Citibank	77,919	8,507	-	-	-	✓	BACDE Reserve checking account
		<u>\$ 167,134</u>	<u>\$ 56,297</u>		<u>\$ 26</u>	<u>\$ 935</u>		
<b><u>683 WTC, LLC Account:</u></b>								
11 Interest Checking	KeyBank	60	2,688	0.68%	12	-		General 683 WTC Checking account
		<u>\$ 60</u>	<u>\$ 2,688</u>		<u>\$ 12</u>	<u>\$ -</u>		
		<u>\$17,002,657</u>	<u>\$23,571,299</u>		<u>\$ 472,988</u>	<u>\$ 935</u>		

**Notes:**

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

<sup>a</sup> The Interest Rate is the annualized rate for the month of December 2024 and is prior to the deduction of fees (if any).

<sup>b</sup> This account is known as the Buffalo Brownfields Redevelopment Fund (BBRF) and is held by the ECIDA on behalf of BUDC.

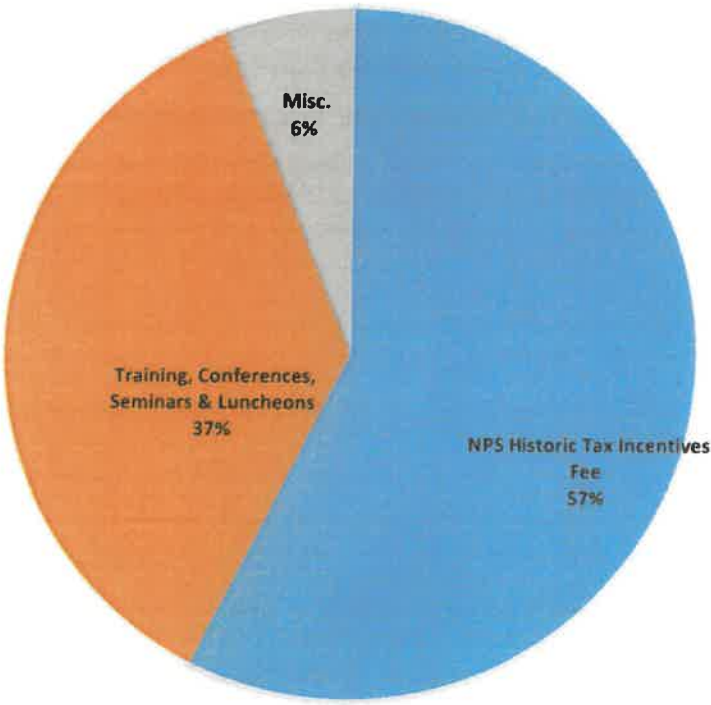
<sup>c</sup> Investment income earned is remitted to grantor in accordance with agreements.

Buffalo Urban Development Corporation

**Summary of Charges to Corporate Credit Card**

For statement period 10/8/2024 to 2/8/2025

NPS Historic Tax Incentives Fee	\$	3,250
Training, Conferences, Seminars & Luncheons		2,071
Misc.		341
	\$	<u>5,662</u>





## **2024 Assessment of the Effectiveness of Internal Controls**

Management of the Buffalo Urban Development Corporation (BUDC) is responsible for establishing and maintaining adequate internal controls over financial reporting. The accounting, financial reporting and cash management functions rely on a system of controls outlined in the organization's Financial Policies & Procedures documentation. Internal controls are reviewed continuously, and adjustments are made as needed. Many administrative processes (e.g. payroll, cash management) are performed by employees of the Erie County Industrial Development Agency (ECIDA) under a shared services agreement due to shared office space. ECIDA's CFO serves as BUDC's Treasurer, and ECIDA's Accounting Manager serves as BUDC's Assistant Treasurer. Examples of key internal controls are:

- Payroll: BUDC's payroll is processed by a third-party processor, Bene-Care Payroll, LLC. The CFO and Bookkeeper verify that payments are only made to employees that are entitled to be paid. As a service organization Bene-Care Payroll, LLC. undergoes a Service Organization Controls (SOC) audit each year. Their most recent SOC audit asserts that the internal controls in place at Bene-Care Payroll, LLC are suitably designed and operating as intended to provide reasonable assurance that control objectives were achieved.
  - Risk = Low
- Cash Disbursements: Disbursements are made primarily by check and wire transfer. Invoices require approval (physical or email) by the purchaser prior to payment. Invoices are reviewed by the CFO prior to processing by the Bookkeeper. Two signatures are required on all checks (President, Executive VP, Treasurer or Assistant Treasurer). All wire transfers require dual approval. The CFO retrieves and reviews all bank statements and approves all bank reconciliations. Only Finance Department staff have access to online banking sites.
  - Risk = Low
- Cash Receipts: Checks received are logged by ECIDA's Receptionist and forwarded to the Accounting Manager. The Accounting Manager stamps checks "for deposit only", codes the checks and prepares deposits. The Bookkeeper deposits checks at the bank. The CFO reviews and initials deposit slips and deposit receipts and verifies proper account coding. The Bookkeeper records deposits in the general ledger software. Wire/ACH receipts are reviewed and coded by the CFO or Accounting Manager and are recorded in the general ledger software by the Bookkeeper.
  - Risk = Low

All computers are password protected and require multi-factor authentication to log in. General ledger software is separately password protected. Access to the general ledger software is restricted to the CFO, Accounting Manager and Bookkeeper.

BUDC is subject to an annual financial statement audit by an independent accounting firm, in accordance with Government Auditing Standards. While auditors are not engaged to perform an audit of internal controls, the auditors do review and test internal controls as part of their audit procedures. There have been no material weaknesses or significant deficiencies in internal controls nor other management letter recommendations noted by the independent auditors.

In summary, the present internal control structure appears to be sufficient to meet internal control objectives in preventing and detecting errors and irregularities.

This statement certifies that the Buffalo Urban Development Corporation followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending December 31, 2024. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.

## Buffalo Urban Development Corporation 2024 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	Pending	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 Corporation, 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 3/14/24 (no quorum), 4/11/24 (no quorum) and 10/10/24. The Audit & Finance Committee met jointly with the Real Estate Committee on 9/19/24 and 12/10/24
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 Corporation? Did all meetings comply with the requirements of the Open Meetings Law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Notices and agendas were provided for each meeting in advance. The meetings fully complied with the Open Meetings Law and the Secretary of the corporation recorded official minutes for all meetings.

Audit & Finance Committee Self-Evaluation	Yes	No	Pen ding	Comments
5. Did the Audit & Finance Committee develop the Corporation's audit practices, which should address independent auditors and financial statements; internal controls, compliance, and risk assessment; special investigations; and other responsibilities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	See Questions #6-#10 below.
6. Did the Audit & Finance Committee: <ul style="list-style-type: none"> <li>(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?</li> <li>(b) Engage independent auditors to provide permitted audit services consistent with the procurement policy of the Corporation?</li> <li>(c) Review and approve the Corporation's audited financial statements, associated management letter, and all other auditor communications?</li> <li>(d) Review significant accounting and reporting issues and understand their impact on the financial statements of the Corporation?</li> <li>(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?</li> <li>(f) Review and discuss any significant risks reported in the independent audit and assess the responsiveness of management's follow-up activities regarding same?</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>In March 2024, Freed Maxick completed audits of BUDC and 683 Northland Master Tenant, LLC for the year ended 12/31/23. On 3/14/24, Freed Maxick presented the draft 2023 audited financial statements for both entities to the Committee members present. Freed Maxick issued an unmodified (clean) opinion for both audits. They also indicated that the audits did not uncover any significant weaknesses in internal control. Freed Maxick also presented the 2023 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 members for informational purposes only.</p>
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"/>	<p>Management's assessment of the effectiveness of internal controls was reviewed with members present on 3/14/24. As per the March 2023 audit reports, no significant weaknesses in internal control were noted.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>8. Did the Audit &amp; Finance Committee:</p> <p>(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?</p> <p>(b) Develop procedures for the receipt, retention, investigation, or referral of complaints concerning accounting, internal controls, and auditing?</p> <p>(c) Request and oversee special investigations as needed or refer specific issues to the Board or appropriate committee for further investigation?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	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. No changes were recommended to this policy in 2024.
<p>9. Did the Audit &amp; 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?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	In March 2024 the Audit & Finance Committee was provided an article entitled, "Audit Committees: So Much More Than Financial Statement Oversight" published by the Deloitte Center for Board Effectiveness.



Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>10. Did the Audit &amp; 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 &amp; 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 3/26/24, the Audit &amp; Finance Committee reported on its activities to the BUDC Board of Directors. These activities included the:</p> <p>(1) 2023 Audit &amp; Finance Committee self-evaluation; (2) Audit &amp; Finance Committee Charter; (3) 2023 draft financial statements audited by Freed Maxick; (4) 2023 draft financial statements for the Buffalo Brownfields Redevelopment Fund audited by Freed Maxick; (5) 2023 Property Report; (6) Investment &amp; Deposit Policy; and (7) 2023 Investment Report.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>11. Did the Audit &amp; Finance Committee:</p> <p>(a) Assess the financial requirements of the Corporation's capital plans including its current and future capital needs, justification of why the capital expenditures are required and a review and explanation of funding sources for its capital projects?</p> <p>(b) Review the financial aspects of the Corporation's proposed projects, major transactions, significant expenditures, new programs &amp; services, proposals to discontinue programs &amp; services and make recommendations to the Board based on such reviews?</p> <p>(c) Review and recommend changes to the Corporation's Procurement Policy, including thresholds for procuring commodities, equipment, goods or services with or without written requests for proposals?</p> <p>(d) Review proposals for financing the Corporation's capital expenditures and other business ventures and make recommendations to the Board concerning such proposals and the level and nature of the debt that may be acquired by the Corporation? In connection with these reviews, did the Committee consider information consistent with prudent borrowing practices such as the ability of the Corporation to generate cash flow to support its debt obligations and other cash flow needs?</p> <p>(e) Review the Corporation's existing loan agreements and other debt facilities and make recommendations for repayment, consolidation and refinancing?</p> <p>(f) When requested by the Board, make recommendations to the Board concerning criteria that should govern the Corporation's financing?</p> <p>(g) Review, at least annually, the Corporation's insurance policies and liability coverage and recommend any necessary changes?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>(a), (b), (d), (e) &amp; (f) The Audit &amp; Finance Committee discusses the financial requirements for all BUDC projects. BUDC staff provided updates for the BBRF, Northland, and Centennial Park funding sources, as well as operational funding during each 2024 meeting.</p> <p>(c) BUDC's Governance Committee reviews the Procurement Policy annually. No changes were necessary in 2024. The Board re-adopted the policy on 3/26/24.</p> <p>(e) The Audit &amp; Finance Committee received updates on the 683 Northland construction financing during the 9/19/24, 10/10/24, and 12/10/24 meetings. The reports included status reports on line of credit repayment.</p>

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
<p>12. Did the Audit &amp; Finance Committee:</p> <p>(a) Review the Corporation's proposed annual operating budget as presented by Corporation management for the upcoming fiscal year?</p> <p>(b) Recommend the annual budget to the Board for approval after incorporating modifications the Audit Committee deemed appropriate?</p> <p>(c) Make recommendations to the Board regarding transfers of money under the budget, if requested by the Board?</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The Audit & Finance Committee reviewed the 2025 draft budget and proposed three-year forecast during its 9/19/24 and 10/17/24 meetings and recommended that the Board approve the budget and three-year forecast.

Audit & Finance Committee Self-Evaluation
<b>Other Self-Evaluation Notes</b>
<p>1) In addition to the above:</p> <ul style="list-style-type: none"> <li>During the 9/19/24 meeting BUDC management discussed operational impacts of certain grant agreements and the tax credits wind-up that will occur in 2025.</li> <li>During the 10/17/24 meeting the Committee approved Freed Maxick to provide single audit services for 2024 and the timing of exit from the tax credits structure.</li> <li>During the 12/10/24 meeting the Committee discussed the 2024 audit plan with Freed Maxick. There was also discussion about the tax credits unwinding process and BUDC's financial sustainability.</li> </ul>

# **BUFFALO URBAN DEVELOPMENT CORPORATION**

## **AMENDED AND RESTATED AUDIT AND FINANCE COMMITTEE CHARTER**

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

### **ARTICLE 1**

#### **Purpose**

The purpose of the Audit and Finance Committee (the "Audit Committee") shall be to: (1) assure that the Corporation's Board of Directors (the "Board") fulfills its responsibilities for the Corporation's internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; (2) provide an avenue of communication between management, the independent auditors and the Board; (3) oversee the Corporation's capital requirements and its acquisition, management and repayment of debt, and to recommend policies concerning the same; and (4) review and make recommendations regarding budgetary matters.

### **ARTICLE 11**

#### **Powers**

The Audit Committee shall have the power to: (1) conduct or authorize investigations into any matters within its scope of responsibility; (2) seek any information it requires from Corporation employees, all of whom should be directed by the Board to cooperate with the Audit Committee's requests; and (3) meet with Corporation staff, independent auditors, experts, other advisors or Corporation counsel, as the Audit Committee may deem appropriate. The Board shall ensure that the Audit Committee has sufficient resources to carry out its duties under this Charter.

### **ARTICLE 111**

#### **Composition of the Audit and Finance Committee**

A. 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 Committee. The term "independent member," as defined in Section 2825 of the New York Public Authorities Law, shall mean a member who: (i) is not, and in the past two years has not been, employed by the Corporation or an affiliate in an executive capacity; (ii) is not, and in the past two years has not been, employed by an entity that received remuneration valued at more than Fifteen Thousand Dollars for goods and services provided to the Corporation or received any other form of financial assistance valued at more than Fifteen Thousand Dollars from the

Corporation; (iii) is not a relative of an executive officer or employee in an executive position of the Corporation or an affiliate; and (iv) is not, and in the past two years has not been, a lobbyist registered under a state or local law and paid by a client to influence the management decisions, contract awards, rate determinations or any other similar actions of the Corporation or an affiliate of the Corporation.

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.

#### **ARTICLE IV** **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 V** **Committee Responsibilities**

The Board has delegated responsibilities to the Audit Committee in furtherance of the committee's purposes. Those responsibilities include the following:

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. Annual Budget

**The Audit Committee shall:**

- (i) Review the Corporation's proposed annual operating budget as presented by Corporation management for the upcoming fiscal year.
- (ii) Recommend the annual budget to the Board for approval after incorporating any modifications the Audit Committee deems appropriate.
- (iii) Make recommendations to the Board regarding transfers of money under the budget, if requested by the Board.

E. Capitalization, Financial and Procurement Requirements

The Audit Committee shall:

- (i) Assess the financial requirements of the Corporation's capital plans. The assessment is to include current and future capital needs, a justification of why such capital expenditures are required and a review and explanation of funding sources for capital projects such as grants, bank loans and existing cash reserves.
- (ii) Review the financial aspects of the Corporation's proposed projects, major transactions, significant expenditures, new programs and services, as well as proposals to discontinue programs and services, and make recommendations to the Board based on such reviews.
- (iii) Review and recommend changes to the Corporation's procurement policy, including thresholds for procuring commodities, equipment, goods or services with or without written requests for proposals.
- (iv) Review proposals for financing the Corporation's capital expenditures and other business ventures, and make recommendations to the Board concerning such proposals and the level and nature of debt that may be acquired by the Corporation. In connection with such reviews, the Audit Committee shall consider such information as it determines to be consistent with prudent borrowing practices, including, without limitation, the ability of the Corporation to generate cash flow to support its debt obligations and other cash flow needs.
- (v) Review the Corporation's existing loan agreements and other debt facilities, and make recommendations for repayment, consolidation and refinancing, if appropriate.
- (vi) When requested by the Board, make recommendations to the Board concerning criteria that should govern the Corporation's financings.

- (vii) Review, at least annually, the Corporation's insurance policies and liability coverage, and make recommendations regarding changes to each, if appropriate.

#### **F. Other Responsibilities**

The Audit Committee shall:

- (i) Obtain information and training needed to enhance the Audit Committee members' understanding of the role of the independent auditor, the risk management process, internal controls, budgeting, capitalization requirements, debt acquisition and an appropriate level of familiarity in financial reporting standards and processes.
- (ii) Review this Charter annually, reassess its adequacy and recommend to the Board any proposed changes. This Charter shall be updated as applicable laws, regulations, accounting and auditing standards change.
- (iii) Conduct an annual self-evaluation of its performance, including the effectiveness of the Committee, its compliance with this Charter, and how it has discharged its duties and met its responsibilities as outlined herein.

### **ARTICLE VI**

#### **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. At the Board's request, report to the Board regarding the status of and the Audit Committee's recommendations for the Corporation's proposed and existing borrowing arrangements and other debt facilities.
- c. 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.
- D. Report to the Board, at least annually, regarding any proposed changes to this Charter.



## **ARTICLE VII**

### **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

Re-adopted: March 14, 2014

Re-adopted: March 31, 2015

Re-adopted: March 29, 2016

Re-adopted: March 28, 2017

Amended and Restated: July 25, 2017 (Board of Directors)

Reviewed: March 15, 2018 (Audit & Finance Committee of the Board of Directors)

Reviewed: March 14, 2019 (Audit & Finance Committee of the Board of Directors)

Reviewed: March 19, 2020 (Audit & Finance Committee of the Board of Directors)

Reviewed: March 22, 2021 (Audit & Finance Committee of the Board of Directors)

Reviewed: March 29, 2022 (Audit & Finance Committee of the Board of Directors)

Reviewed: March 9, 2023 (Audit & Finance Committee of the Board of Directors)

Reviewed: March 14, 2024 (No Quorum Present)



## Center for Board Effectiveness

# On the Audit Committee's Agenda

## Looking ahead to 2025

Serving on an audit committee in 2025 might be daunting even if the committee could be assured that it would not have to take on any added responsibilities in the new year. After all, even the most basic perennial responsibilities of audit committees, such as overseeing the audit of the financial statements and compliance with financial reporting requirements, are far from routine. However, no such assurance is likely to be forthcoming. In fact, as audit committees contemplate the onset of a new year, the number and complexity of new issues and concomitant responsibilities seem likely to grow.

Moreover, 2025 may be a particularly busy year. With the change in administration, we could see significant changes in regulatory priorities, financial reporting, and corporate governance. Additionally, the increasing use of generative artificial intelligence (GenAI), ongoing cybersecurity threats, and a renewed focus on enterprise risk management at a time of geopolitical uncertainty will likely keep audit committees busy. And, to the extent that companies face unanticipated risks and challenges, it seems almost inevitable that audit committees will be viewed as the default “home” for such developments.

Given this background, audit committees would be well advised to consider a wide variety of continuing and emerging issues that they may need to deal with in 2025, bearing in mind that a complete list of such issues would be far longer than can be addressed in this publication.

## Regulation

### A complicating factor—uncertainty

The shift in administration will almost certainly bring changes in regulatory priorities. While we won't know specifics until the presumptive nominee to become the new Securities and Exchange Commission (SEC) chair, Paul Atkins, is confirmed and lays out the Commission's agenda, we can speculate about what may happen.

Given statements President-elect Trump has already made about his regulatory priorities, it seems clear they are likely to differ from the Biden administration, aiming to reduce what it perceives as burdensome regulations on businesses. There is still uncertainty as to which specific rules may be changed. Additionally, the SEC's new chair will likely have his own areas of regulatory focus that companies will need to consider going forward.

Regardless of the changes introduced by the new administration, the SEC and the Public Accounting Oversight Board (PCAOB) will still be responsible for overseeing the capital markets and the audits of public companies. Audit committees should continue to focus on their responsibilities, while also watching for regulatory developments that could affect their activities.

### The SEC

While SEC rulemaking activities appeared to diminish toward the end of 2024, several significant rules were adopted earlier in the year that will require audit committee involvement in 2025 and beyond, including rules regarding climate-related disclosures and the use of projections in disclosures. The process of overseeing compliance with new rules has been complicated by the change in administration and increased judicial challenges to SEC rulemaking.

For example, the climate-related disclosures referred to above led to litigation that resulted in those rules being put on hold. This edition of Deloitte's *Heads Up* includes more information on this. Given the pending litigation and statements made by President-elect Trump about his regulatory priorities, it is far from clear whether or when the rules will take effect.



However, companies may not be in a position to put off developing and implementing the controls needed to comply with the rules, even if they believe that the rules may never take effect or may differ from the rules originally adopted. Additionally, companies need to consider other climate-related rules they may need to comply with, including the EU Corporate Sustainability Directive and the California state senate bill SB-219.

In addition, the SEC has more rulemaking on its current published agenda, including consideration of disclosure requirements pertaining to human capital management, payments by resource extraction companies, and board diversity. While some of these and other rulemaking initiatives will not directly affect financial reporting or internal controls, the mere fact that they involve disclosure suggests that some audit committee oversight may be required. The audit committee should keep an eye on the SEC's rulemaking agenda, as it is likely to evolve once the new chair is confirmed.

Finally, SEC enforcement activity has been significant throughout the year, with a particular emphasis on internal controls and disclosure controls, areas for which audit committees have significant, direct responsibility. Notably, the SEC Enforcement Division has imposed cease-and-desist orders and civil monetary penalties for internal and disclosure control failures, even in cases where no disclosure deficiency was found. It will be important to audit committees to stay apprised of the new SEC chair's priorities to understand where enforcement actions may be focused in the coming months and years ahead.



## The PCAOB

The PCAOB, created as part of the Sarbanes-Oxley Act, has launched an initiative to modernize audit standards. Similar to the SEC, we expect that the priorities of the PCAOB may shift under the Trump administration once the new SEC chair is confirmed because of the SEC's role in overseeing the PCAOB.

One of the PCAOB's most significant initiatives over the past year was the proposed new auditing standard called "Non-Compliance with Laws and Regulations," often referred to as "NOCLAR." In November 2024, the PCAOB moved this standard from 2024 to 2025 on its published agenda and issued staff guidance outlining the existing responsibilities of auditors to detect, evaluate, and communicate about illegal acts. In a public statement, the PCAOB indicated it will continue engaging with stakeholders, including the SEC, as it determines potential next steps for NOCLAR. Audit committees should continue to watch for developments in this area as they maintain oversight of compliance matters.

Audit committees should also proactively engage with their independent auditors regarding their specific inspection results, as applicable, as well as the overall inspection results of the firm, as communicated in PCAOB reports. The PCAOB periodically publishes overviews of findings that highlight deficiencies such as non-compliance with PCAOB standards and rules; insufficient testing of estimates, data, and reporting used to support audit conclusions; and other quality control criticisms. Criticisms of these inspections range from their reliance upon non-standard criteria, to the manner in which inspection reports are disseminated to and accessible by the public, to concerns that the inspection process has led some audit firms to manage inspection risk at the expense of audit quality. Audit committees should also make sure disclosures about auditor selection and oversight in the annual proxy statement provide adequate information to investors and other stakeholders.

While the PCAOB may experience shifts in its regulatory approach under a new administration, maintaining audit quality will remain critical, and audit committees will continue to play an important role.

## Technology

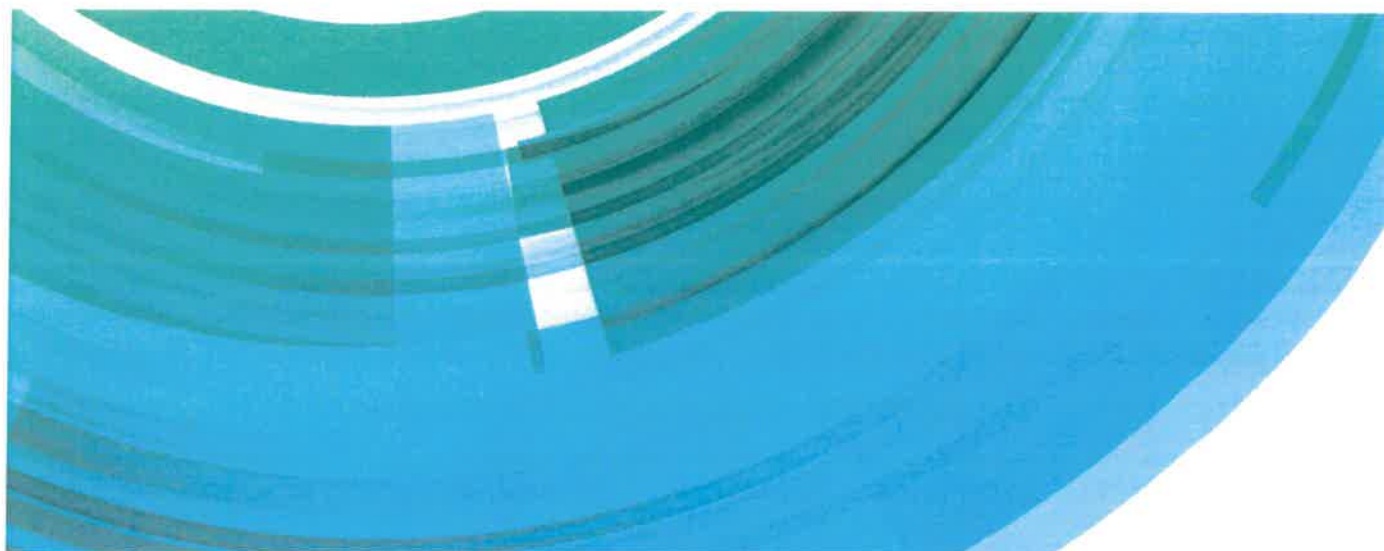
No discussion of audit committee activities in 2025 would be complete without a discussion of technology, from the impact of GenAI to the continuing threat of cybersecurity incidents, and beyond.

### Artificial intelligence (AI) and GenAI

AI and GenAI seem to be the "bright, shiny objects" of the day, raising a broad array of questions for boards broadly, as well as audit committees. While still evolving, both AI and GenAI have already influenced many areas for which audit committees have responsibility, such as risks associated with their use and their functionality and reliability for financial reporting and internal control purposes. Additionally, internal audit and finance organizations are using or exploring the use of AI to create efficiencies within their organizations, which are, in turn, affecting talent.

Given the newness of some of these topics, oversight at the board level hasn't been fully defined in all organizations, with many still trying to decide if the full board or a specific committee should have primary oversight of it. Regardless of where oversight falls, the audit committee will still likely play a role when considering its use in the internal audit and finance organizations.

These and other aspects of GenAI oversight will need to be considered in an uncertain regulatory environment and at the same time that audit committees are continuing to learn about the capabilities and risks associated with GenAI—somewhat like building a plane while flying it.





## Cybersecurity

Cybersecurity has been a key topic on audit committee and board agendas for several years, and it remains a [top priority](#). There are several reasons for this, including the proliferation of breaches, the extent to which nation-state actors have become more active hackers, the greater consequences of a breach or a ransomware attack, and the regulatory environment—specifically, the timing and extent of disclosure mandated by SEC rules adopted in 2023.

Oversight responsibility for cybersecurity typically resides with the audit committee, presumably as a component of the audit committee's role vis-à-vis risk. Although some companies have created board-level committees to oversee technology, their number is small—only 17% of the S&P 500<sup>1</sup>—and it is not clear how many of those committees actually oversee cybersecurity risk as opposed to overseeing the implementation and use of technology generally.

Regardless of where oversight for cybersecurity risk falls, boards and audit committees should continue to focus on this risk, especially considering the current geopolitical environment. Directors should understand the threat landscape, as well as the policies, procedures, and technologies management has in place to prevent, detect, and respond to cybersecurity threats.

## Enterprise risk management

Similar to cybersecurity, enterprise risk management, or ERM, has been “around” for quite a while, and we see a majority of [audit committees having responsibility for overseeing it](#). However, experience suggests that many audit committees are taking a fresh look at their companies' ERM programs to assess that they remain effective. The impetus for the fresh look may be the proliferation of new risks (such as those associated with GenAI), increased risks of various types (such as geopolitical risk), the complexity and increased interrelationships of various risks, or perhaps just the realization that long-standing ERM programs may become stale or perfunctory if not refreshed from time to time.

Whatever the reason, audit committees are more frequently considering the following questions, among others, in evaluating their ERM programs:

- While ERM oversight is clearly in the audit committee's wheelhouse, can other committees (or the full board) play greater roles in the program? For example, some companies have followed a “distributed risk” model, in which each board committee is assigned responsibility for oversight of certain risk areas. In some cases, the assignment is formal to the point of being specifically mentioned in the committee charters.

- Is the ERM program working? Have there been instances in which unanticipated risks arose or were significantly greater in magnitude than anticipated?
- Where do emerging risks reside, and what is the process for considering them? For example, is the list of key risks reviewed frequently enough?
- Are there any existing or new tools (such as GenAI) that can improve the ERM process and help identify risks that may be coming down the road?

In addition, an audit committee might consider revisiting the ERM program on a regular, periodic basis to satisfy itself that management is continuously refreshing the program. And, given the pace of change and the proliferation in and growth of risks, a quarterly review, rather than an annual one, may be prudent.

## Audit committee effectiveness

Given the number and importance of their responsibilities, audit committees would be well advised to consider how they could be more efficient and effective. Tools such as prioritizing critical items on meeting agendas, the use of “consent” agendas (in which routine matters can be acted upon by consent with little or no discussion), and other time optimization techniques are a good start. Other initiatives could include more careful consideration as to which matters properly reside with the audit committee and, in appropriate circumstances, pushing back on responsibilities that others seek to place on the audit committee agenda.

Interestingly, while audit committees spend significant amounts of time addressing the use and risks of technology (including GenAI), there is little evidence that they or the boards of which they are a part have employed technology to help make them more effective. This is one area in which GenAI may provide some help.

Additionally, the need for ever-greater effectiveness and efficiency is likely to place more responsibility on the committee chair, who will need to take the lead on the approaches outlined above and to build a consensus on innovations such as the use of technology to enhance committee effectiveness.

The topics discussed in this edition of *On the Audit Committee's Agenda* represent a small portion of the audit committee's responsibilities, but they illustrate that none of those responsibilities can be dismissed or minimized, despite the seemingly constant addition of new issues and priorities. Those new matters also suggest that audit committees need to be vigilant about their composition and leadership through succession planning and robust self-assessment to ensure they have effective and efficient representation at the table to address the committee's critical tasks.

<sup>1</sup>Spencer Stuart, [2024 U.S. Spencer Stuart Board Index](#), accessed December 2024.

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**Buffalo Urban Development Corporation**  
**Property Report**  
**Year Ended: December 31, 2024**

Table 1. This is a listing of all real property owned by BUDC, or through its affiliates or subsidiaries, at December 31, 2024

BUDC Facility	Address or SBL of Property	Full Description of Property	Estimated FMV of		Note: The FMV is estimated using an average per acre value based on a sampling of non-current appraisals. Negotiated "final sale" value may vary.
			Property	Property	
Buffalo Lateside Commerce Park 22.18 Buffalo, New York Most Being Marketed	80 Ship Canal Parkway	2.01 acres of vacant land	\$	70,360	
	134 Ship Canal Parkway	2.15 acres of vacant land	\$	75,250	
	158 Ship Canal Parkway	2.15 acres of vacant land	\$	75,250	
	193 Ship Canal Parkway	8.59 acres of vacant land	\$	335,850	
	200 Ship Canal Parkway	5.88 acres of vacant land	\$	205,100	
	280 Ship Canal Parkway	0.42 acre of vacant land	\$	14,700	
Northland Corridor 37.03 Acres Buffalo, New York Some Being Marketed	537 East Delaware Avenue*	10.52 acres of land (80K s.f. vacant, 15K s.f. occupied)	\$415,800 (sum of the 5 parcels noted in adjacent table)		
	577 Northland Avenue	29,000 s.f. of greenspace		\$37,000	
	631 Northland Avenue	2.03 acres of land w/ a 40,000 s.f. vacant building		\$1,260,000	
	644 Northland Avenue	11,000 s.f. of land w/ 4,000 s.f. building		\$58,700	
	655 Northland Avenue	1.28 acres of parking and greenspace		\$256,040	
	658 Northland Avenue	12,000 s.f. of parking		\$60,900	
	665 Northland Avenue	0.07 acre parking lot		\$16,900	
	668 Northland Avenue	0.09 acre parking lot		\$12,900	
	685 Northland Avenue	7.27 acres of land w/ 235,000 s.f. of occupied buildings		\$5,061,500	
	688 Northland Avenue	12,000 s.f. of parking		\$58,800	
	704 Northland Avenue	0.24 acres of vacant land. To be renovated as a parking lot		\$31,100	
	714 Northland Avenue	1.81 acres of vacant land w/ an 18,000 s.f. occupied building		\$585,000	
	741 Northland Avenue	2,000 s.f. of vacant land		\$793,000	
	767 Northland Avenue	2,069 s.f. of vacant land		\$23,500	
	777 Northland Avenue	4.14 acres of vacant land		\$545,000	
	124 Dutton Avenue	3,120 s.f. of vacant land		\$9,400	
	162 Winchester Street	7,500 s.f. of vacant land		\$11,700	
	164 Winchester Street	3,940 s.f. of vacant land		\$8,000	
	168 Winchester Street	3,940 s.f. of vacant land		\$8,000	
	572 Northland Avenue	4,580 s.f. of vacant land		\$8,600	
	574 Northland Avenue	7,580 s.f. of vacant land		\$6,900	
	1699 Fillmore Avenue	6,444 s.f. of vacant land		\$10,900	
	1675 Fillmore Avenue	7,680 s.f. of vacant land		\$18,500	
	1679 Fillmore Avenue	9,457 s.f. of vacant land		\$22,800	
	1681 Fillmore Avenue	28,564 s.f. of vacant land		\$71,300	
Other	1322 South Park Avenue	2,880 s.f. of vacant land	\$	9,000	

Note: The FMV is estimated using an average per acre value based on a sampling of non-current appraisals. Negotiated "final sale" value may vary.

Note: The FMV is based on the 2025 City of Buffalo assessment notices at 100% value. Negotiated "final sale" value may vary.

\*Note: 537 East Delaware Avenue was split into the following five (5) tax parcels:

Address and SBL of Property	Full Description of Property	Estimated FMV of Property (based on City Assessment)
537 East Delaware Avenue SBL No.: 90-77-6-1.11	0.05 acres w/ a 12,300 s.f. vacant, derelict building	\$100,000
547 East Delaware Avenue SBL No.: 90-77-6-1.12	3.41 acres w/ a 44,000 s.f. vacant, building to be renovated	\$86,000
221 Winchester Avenue SBL No.: 90-77-6-1.13	2.68 acres of vacant land	\$66,100
606 Northland Avenue SBL No.: 90-77-6-1.14	1.65 acres w/ a 28,639 s.f. vacant, partially improved building (currently no tenant)	\$64,500
640 Northland Avenue SBL No.: 90-77-6-1.15	1.83 acres of vacant land	\$69,000