

BUFFALO AND ERIE COUNTY  
INDUSTRIAL LAND DEVELOPMENT  
CORPORATION

Financial Statements and  
Supplemental Information

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION

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# TOSKI, SCHAEFER & CO., P.C.

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Buffalo and Erie County Industrial Land Development Corporation (ILDC) as of December 31, 2010 and 2009, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of ILDC's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above presents fairly, in all material respects, the financial position of ILDC as of December 31, 2010 and 2009, 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 9, 2011 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 with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for the purpose of additional analysis and is not a required part of the 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 financial statements taken as a whole.

Toski, Schaefer & Co. P.C.

Williamsville, New York  
March 9, 2011

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION  
Statements of Financial Position  
December 31, 2010 and 2009

	<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:			
Cash		\$ 58,550	550,711
Receivables:			
Due from affiliate		-	4,297
Notes		<u>12,077</u>	<u>33,787</u>
Total receivables		<u>12,077</u>	<u>38,084</u>
Total current assets		70,627	588,795
Notes receivable, less current installments and allowance for doubtful loans of \$47,761 in 2010 and \$49,188 in 2009		<u>236,622</u>	<u>87,850</u>
Total assets		<u><u>\$ 307,249</u></u>	<u><u>676,645</u></u>
 <u>Liabilities and Net Assets</u> 			
Current liabilities:			
Accounts payable		597	2,615
Due to affiliate		5,391	-
Current portion of long-term debt		<u>-</u>	<u>23,982</u>
Total current liabilities		5,988	26,597
Long-term debt, excluding current portion		<u>-</u>	<u>46,781</u>
Total liabilities		<u>5,988</u>	<u>73,378</u>
Net assets:			
Temporarily restricted		223,595	603,267
Unrestricted		<u>77,666</u>	<u>-</u>
Total net assets		<u>301,261</u>	<u>603,267</u>
Contingencies (note 8)		<u>-</u>	<u>-</u>
Total liabilities and net assets		<u><u>\$ 307,249</u></u>	<u><u>676,645</u></u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION  
Statements of Revenue, Expenses and Changes in Net Assets  
Years ended December 31, 2010 and 2009

	Temporarily		Total	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2010</u>	<u>2009</u>
Operating revenue:				
Administrative fees	\$ 859,204	-	859,204	-
Interest income from notes receivable	4,964	4,332	9,296	10,377
Other income	265	90	355	-
Net assets released from restrictions	<u>384,094</u>	<u>(384,094)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>1,248,527</u>	<u>(379,672)</u>	<u>868,855</u>	<u>10,377</u>
Operating expenses:				
Transfer to ECIDA	859,204	-	859,204	-
General and administrative	6,287	-	6,287	286
Provision for loan recoveries	(1,427)	-	(1,427)	(5,150)
Grant expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,676,954</u>
Total operating expenses	<u>864,064</u>	<u>-</u>	<u>864,064</u>	<u>4,672,090</u>
Increase (decrease) in net assets from operating activities	<u>384,463</u>	<u>(379,672)</u>	<u>4,791</u>	<u>(4,661,713)</u>
Non-operating activities:				
Return of grant funds	(305,229)	-	(305,229)	-
Interest expense	<u>(1,568)</u>	<u>-</u>	<u>(1,568)</u>	<u>(3,274)</u>
Net non-operating activities	<u>(306,797)</u>	<u>-</u>	<u>(306,797)</u>	<u>(3,274)</u>
Increase (decrease) in net assets	77,666	(379,672)	(302,006)	(4,664,987)
Net assets at beginning of year	<u>-</u>	<u>603,267</u>	<u>603,267</u>	<u>5,268,254</u>
Net assets at end of year	<u>\$ 77,666</u>	<u>223,595</u>	<u>301,261</u>	<u>603,267</u>

See accompanying notes to financial statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenue:			
Interest income from notes receivable	\$ -	10,377	10,377
Net assets released from restrictions	<u>3,770,576</u>	<u>(3,770,576)</u>	<u>-</u>
Total operating revenue	<u>3,770,576</u>	<u>(3,760,199)</u>	<u>10,377</u>
Operating expenses:			
General and administrative	286	-	286
Provision for loan recoveries	(5,150)	-	(5,150)
Grant expense	<u>4,676,954</u>	<u>-</u>	<u>4,676,954</u>
Total operating expenses	<u>4,672,090</u>	<u>-</u>	<u>4,672,090</u>
Decrease in net assets from operating activities	(901,514)	(3,760,199)	(4,661,713)
Non-operating activities - interest expense	<u>(3,274)</u>	<u>-</u>	<u>(3,274)</u>
Decrease in net assets	(904,788)	(3,760,199)	(4,664,987)
Net assets at beginning of year	<u>904,788</u>	<u>4,363,466</u>	<u>5,268,254</u>
Net assets at end of year	<u>\$ -</u>	<u>603,267</u>	<u>603,267</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION  
Statements of Cash Flows  
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (302,006)	(4,664,987)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Grant of non-cash assets to ECIDA	-	4,201,264
Return of grant funds	305,229	-
Provision for loan recoveries	(1,427)	(5,150)
Changes in:		
Interest receivable	-	30
Accounts payable	(2,018)	(5,432)
Due to/from affiliate	9,688	(28,003)
	<u>9,466</u>	<u>(502,278)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Issuance of notes receivable	(175,000)	(10,000)
Repayments on notes receivable	49,365	44,086
	<u>(125,635)</u>	<u>34,086</u>
Net cash provided by (used in) investing activities		
Cash flows used in financing activities:		
Repayment of long-term debt	(70,763)	(23,031)
Return of grant funds	(305,229)	-
	<u>(375,992)</u>	<u>(23,031)</u>
Net cash used in investing activities		
Net decrease in cash and equivalents	(492,161)	(491,223)
Cash at beginning of year	550,711	1,041,934
Cash at the end of year	<u>\$ 58,550</u>	<u>550,711</u>
Supplemental disclosure of cash flow information - cash paid for interest	<u>\$ 1,568</u>	<u>3,274</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2010 and 2009

(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 U.S. Small Business Administration (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 if 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 were granted to ECIDA in 2009. ECIDA has established the ECIDA UDAG Fund to account for these temporary restricted net assets.

(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 unrestricted and temporarily restricted net assets at December 31, 2010 and 2009.

(c) Temporarily Restricted Net Assets

At December 31, 2009, temporarily restricted net assets consist of the Erie County BDF revolving loan fund and the SBA Microloan revolving loan fund. 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. The debt payable to the SBA was paid during 2010. Therefore, the net assets of the SBA funds became unrestricted in 2010.

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) 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. 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 their 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) Industrial Development Revenue Bond and Note Transactions

Industrial development revenue bonds and notes issued by ILDC are secured by the properties that are leased to not-for-profit agencies and are retired by lease payments. The conduit debt arising from bonds and notes are not obligations of ILDC, ECIDA, the County or New York State. ILDC does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to facilitate the financing between the borrowing companies and the bond and note holders. ILDC receives bond administrative fees from the borrowing not-for-profit agencies for providing this service and remits the fees to ECIDA. The original issue value of bonds and notes issued by ILDC aggregated approximately \$82 million in 2010.

(g) Subsequent Events

ILDC has evaluated events after December 31, 2010, and through March 9, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(h) Income Taxes

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

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

(2) Cash and Equivalents

Cash balances as of December 31, 2010 and 2009 were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized as required in accordance with the ILDC's investment policy.

(3) Notes Receivable

Notes receivable represent loans made to local businesses to complement private financing at interest rates between 2% and 6.875% with varying repayment terms. At December 31, 2010 and 2009, notes receivable were comprised of the following:

	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 296,460	170,825
Less: Allowances for doubtful loans	<u>(47,761)</u>	<u>(49,188)</u>
	248,699	121,637
Amounts due in one year	<u>(12,077)</u>	<u>(33,787)</u>
Notes receivable, long-term	\$ <u>236,622</u>	<u>87,850</u>

(4) Allowance for Doubtful Loans

Changes in the allowance for doubtful loans for the years ended December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 49,188	145,165
Provision for loan recoveries	(1,427)	(5,150)
Write-off of uncollectible loans	-	(26,927)
Associated with grant to ECIDA	<u>-</u>	<u>(63,900)</u>
Balance at end of year	\$ <u>47,761</u>	<u>49,188</u>

(5) Long-term Debt

ILDC acts as a conduit agency to provide small business with loans from the U.S Small Business Administration (SBA). In connection with these loans, ILDC's loan payable to the SBA amounted to \$70,763 at December 31, 2009. This loan accrued interest at 3.625% and was due in monthly payments of principal and interest of \$2,198 through November 2012. During 2010, ILDC paid the entire loan balance.

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

(6) Related Party Transactions

Related party transactions at December 31, 2010 and 2009 consist of the following:

(a) UDAG Fund

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>

(b) Personnel and Overhead Costs

ECIDA allocates a portion of their personnel and overhead costs to ILDC. ILDC was charged \$5,391 in 2010 for such costs. The amount outstanding to ECIDA at December 31, 2010 related to these costs amounted to \$5,391. 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. The amount due from ECIDA amounted to \$4,297 at December 31, 2009.

(c) Shared Services - Administrative Fees

ILDC has an shared services agreement with ECIDA for which ECIDA provides administrative and staffing services to ILDC related to the issuance of bond obligations for compensation in the amount of administrative charges received by the ILDC relative to bond obligations. In 2010, ILDC transferred \$859,204 in administrative fees to ECIDA.

(7) Return of Grant Funds

In 2010, ILDC and the County of Erie amended their original agreement regarding Community Development Block Grants funds. The amendment establishes the funding level of the Erie County BDF at \$200,000. ILDC returned \$305,229 to the County in 2010. At December 31, 2010, ILDC maintains \$223,595 in temporarily restricted net assets and will return \$23,595 to the County as cash becomes available through the repayment of notes receivable.

(8) Contingencies

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

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION  
Statement of Financial Position by Revolving Loan Fund  
December 31, 2010

<u>Assets</u>	Erie County Business Development <u>Fund</u>	SBA Microloan <u>Fund</u>	<u>Total</u>
Current assets:			
Cash	\$ 32,602	25,948	58,550
Current portion of notes receivable	<u>7,948</u>	<u>4,129</u>	<u>12,077</u>
Total current assets	<u>40,550</u>	<u>30,077</u>	<u>70,627</u>
Long-term receivables:			
Notes, excluding current portion	230,754	53,629	284,383
Allowance for doubtful loans	<u>(41,721)</u>	<u>(6,040)</u>	<u>(47,761)</u>
Total long-term receivables	<u>189,033</u>	<u>47,589</u>	<u>236,622</u>
Total assets	<u>\$ 229,583</u>	<u>77,666</u>	<u>307,249</u>
 <u>Liabilities and Net Assets</u> 			
Current liabilities:			
Accounts payable	597	-	597
Due to affiliate	<u>5,391</u>	<u>-</u>	<u>5,391</u>
Total current liabilities	<u>5,988</u>	<u>-</u>	<u>5,988</u>
Net assets:			
Temporarily restricted	223,595	-	223,595
Unrestricted	<u>-</u>	<u>77,666</u>	<u>77,666</u>
Total net assets	<u>223,595</u>	<u>77,666</u>	<u>301,261</u>
Total liabilities and net assets	<u>\$ 229,583</u>	<u>77,666</u>	<u>307,249</u>

BUFFALO AND ERIE COUNTY INDUSTRIAL  
LAND DEVELOPMENT CORPORATION  
Statement of Revenue, Expenses and Changes in  
Net Assets by Revolving Loan Fund  
Year ended December 31, 2010

	Erie County Business Development Fund	SBA Microloan Fund	Total
Operating revenue:			
Interest income from notes receivable	\$ 4,332	4,964	9,296
Other income	<u>90</u>	<u>265</u>	<u>355</u>
Total operating revenue	<u>4,422</u>	<u>5,229</u>	<u>9,651</u>
Operating expenses:			
General and administrative	5,641	646	6,287
Provision for loan recoveries	<u>-</u>	<u>(1,427)</u>	<u>(1,427)</u>
Total operating expenses	<u>5,641</u>	<u>(781)</u>	<u>4,860</u>
Increase (decrease) in net assets from operating activities	<u>(1,219)</u>	<u>6,010</u>	<u>4,791</u>
Non-operating activities:			
Return of grant funds	(305,229)	-	(305,229)
Interest expense	<u>-</u>	<u>(1,568)</u>	<u>(1,568)</u>
Net non-operating activities	<u>(305,229)</u>	<u>(1,568)</u>	<u>(306,797)</u>
Increase (decrease) in net assets	(306,448)	4,442	(302,006)
Net assets at beginning of year	<u>530,043</u>	<u>73,224</u>	<u>603,267</u>
Net assets at end of year	<u>\$ 223,595</u>	<u>77,666</u>	<u>301,261</u>

**TOSKI, SCHAEFER & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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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

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

We have audited the financial statements of Buffalo and Erie County Industrial Development Corporation (ILDC) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 9, 2011. 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 ILDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ILDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 ILDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters 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, management, and others within the 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 9, 2011