

BUFFALO AND ERIE COUNTY  
INDUSTRIAL LAND DEVELOPMENT  
CORPORATION AND SUBSIDIARY

Consolidated Financial Statements and  
Supplemental Information

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Buffalo and Erie County Industrial  
Land Development Corporation and Subsidiary:

We have audited the accompanying consolidated statements of financial position of the Buffalo and Erie County Industrial Land Development Corporation and Subsidiary (ILDC) as of December 31, 2009 and 2008, and the related consolidated statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of ILDC's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Buffalo and Erie County Industrial Land Development Corporation and Subsidiary as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 19, 2010 on our consideration of ILDC'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
March 19, 2010

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Consolidated Statements of Financial Position  
December 31, 2009 and 2008

<u>Assets</u>	<u>2009</u>	2008 <u>(Restated)</u>
Current assets:		
Cash	\$ 550,711	1,041,934
Receivables:		
Interest	-	2,030
Due from affiliate	4,297	215,252
Notes	33,787	235,000
Lease	-	42,061
Grants	-	149,299
Demand note from affiliate	-	129,006
Total receivables	<u>38,084</u>	<u>772,648</u>
Total current assets	588,795	1,814,582
Notes and participations, less current installments and allowance for doubtful loans of \$49,188 in 2009 and \$145,165 in 2008	87,850	1,393,998
Investments, at fair value	<u>-</u>	<u>2,457,234</u>
Total assets	<u>\$ 676,645</u>	<u>5,665,814</u>

(Continued)

See accompanying notes to consolidated financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Consolidated Statements of Financial Position, Continued

<u>Liabilities and Net Assets</u>	<u>2009</u>	2008 <u>(Restated)</u>
Current liabilities:		
Accounts payable	\$ 2,615	65,889
Deferred revenue	-	85,369
Current portion of long-term debt	<u>23,982</u>	<u>23,031</u>
Total current liabilities	<u>26,597</u>	<u>174,289</u>
Non-current liabilities:		
Participations	-	152,508
Long-term debt, excluding current portion	<u>46,781</u>	<u>70,763</u>
Total non-current liabilities	<u>46,781</u>	<u>223,271</u>
Total liabilities	<u>73,378</u>	<u>397,560</u>
Net assets:		
Unrestricted	-	904,788
Temporarily restricted	<u>603,267</u>	<u>4,363,466</u>
Total net assets	603,267	5,268,254
Contingencies (note 9)	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 676,645</u>	<u>5,665,814</u>

See accompanying notes to consolidated financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Consolidated Statements of Revenue, Expenses and Changes in Net Assets  
Years ended December 31, 2009 and 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008 (Restated)</u>
Operating revenue:				
Interest income from notes receivable	\$ -	10,377	10,377	81,936
Lease income	-	-	-	412,025
Other income	-	-	-	43,830
Net assets released from restrictions	<u>3,770,576</u>	<u>(3,770,576)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>3,770,576</u>	<u>(3,760,199)</u>	<u>10,377</u>	<u>537,791</u>
Operating expenses:				
General and administrative	286	-	286	118,457
Provision for loan losses (recoveries)	(5,150)	-	(5,150)	59,550
Unrealized investment loss	-	-	-	747,169
Grant expense	<u>4,676,954</u>	<u>-</u>	<u>4,676,954</u>	<u>45,000</u>
Total operating expenses	<u>4,672,090</u>	<u>-</u>	<u>4,672,090</u>	<u>970,176</u>
Decrease in net assets from operating activities	<u>(901,514)</u>	<u>(3,760,199)</u>	<u>(4,661,713)</u>	<u>(432,385)</u>
Non-operating activities:				
Interest income	-	-	-	16,357
Interest expense	<u>(3,274)</u>	<u>-</u>	<u>(3,274)</u>	<u>(4,192)</u>
Net non-operating activities	<u>(3,274)</u>	<u>-</u>	<u>(3,274)</u>	<u>12,165</u>
Decrease in net assets	<u>(904,788)</u>	<u>(3,760,199)</u>	<u>(4,664,987)</u>	<u>(420,220)</u>
Net assets at beginning of year, as previously stated	904,788	4,363,466	5,268,254	8,481,343
Restatement of net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,792,869)</u>
Net assets at beginning of year, as restated	<u>904,788</u>	<u>4,363,466</u>	<u>5,268,254</u>	<u>5,688,474</u>
Net assets at end of year	<u>\$ -</u>	<u>603,267</u>	<u>603,267</u>	<u>5,268,254</u>

See accompanying notes to consolidated financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Consolidated Statement of Revenue, Expenses and Changes in Net Assets (Restated)  
Year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenue:			
Interest income from notes receivable	\$ 6,029	75,907	81,936
Lease income	-	412,025	412,025
Other income	41,248	2,582	43,830
Net assets released from restrictions	<u>881,854</u>	<u>(881,854)</u>	<u>-</u>
Total operating revenue	<u>929,131</u>	<u>(391,340)</u>	<u>537,791</u>
Operating expenses:			
General and administrative	118,457	-	118,457
Provision for loan losses	59,550	-	59,550
Unrealized investment loss	747,169	-	747,169
Grant expense	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total operating expenses	<u>970,176</u>	<u>-</u>	<u>970,176</u>
Decrease in net assets from operating activities	<u>(41,045)</u>	<u>(391,340)</u>	<u>(432,385)</u>
Non-operating activities:			
Interest income	1,428	14,929	16,357
Interest expense	<u>(4,192)</u>	<u>-</u>	<u>(4,192)</u>
Net non-operating activities	<u>(2,764)</u>	<u>14,929</u>	<u>12,165</u>
Decrease in net assets	<u>(43,809)</u>	<u>(376,411)</u>	<u>(420,220)</u>
Net assets at beginning of year, as previously stated	948,597	7,532,746	8,481,343
Restatement of net assets	<u>-</u>	<u>(2,792,869)</u>	<u>(2,792,869)</u>
Net assets at beginning of year, as restated	<u>948,597</u>	<u>4,739,877</u>	<u>5,688,474</u>
Net assets at end of year	<u>\$ 904,788</u>	<u>4,363,466</u>	<u>5,268,254</u>

See accompanying notes to consolidated financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u> (Restated)
Cash flows from operating activities:		
Decrease in net assets	\$ (4,664,987)	(420,220)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Grant of non-cash assets to ECIDA	4,201,264	-
Provision for loan losses (recoveries)	(5,150)	59,550
Unrealized and realized loss on investments	-	802,065
Changes in:		
Interest receivable	30	955
Lease receivable	-	(42,061)
Demand note from affiliate	-	150,000
Accounts payable	(5,432)	30,454
Deferred revenue	-	(31,800)
Due to affiliate	(28,003)	(1,105,405)
Net cash used in operating activities	<u>(502,278)</u>	<u>(556,462)</u>
Cash flows from investing activities:		
Issuance of notes and participations receivable	(10,000)	(690,301)
Repayments of notes and participations receivable	44,086	457,586
Purchase of note receivable from affiliate	-	(560,950)
Sale of other investments	-	2,476
Purchase of other investments	-	(614,684)
Receipt from capital lease receivable	-	64,575
Net cash provided by (used in) investing activities	<u>34,086</u>	<u>(1,341,298)</u>
Cash flows used in financing activities - repayment of long-term debt	<u>(23,031)</u>	<u>(37,848)</u>
Net decrease in cash	(491,223)	(1,935,608)
Cash at beginning of year	<u>1,041,934</u>	<u>2,977,542</u>
Cash at the end of year	<u>\$ 550,711</u>	<u>1,041,934</u>
Supplemental disclosure of cash flow information - cash paid for interest	<u>\$ 3,274</u>	<u>4,192</u>

See accompanying notes to consolidated financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Buffalo and Erie County Industrial Land Development Corporation (ILDC) was incorporated for the purpose of participating in the acquisition and development of industrial sites and to provide financial assistance for the acquisition or renovation of fixed assets by industrial companies locating or expanding in the County of Erie. ILDC manages a number of revolving loan funds each of which is dedicated to improving economic conditions in part or all of the County of Erie. Each revolving loan fund is maintained under an agreement or an established loan administration plan approved by the grantor governing the management of the revolving loan funds.

ILDC has a related party relationship with the Erie County Industrial Development Agency (ECIDA), the Buffalo and Erie County Regional Development Corporation (RDC), and ATC of Buffalo and Erie County, Inc. (ATC). All four entities are managed by the same personnel. These entities share the same mission, which is to provide resources that encourage investment, innovation, growth, and global competitiveness thereby creating a successful business climate that benefits the residents of the region.

In 2009, ILDC by-laws and organizing documents were amended to reflect a change in its purpose. Effective January 1, 2009, all activities, except for the SBA Microloan Fund (SBA Microloan) and the Erie County Business Development Fund (Erie County BDF), were granted by resolution of the Board to ECIDA. The remaining net assets of the ILDC reflect activity that is now under the direct governance of Erie County, as the County Executive of Erie County appoints all of the members of the Board. This change was made to allow for ILDC to provide tax-exempt financing to not-for-profit organizations.

The net assets of the General Fund and the Urban Development Action Grant (UDAG) Fund have been granted to ECIDA. ECIDA has established the ECIDA UDAG Fund to account for these temporarily restricted net assets.

In 2007, the ILDC formed a wholly-owned subsidiary, Buffalo Niagara Regional Development Corporation (BNRDC). The subsidiary has authorized 200 shares of no par value common stock, of which 100 shares are issued and outstanding. All assets and liabilities of the BNRDC have been granted to the ECIDA UDAG Fund effective January 1, 2009.

(b) Basis of Presentation

ILDC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. ILDC had only temporarily restricted net assets at December 31, 2009.

The accompanying consolidated financial statements include the accounts of ILDC and BNRDC. All intercompany transactions have been eliminated in consolidation.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of three revolving loan funds: the UDAG, the Erie County BDF and the SBA Microloan. These assets are deemed temporarily restricted based on the fact that they can be used only to lend to qualified businesses, as defined by criteria within the respective grants. All repayments of principal and interest are added back to the self-perpetuating Fund to be used for future lending purposes. Effective January 1, 2009, the UDAG fund was transferred to ECIDA and was renamed the ECIDA UDAG Fund.

(d) Estimates

The preparation of consolidated 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 consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

(e) Notes Receivable and Allowance for Doubtful Loans

Notes receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Loans are accounted for from inception within the individual fund from which the grant funds were received. Similarly, interest income and commitment fees on loans are recorded directly to the individual fund in which the loan is maintained. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on an evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

(f) Other Investments

ILDC and its subsidiary have made several venture capital investments in local private companies either directly or with the assistance of Tech Ventures, Inc. or Insyte Consulting, Inc. (formerly Western New York Technology Development Center, Inc.). ILDC accounts for these investments under the cost method, less a valuation allowance as determined by management based on recurring financial analysis or valuations published by a publicly traded venture capital company that also invests in the same local private companies. All of these investments have been transferred to ECIDA effective January 1, 2009.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Stock Purchase Option Accounting

In connection with certain loans, ILDC receives, at no cost, stock purchase options from the borrower. The borrower is sometimes given the right to repurchase these options from ILDC at a predetermined price. ILDC does not allocate a cost to these options when received, and has determined that these options have no recordable value at December 31, 2009 and 2008.

(h) Income Taxes

ILDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

(i) Reclassifications

Reclassifications have been made to certain 2008 balances in order to conform them to the 2009 presentation.

(2) Cash

Cash balances as of December 31, 2009 and 2008 were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the ILDC's investment policy.

(3) Notes and Participations Receivable

Notes and participations receivable represent loans made to local businesses to complement private financing at interest rates between 0% and 18% with varying repayment terms. At December 31, 2009 and 2008, notes and participations receivable were comprised of the following:

	<u>2009</u>	<u>2008</u>
Notes and participations receivable	\$ 170,825	1,774,163
Less - allowances for doubtful loans	<u>(49,188)</u>	<u>(145,165)</u>
	121,637	1,628,998
Amounts due in one year	<u>(33,787)</u>	<u>(235,000)</u>
Notes and participations receivable, long-term	\$ <u>87,850</u>	<u>1,393,998</u>

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(4) Allowance for Doubtful Loans

Changes in the allowance for doubtful loans for the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Balance at beginning of year	\$ 145,165	901,829
Provision for loan losses	(5,150)	59,550
Write-off of uncollectible loans	(26,927)	(816,214)
Associated with grant to ECIDA	<u>(63,900)</u>	<u>-</u>
Balance at end of year	\$ <u>49,188</u>	<u>145,165</u>

(5) Lease Receivable

In 1991, ECIDA transferred the remaining balance of a \$4,848,872 capital lease receivable to ILDC. The capital lease receivable is related to ECIDA's sale of an industrial manufacturing facility in Elma, New York to Steuben Foods, Inc. under a capital lease agreement. The agreement calls for monthly payments that periodically vary under the terms of the lease. The lease, which has an original term of 30 years and is renewable for two subsequent 30-year terms, also contains an option that allows the tenant to purchase the building for \$6,000,000 less cumulative lease payments made prior to notification of intent to purchase. The tenant made the remaining required lease payment during October 2007 and, pursuant to the terms of the lease, the lessee can exercise its option to acquire the building for no additional cost. The tenant has not notified the ILDC of any such intent and continues to make the monthly lease payments, which the ILDC recognizes as income. Lease income from Steuben Foods, Inc. was \$412,025 for the year ended December 31, 2008. In January 2009, the lease was assigned to the ECIDA UDAG Fund.

(6) Long-term Debt

Long-term debt at December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
3.625% loan payable to the Small Business Administration, due in monthly payments of principal and interest of \$2,198 through November 2012.	\$ 70,763	93,794
Less current portion	<u>(23,982)</u>	<u>(23,031)</u>
Long-term debt, excluding current portion	\$ <u>46,781</u>	<u>70,763</u>

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(7) Restatement of Net Assets

During 2009, management, with the approval of the Board of Directors, determined that the ILDC's investment in Gemcor II, LLC (Gemcor) is more beneficial to ECIDA and its affiliates if the investment is owned by the ECIDA. The investment and all earnings will be used for the purposes allowed by the Urban Development Action Grant program. As such, the investment and related accounts have been reflected in the financial statements as if all activity since January 1, 2006 was originally recorded by ECIDA. An adjustment was made in the amount of \$2,792,869 to properly remove the investment, and all related activity, in Gemcor as of January 1, 2008. A corresponding adjustment was made to the ECIDA financial statements. The restated net assets that were transferred to ECIDA consisted of the following at January 1, 2008:

Equity investment in Gemcor	\$ 3,055,835
Distributions received from Gemcor	1,739,946
Income taxes and other expenses paid related to Gemcor	<u>(2,002,912)</u>
Total restatement of net assets	\$ <u>2,792,869</u>

(8) Related Party Transactions

The ILDC UDAG Fund was funded by UDAG program income, which is restricted for economic development purposes. Additionally, the ILDC General Fund was funded through grants from ECIDA. The Board of Directors of ILDC and ECIDA approved the transfer of the assets and liabilities associated with these two funds to ECIDA effective January 1, 2009. The assets and liabilities granted to ECIDA on January 1, 2009 were as follows:

	General <u>Fund</u>	UDAG <u>Fund</u>	<u>Total</u>
Cash	\$ 131,808	343,882	475,690
Receivables, net	445,300	1,594,449	2,039,749
Investments, net	564,390	1,892,844	2,457,234
Liabilities	<u>(236,710)</u>	<u>(59,009)</u>	<u>(295,719)</u>
	\$ <u>904,788</u>	<u>3,772,166</u>	<u>4,676,954</u>

In 1999, the Board of Directors of ILDC approved funding of up to \$850,000 to the ATC to provide for remodeling and reconstruction of the ATC facility. The funding was provided by UDAG. The demand note was due on August 1, 2009. The note receivable from ATC amounted to \$129,006 at December 31, 2008. The note receivable was assigned to ECIDA as part of the grant transfer effective January 1, 2009.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(8) Related Party Transactions, Continued

ECIDA allocates a portion of its personnel and overhead costs to ILDC under a cost allocation plan. ILDC was charged \$51,766 for the year ended December 31, 2008 for such costs. In addition, ECIDA allocates to ILDC a portion of its rental costs which are paid to ATC. ILDC was charged \$13,673 for the year ended December 31, 2008 for such costs. The amount outstanding to ECIDA at December 31, 2008 related to these costs amounted to \$193,694. Due to the grant transfer effective January 1, 2009, ECIDA did not charge ILDC for personnel, overhead or rental costs incurred for the year ended December 31, 2009.

(9) Contingencies

ILDC is involved in various legal proceedings which, in the opinion of management, will not have a material adverse effect upon its financial position.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Statement of Financial Position by Revolving Loan Fund

December 31, 2009

	General Fund	UDAG Fund	Erie County Business Development Fund	SBA Microloan Fund	Total
<u>Assets</u>					
Current assets:					
Cash	\$ -	-	481,910	68,801	550,711
Due from affiliate	-	-	4,297	-	4,297
Current portion of notes receivable	-	-	16,974	16,813	33,787
Total current assets	-	-	503,181	85,614	588,795
Long-term receivables:					
Notes, excluding current portion	-	-	70,953	66,085	137,038
Allowance for doubtful loans	-	-	(41,721)	(7,467)	(49,188)
Total long-term receivables	-	-	29,232	58,618	87,850
Total assets	\$ -	-	532,413	144,232	676,645
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable	-	-	2,370	245	2,615
Current portion of long-term debt	-	-	-	23,982	23,982
Total current liabilities	-	-	2,370	24,227	26,597
Long-term debt, excluding current portion	-	-	-	46,781	46,781
Total liabilities	-	-	2,370	71,008	73,378
Temporarily restricted net assets	-	-	530,043	73,224	603,267
Total liabilities and net assets	\$ -	-	532,413	144,232	676,645

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION AND SUBSIDIARY  
Statement of Revenue, Expenses and Changes in Net Assets by Revolving Loan Fund  
Year ended December 31, 2009

	General Fund	UDAG Fund	Erie County Business Development Fund	SBA Microloan Fund	Total
Operating revenue - interest income from notes receivable	\$ -	-	2,604	7,773	10,377
Operating expenses:					
General and administrative	-	-	20	266	286
Provision for loan losses (recoveries)	-	-	-	(5,150)	(5,150)
Grant expense	904,788	3,772,166	-	-	4,676,954
Total operating expenses (income)	904,788	3,772,166	20	(4,884)	4,672,090
Increase (decrease) in net assets from operating activities	(904,788)	(3,772,166)	2,584	12,657	(4,661,713)
Non-operating activities - interest expense	-	-	-	(3,274)	(3,274)
Increase (decrease) in net assets	(904,788)	(3,772,166)	2,584	9,383	(4,664,987)
Net assets at beginning of year	904,788	3,772,166	527,459	63,841	5,268,254
Net assets at end of year	\$ -	-	530,043	73,224	603,267

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

Board of Directors

Buffalo and Erie County Industrial

Land Development Corporation and Subsidiary:

We have audited the basic consolidated financial statements of Buffalo and Erie County Industrial Land Development Corporation and Subsidiary (ILDC) as of and for the year ended December 31, 2009 and have issued our report thereon dated March 19, 2010. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ILDC's internal control over financial reporting as a basis for designing our auditing procedures 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 ILDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ILDC's internal control over financial reporting.

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 significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of ILDC's consolidated financial statements will not be prevented, detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ILDC's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including compliance with Investment Guidelines for Public Authorities and the ILDC's Investment Policy, noncompliance with which would 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors and management of ILDC and is not intended to be and should not be used by anyone other than these specified parties.

*Toski, Schaefer & Co., P.C.*

Williamsville, New York  
March 19, 2010