

**DUNKIRK LOCAL DEVELOPMENT  
CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

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**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**  
Certified Public Accountants & Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Dunkirk Local Development Corporation  
and Subsidiaries

We have audited the accompanying consolidated financial statements of Dunkirk Local Development Corporation and Subsidiaries (the "DLDC", a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## Opinions

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

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Johnson, Mackowiak & Associates, LLP*

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

Fredonia, NY  
May 31, 2018

**DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 42,527
Restricted cash	82,774
Current portion of loans receivable	-
Total current assets	<u>125,301</u>

OTHER ASSETS

Property held for development or sale:	
Flickenger Building	20,200
Other	47,613
Total other assets	<u>67,813</u>

TOTAL ASSETS	<u>\$ 193,114</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deposits held for donation	<u>\$ 14,690</u>
Total liabilities	<u>14,690</u>

NET ASSETS

Unrestricted	95,650
Temporarily restricted	<u>82,774</u>

TOTAL NET ASSETS	<u>178,424</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 193,114</u>
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See accompanying notes to consolidated financial statements.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Operating grants - DLDC	\$ 27,600	\$ -	\$ 27,600
Fundraising Income	1,310	-	1,310
Festivals income and sponsorships	243,808	-	243,808
Miscellaneous income	16	-	16
Farmers market income	3,885	-	3,885
Net assets reclassified to restricted	-	-	-
Total revenues, gains, and other support	<u>276,619</u>	<u>-</u>	<u>276,619</u>
<b>EXPENSES - PROGRAM SERVICES</b>			
DLDC Program	30,619	-	30,619
Festivals Program	248,971	-	248,971
Farmers Market	9,824	-	9,824
Total expenses	<u>289,414</u>	<u>-</u>	<u>289,414</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(12,795)	-	(12,795)
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Interest income	-	41	41
Loss on sale of asset	(389,978)	-	(389,978)
<b>CHANGE IN NET ASSETS</b>	(402,773)	41	(402,732)
<b>NET ASSETS, beginning of year</b>	498,423	82,733	581,156
<b>NET ASSETS, end of year</b>	<u>\$ 95,650</u>	<u>\$ 82,774</u>	<u>\$ 178,424</u>

See accompanying notes to consolidated financial statements.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	DLDC Program	Festivals Program	Farmers Market	Total
<b>EXPENSES</b>				
Advertising and promotion	\$ -	\$ 9,786	\$ -	\$ 9,786
Consultant fee	-	-	6,000	6,000
Dunkirk Air Show	-	71,444	-	71,444
Equipment	-	18,732	-	18,732
Farmers Market EBT & Sales Reimbursement	-	-	2,321	2,321
Festivals and entertainment	-	45,822	1,346	47,168
Fireworks	-	42,785	-	42,785
Food and beverage services	-	11,248	-	11,248
Insurance expense	5,984	-	-	5,984
Legal and professional	12,080	2,726	57	14,863
Miscellaneous expenses	-	10,325	100	10,425
Maintenance and supplies	-	833	-	833
Professional services	-	35,270	-	35,270
Real estate taxes	9,459	-	-	9,459
Utilities	3,096	-	-	3,096
<b>Total functional expenses</b>	<b>\$ 30,619</b>	<b>\$ 248,971</b>	<b>\$ 9,824</b>	<b>\$ 289,414</b>

See accompanying notes to consolidated financial statements.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Grants and donations received	\$ 27,600
Receipts from customers	249,019
Receipts on deposit	14,690
Payments to suppliers	<u>(289,414)</u>

Net cash provided by operating activities 1,895

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 1,895

CASH AND CASH EQUIVALENTS, beginning 40,632

CASH AND CASH EQUIVALENTS, ending \$ 42,527

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:**

Change in net assets	\$ (402,732)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Interest income	(41)
Change in assets and liabilities:	
Loss on sale of asset	389,978
Deposits held for donation	<u>14,690</u>
Net cash used by operating activities	<u><u>\$ 1,895</u></u>

See accompanying notes to consolidated financial statements.



**DUNKIRK LOCAL DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES** - The Dunkirk Local Development Corporation ("DLDC") is a special purpose, local development corporation organized by the City of Dunkirk (the "City") under the Not-For-Profit Corporation Law of the State of New York. The DLDC is a nonstock membership entity governed by a board of directors, consisting of various community members and ex - officio members of the City of Dunkirk.

The DLDC was created to purchase, lease, sublease, own, hold, sell, assign, or pledge various real property throughout the City of Dunkirk. Additionally, the DLDC has been authorized to offer low interest loans to small businesses to help spur economic development throughout the City.

**PRINCIPLES OF CONSOLIDATION** - The consolidated financial statements include the accounts of the Dunkirk Local Development Corporation and its wholly owned subsidiaries Washington Avenue Revitalization Company, LLC and DLDC Real Property Company, LLC. All significant intercompany transactions and balances have been eliminated.

**BASIS OF ACCOUNTING** - The financial statements of the Dunkirk Local Development Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**BASIS OF PRESENTATION** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of FASB ASC 958-210 (formerly Financial Accounting Standards (SFAS) No. 117), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210, the Corporation is required to report 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 which are described as follows:

**PERMANENTLY RESTRICTED NET ASSETS** - Contributions and other inflows of assets whose use by the DLDC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Corporation. The DLDC has no such assets at December 31, 2017.

**TEMPORARILY RESTRICTED NET ASSETS** - Contributions and other inflows of assets whose use by the DLDC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the DLDC pursuant to those stipulations.

**UNRESTRICTED NET ASSETS** - Neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**CASH AND CASH EQUIVALENTS** - For purposes of the statement of cash flows, the DLDC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**USE OF ESTIMATES** - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates and those differences could be significant.

**DONATED PROPERTY AND EQUIPMENT** - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the DLDC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The DLDC reclassifies temporarily restricted net assets to unrestricted net assets at that time. In prior years, three such properties were acquired by the DLDC from the County of Chautauqua, New York.

**PROPERTY HELD FOR DEVELOPMENT OR SALE** - The DLDC holds several properties for development or sale. These properties are carried at the lower of cost or value at date of donation or market value. The DLDC reviews the carrying values of these properties for impairment whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable.

**DONATED SERVICES** - No amounts have been reflected in the financial statements for donated services. The DLDC pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the DLDC with specific assistance programs, campaign solicitations and various committee assignments.

**EXPENSE ALLOCATION** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**FUND ACCOUNTING** - The accounts of the DLDC are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each program described as follows:

**DLDC PROGRAM** - This program is used for the general operations of the DLDC. Major operating revenues include interest income on outstanding loans and administrative fees for managing these loans. Legal and professional expenses and rental expenses are the major operating costs of this program.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**FESTIVALS PROGRAM** - This program is used for promoting economic development and providing entertainment to the citizens of the City of Dunkirk. Major operating revenues include donations from various local companies while entertainment costs are the major operating costs of this program.

**FARMERS MARKET PROGRAM** - This program is used for promoting economic development and providing entertainment to the citizens of the City of Dunkirk. Major operating revenues include donations from various local companies while entertainment costs are the major operating costs of this program.

**INCOME TAX STATUS** - The DLDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to income taxes.

The DLDC adopted the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48) *Accounting for Uncertainty in Income Taxes*, on January 1, 2008. There was no impact on the DLDC's financial statements as a result of the implementation of FASB ASC 740-10.

Any penalties and interest associated with uncertain tax positions would be included as part of any income tax provision. For 2017, there were no penalties and interest recognized related to uncertain tax positions.

The DLDC files exempt organization returns with the U.S. federal and New York State tax jurisdictions. The DLDC's returns prior to 2014 are closed.

**RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**RESTRICTED CASH** - Restricted cash represents the net difference between payments received on HUD loans and amounts expended for CDBG purposes. This residual amount is restricted for such purposes.

**FAIR VALUE MEASUREMENTS** - A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**FAIR VALUE MEASUREMENTS, CONTINUED**

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the DLDC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the DLDC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTE 2 - LOANS RECEIVABLE**

The DLDC maintains a loan program. The loans, which are considered to be level 3 assets as described in Note 1, have varying interest rates and repayment terms. The loans are collateralized by a first or priority security interest in any equipment, machinery, furnishings or fixtures refinanced or purchased from loan proceeds. An allowance for doubtful accounts of \$232,176 has been established as of December 31, 2017.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(Continued)**

**NOTE 2 - LOANS RECEIVABLE, continued**

Loans receivable at December 31, 2017 are as follows:

Enviroteknix	\$	35,001
Dunkirk Metal Products, Inc.		97,562
Sound Chaser Systems		8,566
G&E Tents		2,244
Peyin's Deli		6,334
Lakeshore Grillworks		5
Selling Hive		18,078
Henlie		15,000
Textivia		35,000
Paradis		14,386
		232,176
Subtotal		232,176
Less: allowance for doubtful accounts		(232,176)
Less: current portion		-
		-
Total loans receivable, net	\$	-

The table below sets forth a summary of changes in the fair value of the DLDC's Level 3 assets for the years ended December 31, 2017.

		2017
Balance at the beginning of the year	\$	232,176
Less amounts repaid		-
		-
Balance at the end of the year	\$	232,176

Expected repayments on the loans receivable at December 31, 2017 are as follows:

In default	\$	232,176
Less current portion		-
		-
Loans receivable, net of current portion	\$	232,176

**NOTE 3 - INVESTMENT IN LIMITED LIABILITY COMPANY**

The DLDC has an interest in the Washington Avenue Revitalization Company, LLC. This company was established in 2009 to rehabilitate certain commercial real estate (the "Flickenger Building") in the City of Dunkirk. The DLDC has a 100% ownership interest in the Washington Avenue Revitalization Company, LLC and records net income or loss from this investment in accordance with its ownership interest.

The DLDC also has an interest in the DLDC Real Property, LLC. This company was established in 2010 to rehabilitate certain commercial real estate in the City of Dunkirk. The DLDC has a 100% ownership interest in the DLDC Real Property, LLC and records net income or loss from this investment in accordance with its ownership interest.

**DUNKIRK LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(Continued)**

**NOTE 3 - INVESTMENT IN LIMITED LIABILITY COMPANY, continued**

The following is a summary of selected financial information from the accounts of the LLC:

**Washington Avenue Revitalization Company, LLC**

Assets (100%)	\$ 20,200
Debt (100%)	-
<hr/>	
Members' equity (100%)	\$ 20,200
<hr/>	
Revenue (100%)	\$ -
<hr/>	
Net income (100%)	\$ -
<hr/>	
Company share of net income (100%)	\$ -
<hr/>	

**DLDC Real Property, LLC**

Assets (100%)	\$ 16,000
Debt (100%)	-
<hr/>	
Members' equity (100%)	\$ 16,000
<hr/>	
Revenue (100%)	\$ -
<hr/>	
Net income (100%)	\$ -
<hr/>	
Company share of net income (100%)	\$ -
<hr/>	

**NOTE 4 - CONTINGENCIES**

**A. Litigation**

The DLDC is party to various legal proceedings which normally occur in governmental operations. The DLDC believes that its ultimate liability, if any, in connection with these matters, will not have a material effect on the DLDC's financial condition or results of operations.

**B. Environmental Remediation**

The DLDC's policy is not to take possession or ownership of properties with potential or known pollution remediation issues. The DLDC currently does not have any properties with pollution remediation obligations where the DLDC retains ownership rights that have either been remediated or have grant funding in place to be remediated. Any potential future environmental remediation is considered to be de minimus to the DLDC.

**NOTE 5 - SUBSEQUENT EVENTS**

Management of the DLDC has reviewed events and transactions that occurred between January 1, 2018 and May 31, 2018, which is the date the financial statements were available to be issued for the purpose of determining whether there were any events or transactions that might require disclosure in these financial statements. No such events or transactions were noted.



**DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED SUPPLEMENTARY INFORMATION**  
**SCHEDULE 2 - STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

	Dunkirk Local Development Corporation	Washington Avenue Revitalization	DLDC Real Property Company, LLC	Eliminations	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Operating grants	\$ 27,600	\$ -	\$ -	\$ -	\$ 27,600
Fundraising income	1,310	-	-	-	1,310
Miscellaneous income	16	-	-	-	16
Festival sponsorships and donations	243,808	-	-	-	243,808
Farmers market income	3,885	-	-	-	3,885
Total revenues, gains, and other support	<u>276,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,619</u>
<b>EXPENSES - PROGRAM SERVICES</b>					
DLDC Program	30,619	-	-	-	30,619
Festivals Program	248,971	-	-	-	248,971
Farmers Market	9,824	-	-	-	9,824
Total expenses	<u>289,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,414</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>					
	(12,795)	-	-	-	(12,795)
<b>NONOPERATING REVENUES/(EXPENSES)</b>					
Interest Income	41	-	-	-	41
Loss on sale of asset	-	-	(389,978)	-	(389,978)
<b>CHANGE IN NET ASSETS</b>					
	<u>\$ (12,754)</u>	<u>\$ -</u>	<u>\$ (389,978)</u>	<u>\$ -</u>	<u>\$ (402,732)</u>

See independent auditor's report.



