

DUNKIRK LOCAL DEVELOPMENT  
CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements and  
Independent Auditors' Report

December 31, 2018

---

# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 12
Supplementary Information:	
Schedule 1 - Consolidating Statement of Financial Position	13
Schedule 2 - Consolidating Statement of Activities	14

\* \* \* \* \*

INDEPENDENT AUDITORS' REPORT

P 716.634.0700  
TF 800.546.7556  
F 716.634.0764  
W EFPRgroup.com

The Board of Directors  
Dunkirk Local Development Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dunkirk Local Development Corporation and Subsidiaries (the DLDC), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to 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 consolidated 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.



## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dunkirk Local Development Corporation and Subsidiaries as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally 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 supplementary information on pages 14 and 15 is presented for purposes of additional analysis and is 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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
August 21, 2019

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2018

<u>Assets</u>	
Current assets:	
Operating cash	\$ 32,352
Restricted cash	<u>82,816</u>
Total current assets	<u>115,168</u>
Property held for development or sale:	
Flickenger Building	20,200
Other	<u>47,613</u>
Total property held for development or sale	<u>67,813</u>
Total assets	<u>\$ 182,981</u>
 <u>Net Assets</u>	
Net assets:	
Net assets without donor restrictions	100,165
Net assets with donor restrictions	<u>82,816</u>
Total net assets	<u>\$ 182,981</u>

See accompanying notes to consolidated financial statements.

# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Consolidated Statement of Activities

Year ended December 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue:			
Operating grants	\$ 25,000	-	25,000
Fundraising	1,000	-	1,000
Festivals income and sponsorships	296,708	-	296,708
Farmers market	<u>5,592</u>	<u>-</u>	<u>5,592</u>
Total revenue	<u>328,300</u>	<u>-</u>	<u>328,300</u>
Expenses - program services:			
DLDC	16,412	-	16,412
Festivals	296,985	-	296,985
Farmers market	<u>10,388</u>	<u>-</u>	<u>10,388</u>
Total expenses	<u>323,785</u>	<u>-</u>	<u>323,785</u>
Change in net assets from operations	4,515	-	4,515
Nonoperating revenue - interest income	<u>-</u>	<u>42</u>	<u>42</u>
Change in net assets	4,515	42	4,557
Net assets at beginning of year	<u>95,650</u>	<u>82,774</u>	<u>178,424</u>
Net assets at end of year	<u>\$ 100,165</u>	<u>82,816</u>	<u>182,981</u>

See accompanying notes to consolidated financial statements.

# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Consolidated Statement of Functional Expenses

Year ended December 31, 2018

	<u>DLDC</u>	<u>Festivals</u>	<u>Farmers Market</u>	<u>Total</u>
Advertising and promotion	\$ -	17,717	-	17,717
Consultant fee	-	-	6,000	6,000
Minor equipment	-	12,035	-	12,035
Farmers marker EBT and sales reimbursement	-	-	4,349	4,349
Festivals and entertainment	-	173,839	-	173,839
Fireworks	-	30,000	-	30,000
Food and beverage services	-	13,402	-	13,402
Insurance	4,684	-	-	4,684
Legal and professional	6,667	-	39	6,706
Maintenance and supplies	-	1,467	-	1,467
Professional services	-	39,399	-	39,399
Real estate taxes	2,503	-	-	2,503
Utilities	2,558	-	-	2,558
Miscellaneous	-	9,126	-	9,126
Total functional expenses	<u>\$ 16,412</u>	<u>296,985</u>	<u>10,388</u>	<u>323,785</u>

See accompanying notes to consolidated financial statements.



DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 4,556
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Interest income	(41)
Change in deposits held for donation	<u>(14,690)</u>
Net cash used in operating activities	(10,175)
Operating cash at beginning of year	<u>42,527</u>
Operating cash at end of year	<u>\$ 32,352</u>

See accompanying notes to consolidated financial statements.



# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2018

### (1) Summary of Significant Accounting Policies

#### (a) Nature of Activities

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.

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

#### (b) 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.

#### (c) Basis of Accounting

The accompanying Consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### (d) Basis of Presentation

The DLDC reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the DLDC's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations and either expire by passage of time or can be fulfilled by actions of the DLDC.

#### (e) Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### (f) Cash

For the purposes of reporting cash flows, the DLDC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.



## DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (g) 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.

##### (h) 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 net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. 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.

##### (i) 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.

##### (j) Donated Services

No amounts have been reflected in the consolidated 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.

##### (k) Restricted and Unrestricted Revenue and Support

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.



DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Expense Allocation

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

(m) 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 - 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.
- Festivals - This program is used for promoting economic development and providing entertainment to the citizens of the City. Major operating revenues include donations from various local companies while entertainment costs are the major operating costs of this program.
- Farmers Market - This program is used for promoting economic development and providing entertainment to the citizens of the City. Major operating revenues include donations from various local companies while entertainment costs are the major operating costs of this program.

(n) Income Taxes

DLDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the consolidated financial statements. DLDC has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. DLDC presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that DLDC has taken no uncertain tax positions that require adjustment in its consolidated financial statements. U.S. Forms 990 filed by DLDC are subject to tax examination by taxing authorities.

Washington Avenue Revitalization Company, LLC and DLDC Real Property, LLC, whose accounts are consolidated in these financial statements, are limited liability companies, whose sole member is DLDC, as such they are considered disregarded entities for tax purposes and are included in the DLDC for tax purposes.



DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(o) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity, and a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows done on the direct basis. This guidance is effective for fiscal years beginning after December 15, 2017. These consolidated financial statements and notes reflect adoption of this new standard.

(p) 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:

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.



DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Fair Value Measurements, Continued

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.

(q) Subsequent Events

DLDC has evaluated subsequent events through the date of the report which is the date the consolidated financial statements were available to be issued.

(2) Liquidity

The DLDC has approximately \$32,352 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures, consisting of operating cash. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2018 consolidated statement of financial position.

(3) Loans Receivable

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 \$49,387 has been established as of December 31, 2018. Loans receivable at December 31, 2018 are as follows:

Enviroteknix	\$ 35,001
Paradis	<u>14,386</u>
	49,387
Less allowance for doubtful accounts	<u>(49,387)</u>
Total loans receivable, net	\$ <u>      -</u>

## DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements, Continued

#### (3) Loans Receivable, Continued

Changes in the fair value of DLDC's Level 3 assets for the year ended December 31, 2018 is as follows:

Balance at the beginning of the year	\$ 232,176
Less amounts repaid	-
Less amounts written off	(182,789)
Balance at the end of the year	\$ <u>49,387</u>

Expected repayments on the loans receivable at December 31, 2018 are as follows:

In default	\$ 49,387
Less current portion	<u>-</u>
Loans receivable, net of current portion	\$ <u>49,387</u>

#### (4) Investment in Limited Liability Companies

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. 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.

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. 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.

#### (5) Contingencies

##### (a) Litigation

DLDC is party to various legal proceedings which normally occur in operations. 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

DLDC's policy is not to take possession or ownership of properties with potential or known pollutions remediation issues. 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 DLDC.



## DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Consolidating Statement of Financial Position

December 31, 2018

	<u>Assets</u>				<u>Total</u>
	Dunkirk Local Development Corporation	Washington Avenue Revitalization Company, LLC	DLDC Real Property Company, LLC	Eliminations	
Current assets:					
Cash	\$ 32,352	-	-	-	32,352
Restricted cash	82,816	-	-	-	82,816
Total current assets	115,168	-	-	-	115,168
Investment in LLC's	36,200	-	-	(36,200)	-
Property held for development or sale:					
Flickenger Building	-	20,200	-	-	20,200
Land, other	31,613	-	16,000	-	47,613
Total property held for development or sale	67,813	20,200	16,000	(36,200)	67,813
Total assets	\$ 182,981	20,200	16,000	(36,200)	182,981
Net assets:					
Net assets without donor restrictions	100,165	20,200	16,000	(36,200)	100,165
Net assets with donor restrictions	82,816	-	-	-	82,816
Total net assets	\$ 182,981	20,200	16,000	(36,200)	182,981

## DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Consolidating Statement of Activities

Year ended December 31, 2018

	Dunkirk Local Development Corporation	Washington Avenue Revitalization Company, LLC	DLDC Real Property Company, LLC	Eliminations	Total
Revenue:					
Operating grants	\$ 25,000	-	-	-	25,000
Fundraising	1,000	-	-	-	1,000
Festival income and sponsorships	296,708	-	-	-	296,708
Farmers market	5,592	-	-	-	5,592
Total revenue	328,300	-	-	-	328,300
Expenses - program services:					
DLDC	16,412	-	-	-	16,412
Festivals	296,985	-	-	-	296,985
Farmers market	10,388	-	-	-	10,388
Total expenses	323,785	-	-	-	323,785
Change in net assets from operations	4,515	-	-	-	4,515
Nonoperating revenue - interest income	42	-	-	-	42
Net change in net assets	4,557	-	-	-	4,557
Net assets at beginning of year	178,424	-	-	-	178,424
Net assets at end of year	\$ 182,981	-	-	-	182,981