

City of Tonawanda Local Development Corporation



**Financial Statements
December, 31 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
City of Tonawanda Local Development Corporation

Opinion

I have audited the accompanying financial statements of the City of Tonawanda Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of Tonawanda Local Development Corporation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Tonawanda Local Development Corporation and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tonawanda Local Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Tonawanda Local Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tonawanda Local Development Corporation's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 6, 2022 on my consideration of the City of Tonawanda Local Development Corporation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tonawanda Local Development Corporation's 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 City of Tonawanda Local Development Corporation's internal control over financial reporting and compliance.

Angela Dussault, CPA

Lancaster, New York

December 6, 2022

**CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION**

As of December 31, 2021

| | <u>2021</u> |
|---|--------------------------|
| Assets | |
| Current Assets: | |
| Cash and cash equivalents | \$ 202,468 |
| Prepaid expenses | 862 |
| Total Current Assets | <u>203,330</u> |
| Other Long Term Assets: | |
| Cash with board designated restrictions | <u>30,000</u> |
| Total Assets | <u><u>\$ 233,330</u></u> |
| Net Assets | |
| Net Assets: | |
| Without donor restrictions: | |
| Board designated for rezoning | \$ 30,000 |
| Undesignated | <u>203,330</u> |
| Total Net Assets | <u><u>\$ 233,330</u></u> |

The accompanying notes are an integral part of these financial statements

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

| | <u>2021</u> |
|---|--------------------------|
| Changes in Net Assets without Donor Restrictions | |
| Support and Revenues: | |
| City of Tonawanda support | \$ 138,000 |
| Government grants | <u>45,000</u> |
| Total Support and Revenue without Donor Restrictions | <u><u>183,000</u></u> |
| Expenses | |
| Program services: | |
| Economic Revitalization and Local Development | 19,637 |
| Supporting services: | |
| Management and general | <u>461</u> |
| Total Expenses | <u>20,098</u> |
| Increase in Net Assets without Donor Restrictions | 162,902 |
| Net Assets, Beginning of Year | <u>70,428</u> |
| Net Assets, End of Year | <u><u>\$ 233,330</u></u> |

The accompanying notes are an integral part of these financial statements

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

| | Program Services | Supporting Services | 2021 |
|-----------------------|--|-------------------------------|------------------|
| | Economic Revitalization and Local Development | Management and General | Total |
| Consulting | \$ 13,020 | \$ - | \$ 13,020 |
| Marketing | 6,360 | - | 6,360 |
| Insurance | - | 386 | 386 |
| Website | 123 | - | 123 |
| Postage | 134 | - | 134 |
| Filing exemption fees | - | 75 | 75 |
| Total expenses | \$ 19,637 | \$ 461 | \$ 20,098 |

The accompanying notes are an integral part of these financial statements

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

| | <u>2021</u> |
|---|--------------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ 162,902 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Changes in assets and liabilities | |
| Prepaid expenses | (862) |
| Net Cash Provided by Operating Activities | <u>162,040</u> |
| Increase in Cash | 162,040 |
| Cash, Beginning of Year | <u>70,428</u> |
| Cash, End of Year | <u><u>\$ 232,468</u></u> |
| Supplemental Disclosure of Cash, End of year | |
| Cash and cash equivalents without donors restrictions | \$ 202,468 |
| Cash and cash equivalents with board designated restrictions | <u>30,000</u> |
| Cash, End of Year | <u><u>\$ 232,468</u></u> |

The accompanying notes are an integral part of these financial statements

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE A—NATURE OF ACTIVITIES

The City of Tonawanda Local Development Corporation (LDC), incorporated on July 11, 2017, under Section 202 and 1411 (c) of Not-for-Profit Corporation law for the purpose of facilitating the on-going, incremental economic and social development of the City of Tonawanda's Main Street and surrounding commercial areas within the context of historic preservation. LDC encourages economic revitalization through preservation projects, education, targeted marketing, and governance while advocating for community self-reliance and local empowerment.

The City of Tonawanda Local Development Corporation lessens the burden of government by fostering the creation, retention and expansion of jobs and economic opportunities for the benefits of the residents of the City of Tonawanda through the elimination of blight and combating community deterioration by fostering the preservation and redevelopment of properties within the City of Tonawanda.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles ("US GAAP"), which require resources to be classified for accounting and financial reporting purposes into categories established according to their nature and purposes to ensure observance of limitations and restrictions placed on their use.

Basis of Presentation

Resources are classified for accounting and financial reporting purposes into categories established according to their nature and purposes to ensure observance of limitations and restrictions placed on their use. The City of Tonawanda Local Development Corporation's assets, liabilities, and net assets are reported in two categories as follows:

Net assets without donor restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are those resulting from the nature of the City of Tonawanda Local Development Corporation and its purposes. Grants and contributions gifted for recurring programs are generally not considered "restricted" under US GAAP, though for internal reporting, LDC tracks such grants and contributions to verify that the disbursement matches the intent. Assets restricted solely through the actions of the board are reported as net assets without donor restrictions, board-designated.

Net assets with donor restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions of net assets are reported as reclassifications between the applicable classes of net assets.

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting year. Accordingly, actual results could differ from those estimates.

Litigation

LDC is subject to litigation in the ordinary conduct of affairs. Management has stated that there is no current litigation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, LDC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At times cash may exceed federally insured limits. The City of Tonawanda Local Development Corporation has not experienced losses in such accounts and believes they are not exposed to any significant risk with regards to cash. As of December 31, 2021, board designated restrictions on cash were \$30,000. There were no contractual restrictions on cash during 2021.

Prepaid Expenses

Prepaid expenses are expenses paid in advance for insurance costs. As of December 31, 2021, prepaid expenses were \$862.

Revenue Recognition

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the City of Tonawanda Local Development Corporation and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred through a point in time in relation to total actual charges incurred. LDC believes that this method provides a useful depiction of the provision of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time are recognized when goods or services are provided to customers, and there is no further requirement to provide additional goods or services. LDC determines the transaction price based on standard charges for goods and services provided, reduced by any discounts provided. The City of Tonawanda Local Development Corporation determines its estimates of discounts based on its discount policies and historical experience. Occasionally, LDC purchases items at a discount rate and values the discount as a donation, as the difference between the price, excluding the discount, for the purchased item, and the price paid to obtain the item. As December 31, 2021, LDC did not receive or provide any discounts.

Contracts with governing agencies include multiple services. Determining whether services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Any monies received before qualifying expenditures occur are recognized in the statement of financial position as deferred revenue. There were no amounts reported as deferred revenue from contracts with governing agencies as of December 31, 2021.

Grant Revenue Recognition

LDC receives grants from various other grantors for direct and indirect program costs associated with specific programs and projects. The grants received are subject to certain restrictions, which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. Grants that are considered nonreciprocal transactions or gifts that further the programs of the City of Tonawanda Local Development Corporation are recorded when LDC receives notification of the grant award or gift, or, if conditions for performance are imposed, revenue is recognized when conditions have been met.

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Special Events

Revenues from event registration are reported in the fiscal year in which the event is held. All proceeds from registrations received prior to year-end but relating to events held after the financial statement position date, are recorded as deferred revenue. There were no deferred ticket sales from special events as of December 31, 2021.

If special event sponsorships are received the revenue is recognized as both a contract with a customer and a contribution. In such instances, the City of Tonawanda Local Development Corporation determines the fair value of the benefit provided to the sponsor and reduces the special event revenue by the benefit provided. For the year ended December 31, 2021, there were no benefits provided to donors.

Contributions

Contributions and grants are reported as without or with donor restrictions, depending on the existence or nature of any restrictions, or both. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restrictions. Noncash contributions are recorded at their fair market value at the date of contribution. Contributions received with donor restrictions whose restrictions are met in the same reporting period they are received are generally reported as support without donor restrictions in the same reporting year.

Gifts of equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor-imposed restrictions that specify how the assets are to be used, and gifts of cash or other assets that the donor stipulates must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed Services

LDC benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in LDC's program operations. However, the majority of the contributed services do not meet the criteria for recognition in financial statements.

US GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. For the year ended December 31, 2021, no contributed services meeting the criteria was provided.

Functional Allocation of Expenses

The cost of providing LDC's programs and other activities is summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses that can be specifically identified with a specific program or support service are charged directly to the program or support service. Management and general expenses are allocated based on direct usage. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. LDC generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising.

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Marketing

LDC expenses marketing costs as they are incurred. Marketing expenses were \$6,360 for the year ended December 31, 2021.

Income Tax Status

LDC is a not-for-profit exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) and it is not a “private foundation” within the meaning of Section 509(a), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions of money or property, or both, are entitled to the maximum charitable deduction allowed by Section 170 of the IRC. Management is not aware of any tax positions that would have a significant impact on its financial position. LDC’s tax returns for the last four years remain subject to examination. The City of Tonawanda Local Development Corporation is registered with New York State as a nonprofit organization under both Article 7-A and the EPTL.

NOTE C—AVAILABILITY AND LIQUIDITY

The following represents LDC’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 is:

| | 2021 |
|--|-------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 202,468 |
| Cash with board designated restrictions | 30,000 |
| <u>Total financial assets available within one year</u> | <u>232,468</u> |
| Less: | |
| Amounts unavailable to LDC without board approval | |
| Board designated for rezoning | (30,000) |
| <u>Total amounts unavailable to LDC without board approval</u> | <u>(30,000)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 202,468</u> |

LDC’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$4,956).

NOTE D—NET ASSETS

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by LDC. Undesignated net assets represent net assets that are available for operations and bear no external restrictions.

Net assets without donor restrictions were as follows for the year ended December 31, 2021:

| | 2021 |
|--|-------------------|
| Board designated for rezoning project | \$ 30,000 |
| Undesignated | 203,330 |
| <u>Total net assets without donor restrictions</u> | <u>\$ 233,330</u> |

CITY OF TONAWANDA LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE E—CITY OF TONAWANDA SUPPORT

For the year ended December 31, 2021, LDC received support from the City of Tonawanda which was funded by the following:

| | 2021 |
|-----------------------------------|-------------------|
| New York State Housing Trust Fund | <u>\$ 138,000</u> |

NOTE F—REVENUE FROM GOVERNMENT GRANTS

Revenue from government grants gifted to LDC unconditionally for the year ended December 31, 2021 was as follows:

| | 2021 |
|-------------------|------------------|
| City of Tonawanda | <u>\$ 45,000</u> |

NOTE G —DONOR CONCENTRATIONS

A material part of LDC's funding is dependent upon government grants and municipal contracts, the loss of which would have a material adverse effect on the City of Tonawanda Local Development Corporation. During 2021, the City of Tonawanda accounted for 100% of the total support and revenue.

NOTE H—COMMITMENTS AND CONTINGENCIES

LDC sub-contracts with other nonprofit organizations who participate in federal financial assistance programs. Such grant programs are subject to independent audit under uniform guidance and review by grantor agencies. Revenue from contracts with the government and other non-profit entities are recorded based on the contract amount and the period covered. Government and other non-profit entity contracts are subject to a variety of conditions, including the right of the grantor to audit cost reimbursement allocations, forfeit portions of contracts, and the right to demand return of unexpected portions of each contract. In some cases, the grantor may request the return of funds after the close of the contract. Management deems this to be remote. Accordingly, no provision has been reflected in the accompanying financial statements.

NOTE I— COVID-19 ECONOMIC IMPACT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. The COVID-19 outbreak is also disrupting supply chains and affecting the production and sales across a range of industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the City of Tonawanda Local Development Corporation is unsure if this matter will negatively impact its operating results. The extent of the impact of COVID-19 on LDC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, as well as the impact on the Organization's members and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition of the City of Tonawanda Local Development Corporation or result of operation is uncertain.

NOTE J—EVALUATION OF SUBSEQUENT EVENTS

LDC has evaluated subsequent events through December 6, 2022, the date which the financial statements were available to be issued. No subsequent events were identified.

Lancaster Accounting & Tax Service

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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

To the Board of Directors of
City of Tonawanda Local Development Corporation

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the City of Tonawanda Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related 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 December 6, 2022.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Tonawanda Local Development Corporation'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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tonawanda Local Development Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Tonawanda Local Development 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tonawanda Local Development Corporation's financial statements are free from material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 City of Tonawanda Local Development Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Angela Dussault, CPA

Lancaster, New York

December 6, 2022