AUDITED
FINANCIAL STATEMENTS

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

DECEMBER 31, 2017

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BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION

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FINANCIAL SECTION

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FreedMaxick CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Buffalo and Erie County Regional Development Corporation
Buffalo, New York 14203

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo and Erie County Regional Development Corporation (RDC), a business-type activity, which comprise the statement of net position as of December 31, 2017, the related statements of revenues, expenses and changes in net position and cash flows for the year 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of RDC, as of December 31, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the RDC as of and for the year ended December 31, 2016 were audited by other auditors whose report dated March 13, 2017 expressed an unmodified opinion on those statements.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S*. Code of Federal Regulations (CFR)* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 13, 2018 on our consideration of the RDC's internal control over financial reporting and on our 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 our 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 RDC'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 RDC's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 13, 2018

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF NET POSITION
DECEMBER 31,

		2017		2016
ASSETS				
Current assets:				
Cash	**$**	**9,712,269**	$	2,414,368
Restricted cash		**-**		6,482,286
Loans receivable		**1,677,099**		1,626,062
Total current assets		**11,389,368**		10,522,716
Noncurrent assets:				
Loans receivable, net		**7,228,728**		8,187,236
Total assets	**$**	**18,618,096**	$	18,709,952
LIABILITIES				
Accounts payable	**$**	**250**	$	16,757
Due to affiliate		**371,970**		361,290
Total liabilities		**372,220**		378,047
NET POSITION				
Restricted		**18,245,876**		18,331,905
Total net position		**18,245,876**		18,331,905
Total liabilities and net position	**$**	**18,618,096**	$	18,709,952

See accompanying notes.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
OPERATING REVENUE		
Interest from loans	**$ 409,778**	$ 409,715
Loan commitment fees	**24,688**	19,872
Total operating revenues	**434,466**	429,587
OPERATING EXPENSES		
General and administrative	**426,641**	412,757
Loan loss expense, net recoveries	**101,257**	148,735
Total operating expenses	**527,898**	561,492
Operating loss	**(93,432)**	(131,905)
NONOPERATING REVENUES (EXPENSES)		
Return of loan funds	**-**	(2,667,590)
Grant from affiliate	**-**	287,432
Interest income	**7,403**	7,858
Total nonoperating revenues (expenses)	**7,403**	(2,372,300)
Change in net position	**(86,029)**	(2,504,205)
Net position - beginning of year	**18,331,905**	20,836,110
Net position - end of year	**$ 18,245,876**	$ 18,331,905

See accompanying notes.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments collected on loans receivable	**$ 4,599,140**	$ 3,427,436
Loan interest and fees	**434,466**	429,587
Loans awarded	**(3,807,148)**	(3,947,000)
Payments to vendors and affiliates	**(432,468)**	(350,374)
Loan loss recoveries	**14,222**	16,256
Net cash provided (used) by operating activities	**808,212**	(424,095)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Return of loan funds	**$ -**	$ (2,667,590)
Return of funds to U.S. Treasury	**-**	(1,546,423)
Grant from affiliate	**-**	287,432
Net cash used by noncapital financing activities	**-**	(3,926,581)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	**7,403**	7,858
Net cash provided by investing activities	**7,403**	7,858
Net increase (decrease) in cash	**815,615**	(4,342,818)
Cash - beginning of year	**8,896,654**	13,239,472
Cash - end of year	**$ 9,712,269**	$ 8,896,654
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	**$ (93,432)**	$ (131,905)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Provision for uncollectible loans	**130,024**	164,991
Change in assets and liabilities:		
(Increase) decrease in:		
Loans receivable	**777,447**	(519,564)
Increase (decrease) in:		
Accounts payable	**(16,507)**	14,420
Due to affiliate	**10,680**	47,963
Net cash provided (used) by operating activities	**$ 808,212**	$ (424,095)
Reconciliation of unrestricted and restricted cash and cash equivalents:		
Cash and cash equivalents - unrestricted	**$ 9,712,269**	$ 2,414,368
Cash and cash equivalents - restricted	**-**	6,482,286
	$ 9,712,269	$ 8,896,654

See accompanying notes.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Buffalo and Erie County Regional Development Corporation (RDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the RDC's accounting policies are described below.

A. REPORTING ENTITY

Buffalo and Erie County Regional Development Corporation (RDC) was incorporated for the purpose of encouraging the expansion of existing companies in target areas of the County of Erie (the County) by establishing an Industrial Revolving Loan Fund from which RDC makes loans to individual companies. RDC manages a revolving loan program maintained under an established loan administration plan approved by the grantor governing the management of the revolving loan program.

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

In accordance with accounting standards, RDC is not considered a component unit of another entity.

B. BASIS OF PRESENTATION

Revenues from administrative fees and interest on loans are reported as operating revenues. All expenses related to operating the RDC are reported as operating expenses. Capital grants and grants from affiliates are reported as nonoperating revenues. Certain other transactions are reported as nonoperating activities including RDC's interest income from deposits.

When both restricted and unrestricted resources are available for use, it is the RDC's policy to use restricted resources first, then unrestricted resources as they are needed.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

RDC is considered a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the RDC are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred; regardless of when the cash transaction takes place.

Nonexchange transactions, in which the RDC gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

D. INCOME TAXES

RDC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and the income realized will not be subject to New York State corporate franchise tax.

E. LOANS RECEIVABLE

Loans receivable are stated at the principal amount outstanding, net of a provision for loan loss. The allowance method is used to compute the provision for loan loss.

Determination of the balance of the provision for loan loss is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses. Loans are written off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Accrual of interest ceases when management adjusts a loan reserve to 50% or more of the loan's outstanding balance. RDC is not accruing interest on any loans as of December 31, 2017.

F. INSURANCE

RDC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage.

G. STOCK WARRANTS

In connection with certain loans, RDC has received, at no cost, stock purchase warrants from the borrowers. The borrower is sometimes given the right to repurchase these warrants from RDC at a predetermined price. RDC also receives rights to convert certain loans to equity of the borrower.

H. NET POSITION

Equity is classified as net position and displayed in two components:

a. Restricted - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted – all other net positions that do not meet the definition of "restricted."

I. STATEMENTS OF CASH FLOWS

For the purposes of the statement of cash flows, the RDC considers all cash to be unrestricted including demand accounts and certificates of deposit with an original maturity of generally three months or less.

J. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

K. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2017, the RDC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68*, *and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; and Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary objective of Statement No. 73 is to improve the usefulness of information about pensions included in the financial statements that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

The primary objective of Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The RDC has evaluated Statements No. 73, 74, 80, 81, and 82 and have determined that they have no impact on the RDC's operations.

<u>The GASB has issued the following new pronouncements:</u>

- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending December 31, 2018;
- Statement No. 83, *Certain Asset Retirement Obligations,* which will be effective for the year ending December 31, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019;
- Statement No. 85, *Omnibus*, which will be effective for the year ending December 31, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending December 31, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.

The RDC is currently reviewing these statements and plans on adoption, as required.

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND INVESTMENTS

RDC's investment policies are governed by State statutes. In addition, RDC has its own written investment policy. RDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. RDC's Controller is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

As of December 31, 2017 and 2016, the RDC's aggregate bank deposits were considered fully collateralized.

Investment and Deposit Policy
RDC follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Controller of the Buffalo and Erie County Regional Development Corporation.

Interest Rate Risk
Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. RDC's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
RDC's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with RDC's investment and deposit policy, all deposits of RDC including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. RDC restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

2. LOANS RECEIVABLE

The revolving loan programs were originally established through multiple grants received between 1979 and 1983 from the U.S. Economic Development Administration (EDA) amounting to $7,000,000. Matching funds totaling $5,250,500 were also received from various sources.

During 2016 an amendment to the EDA award was approved by the EDA and the Housing and Urban Renewal Agency (HUD). As a result, RDC returned $2,667,590 of original HUD matching funds to the County. RDC also returned $1,546,423 to the U.S. Treasury for interest earned on deposits. ILDC then granted $287,432 to RDC in order to maintain the appropriate local match. As a result, the loan fund is no longer subject to HUD regulations.

RDC provides low interest loans to businesses located in Erie County in order to encourage economic development. Loans receivable consisted of the following at December 31:

	2017	**2016**
Total loans receivable	**9,315,125**	10,112,381
Less: provision for loan loss	**409,298**	299,083

	2017	2016
Loans receivable, net	**8,905,827**	9,813,298
Less: current portion	**1,677,099**	1,626,062
Loans receivable - long-term	**$ 7,228,728**	$ 8,187,236

The RDC's policy is to present loans receivable net of a provision for loan loss. At December 31, 2017 and 2016, the allowance for uncollectible loans was $409,298 and $299,083, respectively.

At December 31, 2017, the loans awarded to local businesses bear interest at rates ranging from 4% to 6.5% with varying payment terms. All loans are classified as commercial.

Scheduled maturities of principal for these notes for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest
2018	$ 1,627,228	$ 256,377
2019	1,522,528	202,173
2020	1,236,556	150,176
2021	928,711	113,751
2022	888,829	81,780
Thereafter	2,825,461	138,254
	$ 9,029,313	$ 942,511

This schedule does not include the variable interest rate loans that are administered by various financial institutions. The total outstanding balance of those loans is $285,812 at December 31, 2017 with a current portion in the amount of $49,871.

B. EXPENSES

ECIDA allocates a portion of its personnel and overhead costs to RDC based on a cost allocation plan. Costs allocated by ECIDA amounted to $368,627 and $361,171 for the years ended December 31, 2017 and 2016. Amounts owed to ECIDA at December 31, 2017 and 2016 totaled $371,970 and $361,290, respectively.

NOTE 3. CONTINGENCIES

Capital Utilization Requirement

RDC is required to comply with EDA regulations regarding the utilization of revolving loan funds. These regulations require that 85% of the revolving loan funds be loaned or committed at all times. As of December 31, 2017 and 2016, the RDC did not meet the utilization requirement, however, in conjunction with the amended agreement described in Note 2.A.2, RDC has received a waiver from this requirement effective January 5, 2017 through March 30, 2019.

NOTE 4. COMMITMENTS

Outstanding loan commitments approved but not yet paid total $2,402,722 at December 31, 2017.

NOTE 5. SUBSEQUENT EVENT

These financial statements have not been updated for subsequent events occurring after March 13, 2018 which is the date these financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

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BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
U.S. Department of Commerce				
Passed through Erie County Industrial Development Agency				
Economic Adjustment Assistance	11.307	Various	---	$ 14,380,359
Total Expenditures of Federal Awards				**$ 14,380,359**

See notes to the schedule of expenditures of federal awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of the federal financial assistance programs administered by the Buffalo and Erie County Regional Development Corporation (RDC), an entity as defined in Note 1 to the RDC's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Federal awards passed through from other governmental agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of RDC, it is not intended and does not present the financial position, changes in net position, or cash flows of RDC.

NOTE 2 - BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting. The amounts reported as federal expenditures were obtained from RDC's financial reporting system, which is the source of RDC's financial statements.

NOTE 3 - ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

The Economic Adjustment Assistance program, administered by the U.S. Economic Development Administration (EDA), specifically requires the amount on the Schedule to be calculated as follows:

EDA grants	$ 12,466,574
Total revolving loan funds	16,622,098
Total EDA share	75%
Cash	$ 9,712,269
Outstanding loans receivable, 12/31/17	9,029,313
Administrative cost allowance	426,641
Loan write-offs	5,588
Sum of EDA dollars/Total project costs	19,173,811
Total EDA Share *(noted above)*	75%
Total economic adjustment assistance	$ 14,380,359

NOTE 4 - INDIRECT COST RATE

RDC has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE

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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*

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Buffalo and Erie County Regional 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 financial statements of Buffalo and Erie County Regional Development Corporation (RDC), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise RDC's financial statements, and have issued our report thereon dated March 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RDC'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 financial statements, but not for the purpose of expressing an opinion of the effectiveness of RDC's internal control. Accordingly, we do not express an opinion of the effectiveness of RDC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the RDC's financial statements will not be prevented, or detected and corrected 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.

Our consideration of the 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RDC's 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 RDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 13, 2018

FreedMaxick CPAs, P.C.

FreedMaxick CPAs, P.C.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Buffalo and Erie County Regional Development Corporation

Report on Compliance for Each Major Federal Program

We have audited the Buffalo and Erie County Regional Development Corporation's (RDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RDC's major federal programs for the year ended December 31, 2017. RDC's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on RDC's compliance.

Opinion on Each Major Federal Program

In our opinion, RDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of RDC is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RDC's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 13, 2018

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____Yes X No
- Significant deficiency(ies) identified? ____Yes X None Reported

Noncompliance material to financial statements noted? ____Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____Yes X No
- Significant deficiency(ies) identified? ____Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs $ 750,000

Auditee qualified as low-risk auditee? ____Yes X No

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted in the current year.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

There were no findings or questioned costs related to federal awards noted in the current year.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted in the prior year.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

There were no findings or questioned costs related to federal awards noted in the prior year.

FreedMaxick CPAs, P.C.

INDEPENDENT ACCOUNTANT'S REPORT

To the Members of the Board of Directors
Buffalo and Erie County Regional Development Corporation
95 Perry Street, Suite 403
Buffalo, New York 14203

We have examined Buffalo and Erie County Regional Development Corporation's (the RDC) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the period January 1, 2017 through December 31, 2017. Management of the RDC is responsible for the RDC's compliance with the specified requirements. Our responsibility is to express an opinion on the RDC's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the RDC complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the RDC complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the RDC's compliance with specified requirements.

In our opinion, the RDC complied, in all material respects, with the Investment Guidelines during the period of January 1, 2017 through December 31, 2017.

This report is intended solely for the information and use of the Board of Directors, management and others within the RDC and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 13, 2018