Buffalo Urban Development Corporation
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Buffalo, New York 14203
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Audit & Finance Committee Meeting
Tuesday, March 22, 2022 – 10:00 a.m.
95 Perry Street
4th Floor Vista Room

Agenda

1. Minutes of February 10, 2022 Meeting *(Approval) (Enclosure)(Pages 2-3*
2. *Draft 2021 683 Northland Master Tenant, LLC Audited Financial Statements (Info.)(Encl.) (Pages 4-25)*
3. Draft 2021 683 Northland, LLC Audited Financial Statements *(Info.)(Encl).(Pages 26--44)*
4. Draft 2021 BUDC Audited Financial Statements *(Recommend Approval By Board) (Enclosure)(Pages 45-74)*
5. Draft 2021 BBRF Audited Financial Statements *(Information) (Enclosure) (Pages 75-78)*
6. 2021 BBRF Reimbursement Request *(Recommend Approval By Board) (Enclosure)(Pages 79-80)*
7. Investment & Deposit Policy *(Recommend Re-Adoption By Board) (Enclosure) (Page 81-88)*
8. 2021 BUDC Investment Report *(Recommend Approval By Board) (Enclosure) (Pages 89-91)*
9. 2021 Management's Assessment of Internal Controls *(Information) (Enclosure)(Pages 92-93)*
10. 2021 Audit & Finance Committee Self-Evaluation *(Approval) (Enclosure) (Pages 94-99)*
11. Audit & Finance Committee Charter Review *(Information) (Enclosure) (Pages 100-105)*
12. Audit & Finance Committee Training *(Information) (Enclosure) (Pages 106-112)*
13. 2021 Property Report Review *(Information) (Enclosure) (Page 113)*
14. Miscellaneous Funding Source Updates *(Information)*
15. BBRP/BUDC Loan Program Update *(Information)*
16. Adjournment *(Approval)*

Minutes of the Meeting of the Audit & Finance Committee of Buffalo Urban Development Corporation

Via Video Conference Call & Live Stream Audio

February 10, 2022
12:00 p.m.

Call to Order:

Committee Members Present:	Committee Members Absent:
Janique S. Curry David J. Nasca Dennis M. Penman (Committee Chair)	Trina Burruss

Officers Present:

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

Others Present: Alexis M. Florczak, Hurwitz & Fine, P.C.; Laurie Hendrix, ECIDA Administrative Coordinator; and Antonio Parker, BUDC Project Manager.

Roll Call – The meeting was called to order at 12:05 p.m. A quorum of the Committee was not present. Agenda items 3.0 and 4.0 were presented first for informational purposes. Mr. Penman joined the meeting during the presentation of agenda item 4.0. Following the presentation of item 4.0, the roll of Committee members was called, and a quorum was determined to be present.

The meeting was held via Zoom in accordance with the provisions of Article 7 of the Public Officers Law, as amended effective January 14, 2022, which authorizes public bodies to conduct meetings and take such action authorized by law without permitting in public in-person access to meetings and to authorize such meetings to be held remotely by conference call or similar service, provided that the public has the ability to view or listen to such proceeding and that such meetings are recorded and later transcribed.

1.0 **Approval of Minutes of the January 13, 2022 Meeting** – The minutes of the January 13, 2022 meeting of the Audit & Finance Committee were presented. Mr. Penman made a motion to approve the meeting minutes. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).

2.0 **Bisonwing Planning and Development, LLC Agreement Renewal** – Ms. Gandour presented her February 10, 2022 memorandum regarding a proposed consulting agreement with Bisonwing Planning and Development, LLC. Following Ms. Gandour's presentation, Mr. Penman made a motion to: (i) approve BUDC entering into a consulting agreement with Bisonwing Planning and Development, LLC at an hourly rate of $100 per hour, with total payments not to exceed

$25,000; and (ii) authorize the President or Executive Vice President to execute the consulting agreement and take such actions as may be necessary to implement this action. The motion was seconded by Mr. Nasca and unanimously carried (3-0-0).

3.0 **BUDC, 683 Northland, LLC and 683 Northland Master Tenant, LLC Audit Engagement Letters** – Ms. Profic updated the Committee regarding the audits that are underway for BUDC, 683 Northland LLC and 683 Northland Master Tenant, LLC. Auditor engagement letters have been executed for the work, and Ms. Profic shared the details of the engagement letters, including the cost for each entity and cost increases from the prior year. The Committee discussed the procedure for approving audit engagement letters. Mr. Nasca noted that it is a best practice for audit committees to review and approve audit engagement letters and requested that going forward all audit engagement letters be presented to the Committee for review and approval prior to execution. At the conclusion of the discussion, Mr. Nasca made a motion for the Committee to ratify the execution of the audit service engagement letters. The motion was seconded by Mr. Penman and unanimously carried (3-0-0).

4.0 **Funding Updates** – Ms. Merriweather presented the following funding updates:

American Rescue Plan Funds: BUDC and the City of Buffalo are working on finalizing the terms of a memorandum of understanding for American Rescue Plan funding. The funding is in the amount of 1.2 million dollars and will be disbursed to BUDC in two equal payments. The MOU is currently under review by the City's Law Department.

Ralph C. Wilson, Jr. Foundation Centennial Park Funding: An item will be presented to the Downtown Committee this month regarding a proposed grant from the Ralph C. Wilson, Jr. Foundation in the amount of $6.9 million. These funds will be used for phase 1 construction of Centennial Park.

BUDC Loan Committee: A Loan Committee meeting has been scheduled for March 1, 2022 to continue discussions regarding proposed modifications to the loan program.

Build Back Better: Ms. Gandour reported that BUDC is working with UBRI and ESD on the phase 2 application for Build Back Better funding. If selected, BUDC would receive approximately $32 million of the $100 million in funding that would be awarded to the region. BUDC is working with Bisonwing Planning and Development, LLC to prepare the project narrative and budget to be submitted to ESD for review and comment.

5.0 **Adjournment** – There being no further business to come before the Committee, the February 10, 2022 meeting of the Audit & Finance Committee was adjourned at 12:40 p.m.

Respectfully submitted,

Kevin J. Zanner
Secretary

REPORT TO THE MANAGING MEMBER

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

DECEMBER 31, 2021

FreedMaxick® CPAs, P.C.

[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, 2021. 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 683 Northland Master Tenant, LLC.

Contents

Required Communications .... 3 - 4
Summary of Recorded Audit Adjustments 5
Exhibit A - Letter Communicating Other Matters 6
Exhibit B - Significant Written Communications Between Management and Our Firm 7
Engagement Letter
Representation Letter

Required Communications

Generally accepted auditing standards (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 reporting process.

Area	Comments
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 arrangement letter dated January 18, 2022. 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 18, 2022 regarding the planned scope and timing of our audit and identified significant risks.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted accounting principles, 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. The Following is a description of significant accounting policies that are currently being evaluated for future application: • In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Area	Comments
Accounting Policies and Practices (Continued)	**Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **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.
Basis of Accounting	The financial statements were prepared on the assumption that the Company will continue as a going concern.
Audit Adjustments	Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by 683 Northland Master Tenant, LLC are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
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 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 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.
Letter Communicating Other Matters	We have separately communicated other matters identified during our audit of the financial statements, and this communication is attached as Exhibit A.
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 B.

683 Northland Master Tenant, LLC
Year End: December 31, 2021
Summary of Recorded Audit Adjustments

Number	Date	Name	Account No	Debit	Credit
1	12/31/2021	Distributions	3000.000	263,828	
1	12/31/2021	Accrued Priority Return	2011.000		263,828
		To properly record accrued priority return.			

FreedMaxick® CPAs, P.C.

Exhibit A - Letter Communicating Other Matters

As a service to you, we looked for other areas that will bring value or foresight to the Company. The observations made and recommendations developed are the result of our normal audit procedures and not of any study, consequently, they are limited only to those more important areas which came to our attention during the course of our examination.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 – *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 created Topic 842, *Leases*, supersedes all existing lease guidance under US GAAP. Under the new guidance, lessees will be required to recognize leases on the balance sheet as right of use assets with a corresponding lease liability. The effective date for the ASU is for annual periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The process of identifying, examining leases and calculating the corresponding right of use asset and liability can be extensive and time consuming. The Company needs to perform an analysis of all leases to determine applicability to ensure they are in compliance with the ASU by the end of 2022.

Buffalo, New York
DATE

Exhibit B - Significant Written Communications Between Management and Our Firm

Engagement letter – previously furnished

Representation letter – see attached

AUDITED
FINANCIAL STATEMENTS

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

DECEMBER 31, 2021

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

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements:	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Members' Equity	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 14

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

BALANCE SHEETS
December 31,

ASSETS		**2021**		**2020**
Current assets:				
Cash - operating	$	**107,787**	$	56,739
Tenant receivables		**74,685**		30,533
Prepaid insurance		**106,662**		90,355
Total current assets		**289,134**		177,627
Reserves:				
Operating reserve		**335,857**		335,689
Asset management fee reserve		**30,111**		40,095
Total reserves		**365,968**		375,784
Prepaid rent - sublessee		**426,309**		306,965
Prepaid leasing commission		**217,938**		112,223
Tenant security deposits		**84,854**		75,750
Equipment, net		**6,535**		8,964
Prepaid rent - Master Lease Agreement		**25,528,601**		19,996,180
Total assets	$	**26,919,339**	$	21,053,493
LIABILITIES AND MEMBERS' EQUITY				
Current liabilities:				
Accounts payable	$	**144,550**	$	119,334
Due to related parties		**254,935**		381,281
Total current liabilities		**399,485**		500,615
Operating deficit loan		**132,359**		49,931
Tenant security deposits		**84,854**		75,750
Deferred rent liability - Master Lease Agreement		**5,309,411**		3,916,352
Deferred rent liability - sublessee		**6,150,839**		6,703,913
Distribution payable - priority return		**263,941**		148,209
Total liabilities		**12,340,889**		11,394,770
Members' equity		**14,578,450**		9,658,723
Total liabilities and members' equity	$	**26,919,339**	$	21,053,493

See accompanying notes.

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

STATEMENTS OF OPERATIONS
For the Years Ended December 31,

	2021	2020
Revenues:		
Rental revenue	$ 1,468,498	$ 1,249,168
Additional rental revenue	648,676	390,730
Other income	261	556
Total revenues	2,117,435	1,640,454
Expenses:		
Rent expense	1,879,742	1,879,742
Utilities expense	150,924	126,631
Payroll	149,471	149,829
Insurance expense	120,629	115,150
Repairs and maintenance	120,242	90,993
Professional fees	85,899	52,206
Property management fee	67,515	49,861
Real estate taxes	19,626	20,645
Asset management fee	10,000	10,000
Miscellaneous expense	7,920	7,232
Total expenses	2,611,968	2,502,289
Loss from operations	(494,533)	(861,835)
Other expenses:		
Depreciation expense	(2,429)	(2,429)
Net loss	$ (496,962)	$ (864,264)

See accompanying notes.

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

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

	INVESTOR MEMBER	MANAGING MEMBER	TOTAL
Members' equity - January 1, 2020	**$ 7,316,480**	**$ 178,050**	**$ 7,494,530**
Members' capital contributions	3,176,666	-	**3,176,666**
Distributions	(148,209)	-	**(148,209)**
Net loss	(855,621)	(8,643)	**(864,264)**
Members' equity - December 31, 2020	**9,489,316**	**169,407**	**9,658,723**
Members' capital contributions	5,680,517	-	**5,680,517**
Distributions	(263,828)	-	**(263,828)**
Net loss	(491,992)	(4,970)	**(496,962)**
Members' equity - December 31, 2021	**$ 14,414,013**	**$ 164,437**	**$ 14,578,450**
Percentage interest	**99.00%**	**1.00%**	**100%**

See accompanying notes.

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

		2021		2020
Cash flows from operating activities:				
Net loss	$	(496,962)	$	(864,264)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation		2,429		2,429
Decrease (increase) in assets:				
Tenant receivables		(44,152)		331,081
Prepaid insurance		(16,307)		(71,854)
Accrued rental income		(119,344)		(260,970)
Prepaid leasing commission		(105,715)		(112,223)
Prepaid rent - Master Lease Agreement		1,393,059		1,445,129
Increase (decrease) in liabilities:				
Security deposit liability		9,104		36,300
Accounts payable		25,216		86,906
Due to related parties		(126,346)		58,850
Operating deficit loan		82,428		-
Deferred rent liability - sublessee		(553,074)		(580,483)
Net cash provided by operating activities		50,336		70,901
Cash flows from investing activities:				
Equipment purchases		-		(3,912)
Net cash used by investing activities		-		(3,912)
Cash flows from financing activities:				
Members' contributions		5,680,517		3,176,666
Distributions		(148,096)		(105,026)
Payments of prepaid rent under the Master Lease Agreement		(5,532,421)		(3,071,640)
Net cash provided by financing activities		-		-
Net increase in cash and restricted cash		50,336		66,989
Cash and restricted cash - beginning of year		508,273		441,284
Cash and restricted cash - end of year	$	558,609	$	508,273
Non-cash financing transactions:				
Non-cash distribution recorded as distribution payable	$	263,941	$	148,209

See accompanying notes.

STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31,

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

	2021	2020
Cash - operating	$ 107,787	$ 56,739
Tenant security deposits	84,854	75,750
Operating reserve	335,857	335,689
Asset management fee reserve	30,111	40,095
	$ 558,609	$ 508,273

See accompanying notes.

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 is being 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, 2021 three tenants represented 90% (95% - 2020) of rental revenue and 98% (97% - 2020) of accounts receivable.

Tenant Receivables: Tenant receivables consists of receivables from tenants for rent 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, 2021 and 2020.

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 840. Prepaid leasing commissions amounted to $217,938 as of the year ended December 31, 2021 ($112,223 – 2020).

Revenue Income: The Company recognizes revenue on the date rent becomes due in accordance with the subleases. Rental payments received in advance are deferred until earned. All leases between parties 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Lease: The Company is obligated under a Master Lease Agreement (the Agreement) (Note 6), with a related entity, through 2037. Minimum rent is recognized over the term of the lease using the straight-line method. In addition to minimum rents, the lease requires payments for utilities, insurance, maintenance costs, real estate taxes, and all other operating expenses. Minimum rent due under the Agreement consists of base rent and prepaid rent. As of December 31, 2021, the Company paid $25,528,601 in prepaid rent ($19,996,180 – 2020).

Use of Estimates: In preparing financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Recently Issued Accounting Pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 820)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of operations. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact the adoption of this guidance with have on the financial statements.

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 $60,000 upon receipt of the third capital contribution from the investor member. As of December 31, 2021, the reserve amounted to $30,111 ($40,095 – 2020). The remaining required funding of the asset management fee reserve has been reduced by the investor member.

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, 2021, the reserve amounted to $335,857 ($335,689 – 2020).

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, 2021 and 2020, there was no net cash flow available to fund the replacement reserve.

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, 2021 and 2020, the managing member has made all required contributions.

The investor member is required to contribute capital of $20,354,240 based upon the completion of requirements by the Company as defined in the amended and restated operating agreement. As of December 31, 2021, the investor member made required contributions amounting to $18,319,975 ($12,639,458 – 2020). Total remaining required capital contributions amounted to $2,090,803 as of December 31, 2021 ($7,771,320 – 2020).

NOTE 6. TRANSACTIONS WITH AFFILIATES

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 2037. For the years ended December 31, 2021 and 2020, the Company recognized $1,879,742 in rental expense. 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 base over the term of the lease.

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

2022	$ 484,486
2023	492,423
2024	528,046
2025	558,098
2026	565,617
Thereafter	6,890,373
	$ 9,519,043

Due to Related Parties: The Company owes certain operating expenses paid by related parties directly to a third party on behalf of the Company. These amounts are recorded as due to related parties on the accompanying balance sheets.

NOTE 7. COMMERCIAL RENTAL REVENUE

The following are several subleases the Company has entered into:

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 rent and additional rent. Rental 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 rent in the amount of $7,678,971 was due and paid during the year ended December 31, 2018; $511,931 of rental income related to the prepaid rent was recognized during the years ended December 31, 2021 and 2020. The Company is required to estimate additional rental income on a monthly basis and provide NWTC with a statement of actual additional rent incurred within 90 days of year end. During the year ended December 31, 2021, $292,708 in additional rental income was recognized ($196,903 – 2020).

NOTE 7. COMMERCIAL RENTAL REVENUE (CONTINUED)

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 rent in the amount of $288,000. The entire prepaid rent balance was paid during the year ending December 31, 2020. For the year ended December 31, 2021, the Company recognized $41,142 in rental income based on the second sublease agreement ($58,286 – 2020).

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, 2021 and 2020, the Company recognized $475,400 in rental income based on this agreement.

Manna Culinary Group: The Company entered into a sublease agreement with Manna Culinary Group, Inc. commencing on September 30, 2019, and extending through October 31, 2024. Under the sublease agreement, base rent payments begin March 1, 2020. For the year ended December 31, 2021 and 2020, the Company recognized $21,715 in rental income based on this agreement.

Sparkcharge: The Company entered into a sublease agreement with Sparkcharge, Inc. commencing on March 1, 2020, and extending through February 28, 2023. For the year ended December 31, 2021, the Company recognized $37,200 in rental income based on this agreement ($31,000 – 2020).

Retech: The Company entered into a sublease agreement with Retech Systems LLC. commencing on July 1, 2020 and extending through December 31, 2030. For the year ended December 31, 2021, the Company recognized $284,946 in rental income based on this agreement ($144,391 – 2020).

Rodriguez Construction: The Company entered into a sublease agreement with Rodriguez Construction Group Inc. commencing on December 1, 2020 and extending through November 30, 2025. For the year ended December 31, 2021, the Company recognized $37,742 in rental income based on this agreement ($3,145 – 2020).

Garwood Medical: The Company entered into a sublease agreement with Garwood Medical Devices, LLC commencing on December 1, 2020, and extending through November 30, 2025. For the year ended December 31, 2021, the Company recognized $39,600 in rental income based on this agreement ($3,300 – 2020).

Bank on Buffalo: The Company entered into a sublease agreement with CNB Financial Corporation d/b/a Bank on Buffalo commencing on April 1, 2021, and extending through September 30, 2031. For the year ended December 31, 2021, the Company recognized $18,821 in rental income based on this agreement. For the year ended December 31, 2020, there was no rental income recognized for this sublease agreement.

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

2022	**$ 1,465,594**
2023	**1,431,494**
2024	**1,429,329**
2025	**1,412,055**
2026	**1,330,871**
Thereafter	**8,247,033**
Total	**$ 15,316,376**

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.

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) 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.

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, 2021 and 2020. 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, 2021, $263,941 was accrued as payable to the investor member for the priority return ($148,209 – 2020). During the year ended December 31, 2021, the investor member was paid $148,096 for the 2020 accrued priority return ($105,026 – 2020).

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, 2021, $132,359 was loaned to the Company from the managing member ($49,931 – 2020).

NOTE 10. PROPERTY MANAGEMENT

The Company entered into a property management agreement with Mancuso Management Inc. (Mancuso) in December 2017. Under the agreement, Mancuso is to provide leasing and property management services. Under the agreement, the monthly management fee is calculated at 5% of rents billed or $2,700, whichever is higher. A new agreement was entered into with Mancuso effective January 1, 2021 through December 31, 2021 with an option to extend up to five additional one-year terms. As of December 31, 2021 the option to extend through December 31, 2022 was exercised. For the year ended December 31, 2021, $67,515 of property management fees were incurred and paid ($49,861 – 2020).

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:

	2021	2020
Financial statement net loss	$ (496,962)	$ (864,264)
Add (subtract) nondeductible items per tax return:		
Book to Tax depreciation	2,429	(1,484)
Section 467 income	658,590	492,034
Section 467 expense	(440,807)	(404,553)
Taxable loss	$ (276,750)	$ (778,264)

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

NOTE 12. PAYMENT IN LIEU OF TAXES (PILOT)

The Company entered into a 7-year agreement (the Agreement), through December 31, 2026, 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 was exempt from taxes until the tax fiscal year beginning in 2019. Beginning in 2019, 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 $19,626 for the year ended December 31, 2021 ($20,645 - 2020).

REPORT TO THE MANAGING MEMBER

683 NORTHLAND LLC
(A LIMITED LIABILITY COMPANY)

DECEMBER 31, 2021

FreedMaxick® CPAs, P.C.

[date]

To the Managing Member
683 Northland LLC
(A Limited Liability Company)
95 Perry Street, Suite 400
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 LLC (the Company) as of and for the year ended December 31, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for 683 Northland 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 683 Northland LLC.

Contents

Required Communications .... 3 - 4
Summary of Recorded Audit Adjustments 5
Exhibit A - Significant Written Communications Between Management and Our Firm 6
Engagement Letter
Representation Letter

Required Communications

Generally accepted auditing standards (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 reporting process.

Area	Comments
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 arrangement letter dated January 25, 2022. 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 25, 2022 regarding the planned scope and timing of our audit and identified significant risks.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted accounting principles, 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. The Following is a description of significant accounting policies that are currently being evaluated for future application: • On February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Area	Comments
Accounting Policies and Practices (Continued)	**Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **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 in the Company's financial statements: • Estimated useful life of fixed assets • Impairment of building
Basis of Accounting	The financial statements were prepared on the assumption that the Company will continue as a going concern.
Audit Adjustments	Audit adjustments proposed by us and recorded by 683 Northland LLC are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
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 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.
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.

683 Northland LLC
Year End: December 31, 2021
Summary of Recorded Audit Adjustments

Number	Date	Name	Debit	Credit
1	12/31/2021	Management Fee - Ineligible	10,000	
1	12/31/2021	Accounts Payable		10,000
		To record current year asset management fee.		
2	12/31/2021	Accumulated Depreciation - FF&E	181,936	
2	12/31/2021	Other Income	52,571	
2	12/31/2021	Donation Expenditures	217,462	
2	12/31/2021	Furnitures, Fixtures & Equipment		331,573
2	12/31/2021	Loss in Disposal		102,284
2	12/31/2021	Miscellaneous Expense		18,112
		To properly record disposals of equipment and donations of proceeds to the Northland Workforce Training Center.		
3	12/31/2021	Interest Expense	11,692	
3	12/31/2021	Line of Credit		11,692
		To properly adjust the line of credit and interest expense to actual at December 31, 2021.		
4	12/31/2021	Depreciation Expense	315,710	
4	12/31/2021	Accumulated Depreciation		315,710
		To properly adjust depreciation expense to actual at December 31, 2021.		
5	12/31/2021	Servicing Fee - Ineligible	20,327	
5	12/31/2021	Debt Issuance Costs		20,327
5	12/31/2021	Accumulated Amortization	11,293	
5	12/31/2021	Amortization Expense		11,293
		To properly expense fees incurred in connection with Key Bank amendment and adjust amortization to actual at December 31, 2021.		

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)

DECEMBER 31, 2021

683 NORTHLAND LLC
(A LIMITED LIABILITY COMPANY)

CONTENTS

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Members' Equity	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 12

683 NORTHLAND LLC
(A LIMITED LIABILITY COMPANY)

BALANCE SHEETS
December 31,

ASSETS		2021		2020
Current assets:				
Operating cash	$	123,353	$	48,784
Due from related party		135,559		176,276
Total current assets		258,912		225,060
Restricted cash		390,991		500,248
Land, property and equipment, net		100,455,842		104,779,983
Total assets	$	101,105,745	$	105,505,291
LIABILITIES AND MEMBERS' EQUITY				
Current liabilities:				
Accounts payable	$	57,463	$	21,972
Accrued interest		23,812		55,207
Current portion of long term debt		10,180,810		29,056,324
Line of credit		677,158		493,583
Developer fee payable		-		1,433,360
Total current liabilities		10,939,243		31,060,446
Deferred rent liability - Master Lease Agreement		20,219,190		16,079,828
Long term debt, net		13,730,000		13,730,000
Total liabilities		44,888,433		60,870,274
Members' equity		56,217,312		44,635,017
Total liabilities and members' equity	$	101,105,745	$	105,505,291

See accompanying notes.

683 NORTHLAND LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
For the Years Ended December 31,

		2021		2020
Operating revenues:				
Rental revenue	$	1,879,742	$	1,879,742
Other		450		-
Total operating revenues		1,880,192		1,879,742
Operating expenses:				
Donation		217,462		-
Professional fees		217,210		181,887
Asset management fees		55,000		55,000
Miscellaneous		32,736		21,566
Construction		-		238,341
Insurance		-		5,677
Total operating expenses		522,408		502,471
Operating income		1,357,784		1,377,271
Other (expense) income:				
Gain (loss) on disposal		28,963		(1,623)
Interest income		167		197
Interest expense		(478,448)		(980,166)
Depreciation		(4,146,011)		(4,120,464)
Total other (expense) income		(4,595,329)		(5,102,056)
Net loss	$	(3,237,545)	$	(3,724,785)

See accompanying notes.

683 NORTHLAND LLC
(A LIMITED LIABILITY COMPANY)

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

	MEMBER	MANAGING MEMBER	TOTAL
Members' equity - January 1, 2020	$ 2,266,092	$ 39,953,054	**$ 42,219,146**
Members' capital contributions	631,199	5,509,457	**6,140,656**
Net loss	(186,239)	(3,538,546)	**(3,724,785)**
Members' equity - December 31, 2020	**2,711,052**	**41,923,965**	**44,635,017**
Members' capital contributions	961,846	13,857,994	**14,819,840**
Net loss	(161,877)	(3,075,668)	**(3,237,545)**
Members' equity - December 31, 2021	**$ 3,511,021**	**$ 52,706,291**	**$ 56,217,312**
Percentage interest	**5.00%**	**95.00%**	**100%**

See accompanying notes.

683 NORTHLAND LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

		2021		2020
Cash flows from operating activities:				
Net loss	$	(3,237,545)	$	(3,724,785)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation		4,146,011		4,120,464
Amortization		43,675		74,872
(Gain) loss on disposal		(28,963)		1,623
Decrease (increase) in assets:				
Prepaid insurance		-		57,971
Due from related party		40,717		(61,832)
Accounts receivable		-		317,229
Increase (decrease) in liabilities:				
Accounts payable		35,491		(3,229,218)
Accrued interest		(31,395)		(38,508)
Deferred rent liability - Master Lease Agreement		(1,393,059)		(1,445,129)
Net cash used by operating activities		(425,068)		(3,927,313)
Cash flows from investing activities:				
Acquisition and construction of land, property, and equipment		(66,306)		(2,271,003)
Proceeds from disposals of land, property and equipment		273,400		30,300
Net cash provided (used) by investing activities		207,094		(2,240,703)
Cash flows from financing activities:				
Payments of prepaid rent under the Master Lease Agreement		5,532,421		3,071,640
Members' contributions		14,819,840		6,140,656
Repayment of developer fee		(1,433,360)		(3,071,640)
Net proceeds on line of credit		183,575		493,583
Repayments of long term debt		(18,919,190)		(900,000)
Net cash provided by financing activities		183,286		5,734,239
Net decrease in cash and restricted cash		(34,688)		(433,777)
Cash and restricted cash - beginning of year		549,032		982,809
Cash and restricted cash - end of year	$	514,344	$	549,032
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	466,168	$	1,018,674

See accompanying notes.

683 NORTHLAND LLC
(A LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31,

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

	2021	2020
Operating cash	$ 123,353	$ 48,784
Restricted cash	390,991	500,248
Total cash and restricted cash	$ 514,344	$ 549,032

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 is being developed in two phases; Phase 1 received an allocation of rehabilitation tax credits in 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, 2021 and 2020, one tenant represented 100% of rental revenue.

Accounts Receivable: Accounts receivable are comprised of billed and uncollected amounts due for reimbursements related to leasehold improvements, furniture, fixtures and equipment. On a periodic basis, the Company evaluates its accounts receivable and will establish an allowance for doubtful accounts if necessary. There was no allowance for the years ended December 31, 2021 and 2020.

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

Capitalization Policy: During the construction phase of the Project, certain disbursements are capitalized rather than charged to expense. These costs generally include architects and appraisal fees; legal and accounting fees; and construction period insurance, interest, utilities, and taxes.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

Debt Issuance Costs: Amortization of debt issuance costs for long term debt for each of the year ended December 31, 2021 amounted to $43,675 and is included in interest expense ($74,872 – 2020). There are no unamortized debt issuance costs as of December 31, 2021 ($43,676 – 2020).

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: In preparing financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Recently Issued Accounting Pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 820)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of operation. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact the adoption of this guidance with have on the financial statements.

Subsequent Event: 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. LAND, PROPERTY AND EQUIPMENT

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

	2021	2020
Land	$ 589,272	$ 589,272
Buildings and improvements	104,433,211	104,379,309
Furniture, fixtures and equipment	7,457,666	7,877,786
Leasehold improvements	291,222	285,071
	112,771,371	113,131,438
Less: Accumulated depreciation	(12,315,529)	(8,351,455)
	$ 100,455,842	$ 104,779,983

Depreciation expense for the year ended December 31, 2021 amounted to $4,146,011 ($4,120,464 – 2020).

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 an additional $13,857,994 in capital during the year ended December 31, 2021 ($5,509,457 – 2020).

The member interest contributed a total of $961,846 during the year ended December 31, 2021 ($631,199 – 2020)

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 rental 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 the year ended December 31, 2037. For the years ended December 31, 2021 and 2020, the Company recognized $1,879,742 in rental revenue related to the Agreement. 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. The Company will reduce the deferred rent liability by $1,879,742 over each of the next 5 years and through the remainder of the life of the lease agreement.

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

2022	$ 484,486
2023	492,423
2024	528,046
2025	558,098
2026	565,617
Thereafter	6,890,373
	$ 9,519,043

Developer's Fee - Related Party: The Company has an agreement with Buffalo Urban Development Corporation (the "Developer") regarding the developer fee amounting to $11,886,746. The developer fee payable was paid in full during the year ended December 31, 2021. The outstanding balance at December 31, 2020 was $1,433,360.

Due from Related Party: The Company has paid certain operating expenses directly to third parties on behalf of 683 Northland Master Tenant, LLC. The outstanding amount for the year ending December 31, 2021 is $135,559 ($176,276 - 2020).

NOTE 6. LONG TERM DEBT

Mortgage Payable: During 2017, 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 collaterized 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 year ending December 31, 2021 and 2020.

Bridge Loans: The Company entered into two bridge loan agreements with KeyBank on December 28, 2017, in the amounts of $20,000,000 (Loan A) and $10,000,000 (Loan B). Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors on these loan agreements. The loans are collaterized 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 B matured on June 30, 2021, and was paid in full as of December 31, 2021. The bridge loan agreement for Loan A was extended through December 31, 2022. The balance outstanding at December 31, 2021 totaled $10,180,810 ($29,100,000 - 2020). Interest on Loan A is calculated at the prime rate (as established by KeyBank) plus .25% with a floor of 3% (3% at December 31, 2021). Interest on Loan B is calculated at the prime rate (as established by KeyBank) plus .25% per annum. Accrued interest amounted to $23,812 as of December 31, 2021 ($55,207 - 2020). Management intends to repay the bridge loans with the proceeds from the Master Lease Agreement payments and capital contributions from the managing member. The capital contributions from the managing member will be funded by the proceeds received in connection with the Brownfield tax credits.

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

	2021	2020
KeyBank- bridge loans	$ 10,180,810	$ 29,100,000
BACDE NMTC Fund 16, LLC	8,730,000	8,730,000
NTCIC-NORTHLAND, LLC	5,000,000	5,000,000
	23,910,810	42,830,000
Less: debt issuance costs	-	43,676
	$ 23,910,810	$ 42,786,324

Current maturities of long-term debt are as follows for the years ending December 31, 2022:

2022	$ 10,180,810
2023	-
2024	100,188
2025	404,116
2026	409,549
Thereafter	12,816,147
	$ 23,910,810

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. Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors this agreement. Borrowings are to be 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 LIBOR rate (3.25% at December 31, 2021) per annum and are collateralized by security interest in all assets of 683 WTC, LLC, BUDC and BBRC Land Company I, LLC. All outstanding principal and interest amounts are due upon maturity. The agreement was amended in 2021 and matures on December 31, 2022.

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:

	2021	2020
KeyBank interest reserve	$ 23,813	$ 55,490
BACDE NMTC Fund 16, LLC reserve	216,178	284,508
NTCIC-NORTHLAND, LLC reserve	151,000	160,250
	$ 390,991	$ 500,248

REPORT TO THE BOARD OF DIRECTORS

BUFFALO URBAN DEVELOPMENT CORPORATION

DECEMBER 31, 2021

XXXXX, 2022

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 audits of the financial statements of the Buffalo Urban Development Corporation (BUDC), as of and for the year ended December 31, 2021. 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 the 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 be of service to the BUDC.

Very truly yours,

Freed Maxick CPAs, P.C.

CONTENTS

	Page
Required Communications	1-2
Summary of Significant Accounting Estimates	3
Summary of Recorded Audit Adjustments	4
Recently Issued Accounting Standards	5-6
Management Letter	7
Exhibit A – Significant Written Communication Between Management and our Firm	8
Representation Letter	

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditors Communications with Those Charge 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 reporting process.

Area	Comments
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 arrangement letter dated January 25, 2022. 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 regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted principles, 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 significant existing policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **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."
Basis of Accounting	The financial statements were prepared on assumption that the entity will continue as a going concern.

Audit Adjustments	The audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the BUDC are shown on the attached "Summary of Recorded Audit Adjustments."
Uncorrected Misstatement	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
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 with 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.
Significant Written Communication Between Management and Our Firm	A copy of the representation letter provided to us by management is attached as Exhibit A.

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 describes the significant accounting estimates reflected in the BUDC's December 31, 2021 financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis of our conclusions on Reasonableness of Estimate
Depreciation of Property, Plant & Equipment	Management depreciates property, plant and equipment over the estimated lives of the assets.	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.	The methods and lives used to estimate depreciation expense appears reasonable.

Buffalo Urban Development Corporation
Summary of Recorded Audit Adjustments
Year Ended December 31, 2021

Account No	Name	Debit	Credit
1902 ENT01	Development Costs - BLCP		(11,780)
5902 ENT01	Proceeds from Land Sales - BLCP	33,450	
5912 ENT01	Cost of Land Sales - BLCP		(21,670)

To properly record sale of land related to BLCP as of December 31, 2021.

		Debit	Credit
		33,450	**(33,450)**

Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by the BUDC. BUDC's management has not yet determined the effect these Statements will have on the BUDC's financial statements. However, BUDC plans to implement all standards by the required dates. The Statements which might impact the BUDC are as follows:

Summary of GASB Statement No. 87, *Leases*

This Statement issued in June 2017 will be effective for BUDC with its fiscal year ending December 31, 2022. This Statement better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

Summary of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

This Statement issued in June 2018 will be effective for BUDC beginning with its fiscal year ending December 31, 2022. The primary objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of GASB Statement No. 89 are effective for financial periods beginning after December 15, 2021. Earlier application is encouraged.

Summary of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

This Statement issued in May 2020 will be effective for the BUDC beginning with its fiscal year ending December 31, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

This Statement establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases,* as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

FreedMaxick™ CPAs, P.C.

XXXXXX, 2022

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, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the BUDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the BUDC's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Freed Maxick CPAs, P.C.

EXHIBIT A – SIGNIFICANT WRITTEN COMMUNICATION BETWEEN MANAGEMENT AND OUR FIRM

AUDITED
CONSOLIDATED FINANCIAL STATEMENTS

BUFFALO URBAN DEVELOPMENT CORPORATION

DECEMBER 31, 2021

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements:	
Consolidated Statements of Net Position	12
Consolidated Statements of Revenues, Expenses and Changes in Net Position	13
Consolidated Statements of Cash Flows	14
Notes to Financial Statements	15-23
Supplementary Information:	
Consolidating Statement of Net Position	24
Consolidating Statement of Revenues, Expenses and Changes in Net Position	25
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's 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*	26-27

FINANCIAL SECTION

BUFFALO URBAN DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31,

		2021		2020
ASSETS				
Current assets:				
Cash	$	2,697,940	$	370,072
Grants receivable		10,160,553		13,649,610
Restricted cash		4,607,212		3,753,356
Other current assets		6,626,745		7,152,726
Total current assets		24,092,450		24,925,764
Noncurrent assets:				
Loans receivable, net		9,666,400		10,416,400
Equity investment		178,051		178,051
Capital assets, net		108,785,225		112,835,377
Land and improvements held for sale, net		3,363,434		4,080,387
Total noncurrent assets		121,993,110		127,510,215
Total assets	$	146,085,560	$	152,435,979
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	$	959,332	$	874,573
Unearned revenue		14,373,673		13,822,911
Lines of credit		677,158		1,416,953
Current portion of loans payable		10,180,810		29,141,944
Total current liabilities		26,190,973		45,256,381
Noncurrent liabilities:				
Deferred rent liability		20,219,190		16,079,828
Loans payable		14,099,750		14,099,750
Note payable		257,381		257,381
Total noncurrent liabilities		34,576,321		30,436,959
NET POSITION				
Net investment in capital assets		87,868,099		73,759,690
Restricted		3,624,405		4,020,554
Unrestricted (deficit)		(6,174,238)		(1,037,605)
Total net position		85,318,266		76,742,639
Total liabilities and net position	$	146,085,560	$	152,435,979

See accompanying notes.

BUFFALO URBAN DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	2021	2020
Operating revenues:		
Grant revenue	$ 4,425,140	$ 8,816,375
Brownfield funds	40,821	171,903
Loan interest and commitment fees	112,107	152,597
Rental and other revenue	14,869,875	2,033,807
Total operating revenues	19,447,943	11,174,682
Operating expenses:		
Development costs	4,253,370	5,294,325
Adjustment to net realizable value	98,713	418,386
Salaries and benefits	482,778	546,021
General and administrative	2,091,562	2,091,258
Management fee	70,408	91,454
Depreciation	4,225,517	4,198,380
Total operating expenses	11,222,348	12,639,824
Operating income (loss)	8,225,595	(1,465,142)
Nonoperating revenues (expenses):		
Loss on disposal	(118,382)	-
Interest income	722	1,278
Amortization expense	(43,676)	(74,872)
Interest expense	(450,479)	(933,410)
Total nonoperating expenses, net	(611,814)	(1,007,004)
Change in net position	7,613,781	(2,472,146)
Net position - beginning of year	76,742,639	78,603,896
Add: capital contributions	961,846	610,889
Net position - end of year	$ 85,318,266	$ 76,742,639

See accompanying notes.

BUFFALO URBAN DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

		2021		2020
Cash flows from operating activities:				
Amounts received from Brownfields funds	$	67,767	$	229,279
Grants received		8,464,959		9,026,593
Receipts from loans and commitment fees		112,107		152,597
Repayments of loans		750,000		375,000
Rental and other revenue		19,562,372		3,951,260
Payments to employees, suppliers, and other		(6,934,777)		(8,994,092)
Net cash provided by operating activities		22,022,428		4,740,637
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets		(449,194)		(6,364,450)
Proceeds from sale/disposal of capital assets		872,400		-
Repayment of line of credit		(923,370)		677,445
Proceeds from line of credit		183,575		-
Repayment of loans		(18,961,134)		-
Capital contributions		961,846		631,199
Net cash used by capital and related financing activities		(18,315,877)		(5,055,806)
Cash flows from investing activities:				
Change in restricted cash		(853,856)		1,481,229
Interest earned		722		1,278
Interest paid		(525,549)		(1,044,206)
Net cash provided by investing activities		(1,378,683)		438,301
Net increase (decrease) in cash		2,327,868		123,132
Cash - beginning of year		370,072		246,940
Cash - end of year	$	2,697,940	$	370,072
Reconciliation of operating income (loss) from operations to net cash provided by operating activities:				
Operating income (loss)	$	8,225,595	$	(1,465,142)
Adjustment to reconcile income from operations to net cash provided by operating activities:				
Depreciation expense		4,225,517		4,198,380
Increase (decrease) in grants receivable		3,489,057		(2,868,964)
Decrease in other current assets		525,981		982,499
Decrease in loans receivable		750,000		375,000
Increase (decrease) in accounts payable and accrued expenses		116,154		(1,186,829)
Increase in unearned revenue		550,762		3,079,182
Increase in deferred rent liability		4,139,362		1,626,511
Net cash provided by operating activities	$	22,022,428	$	4,740,637
Non-cash transactions:				
Capital asset purchases not yet disbursed	$	-	$	390,059
Grants received but not yet earned		548,961		3,079,182

See accompanying notes.

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 balance sheet as restricted because their use is limited.

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 $6,188,769 and $6,646,600 for December 31, 2021 and 2020, respectively. Other current assets include interest and accounts receivables and amounted to $437,946 and $506,126 for December 31, 2021 and 2020, 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:

a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and related debt.

b. *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.

c. *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.

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. ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2022.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for the year ending December 31, 2021, except for paragraph 11b, which will be effective for the year ending December 31, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending December 31, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending December 31, 2022.

O. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

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, 2021 and 2020, 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

BUDC has an agreement with Pursuit (formerly New York Business Development Corporation) to provide loans to facilitate the development and adaptive reuse of vacant or underutilized buildings in certain designated areas. The loan agreement provides for $9,000,000 in total funding from five participating lending banks, with interest rates determined by the banks. The balance of the loans outstanding were $0 and $750,000 at December 31, 2021 and 2020, respectively. Interest payments are due monthly and principal is due at maturity.

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. The following is a summary of the loans receivable. BUDC's policy is to present loans receivable net of an allowance for uncollectible loans. Management has determined that no allowance for these loans was necessary in 2021 and 2020.

		2021		2020
Downtown Loan Fund	$	-	$	750,000
NMTC Investment Fund		9,666,400		9,666,400
Total loans receivable	$	9,666,400	$	10,416,400

NOTE 4. CAPITAL ASSETS

Capital asset activity for the BUDC for the year ended December 31, 2021 was as follows:

	Balance 01/01/2021	Increases	Decreases	Balance 12/31/2021
Non-depreciable capital assets				
Land	$ 874,014	$ -	$ -	$ 874,014
Idle buildings and improvements	4,687,894	336,940	-	5,024,834
Total non-depreciable capital assets	5,561,908	336,940	-	5,898,848
Depreciable capital assets:				
Buildings and improvements	107,814,194	69,920	-	107,884,114
Furniture and equipment	7,925,057	6,688	420,120	7,511,625
Less: accumulated depreciation	8,465,782	4,225,517	181,937	12,509,362
Total depreciable assets, net	107,273,469	(4,148,909)	238,183	102,886,377
Total capital assets, net	$ 112,835,377	$ (3,811,969)	$ 238,183	$ 108,785,225

Capital asset activity for the BUDC for the year ended December 31, 2020 was as follows:

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2020
Non-depreciable capital assets				
Land	$ 844,942	$ 29,072	$ -	$ 874,014
Construction work in progress	2,697,320	2,276,653	4,973,973	-
Idle buildings and improvements	5,510,766	1,639,434	2,462,306	4,687,894
Total non-depreciable capital assets	9,053,028	3,945,159	7,436,279	5,561,908
Depreciable capital assets:				
Buildings and improvements	100,718,306	7,095,888	-	107,814,194
Furniture and equipment	7,666,432	305,670	47,045	7,925,057
Less: accumulated depreciation	4,282,524	4,198,380	15,122	8,465,782
Total depreciable assets, net	104,102,214	3,203,178	31,923	107,273,469
Total capital assets, net	$ 113,155,242	$ 7,148,337	$ 7,468,202	$ 112,835,377

Land, buildings, and improvements related to the Northland Corridor amounted to $5,898,848 and $5,561,908 at December 31, 2021 and 2020. 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 (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 $660 and $418,386 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5. LAND 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 2021, approximately 20 acres of land were sold to a local developer.

In 2018, BUDC purchased approximately 7 acres of property at 308 Crowley Street in the City of Buffalo for the purpose of remediation and redevelopment. The property includes a derelict building which will undergo select demolition. One acre of land was sold in 2020, and .65 acres were sold in 2021.

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

	2021	2020
BLCP	$ 8,533,718	$ 9,211,452
308 Crowley	71,510	83,719
Less adjustment to net realizable value (BLCP)	5,241,794	5,214,784
Total land held for development and sale	$ 3,363,434	$ 4,080,387

NOTE 6. GRANTS RECEIVABLE AND UNEARNED REVENUE

BUDC was awarded several grants between 2016-2020 from Empire State Development (ESD) for the demolition, remediation, renovation, construction and site/street improvements for various Northland properties and the Western New York Workforce Training Center project (Training Center). In 2021, BUDC was awarded a $200,000 grant for the planning for a solar array and microgrid system at the Training Center.

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. A $131,250 grant was also awarded from National Grid's Brownfield Redevelopment Program in support of this work.

Between 2019-2021, BUDC was awarded six grants from the Ralph C. Wilson, Jr. Foundation totaling $21,397,150 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.

To further support the shoreline components of the Centennial Park project, BUDC was awarded two grants totaling $1,224,252 from the Great Lakes Commission in 2020 and 2021.

The following is a summary of grants receivable and unearned grant revenue:

	2021	2020
Grants receivable:		
ESD	$ 2,033,102	$ 4,382,619
National Grid	250,000	250,000
Ralph C Wilson Jr. Foundation	7,740,000	8,300,000
NYSERDA	-	23,136
Great Lakes Commission	137,451	693,855
	$ 10,160,553	$ 13,649,610

Unearned revenue:				
ESD	$	**1,835,008**	$	1,762,728
National Grid		**381,250**		381,250
Ralph C Wilson Jr. Foundation		**11,850,415**		11,058,342
NYSERDA		**-**		119,232
Great Lakes Commission		**7,000**		501,359
Other		**300,000**		-
	$	**14,373,673**	$	13,822,911

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses:

		2021		2020
Accounts payable	$	**862,805**	$	741,247
Accrued payroll		**23,615**		36,435
Accrued interest		**23,812**		57,791
Other accrued expenses		**49,100**		39,100
	$	**959,332**	$	874,573

NOTE 8. DEFERRED RENT LIABILITY

Northland has a Master Lease Agreement (the Agreement) with the master tenant member to receive rental 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 the year ended December 31, 2037. Northland recognized $1,879,742 in rental revenue related to the Agreement for the years ended December 31, 2021 and 2020. 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. Northland will reduce the deferred rent liability by $1,879,742 over each of the next 5 years and through the remainder of the life of the lease agreement.

Future minimum rental receipts to be received under the Master Lease Agreement are contractually due as follows as of December 31, 2021:

2022	$	484,486
2023		492,423
2024		528,046
2025		558,098
2026		565,617
Thereafter		6,890,373
	$	9,519,043

NOTE 9. NOTE PAYABLE

In connection with the purchase of property related to BLCP, BUDC issued a non-interest bearing note payable in an amount equal to the greater of $525,000 ($13,125 per acre) or a percentage of the resale price of the developed property. At December 31, 2021 and 2020, the note payable amounted to $257,381, which represents the remaining 19.61 acres of land at $13,125 per acre. No payments are required until any portion of the property is sold.

NOTE 10. LINES 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 LIBOR rate (3.25% - 2021) 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. At December 31, 2021, no amount was outstanding.

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. Buffalo Urban Development Corporation, 683 WTC, LLC, and BBRC Land Company I, LLC, related parties, are guarantors this agreement. Borrowings are to be 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 LIBOR rate (3.25% at December 31, 2021) per annum and are collateralized by security interest in all assets of 683 WTC, LLC, BUDC and BBRC Land Company I, LLC. All outstanding principal and interest amounts are due upon maturity. The agreement was amended in 2021 and matures on December 31, 2022.

NOTE 11. 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. BUDC 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 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 mortgage 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.

Bridge Loan

Northland entered into two bridge loan agreements with KeyBank on December 28, 2017, in the amounts of $20,000,000 (Loan A) and $10,000,000 (Loan B). BUDC, WTC and BBRC Land Company I, LLC are guarantors on the loan agreement. The loan is collaterized by security interest in all assets of WTC, BBRC Land Company I, LLC and Northland, assignment of rents by Northland, and assignment of construction contracts and architect's agreements. The bridge loan agreement for Loan B matured on June 30, 2021 and was paid in full as of December 31, 2021. The bridge loan agreement for Loan A was extended through December 31, 2022. The balance outstanding at December 31, 2021 totaled $10,180,810 ($29,100,000 - 2020). Interest on Loan A is calculated at the prime rate (as established by KeyBank), plus .25% with a floor of 3% (3% at December 31, 2021). Interest on Loan B is calculated at the prime rate (as established by KeyBank) plus .25% per annum. Accrued interest amounted to $23,812 as of December 31, 2021 ($55,207 - 2020). Management intends to repay the bridge loans with the proceeds from the Master Lease Agreement payments and capital contributions from the managing member. The capital contributions from the managing member will be funded by the proceeds received in connection with the Brownfield tax credits.

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 is interest-bearing only until maturity in March 2024.

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

	2021	2020
KeyBank	$ 10,180,810	$ 29,100,000
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
Paycheck Protection Program	-	85,620
	24,280,560	43,285,370
Less: debt issuance costs	-	43,676
	$ 24,280,560	$ 43,241,694

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

2022	$ 10,180,810
2023	-
2024	469,938
2025	404,116
2026	409,549
Thereafter	12,816,147
	$ 24,280,560

Interest expense for the year ending December 31, 2021 and 2020 was $450,479 and $933,410, respectively. No interest was capitalized for the years ending December 31, 2021 and 2020.

NOTE 12. 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 $178,051 at December 31, 2021 and 2020.

NOTE 13. RESTRICTED NET POSITION

BUDC's restricted net position consists of amounts related to the Buffalo Brownfields Redevelopment Fund in the amount of $278,701 and $720,294 at December 31, 2021 and 2020, respectively, and a loan fund in the amount of $3,345,704 and $3,300,260 at December 31, 2021 and 2020, respectively.

NOTE 14. NOTES RECEIVABLE WTC

BUDC and WTC have note agreements in the amount of $25,045,279 and $27,142,000 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. The total outstanding balance on these notes was $52,187,279 and $51,049,259 at December 31, 2021 and 2020, respectively. Accrued interest on the loan amounted to $1,501,646 and $952,415 at December 31, 2021 and 2020, respectively.

NOTE 15. POLLUTION REMEDIATION

Various pollution remediation activities will be necessary at Northland during development. Based on preliminary environmental studies and design plans, management believes clean-up activities will amount to $4,575,000. The current estimate includes 87% of the total Northland acreage acquired and the remaining sections are expected to be demolished or consist of parking lots that will require limited clean-up. Management expects the entire cost of the remediation to be reimbursed by State grants; therefore no pollution remediation liability has been accrued in these financial statements.

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through XXXX, 2022, which is the date the financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles, other than those noted above.

SUPPLEMENTARY INFORMATION

BUFFALO URBAN DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENTS OF NET POSITION
DECEMBER 31, 2021

	Buffalo Urban Development Corporation	683 WTC LLC	683 Northland LLC	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2,574,535	$ 52	$ 123,353	$ -	$ 2,697,940
Grants receivable	10,160,553	-	-	-	10,160,553
Restricted cash	4,216,221	-	390,991	-	4,607,212
Other current assets	7,998,177	15	135,559 (1)	(1,507,006)	6,626,745
Total current assets	24,949,486	67	649,903	(1,507,006)	24,092,450
Noncurrent assets:					
Loans receivable	61,853,679	-	- (1)	(52,187,279)	9,666,400
Equity investment	-	59,498,971	- (1)	(59,320,920)	178,051
Capital assets, net	8,329,383	-	100,455,842	-	108,785,225
Land and improvements held for sale, net	3,363,434	-	-	-	3,363,434
Total noncurrent assets	73,546,496	59,498,971	100,455,842	(111,508,199)	121,993,110
Total assets	$ 98,495,982	$ 59,499,038	$ 101,105,745	$ (113,015,205)	$ 146,085,560
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	$ 878,057	$ 1,507,006	$ 81,275 (1)	$ (1,507,006)	$ 959,332
Unearned grant revenue	14,373,673	-	-	-	14,373,673
Lines of credit	-	-	677,158	-	677,158
Current portion of loans payable	-	-	10,180,810	-	10,180,810
Total current liabilities	15,251,730	1,507,006	10,939,243	(1,507,006)	26,190,973
Noncurrent liabilities:					
Deferred rent liability	-	-	20,219,190	-	20,219,190
Loans payable	369,750	52,187,279	13,730,000 (1)	(52,187,279)	14,099,750
Note payable	257,381	-	-	-	257,381
Total noncurrent liabilities	627,131	52,187,279	33,949,190	(52,187,279)	34,576,321
NET POSITION (DEFICIT)					
Net investment in capital assets	11,323,067	-	76,545,032	-	87,868,099
Restricted	3,624,405	-	-	-	3,624,405
Unrestricted (deficit)	67,669,649	5,804,753	(20,327,720) (1)	(59,320,920)	(6,174,238)
Total net position (deficit)	82,617,121	5,804,753	56,217,312	(59,320,920)	85,318,266
Total liabilities and net position	$ 98,495,982	$ 59,499,038	$ 101,105,745	$ (113,015,205)	$ 146,085,560

(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, 2021

	Buffalo Urban Development Corporation	683 WTC LLC	683 Northland LLC		Eliminations	Total
Operating revenues:						
Grant revenue	$ 4,425,140	$ -	$ -		$ -	$ **4,425,140**
Brownfield funds	40,821	-	-		-	**40,821**
Loan interest and commitment fees	661,338	-	-	**(1)**	(549,231)	**112,107**
Rental and other revenue	269,709	12,719,974	1,880,192		-	**14,869,875**
Total operating revenue	5,397,008	12,719,974	1,880,192		(549,231)	**19,447,943**
Operating expenses:						
Development costs	4,253,370	-	-		-	**4,253,370**
Adjustment to net realizable value	98,713	-	-		-	**98,713**
Salaries and benefits	482,778	-	-		-	**482,778**
General and administrative	1,562,291	6,860	522,411		-	**2,091,562**
Management fee	70,408	-	-		-	**70,408**
Depreciation	79,506	-	4,146,011		-	**4,225,517**
Total operating expenses	6,547,066	6,860	4,668,422		-	**11,222,348**
Operating income (loss)	(1,150,058)	12,713,114	(2,788,230)	**(1)**	(549,231)	**8,225,595**
Nonoperating revenues (expenses):						
Gain (loss) on disposal	(147,345)	-	28,963		-	**(118,382)**
Interest income	500	52	170		-	**722**
Amortization expense	-	-	(43,675)		-	**(43,675)**
Interest expense	(15,706)	(549,231)	(434,773)	**(1)**	549,231	**(450,479)**
Total nonoperating expenses, net	(162,551)	(549,179)	(449,315)		549,231	**(611,814)**
Change in net position	(1,312,609)	12,163,935	(3,237,545)		-	**7,613,781**
Net position (deficit) - beginning of year	83,929,730	(6,359,182)	44,635,017	**(1)**	(45,462,926)	**76,742,639**
Add: capital contributions	-	-	14,819,840	**(1)**	(13,857,994)	**961,846**
Net position (deficit) - end of year	$ 82,617,121	$ 5,804,753	$ 56,217,312		$ (59,320,920)	$ **85,318,266**

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

INTERNAL CONTROL AND COMPLIANCE

DRAFT

AUDITED
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

BUFFALO BROWNFIELDS REDEVELOPMENT FUND

DECEMBER 31, 2021

Page

Independent Auditor's Report 1-2

Schedule of Revenues, Expenses and Changes in Net Position 3

Notes to the Schedule 4

BUFFALO BROWNFIELDS REDEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

DRAFT

Operating revenues:	
City of Buffalo PILOTs by end user:	
Cobey	$ 41,174
Total City of Buffalo PILOTs	41,174
County of Erie PILOTs by end user:	
Sonwil	62,986
Cobey	30,243
Total County of Erie PILOTs	93,229
Total operating revenues	134,403
Operating expenses:	
City of Buffalo share of PILOTs	20,587
County of Erie share of PILOTs	47,864
Eligible project costs	507,728
Total operating expenses	576,179
Operating loss	(441,776)
Nonoperating revenues:	
Interest income	183
Change in net position	(441,593)
Net position - beginning	720,294
Net position - ending	$ 278,701

See accompanying notes.

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 Brownfields 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.

Buffalo Urban Development Corporation
95 Perry Street
Suite 404
Buffalo, New York 14203
phone: 716-856-6525
fax: 716-856-6754
web: *buffalourbandevelopment.com*

Item 6

MEMORANDUM

TO: Audit & Finance Committee

FROM: Mollie Profic, Treasurer

SUBJECT: Reimbursement of Brownfield Expenses from Brownfield Fund

DATE: March 22, 2022

The Buffalo Brownfields Redevelopment Fund ("BBRF" or the "Fund) allows certain third-party expenses incurred by BUDC in connection with the development of Buffalo Lakeside Commerce Park ("BLCP") to be reimbursed. Under the Fund Administration Agreement, these out-of-pocket third-party costs "include, but are not limited to, land acquisition, site investigations, site planning, remediation, road and utility construction and related legal costs".

On September 26, 2012, the Board designated the BLCP project as complete, which allowed for the expansion of the use of BBRF funds to "other comparable projects" in the City of Buffalo. Riverbend, Northland and 308 Crowley Street were designated "comparable" projects by the Board beginning October 1, 2012, January 1, 2015 and June 26, 2018, respectively.

Since 2011, reimbursements have been approved for costs incurred related to BLCP, Riverbend and Northland. Grant application fees related to Northland totaling $311,848 were approved for reimbursement by the Board on May 10, 2018. Additional reimbursement of BLCP, Riverbend, Northland and 308 Crowley costs from January 1, 2018 – December 31, 2018 in the amount of $419,785 were approved by the Board on March 26, 2019, for a total of $731,633 in 2018. 2019 project costs (including Restore NY 4 grant local match) of $787,080 were approved by the Board on March 31, 2020. Additional costs related to unrelated business income tax (UBIT) of $98,436 was approved, bringing total 2020 approved project costs to $886,366. 2020 project costs of $454,828 were approved by the Board on March 30, 2021. $52,900 of environmental cleanup costs approved by the Board on March 28, 2017 were also reimbursed in 2021.

We are now requesting reimbursement of Riverbend and Northland costs incurred in 2021. Costs incurred related to BLCP and 308 Crowley Street have been netted with land sale proceeds in 2021. Attachment 1 to this memorandum details the $136,615 in eligible third-party costs that have been incurred by BUDC and which are eligible for reimbursement by the Fund. After this reimbursement, the BBRF balance will be approximately $444,500.

Action:

I am requesting that the Committee recommend the approval of the reimbursement to BUDC of $136,615 in third party Riverbend and Northland costs from the BBRF as outlined in Attachment 1 to this memorandum.

Buffalo Urban Development Corporation
Summary of Costs Paid by BUDC & Reimbursable from BBRF
For the Year Ended December 31, 2021

		2021
Buffalo Lakeside Commerce Park		
Landscaping	$	40,066
Legal Costs		73,030
Property Insurance		9,879
Snow removal		5,000
Operations & Maintenance		2,091
Consultants		7,160
Utilities		525
Less: non-refundable portion of deposit on land purchase		(12,000)
Less: maintenance costs reimbursed by POA member		(3,806)
Netted against proceeds from land sale		(121,945)
		-
Riverbend		
Taxes, Operations & Maintenance		132
308 Crowley		
Landscaping		3,766
Legal Costs		9,431
Consultants		4,960
Operations & Maintenance		204
Property Insurance		29,785
Netted against proceeds from land sale		(48,146)
		-
Northland*		
Insurance		66,568
General Development		-
Operations & Maintenance		21,356
Legal Costs		35,057
Snow removal		57,058
Landscaping		19,404
714 Northland costs		65,527
Consultants		15,220
Utilities (net of reimbursements from tenant)		1,882
Marketing		-
Less: 612 Northland & 714 Northland rents received		(145,589)
		136,484
Total	$	136,615

*The Northland costs represent those costs that are **not** eligible or reimbursed through grant agreement(s).

BUFFALO URBAN DEVELOPMENT CORPORATION

INVESTMENT AND DEPOSIT POLICY

ARTICLE I
Scope

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

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

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

ARTICLE II
Governing Principles

A. Investment Objectives.

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

B. Diversification.

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

C. Internal Controls.

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

2. The Treasurer 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 III
Investments

A. General Policy.

It is the general policy of the Corporation that funds not required for immediate expenditure shall be invested as described in Article III.B below. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income, 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 11 of the General Municipal Law:

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

2. Obligations of the United States of America;

3. Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;

4. Obligations of the State of New York; and

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

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

ARTICLE IV
Deposits

A. Designation of Depositories.

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

B. Collateralization of Deposits.

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

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

2. By 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 claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The terms and conditions of any eligible surety bond shall be subject to Board approval.

C. Safekeeping and Collateralization.

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

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

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

ARTICLE V
Monitoring and Reporting Obligations

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

A. Monthly Monitoring.

Each cash and investment account statement will be reviewed and reconciled 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 not longer than sixty days from the date they are pledged.

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

Adopted: 4/7/2009
Re-Adopted: 4/6/2010
Re-Adopted: 3/29/2011
Re-Adopted: 3/27/2012
Re-Adopted: 3/26/2013
Re-Adopted: 3/25/2014
Amended and Adopted: 3/31/2015
Re-Adopted: 3/29/2016
Re-Adopted: 3/28/2017
Amended and Adopted: 3/27/2018
Re-adopted: 3/26/2019
Re-adopted: 3/31/2020
Re-adopted: 3/30/2021

Buffalo Urban Development Corporation

Investment Report

For the year ended December 31, 2021

Buffalo Urban Development Corporation
2021 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, 2021 and was approved by the BUDC Board of Directors at their March 29, 2022 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 29, 2022 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 30, 2021.

Investment Audit:

BUDC's auditors have audited the corporation's compliance with the Investment Guidelines for Public Authorities. In their report dated March XX, 2022 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, 2021

	Account Type	Financial Institution	G/L Balance 1/1/2021	G/L Balance 12/31/2021	Interest Rate[a] Dec 2021	2021 Investment Income	2021 Fees	Restricted	Purpose
	BUDC Accounts:								
1	Interest Checking	KeyBank	315,188	2,568,435	0.01%	273	-		General BUDC Checking account.
2	Interest Checking	KeyBank	6,100	6,100	-	-	-	√	Northland Corridor account
3	Interest Checking	KeyBank	2,550,261	3,345,704	-	-	-	√	Downtown Loan Fund
4	Interest Checking	KeyBank	217,484	561,316	0.02%	183	-	√	Restricted account for City of Buffalo real estate development[b]
5	Interest Checking	KeyBank	425,333	39,709	0.01%	7	-	√	Imprest account for grant AC426
6	Interest Checking	KeyBank	55,647	119,750	0.05%	45	-		Account for 714 Northland property
7	Interest Checking	KeyBank	4,383	-	-	-	-	√	Imprest account for grant Z415[c]
8	Interest Checking	KeyBank	-	149,742	0.01%	13		√	Imprest account for ESD grant #133857[d]
			$ 3,574,397	$ 6,790,757		$ 520	$ -		
	683 Northland LLC Accounts:								
9	Interest Checking	KeyBank	48,784	123,353	0.05%	165	-		General 683 Northland Checking account
10	Interest Checking	KeyBank	55,490	23,813	0.05%	2	-	√	Interest Reserve account
11	Checking	Citibank	160,250	151,000	-	-	-	√	NTCIC Reserve Checking account
12	Checking	Citibank	284,508	216,178	-	-	1,148	√	BACDE Reserve Checking account
			$ 549,032	$ 514,343		$ 167	$ 1,148		
	683 WTC, LLC Accounts:								
13	Interest Checking	KeyBank	0	52	0.01%	52	-		General 683 WTC Checking account
			$ 0	$ 52		$ 52	$ -		
			$ 4,123,429	$ 7,305,153		$ 739	$ 1,148		

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

[a] The Interest Rate is the annualized rate for the month of December 2021 and is prior to the deduction of fees (if any).
[b] This account is known as the Buffalo Brownfields Redevelopment Fund (BBRF) and is held by the ECIDA on behalf of BUDC.
[c] Account closed 2021.
[d] New account opened in 2021

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web: buffalourbandevelopment.com

2021 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 under a shared services agreement due to shared office space. 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 1 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 by the purchaser prior to payment. As a result of the COVID-19 pandemic and the rise of remote work, email approval of invoices is also considered as an acceptable form of approval. Invoices are reviewed by the CFO prior to processing by the Bookkeeper. Two signatures are required on all checks (President, Executive VP, CFO 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 the Receptionist and forwarded to the Senior Accountant. The Senior Accountant 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 Senior Accountant 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, Senior Accountant 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, 2021. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.

Buffalo Urban Development Corporation
2021 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?	☒	☐	☐	
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?	☒	☐	☐	
3. Did the Audit & Finance Committee meet a minimum of once (1) each calendar year?	☒	☐	☐	The Audit & Finance Committee met on 3/22/21, 5/17/21, 9/22/21, 10/21/21, and 12/1/21.
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?	☒	☐	☐	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	Pending	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?	☒	☐	☐	See Questions #6-#10 below.
6. Did the Audit & Finance Committee: (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? (b) Engage independent auditors to provide permitted audit services consistent with the procurement policy of the Corporation? (c) Review and approve the Corporation's audited financial statements, associated management letter, and all other auditor communications? (d) Review significant accounting and reporting issues and understand their impact on the financial statements of the Corporation? (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? (f) Review and discuss any significant risks reported in the independent audit and assess the responsiveness of management's follow-up activities regarding same?	☒	☐	☐	In March 2021, Freed Maxick completed audits of BUDC and 683 Northland Master Tenant, LLC for the year ended 12/31/20. On 3/22/21, Freed Maxick presented the draft 2020 audited financial statements for both entities to the Audit & Finance Committee. 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 2020 draft financial statements of the Buffalo Brownfields Redevelopment Fund. The ECIDA is the custodian for the Brownfields Fund. Accordingly, the financial statements were presented to the Committee for informational purposes only.

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
7. Did the Audit & Finance Committee review management's assessment of the effectiveness of the Corporation's internal controls and review the actions taken by management on the independent accountants' and auditors' suggestions for correcting weaknesses in the Corporation's internal controls, regulatory compliance, and organizational structure and operations?	☒	☐	☐	Management's assessment of the effectiveness of internal controls was reviewed with the Committee at the March 2021 meeting. As per the March 2021 audit reports, no significant weaknesses in internal control were noted.
8. Did the Audit & Finance Committee: (a) Ensure that the Corporation has a confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest by directors, officers, or employees of the Corporation or anyone having business dealings with the Corporation? (b) Develop procedures for the receipt, retention, investigation, or referral of complaints concerning accounting, internal controls, and auditing? (c) Request and oversee special investigations as needed or refer specific issues to the Board or appropriate committee for further investigation?	☒	☐	☐	The BUDC adopted a Whistleblower Policy in March of 2012. The Policy describes the process for reporting suspected fraudulent activities and describes the protections provided to individuals who report suspected fraudulent activities. No changes were recommended to this Policy in 2021.
9. Did the Audit & Finance Committee obtain information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process, internal controls, and appropriate level of familiarity in financial reporting standards and processes?	☒	☐	☐	During its meeting on 3/22/21, the Audit & Finance Committee reviewed an article entitled, "The Strategic Audit Committee: Navigating 2021" published by the Deloitte Center for Board Effectiveness.

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
10. Did the Audit & Finance Committee: (a) Report its actions and recommendations to the Board? (b) Report to the Board at least annually regarding any changes to the Audit & Finance Committee Charter? (c) Provide a self-evaluation to the Board on an annual basis? (d) Report to the Board at least annually on the findings of its independent auditors?	☒	☐	☐	On 3/30/21, the Audit & Finance Committee reported on its activities to the BUDC Board of Directors. These activities included the: (1) 2020 Audit & Finance Committee self-evaluation; (2) Audit & Finance Committee Charter; (3) 2020 draft financial statements audited by Freed Maxick; (4) 2020 draft financial statements for the Buffalo Brownfields Redevelopment Fund audited by Freed Maxick; (5) 2020 Property Report; (6) Investment & Deposit Policy; and (7) 2020 Investment Report.

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
11. Did the Audit & Finance Committee: (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? (b) Review the financial aspects of the Corporation's proposed projects, major transactions, significant expenditures, new programs & services, proposals to discontinue programs & services and make recommendations to the Board based on such reviews? (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? (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? (e) Review the Corporation's existing loan agreements and other debt facilities and make recommendations for repayment, consolidation and refinancing? (f) When requested by the Board, make recommendations to the Board concerning criteria that should govern the Corporation's financing? (g) Review, at least annually, the Corporation's insurance policies and liability coverage and recommend any necessary changes?	☒	☐	☐	(a), (b), (d), (e) & (f) The Audit & Finance Committee discusses the financial requirements for all BUDC projects. BUDC staff provided updates for the BBRF, Northland, and Centennial Park funding sources during the 3/22/21, 5/17/21, 9/22/21, 10/21/21 and 12/1/21 Audit & Finance Committee meetings. (c) BUDC's Governance Committee reviewed and recommended changes to the Procurement Policy during its 3/4/21 meeting. The amended and restated Policy was adopted by the Board on 3/30/21. (e) The Audit & Finance Committee received updates on the BBRP/BUDC loan program during its 3/22/21, 5/17/21, and 10/21/21. The updates included status reports on outstanding loans and loans in the pipeline. The Committee received updates on existing construction financing during its 5/17/21 meeting. During an unofficial meeting on 6/24/21, Committee members present discussed extending the financing. The Board approved this extension on 6/29/21.

Audit & Finance Committee Self-Evaluation	Yes	No	Pending	Comments
12. Did the Audit & Finance Committee: (a) Review the Corporation's proposed annual operating budget as presented by Corporation management for the upcoming fiscal year? (b) Recommend the annual budget to the Board for approval after incorporating modifications the Audit Committee deemed appropriate? (c) Make recommendations to the Board regarding transfers of money under the budget, if requested by the Board?	☒	☐	☐	The Audit & Finance Committee reviewed the 2022 draft budget and proposed three-year forecast during its 9/22/21 and 10/21/21 meetings. During its meeting on 10/21/21, the Committee recommended that the full Board approve the budget and three-year forecast.

Audit & Finance Committee Self-Evaluation
Other Self-Evaluation Notes
1) In addition to the above: • During the 3/22/21 meeting the Committee approved a proposal related to a consulting arrangement with the outgoing BUDC President. At this meeting, the Committee also recommended approval by the full Board of the 2020 Buffalo Brownfields Redevelopment Fund (BBRF) reimbursement. • During the 9/22/21 meeting the Committee reviewed the selection process for insurance brokerage services and recommended Lawley and Bene-Care, Inc. as brokers to the full Board. • During the 5/17/21 and 10/21/21 meetings, the Treasurer reviewed the draft 2020 IRS Form 990/990-T with the Committee. • During the 12/1/21 meeting, Freed Maxick auditors presented their 2021 Annual Audit Plan, which included a timetable, objectives, strategy, and risk assessment.

BUFFALO URBAN DEVELOPMENT CORPORATION

AMENDED AND RESTATED AUDIT AND FINANCE COMMITTEE CHARTER

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 I
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 II
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 III
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)

Deloitte.

February 2022

Center for Board Effectiveness

On the audit committee's agenda
What's on the horizon for 2022?

Introduction

The past year has made it clear that many of the fundamental changes to organizations that were brought on by the pandemic are here for the long haul. The impacts of widespread remote work, accelerated digital transformation, and shifts in talent dynamics have been far-reaching, and the full scope of their effects—and related risks—is not yet certain.

The audit committee's role in overseeing risk and financial reporting is more important than ever in this evolving context, as organizations navigate increasingly complex reporting requirements and a shifting regulatory landscape. Effective oversight requires committee members to stay up to date on these changes while understanding how emerging risks may impact the organization. This publication highlights five areas of focus—financial reporting and controls; enterprise risk management; environmental, social, and governance; cyber risk; and digital finance transformation— that likely will be recurring topics of discussion for audit committees in 2022. While these topics cover only certain aspects of audit committee responsibilities, their importance and prominence on agendas is reflected in audit committee member survey responses captured in the recent Deloitte and CAQ Audit Committee Practices Report. Each topic highlighted also includes probing questions audit committees can consider posing to management to help them stay ahead of issues, navigate pitfalls, and fulfill the organization's responsibilities to investors and other key stakeholders.

Financial reporting and internal controls

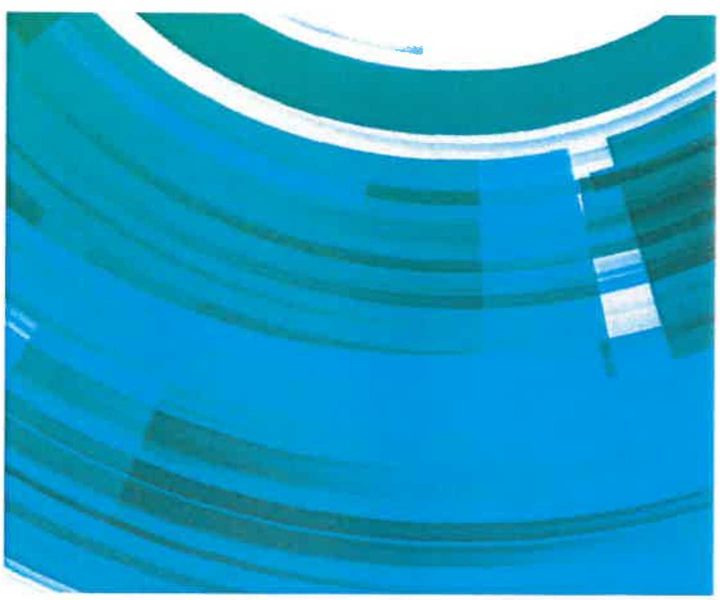
The fundamental role of the audit committee is overseeing the integrity of the financial statements, which entails accurate financial reporting with strong internal control over financial reporting, but that doesn't mean the associated responsibilities are static or predictable. Companies continue to navigate uncharted waters in areas such as remote work, shifting talent requirements, and emerging technologies that impact the finance organization and evolve how business is conducted. With these large-scale changes comes an increased risk for fraud. It is critical in the current environment for audit committees to understand the development of new controls and the testing and rationalization of existing ones.

24% 73%

Nearly a quarter (24%) of respondents believe they will spend more time, and approximately three-quarters (73%) expect to spend about the same amount of time, on this critical area compared to last year.

Source: ***Deloitte and CAQ Audit Committee Practices Report***

The current regulatory environment may also have a significant impact on financial reporting, especially as it relates to disclosures. The SEC's disclosed regulatory agenda includes proposing rules on disclosure relating to climate risk; human capital, including workforce diversity and corporate board diversity; and cyber risk. Audit committees should consider engaging in discussions with the regulators to help drive the agenda and stay apprised of developments. Additionally, once rules are proposed, they should understand how the proposed rules will impact disclosures and the processes and controls management has in place around those disclosures.



Financial reporting and internal controls questions for audit committees to consider:

- How have shifts in the organization's talent model and the associated job responsibilities affected controls, including whether there is an appropriate segregation of duties?
- Have changes in transaction flow and processes resulted in a change in the design and monitoring of controls? If so, how has management ensured that controls have been appropriately redesigned?
- What new internal controls should be considered given ongoing shifts in the business operating model?
- Has management considered the potential for emerging fraud risks, and what has been the process for developing and assessing the appropriate internal controls?
- Does management have appropriate disclosure controls and procedures (DCPs) related to the disclosure of non-GAAP measures to ensure that procedures are in place regarding compliance, consistency of preparation, data quality, accuracy of calculation, transparency of disclosure, review, and monitoring?

Enterprise risk management

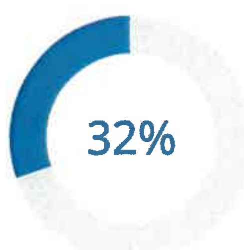
Audit committees play a major role in understanding and communicating the importance of an effective risk management program and related infrastructure and policies. Forty-two percent of audit committee members who responded to the survey as summarized in the Deloitte and CAQ Audit Committee Practices Report said that the audit committee has primary oversight of enterprise risk, with 33% reporting that the full board has responsibility and 20% using a dedicated risk committee.[1]

But regardless of the governance structure, enterprise-level risk is never the sole responsibility of an individual or group, which is why it's critical for the audit committee to work with the board to allocate oversight of key risks across the full board and its committees.

The audit committee should understand how management identifies, monitors, and evaluates key risks, particularly in the context of the volatile risk environment brought about by the pandemic. This includes inquiring about how emerging risks are incorporated in the organization's risk map, who is responsible for monitoring them, and how risks are disclosed. When developing audit committee meeting agendas, topics should be viewed through a risk lens. The committee chair should make certain that key risks are reflected on the agenda and prioritize discussions related to risk oversight.

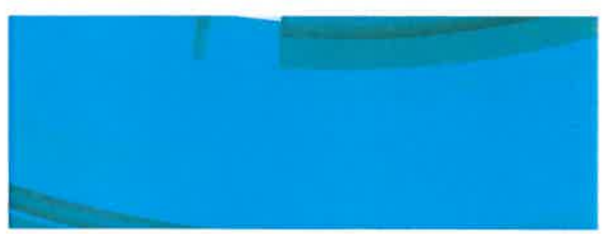
Enterprise risk management questions for audit committees to consider:

- Is there agreement between the board and its committees on where primary responsibility lies for overseeing the enterprise risk management (ERM) program and related processes?
- Is there a clear mapping of how key risks are allocated to the board or individual committees for oversight? Is this delineation of responsibilities regularly reassessed?
- How often is enterprise risk management on the board's (or audit committee's) agenda, and what information is being provided in support of this?
- How does internal audit's plan align with the key risks identified in the ERM program?
- How are management and internal audit staying ahead of emerging and evolving risk areas such as technology, ESG, and cybersecurity?
- Has management taken into consideration unlikely but potentially severe risks that could have a significant detrimental effect on the organization?
- Have risks to the extended enterprise, including third-party risks, been appropriately assessed?



Nearly one-third of the audit committee members surveyed said their committees likely will be increasing the amount of time spent on enterprise risk management in the coming year.

Source: Deloitte and CAQ Audit Committee Practices Report



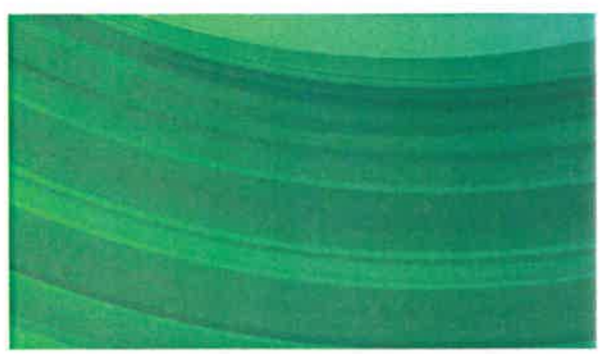
1. Twenty-four percent of survey respondents primarily operate in the financial services industry; the regulatory requirement for some public financial services companies to have a risk committee may be driving this result.

Environmental, social, and governance (ESG)

Having an effective ESG oversight and reporting policy and framework is quickly transitioning from a good-to-have to a must-have for many companies across industries, as investors and other stakeholders push for greater accountability, clarity, and disclosure. Two-thirds of audit committee members surveyed in the Deloitte and CAQ Audit Committee Practices Report said that their organizations issue a sustainability or ESG-related report, with 69% reporting that their committees have sought or are actively discussing obtaining third-party assurance on components of ESG and sustainability data. Rulemaking also is proceeding at a rapid pace, with the SEC set to propose rules in areas such as climate change, cyber risk governance, board diversity, and human capital management in early 2022. In addition, there has been strong movement toward the global convergence of standards, as reflected by the November 2021 announcement of the formation of the International Sustainability Standards Board. Staying on top of these changes will require regular engagement from the audit committee.[2]

ESG questions for audit committees to consider:

- Where does the primary ownership and oversight responsibility for ESG reside on the board, both overall and in terms of its various components (e.g., climate, diversity, talent, cyber)? Is there consistent understanding of where and when these elements are being discussed at the board and committee level?
- How is the organization kept aware of developments in ESG legislation and regulations in all the relevant jurisdictions for the business?
- How could climate-related matters affect assets, cash flow, and capital allocation?
- How confident are management and the board in the organization's ability to anticipate disruptive environmental and societal trends?
- Has the audit committee reviewed the organization's sustainability report prior to issuing, and has management walked through the key assumptions made and the basis for the metrics and goals disclosed?
- How is management taking into account the organization's environmental goals and related activities for SEC reporting purposes (e.g., the business, risk factors, results of operations sections in SEC filings)?
- If the organization discloses climate-related information in the annual report that contains or accompanies the financial statements (such as in the MD&A), are those disclosures consistent with the audited financial statements?

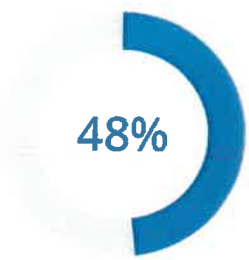


2. For further information on the audit committee's role in overseeing ESG matters, see Deloitte's recent issue of *On the audit committee's agenda* titled **Navigating the ESG journey in 2022 and beyond**.

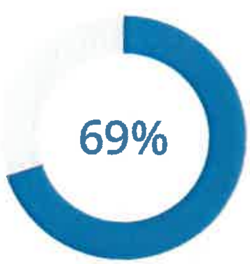
Cyber risk, data privacy, and security

The continued proliferation of virtual work across nearly all facets of business has heightened the complexity and risks associated with cybersecurity and data privacy. A June 2021 Deloitte poll revealed that 86% of executives expect cyberattacks targeting their organization to increase over the next 12 months, with 64% highlighting ransomware as the top concern. Cyberattacks pose critical financial, operational, and reputational risks to companies and their customers. Audit committees should engage with management to make sure that the organization's cyber risk profile is fully understood so that the appropriate investments and mitigation measures can be taken to minimize risk.

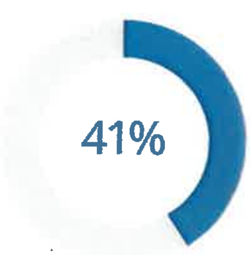
Audit committee members reported that the committee is responsible for overseeing cybersecurity.



Audit committee members reported having primary responsibility for overseeing data privacy and security.



Of those overseeing cybersecurity, more than two-thirds anticipate spending more time on the topic in the coming year.

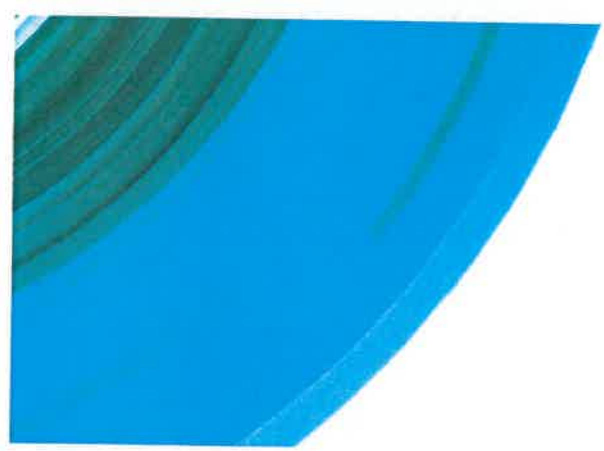


Respondents said their audit committee needed more expertise related to cybersecurity—a higher percentage than any other risk area.

Source: Deloitte and CAQ Audit Committee Practices Report

Cyber risk, data privacy, and security questions for audit committees to consider:

- Has management been through a cyber simulation session, and what were the results on the effectiveness of the organization's cyber response plan?
- Has a cyber assessment been conducted on the organization's operational technology, including the business impact of an operational technology breach?
- Does the organization know where its most sensitive information is kept, and if so, do they know how that information is stored, used, and protected?
- Have cyberattacks increased, and have the applicable controls been reassessed, including those related to a long-term remote workforce?
- Has the organization's cyber risk profile been assessed internally or externally to identify areas where digital finance transformation, ESG, and other new or quickly shifting requirements and initiatives may pose risks?
- Are the appropriate leadership, structure, capabilities, resources, and support in place to address cyber risks comprehensively?
- Is there an enterprise response plan and a ransomware playbook or checklist that can quickly be implemented if needed?
- Is management being proactive in identifying and complying with all the laws and regulations that govern data capture, use, retention, security, and disposal?



Digital finance transformation

Digital finance transformation efforts have kicked into high gear over the past two years, with no slowdown in sight. A successful transformation can help the finance function leverage technology to replace mundane, repetitive tasks, and advanced techniques such as predictive analytics can be used for scenario analyses. Automation can allow finance professionals to apply their skills on more strategic and value-added initiatives that ultimately can provide for more strategic insights.

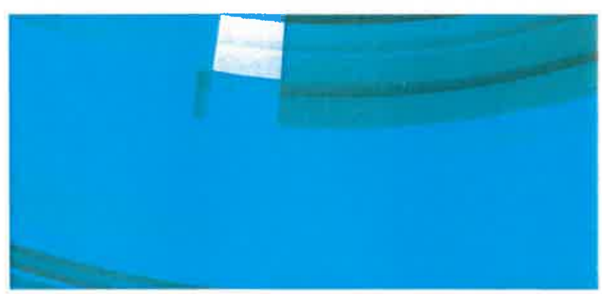
But alongside these opportunities come risks in areas such as talent, data, legacy systems, stakeholder commitment, and governance. Audit committees should seek to understand the finance transformation journey the organization is on, ensure that the scope is appropriately defined and that a dedicated and accountable team will lead the transformation efforts, and plan for potential operational disruptions.

Digital finance transformation questions for audit committees to consider:

- What are management's transformational goals? How will management measure success and drive accountability?
- Are different finance and digital transformation initiatives aligned around common objectives and staged appropriately?
- What change management procedures are being implemented to monitor changes? Does the organization have the right skill sets to lead the organization through change?
- What's the number one risk as it relates to digital finance transformation, and how is it being mitigated?
- Is there the need to upskill employees or bring in new skill sets to operate in the new environment?
- Who is tracking the cost, value, and metrics for the transformation? How is success measured?

Conclusion

The breadth and pace of recent shifts in the modes, means, and tools of doing business has been remarkable. Many of these developments hold the promise of enhancing the efficiency, financial success, and accountability of companies that can successfully navigate them. The items discussed in this article don't capture all the topics audit committees will be dealing with in 2022, but the areas highlighted will likely warrant increased attention and discussion. Focusing on these areas will help audit committees stay on top of emerging risks and provide proactive and effective governance during this period of transformative change.[3]



3. For discussion of additional topics impacting the overall board, such as diversity, equity, and inclusion; workforce wellness; climate change; technology risk; and board effectiveness, see the latest editions of *On the board's agenda*.

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About the Center for Board Effectiveness
The Center for Board Effectiveness helps directors deliver value to the organizations they serve through a portfolio of high quality, innovative experiences throughout their tenure as board members. Whether an individual is aspiring to board participation or a veteran of many board experiences, the center's programs enable them to contribute effectively and provide focus in the areas of governance and audit, strategy, risk, innovation, compensation, and succession. For more information, contact us at centerforboardeffectiveness@deloitte.com.

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Buffalo Urban Development Corporation

Property Report

Year Ended: December 31, 2021

Table 1. This is a listing of all real property owned by BUDC, or through its affiliates or subsidiaries, at December 31, 2021

BUDC Facility	Address or SBL of Property	Full Description of Property	Estimated FMV of Property
Buffalo Lakeside	80 Ship Canal Parkway	2.01 acres of vacant land	$ 70,350
Commerce Park	134 Ship Canal Parkway	2.15 acres of vacant land	$ 75,250
94.98 Acres	158 Ship Canal Parkway	2.15 acres of vacant land	$ 75,250
Buffalo, New York	193 Ship Canal Parkway	9.59 acres of vacant land	$ 335,650
Some Under Contract	200 Ship Canal Parkway	5.86 acres of vacant land	$ 205,100
Others Being Marketed	280 Ship Canal Parkway	0.42 acre of vacant land	$ 14,700
	310 Ship Canal Parkway	10.84 acres of vacant land (5.33 Useable)	$ 241,650
	15 Laborer's Way	4.92 acres of vacant land	$ 172,200
	24 Laborer's Way	5.40 acres of vacant land	$ 189,000
	51 Laborer's Way	5.32 acres of vacant land	$ 186,200
	70 Laborer's Way	18.11 acres of vacant land (10.17 Useable)	$ 435,350
	87 Laborer's Way	4.67 acres of vacant land	$ 163,450
	125 Laborer's Way	5.47 acres of vacant land	$ 191,450
	126 Laborer's Way	18.08 acres of vacant land (6.00 Useable)	$ 330,800
Northland Corridor	537 East Delavan Avenue	10.52 acres of land (60K s.f. vacant, 15K s.f. occupied)	$ 900,000
37.03 Acres	577 Northland Avenue	29,000 s.f. of greenspace	$ 29,000
Buffalo, New York	631 Northland Avenue	2.63 acres of land w/ a 40,000 s.f. vacant building	$ 400,000
Some Being Marketed	644 Northland Avenue	11,000 s.f. of land w/ 4,000 s.f. building	$ 32,000
	655 Northland Avenue	1.28 acres of parking and greenspace	$ -
	664 Northland Avenue	12,000 s.f. of parking	$ 50,000
	683 Northland Avenue	7.27 acres of land w/ 235,000 s.f. of occupied buildings	$ 14,000,000
	688 Northland Avenue	12,000 s.f. of parking	$ 50,000
	714 Northland Avenue	1.81 acres of land w/ an 18,000 s.f. occupied building	$ 435,000
	741 Northland Avenue	4.94 acres of land w/ a 92,000 s.f. derelict building	$ 600,000
	767 Northland Avenue	7,998 s.f. of vacant land	$ 8,000
	777 Northland Avenue	4.14 acres of land w/ a 81,000 s.f. derelict building	$ 50,000
	126 Dutton Avenue	15,600 s.f. of vacant land	$ 15,000
	128 Dutton Avenue	12,480 s.f. of vacant land	$ 12,000
	162 Winchester Street	3,940 s.f. of vacant land	$ 4,000
	164 Winchester Street	3,940 s.f. of vacant land	$ 4,000
	168 Winchester Street	3,940 s.f. of vacant land	$ 4,000
	572 Northland Avenue	4,560 s.f. of vacant land	$ 5,000
	574 Northland Avenue	7,260 s.f. of vacant land	$ 7,000
	1669 Fillmore Avenue	6,144 s.f. of vacant land	$ 6,000
	1675 Fillmore Avenue	7,680 s.f. of vacant land	$ 8,000
	1679 Fillmore Avenue	9,457 s.f. of vacant land	$ 2,800
	1681 Fillmore Avenue	28,564 s.f. of vacant land	$ 29,000
Other	1322 South Park Avenue	2,860 s.f. of vacant land	$ 9,000
Not Marketed, Buffalo	308 Crowley Avenue	5.585 acres of land w/ a 262,374 s.f. derelict building	$ 118,000

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.

Table 2. The following is a listing of personal property (with a fair market value ("FMV") in excess of $5,000) and all real property that was disposed of during 2021.

Address and Location of Property	Full Description of Property	Estimated FMV of Property	Name & Address of Purchaser	Date of Sale	$ Received by BUDC Related Entities (NorDell II, LLC & King Crow, LLC)
255 Ship Canal Parkway	20.37 acres of vacant land	$ 509,000	BLD X, LLC 100 Corporate Parkway, Suite 500 Buffalo, NY 14203	08/20/21	$ 509,000
Part of 308 Crowley Street	.655 acres of land improved by a 23,000 s.f. derelict structure	$ 90,000	44 Isabelle LLC 75 Isabelle Street Buffalo, NY 14207	06/17/21	$ 90,000

Table 3. The following is a listing of all real property that was acquired during 2021.

Address and Location of Property	Full Description of Property	Estimated FMV of Property	Name & Address of Seller	Date of Purchase	$ Paid by BUDC Related Entity (NorDell II, LLC)
N/A					