GREATER LOCKPORT
DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

GREATER LOCKPORT DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Greater Lockport Development Corporation

We have audited the accompanying consolidated balance sheets of Greater Lockport Development Corporation (the Corporation), a nonprofit organization, as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying additional information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 15, 2018

Consolidated Balance Sheets

December 31,		2017		2016
Assets				
Cash	$	**1,121,742**	$	1,100,465
Grants, interest, and other receivables		**166,938**		157,410
Prepaid expenses and deposits		**29,640**		24,515
Loans receivable, net (Note 2)		**50,236**		93,539
Property, net (Note 3)		**5,396,714**		5,474,008
	$	**6,765,270**	$	6,849,937
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$	**84,877**	$	31,208
Deferred revenue		**23,450**		-
Security deposits		**64,536**		61,498
Long-term debt (Note 4)		**3,782,860**		3,921,424
		3,955,723		4,014,130
Net assets:				
Unrestricted		**2,775,547**		2,820,807
Temporarily restricted		**34,000**		15,000
		2,809,547		2,835,807
	$	**6,765,270**	$	6,849,937

See accompanying notes.

GREATER LOCKPORT DEVELOPMENT CORPORATION

Consolidated Statements of Activities

For the years ended December 31,	2017	2016
Changes in unrestricted net assets:		
Revenues and other support:		
Rental and occupancy income	$ 843,294	$ 831,605
Grants	313,858	624,337
Interest from loans	5,411	6,504
Other income and fees	51,914	62,548
Net assets released from restrictions	15,000	27,000
Total unrestricted revenues and other support	1,229,477	1,551,994
Expenses:		
Program:		
Grants	123,331	573,421
Development	44,306	49,874
Consulting fees	22,362	26,819
Depreciation	357,149	369,987
Interest	156,386	278,364
Loss on sale of assets	-	1,604,811
General and administrative	571,203	557,577
Total expenses	1,274,737	3,460,853
Change in unrestricted net assets	(45,260)	(1,908,859)
Changes in temporarily restricted net assets:		
Contributions	34,000	-
Net assets released from restrictions	(15,000)	(27,000)
Change in temporarily restricted net assets	19,000	(27,000)
Change in net assets	(26,260)	(1,935,859)
Net assets - beginning	2,835,807	4,771,666
Net assets - ending	$ 2,809,547	$ 2,835,807

See accompanying notes.

GREATER LOCKPORT DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31,	2017	2016
Operating activities:		
Change in net assets	**$ (26,260)**	$ (1,935,859)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	**357,149**	369,987
Loss on sale of assets	**-**	1,604,811
Allowance for doubtful loans	**(5,715)**	-
Changes in other assets and liabilities:		
Grants, interest, and other receivables	**(9,528)**	(126,288)
Prepaid expenses and deposits	**(5,125)**	(10,105)
Accounts payable and accrued expenses	**53,669**	29,232
Deferred revenue	**23,450**	-
Security deposits	**3,038**	(4,424)
Net operating activities	**390,678**	(72,646)
Investing activities:		
Property expenditures	**(279,855)**	(394,265)
Proceeds from sale of assets	**-**	375,000
Payments received on loans receivable, net	**49,018**	138,145
Net investing activities	**(230,837)**	118,880
Financing activities:		
Proceeds from issuance of debt	**-**	702,059
Payments on short-term borrowing	**-**	(105,000)
Payments on long-term debt	**(138,564)**	(107,712)
Net financing activities	**(138,564)**	489,347
Change in cash	**21,277**	535,581
Cash - beginning	**1,100,465**	564,884
Cash - ending	**$ 1,121,742**	$ 1,100,465

1. Summary of Significant Accounting Policies:

Organization

Greater Lockport Development Corporation (the Corporation) is a not-for-profit organization and the financial statements include its related but separate entities, 210 Walnut Street, LLC (210 Walnut) and Lockport Locks Heritage District Corporation (Lockport Locks). The Corporation is the sole member of 210 Walnut, which was formed to own and manage industrial rental property acquired by the Corporation through foreclosure proceedings. Lockport Locks is a not-for-profit entity established to attract investment and stimulate the economic revitalization of Lockport's Erie Canal Corridor.

The principal purpose is to aid the efforts of the Economic Development Program of the City of Lockport, New York (the City). The Corporation administers loan programs to create favorable conditions for City enterprises to expand or locate businesses engaged in the manufacturing, assembling, wholesaling, or retailing of goods or services. Further, it provides for the financing of capital improvements, equipment, or working capital, where such financing will assist in creating employment opportunities for persons of low and moderate income or assist in the elimination of slums and/or blight in the City.

The Corporation's funding was established through grants awarded by the United States Department of Housing and Urban Development (HUD), Urban Development Action Grant (UDAG), and Community Development Block Grant for Small Cities (CDBG) programs. The Corporation has the right to re-use principal repayments and interest income for the furtherance of its mission.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation, 210 Walnut, and Lockport Locks. All significant inter-entity accounts and transactions have been eliminated.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by the Corporation in perpetuity. Currently, there are no permanently restricted net assets.

Cash

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned to it. At December 31, 2017, the Corporation's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging bank's agent in the Corporation's name.

Loans Receivable

Loans receivable are stated at the principal amount outstanding, net of an allowance for doubtful loans that includes loan forgiveness. The allowance method is used to compute the provision for doubtful loans.

The determination of the balance of the allowance for doubtful loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses after evaluating current economic conditions, historical collections, current collection efforts, and the financial condition of each loan recipient. Loans are charged off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Interest accrual stops when a loan becomes more than three months past due and does not commence again until the loan is current.

Grants

The entities periodically receive grants from State and local governments. To the extent expenditures have been incurred, grant revenue and a corresponding receivable are recognized. Amounts received but not yet earned are reported as deferred revenue.

Loan Repayments

CDBG loan repayments (including interest thereon) are classified as income that is no longer restricted for program purposes and, accordingly, can be used by the Corporation to finance other eligible activities. UDAG loan repayments (including interest thereon) can be used by the Corporation to finance other projects in accordance with Title I of The Housing and Community Development Act of 1974 (the Act).

Property

Property is stated at cost or fair value at date of donation, net of accumulated depreciation. Depreciation is computed by the straight-line method over estimated service lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Certain property is known to contain asbestos. The Corporation is legally obligated to remediate the asbestos upon the related assets' retirement or disposal. The fair value of the liability cannot currently be estimated with reasonable certainty. Additionally, the property is expected to be maintained through repair and maintenance activities that would not involve the removal of the asbestos. The need for major renovations caused by technology changes, operational changes, or other factors has not been identified.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Corporation and Lockport Locks are 501(c)(3) organizations exempt from Federal income taxes under §501(a) of the Internal Revenue Code. 210 Walnut is organized as a limited liability corporation, with flow-through characteristics to the Corporation, its sole member. Income of 210 Walnut may potentially subject the Corporation to unrelated business income tax.

Contributions

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose stipulated purpose restriction is accomplished in the same reporting period as received are reported as an increase in unrestricted net assets.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 15, 2018, the date the financial statements were available to be issued.

2. Loans Receivable:

Loans are granted directly by the Corporation to local businesses to facilitate economic development in the City. The loans bear interest at rates ranging from 3% to 5%, and have varying repayment terms. Interest on loans receivable is accrued as required by the terms of the agreements; management considers that collection is probable based on the current economic condition of the borrowers. All loans are classified as small business loans. The following is a summary of the loans receivable:

	2017	2016
Current	**$ 50,236**	$ 99,254
Less allowance for doubtful loans	**-**	5,715
	$ 50,236	$ 93,539

Following is a summary of the activity in the allowance for doubtful loans:

	2017	2016
Balance, beginning of year	$ 5,715	$ 5,715
Change in estimated allowance	(5,715)	-
	$ -	$ 5,715

3. Property:

	2017	2016
Buildings and improvements	$7,180,748	$6,900,893
Less accumulated depreciation	1,784,034	1,426,885
	$5,396,714	$5,474,008

Buildings and improvements include a building and equipment purchased in 2014 as a result of foreclosure proceedings that is held for sale, and therefore, not being depreciated. The amount is presented at estimated fair value at the acquisition date plus additions, which together totaled $196,629 and $129,456 at December 31, 2017 and 2016, respectively.

4. Long-Term Debt:

	2017	2016
210 Walnut bank term loan with monthly payments of $21,334 including interest at 4.01% through October 2021, interest adjusted at the discretion of the lender thereafter, balloon payment of $2,114,488 due November 2026, guaranteed by the Corporation.	$ 3,364,394	$ 3,481,078
210 Walnut term loan through Niagara Economic Development Fund with monthly payments of $2,254 including interest at 2.5% through October 2026 with final balloon payment of $256,977 due November 2026, secured by a second security interest in 210 Walnut's assets.	418,466	440,346
	$ 3,782,860	$ 3,921,424

The bank loan agreement requires compliance with certain covenants.

Aggregate maturities of long-term debt subsequent to December 31, 2017 are:

2018	$ 126,720
2019	143,248
2020	148,548
2021	154,774
2022	160,894
Thereafter	3,048,676
	$ 3,782,860

5. Rental Income:

210 Walnut leases space, with a carrying value of $5,156,085, to various companies under the terms of non-cancellable operating leases. Rental income for 2017 and 2016, including month-to-month leases, was $843,294 and $831,605. Future minimum rental payments to be received subsequent to December 31, 2017 are:

2018	$ 656,688
2019	578,881
2020	538,268
2021	513,053
2022	475,350
Thereafter	274,000
	$ 3,036,240

6. Cash Flows Information:

Cash flows from operating activities reflect cash payments for interest of $156,386 in 2017 and $278,364 in 2016.

The statement of cash flows excludes the effect of loan proceeds of $2,797,941 used to repay existing loans in 2016.

7. Related Party Transfers:

In 2013, GLDC contributed approximately $192,000 to 210 Walnut for property improvements. Subsequently, the entities agreed that the amount was not a contribution and should be repaid by 210 Walnut. As a result, a transfer was recorded on the 2016 statement of activities to reverse the effect of the contribution and a loan is also reflected in intercompany loans receivable and long-term debt.

GREATER LOCKPORT DEVELOPMENT CORPORATION

Additional Information
Consolidating Balance Sheet

December 31, 2017

	GLDC	210 Walnut	Lockport Locks	Eliminations	Consolidated
Assets					
Cash	$ 691,247	$ 354,659	$ 75,836	$ -	**$ 1,121,742**
Grants, interest, and other receivables	210,941	99,765	-	(143,768)	**166,938**
Prepaid expenses and deposits	7,111	22,529	-	-	**29,640**
Loans receivable, net	747,236	-	-	(697,000)	**50,236**
Property, net	196,629	5,156,085	44,000	-	**5,396,714**
	$ 1,853,164	$ 5,633,038	$ 119,836	$ (840,768)	**$ 6,765,270**
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 28,241	$ 195,994	$ 4,410	$ (143,768)	**$ 84,877**
Deferred revenue	-	-	23,450	-	**23,450**
Security deposits	-	64,536	-	-	**64,536**
Long-term debt	-	4,469,860	10,000	(697,000)	**3,782,860**
	28,241	4,730,390	37,860	(840,768)	**3,955,723**
Net assets:					
Unrestricted	1,824,923	902,648	47,976	-	**2,775,547**
Temporarily restricted	-	-	34,000	-	**34,000**
	1,824,923	902,648	81,976	-	**2,809,547**
	$ 1,853,164	$ 5,633,038	$ 119,836	$ (840,768)	**$ 6,765,270**

GREATER LOCKPORT DEVELOPMENT CORPORATION

Additional Information
Consolidating Statement of Activities

For the year ended December 31, 2017

	GLDC	210 Walnut	Lockport Locks	Eliminations	Consolidated
Changes in unrestricted net assets:					
Revenues and other support:					
Rental and occupancy income	$ -	$ 843,294	$ -	$ -	**$ 843,294**
Grant revenue	155,989	90,319	71,350	(3,800)	**313,858**
Interest from loans	33,291	-	-	(27,880)	**5,411**
Other income and fees	2,426	10,973	38,515	-	**51,914**
Net assets released from restrictions	-	-	15,000	-	**15,000**
Total unrestricted revenues and other support	191,706	944,586	124,865	(31,680)	**1,229,477**
Expenses:					
Program:					
Grants	69,611	-	57,520	(3,800)	**123,331**
Development	17,500	-	26,806	-	**44,306**
Consulting fees	22,362	-	-	-	**22,362**
Depreciation	-	355,149	2,000	-	**357,149**
Interest	-	183,866	400	(27,880)	**156,386**
General and administrative	150,630	409,425	11,148	-	**571,203**
Total expenses	260,103	948,440	97,874	(31,680)	**1,274,737**
Change in unrestricted net assets	(68,397)	(3,854)	26,991	-	**(45,260)**
Changes in temporarily restricted net assets:					
Contributions	-	-	34,000	-	**34,000**
Net assets released from restrictions	-	-	(15,000)	-	**(15,000)**
Change in temporarily restricted net assets	-	-	19,000	-	**19,000**
Change in net assets	(68,397)	(3,854)	45,991	-	**(26,260)**
Net assets - beginning	1,893,320	906,502	35,985	-	**2,835,807**
Net assets - ending	$ 1,824,923	$ 902,648	$ 81,976	$ -	**$ 2,809,547**

Additional Information
Schedule of Revolving Loans

For the year ended December 31, 2017

	Balance January 1, 2017	New Loans	Payments	Written Off	Balance December 31, 2017
Diversified Manufacturing, Inc.	$ 72,556	$ -	$ 22,320	$ -	$ 50,236
JunkeBell LLC	6,291	-	6,291	-	-
The Dale Association, Inc.	20,407	-	20,407	-	-
Total	99,254	$ -	$ 49,018	$ -	50,236
Less: allowance for doubtful loans	(5,715)				-
Total loans receivable	$ 93,539				$ 50,236

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

The Board of Directors
Greater Lockport Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated balance sheet of Greater Lockport Development Corporation (the Corporation), a nonprofit organization, as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described below, that we consider to be a significant deficiency.

Segregation of Duties

Because of the small number of staff at the Corporation, it is difficult to achieve an ideal segregation of duties. The risk that material errors, whether intentional or unintentional, may occur and go undetected is inherent given the small staff size.

We encourage the Board to remain committed to its involvement in the financial operations of the Corporation by thoroughly reviewing monthly financial data, requesting support for all payments when checks are signed, asking questions about unusual transactions, reviewing monthly reconciliations for all major balance sheet accounts, and routing the monthly statements for all bank accounts to the Board Treasurer for review before giving them to the person responsible for the reconciliation process.

Management's Response: The Board will continue to provide oversight, review and approve financial activity to mitigate some of the risk of having a small staff.

The Corporation's Response to Findings

The Corporation's response to the finding identified in our audit as included above was not subject to the auditing procedures applied in the audit of the financial statements. and, accordingly, we express no opinon on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 15, 2018

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

The Board of Directors
Greater Lockport Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Greater Lockport Development Corporation (the Corporation), a nonprofit organization, as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 15, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2017. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 15, 2018