

***NYBDC LOCAL  
DEVELOPMENT CORPORATION  
  
FINANCIAL STATEMENTS  
  
SEPTEMBER 30, 2017 AND 2016***



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To The Board Of Directors  
NYBDC Local Development Corporation  
Albany, New York

## **Independent Auditors' Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of NYBDC Local Development Corporation (a not-for-profit corporation) (the Company), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

### ***Auditors' Responsibility***

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 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 auditors' 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 auditors consider internal control relevant to the Company'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 Company'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 NYBDC Local Development Corporation as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and is not a required part of the 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 financial statements. The 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 or to 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.

### ***Report on Summarized Comparative Information***

We have previously audited the Company's September 30, 2016 financial statements, and our report dated December 13, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the Company'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

*Leah Becker & Charamonte, CPAs PC*

Albany, New York

December 12, 2017

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Statements Of Financial Position

September 30

	<u><b>2017</b></u>	<u><b>2016</b></u>
<u><b>Assets</b></u>		
<b>Assets:</b>		
Cash	\$ 65,779	\$ 7,727
Accounts receivable (Note 7)	725,888	650,013
Prepaid expenses	8,568	4,748
Accrued interest receivable	178,186	109,386
Restricted cash	3,372,077	656,025
Loans receivable, net (Note 2)	<u>22,706,992</u>	<u>21,290,183</u>
 <b>Total Assets</b>	 <u><u>\$ 27,057,490</u></u>	 <u><u>\$ 22,718,082</u></u>
<u><b>Liabilities And Net Assets</b></u>		
<b>Liabilities:</b>		
Short-term borrowings (Notes 5 and 7)	\$ 11,530,887	\$ 13,229,377
Other current liabilities (Note 7)	3,752,818	1,409,233
Pass-through grant payable	1,130,122	-
Community Development Block Grant loans payable (Note 3)	4,356,848	5,596,535
NYC Economic Development Corporation borrowings (Note 8)	1,000,000	-
Interest payable (Note 7)	48,728	29,402
Long-term debt (Note 6)	<u>3,639,470</u>	<u>1,445,000</u>
 Total liabilities	 25,458,873	 21,709,547
 <b>Net assets:</b>		
Unrestricted	1,221,340	1,008,535
Temporarily restricted (Note 4)	<u>377,277</u>	<u>-</u>
 Total net assets	 <u><u>1,598,617</u></u>	 <u><u>1,008,535</u></u>
 <b>Total Liabilities And Net Assets</b>	 <u><u>\$ 27,057,490</u></u>	 <u><u>\$ 22,718,082</u></u>

The accompanying notes are an integral part of these financial statements

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Statements Of Activities

For The Year Ended September 30, 2017

(With Summarized Comparative Totals For The Year Ended September 30, 2016)

	<b>2017</b>			<b>2016</b>
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
<b>Revenues:</b>				
Grant income	\$ 2,461,136	\$ 1,400,000	\$ 3,861,136	\$ 249,063
Interest income on loans	2,117,122	-	2,117,122	1,316,952
Origination fees	336,558	-	336,558	213,732
Staffing reimbursements (Note 7)	124,965	-	124,965	54,607
Community Development Block Grant income	100,570	-	100,570	203,910
Net assets released from restrictions	<u>1,022,723</u>	<u>(1,022,723)</u>	<u>-</u>	<u>-</u>
 Total revenues	<u>6,163,074</u>	<u>377,277</u>	<u>6,540,351</u>	<u>2,038,264</u>
 <b>Operating expenses:</b>				
Grant expenses	1,729,014	-	1,729,014	-
Shared services	1,462,587	-	1,462,587	441,374
Payroll and payroll related expenses	1,130,949	-	1,130,949	863,032
Interest expense (Note 7)	872,709	-	872,709	622,388
Other administrative and operating expenses	433,186	-	433,186	283,206
Provision for loan losses	245,367	-	245,367	173,952
Community Development Block Grant expenses	<u>76,457</u>	<u>-</u>	<u>76,457</u>	<u>144,554</u>
 Total operating expenses	<u>5,950,269</u>	<u>-</u>	<u>5,950,269</u>	<u>2,528,506</u>
 <b>Change in net assets</b>	 212,805	 377,277	 590,082	 (490,242)
 <b>Net assets at beginning of year</b>	 <u>1,008,535</u>	 <u>-</u>	 <u>1,008,535</u>	 <u>1,498,777</u>
 <b>Net Assets At End Of Year</b>	 <u><u>\$ 1,221,340</u></u>	 <u><u>\$ 377,277</u></u>	 <u><u>\$ 1,598,617</u></u>	 <u><u>\$ 1,008,535</u></u>

The accompanying notes are an integral part of these financial statements

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Statements Of Cash Flows

For The Years Ended September 30

	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>Operating activities:</b>		
Increase (decrease) in net assets	\$ 590,082	\$ (490,242)
Adjustments to reconcile increase (decrease) in net assets to net cash flows from (for) operating activities:		
Provision for loan losses	245,367	173,952
Changes in operating assets and liabilities:		
Restricted cash	(2,716,052)	480,162
Accrued interest receivable	(68,800)	(78,387)
Prepaid expenses	(3,820)	5,786
Accounts receivable	(75,875)	178,002
Other current liabilities	2,343,585	(1,120,878)
Pass-through grant payable	1,130,122	-
Accrued interest payable	19,326	9,883
Net cash flows from (for) operating activities	<u>1,463,935</u>	<u>(841,722)</u>
<b>Investing activities:</b>		
Loans disbursed, net	<u>(1,662,176)</u>	<u>(2,598,607)</u>
Net cash flows for investing activities	<u>(1,662,176)</u>	<u>(2,598,607)</u>
<b>Financing activities:</b>		
Proceeds from (payments on) short-term borrowings, net	(1,698,490)	1,172,034
Proceeds from long-term borrowings	2,194,470	-
Payments on Superstorm Sandy borrowings	-	(416,036)
Proceeds from NYC Economic Development Corporation borrowings	1,000,000	-
Proceeds from (payments on) Community Development Block Grant loans payable, net	<u>(1,239,687)</u>	<u>1,999,825</u>
Net cash flows from financing activities	<u>256,293</u>	<u>2,755,823</u>
<b>Net increase (decrease) in cash</b>	58,052	(684,506)
<b>Cash - beginning</b>	<u>7,727</u>	<u>692,233</u>
<b>Cash - Ending</b>	<u><u>\$ 65,779</u></u>	<u><u>\$ 7,727</u></u>
<b>Supplemental disclosures of cash flows information:</b>		
Interest Paid	<u><u>\$ 853,383</u></u>	<u><u>\$ 612,505</u></u>

The accompanying notes are an integral part of these financial statements

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 1: Summary Of Significant Accounting Policies**

Background information - NYBDC Local Development Corporation (the Company) was formed on January 8, 2009, pursuant to Section 1411 of the Not-For-Profit Corporation Laws of the State of New York, to assist both new and existing small businesses in the State of New York by providing financing for the acquisition of real property and construction and renovation projects. The Company also provides a wider range of financial and business advisory services to small businesses in New York State. The Company has operated under the name Excelsior Growth Fund since 2015.

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of grantor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to grantor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to grantor-imposed stipulations that will be met by actions of the Company. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investments for general or specific purposes. The Company had no permanently restricted net assets as of September 30, 2017 and 2016.

Restricted cash - Restricted cash includes certain state, borrower, and lender loan loss reserve contributions funded under the New York State Capital Access Program (CAP) and the U.S. Small Business Administration Microloan Program (MLP). These funds are held in restricted cash until such time that they may be required to fund CAP or MLP related loan losses. Restricted cash also includes borrowings on debt that is designated for specific loan programs that has not been disbursed in accordance with the borrowing agreements as of September 30.

Loans receivable - Loans receivable are stated at unpaid principal balances, reduced by bank participations. Interest on loans is calculated utilizing the simple interest method over the term of the loan. Accrual of interest is discontinued on a loan at such time as management believes, after considering economic business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic and environmental conditions, and other risks inherent in the portfolio.



# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 1: Summary Of Significant Accounting Policies (Continued)**

Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near-term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Subsequent recoveries, if any, are credited to the allowance for loan losses. Changes in the allowance are charged or credited to the provision for loan losses. When, in the opinion of management, the collection of principal appears unlikely, the loan balance is evaluated in light of its sources of repayment and a charge-off against the allowance for loan losses is recorded, when appropriate.

Recognition of grantor restrictions - Support that is restricted by the grantor is reported as an increase in unrestricted net assets if the restriction is satisfied in the reporting period in which the support is recognized. All other grantor restricted support is reported as an increase in temporarily restricted net assets. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Income taxes - NYBDC Local Development Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Tax positions are evaluated and recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 reporting period. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Company periodically evaluates estimates and assumptions used in the preparation of the financial statements and makes changes on a prospective basis when adjustments are necessary. Significant estimates made by the Company in the accompanying financial statements include certain assumptions related to loans receivable. Actual results could differ from these estimates.

Presentation - Certain reclassifications, when applicable, are made to the prior year financial statement presentation to correspond to the current year's format. Reclassifications, when made, have no effect on total net assets or increase (decrease) in unrestricted net assets.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 2: Loans Receivable And Allowance For Loan Losses**

As of September 30, outstanding loans receivable consist of the following:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Excelsior Growth Fund loans receivable	\$ 14,002,842	\$ 7,118,607
Interim loans receivable	7,396,740	10,087,951
Community Development Block Grant loans receivable (Note 3)	<u>4,356,848</u>	<u>5,596,535</u>
	25,756,430	22,803,093
Less: participations sold	<u>(1,771,748)</u>	<u>(915,875)</u>
	23,984,682	21,887,218
Less: allowance for loan losses	<u>(1,277,690)</u>	<u>(597,035)</u>
<b>Loans Receivable, Net</b>	<b><u>\$ 22,706,992</u></b>	<b><u>\$ 21,290,183</u></b>

Loans receivable, presented by the aging of the recorded investment in past due loans, as of September 30 are as follows:

<b>September 30, 2017</b>				
<b><u>Current</u></b>	<b><u>30 - 59 Days Past Due</u></b>	<b><u>60 - 89 Days Past Due</u></b>	<b><u>90 + Days Past Due</u></b>	<b><u>Total Loans</u></b>
<u>\$ 23,286,256</u>	<u>\$ -</u>	<u>\$ 409,320</u>	<u>\$ 289,106</u>	<u>\$ 23,984,682</u>

  

<b>September 30, 2016</b>				
<b><u>Current</u></b>	<b><u>30 - 59 Days Past Due</u></b>	<b><u>60 - 89 Days Past Due</u></b>	<b><u>90 + Days Past Due</u></b>	<b><u>Total Loans</u></b>
<u>\$ 21,466,253</u>	<u>\$ 224,719</u>	<u>\$ 96,501</u>	<u>\$ 99,745</u>	<u>\$ 21,887,218</u>

The Company's investment in loans receivable 90 days or more past due and still accruing interest at September 30, 2017 and 2016 was \$0 and \$99,745, respectively.

# **NYBDC LOCAL DEVELOPMENT CORPORATION**

## Notes To Financial Statements

### **Note 2: Loans Receivable And Allowance For Loan Losses (Continued)**

The allowance for loan losses account is increased by a provision for loan loss, and reduced by losses, net of recoveries. A summary of the changes in the allowance for loan losses as of September 30 consists of:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Balance, beginning of year	\$ 597,035	\$ 42,100
Provision for loan losses	245,367	173,952
Other adjustments	<u>435,288</u>	<u>380,983</u>
 <b>Balance, End Of Year</b>	 <b><u>\$ 1,277,690</u></b>	 <b><u>\$ 597,035</u></b>

Other adjustments consist of loan loss reserves related to the New York State Capital Access Program and the U.S. Small Business Administration Microloan Program that have been funded by the state, lender, and the borrower as required under the programs (see Note 1).

	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Ending allowance balance attributable to loans:</b>		
Individually evaluated for impairment	\$ 30,000	\$ -
Collectively evaluated for impairment	<u>1,247,690</u>	<u>597,035</u>
 <b>Total Ending Allowance Balance</b>	 <b><u>\$ 1,277,690</u></b>	 <b><u>\$ 597,035</u></b>

	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Loans:</b>		
Individually evaluated for impairment	\$ 289,106	\$ -
Collectively evaluated for impairment	<u>23,695,576</u>	<u>21,887,218</u>
 <b>Total Ending Loan Balance</b>	 <b><u>\$ 23,984,682</u></b>	 <b><u>\$ 21,887,218</u></b>

# **NYBDC LOCAL DEVELOPMENT CORPORATION**

## Notes To Financial Statements

### **Note 2: Loans Receivable And Allowance For Loan Losses (Continued)**

Loans on which the accrual of interest has been discontinued, or impaired loans, approximated \$289,106 and \$0 at September 30, 2017 and 2016, respectively.

Impaired loans as of September 30 are presented as follows:

<b>September 30, 2017</b>				
<b><u>Recorded Investment</u></b>	<b><u>Unpaid Principal Balance</u></b>	<b><u>Related Allowance</u></b>	<b><u>Average Recorded Investment</u></b>	<b><u>Interest Income Recognized</u></b>
\$ 289,106	\$ 289,106	\$ 30,000	\$ 194,425	\$ -
<b>September 30, 2016</b>				
<b><u>Recorded Investment</u></b>	<b><u>Unpaid Principal Balance</u></b>	<b><u>Related Allowance</u></b>	<b><u>Average Recorded Investment</u></b>	<b><u>Interest Income Recognized</u></b>
\$ -	\$ -	\$ -	\$ -	\$ -

The Company did not acquire any loans with deteriorated credit quality in 2017 and 2016.

### **Note 3: Community Development Block Grant Disaster Recovery Program Grant And Loan Fund**

The Company entered into an agreement with the City of New York (the City) in a prior year to administer grants and loans related to the Community Development Block Grant Disaster Recovery Program (CDBG-DR or the Program). The Program was designed to assist small businesses in New York City affected by weather events and other eligible events during calendar years 2011, 2012, and 2013.

Under the agreement, the Company agreed to assist the City in administering a loan and grant program funded by CDBG-DR monies from the U.S. Department of Housing and Urban Development (HUD). HUD has allocated \$1.7 billion to the City for the Program. Grant and loan applications are submitted to the City for approval. The Company uses proceeds of awards solely to make program loans and grants to approved applicants. The Company administers the collections process, including the remittance of repayments from the underlying borrowers.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 3: Community Development Block Grant Disaster Recovery Program Grant And Loan Fund (Continued)**

During the fiscal years ended September 30, 2017 and 2016, \$292,826 and \$3,137,202 of loan awards have been disbursed to qualified applicants, respectively. As of September 30, 2017 and 2016, \$4,356,848 and \$5,596,535 of loans receivable are outstanding, respectively. These amounts are offset by the corresponding payable to the City.

During the fiscal years ended September 30, 2017 and 2016, \$2,468,371 and \$18,072,692 of grant awards have been disbursed to qualified applicants, respectively.

Under the agreement with the City, the Company will charge the City a servicing fee for each loan and grant application file that is serviced, along with out-of-pocket expenses, and a specified marketing, outreach, and program development fee. For the years ended September 30, 2017 and 2016, the City was billed \$100,570 and \$203,910, for the Company's services, respectively.

### **Note 4: Restrictions On Net Assets**

Temporarily restricted net assets at September 30, 2017 are comprised of grant income funds that are subject to donor restrictions on their use in accordance with the specific program objectives. These assets are expected to be used by September 2019.

### **Note 5: Short-Term Borrowings**

Short-term borrowings as of September 30 consist of:

	<b><u>2017</u></b>	<b><u>2016</u></b>
The Company has short-term funding available from a related party with principal due on demand (see Note 7). Interest on this borrowing is payable monthly at the prime rate plus 0.50% (prime was 4.25% at September 30, 2017), however, cannot be lower than 5.00%.	\$ 8,016,838	\$ 6,303,692
Line of credit with a bank. The line has a limit of \$15,000,000 and is secured by all business assets. Borrowings against the line are due on demand and interest is payable monthly at the prime rate plus 0.50% (prime was 4.25% at September 30, 2017), however, cannot be lower than 5.00%. The Company has \$13,054,720 available on this line at September 30, 2017.	1,945,280	1,013,500

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 5: Short-Term Borrowings (Continued)**

	<b><u>2017</u></b>	<b><u>2016</u></b>
Line of credit with a bank. The line has a limit of \$7,000,000 and is secured by all business assets. Borrowings against the line are due on demand and interest is payable monthly at the prime rate plus 0.50% (prime was 4.25% at September 30, 2017), however, cannot be lower than 5.00%. The Company has \$5,431,231 available on this line at September 30, 2017.	1,568,769	5,837,185
Line of credit with a financing company. The line had a limit of \$75,000 and was unsecured. Borrowings against the line were due December 1, 2016 and interest was payable monthly at a rate of 3.00%. This line was paid in full and terminated in the current year.	-	75,000
Line of credit with a bank, to be used to fund advances to borrowers participating in the Excelsior Growth Fund Program, secured by all business assets. The line has a limit of \$3,000,000. Borrowings against the line are due on demand and interest is payable monthly at the prime rate plus 1.00% (prime was 4.25% at September 30, 2017), however, cannot be lower than 5.00%. The Company has \$3,000,000 available at September 30, 2017.	-	-
Line of credit with a bank, to be used to fund advances to borrowers participating in the Excelsior Growth Fund Program, secured by all business assets. The line has a limit of \$3,000,000. Borrowings against the line are due on demand and interest is payable monthly at the prime rate plus 1.00% (prime was 4.25% at September 30, 2017), however, cannot be lower than 5.00%. The Company has \$3,000,000 available at September 30, 2017.	-	-
<b>Total Short-Term Borrowings</b>	<b><u>\$ 11,530,887</u></b>	<b><u>\$ 13,229,377</u></b>

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 6: Long-Term Debt**

Long-term debt as of September 30 consists of:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Revolving note payable to a corporate governmental financing agency of the State of New York, up to a maximum of \$1,445,000, with interest at 1.00% due semi-annually on June 30 and December 31 each year. Loan proceeds may be used solely to make loans to small businesses. For funds that have been deployed, the loan and attached note are due March 2022, with principal payments beginning March 2020 and recurring annually in equal installments. Each principal installment will be equivalent to 33.33% of the original principal balance. As of September 30, 2017, \$1,445,000	\$ 1,445,000	\$ 1,445,000
Notes payable with a financing company, due at various dates through November 2019, in monthly installments of interest only at rates determined at the time of each advance, currently 3.00%, with the lump sum balance of each advance due at maturity. The master promissory note has no stated limit and is unsecured.	1,444,470	-
Loan payable to the U.S. Small Business Administration, due December 2026, without interest. Principal payments of \$6,944 are payable monthly beginning January 2018. Loan proceeds may be used solely to make loans to businesses under the Microloan Program. The Small Business Administration holds a security interest in the related loans receivable as well as the required loan loss reserve fund.	<u>750,000</u>	<u>-</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 3,639,470</u></b>	<b><u>\$ 1,445,000</u></b>

Maturities of long-term debt are as follows:

2018	\$ 62,496
2019	503,333
2020	1,589,470
2021	565,000
2022	565,000
Thereafter	<u>354,171</u>
<b>Total</b>	<b><u>\$ 3,639,470</u></b>

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 7: Related Party Transactions**

At September 30, 2017 and 2016, the Company was involved in various transactions with New York Business Development Corporation (NYBDC) and Empire State Certified Development Corporation (ESCDC), affiliates related through common management. Transactions and balances with the related parties at September 30 consist of:

<b><u>Due to/from related parties</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Due To NYBDC - Represents short-term borrowings to fund operations (included in short-term borrowings on the statements of financial position) (see Note 5).	<u>\$ 8,016,838</u>	<u>\$ 6,303,692</u>
Due To NYBDC - Represents staffing, shared services, and subrecipient administration expenses related to the Community Development Block Grant Disaster Recovery Program and the Excelsior Growth Fund Program (included in other current liabilities on the statements of financial position).	<u>\$ 2,773,029</u>	<u>\$ 1,304,262</u>
Due To ESCDC - Represents staffing and shared services expenses related to the Excelsior Growth Fund Program (included in other current liabilities on the statements of financial position).	<u>\$ 70,278</u>	<u>\$ -</u>
Due From NYBDC - Represents amounts due for staffing reimbursements for the use of the Company's employees (included in accounts receivable on the statements of financial position).	<u>\$ 550,066</u>	<u>\$ 425,101</u>
Accrued Interest - Due to NYBDC (included in interest payable on the statements of financial position).	<u>\$ 30,240</u>	<u>\$ 24,675</u>



# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 7: Related Party Transactions (Continued)**

<b><u>Income and expenses</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Staffing Reimbursements - Received from NYBDC.	\$ <u>124,965</u>	\$ <u>54,607</u>
Staffing Expense - Paid to NYBDC.	\$ <u>76,457</u>	\$ <u>144,554</u>
Shared Services - Paid to NYBDC.	\$ <u>1,392,309</u>	\$ <u>441,374</u>
Shared Services - Paid to ESCDC.	\$ <u>70,278</u>	\$ <u>-</u>
Interest Expense - Paid to NYBDC.	\$ <u>327,572</u>	\$ <u>231,759</u>
Employee Benefits Expense - Paid to NYBDC.	\$ <u>98,943</u>	\$ <u>63,396</u>

### **Note 8: New York City Economic Development Corporation Borrowings**

The Company entered into an agreement with New York City Economic Development Corporation (the Corporation) in the current year. Under the agreement, the Corporation provided \$1,000,000 to the Company to be used solely as loan capital for a program outlined by the Corporation. Specifically, the loan capital will be distributed to minority and women owned businesses that operate as contractors or sub-contractors under contracts with various entities approved by the Corporation. Any funds received by the Company relating to the program loans are to be remitted to the Corporation. Any funds not distributed as of the expiration date of the agreement shall be returned to the Corporation. Notwithstanding other events, the agreement expires the day preceding the two year anniversary of the commencement date and all capital provided is due to the Corporation two years after the expiration date. Up to \$2,000,000 may be allocated to the Company under the agreement. As of September 30, 2017, \$1,000,000 has been disbursed to the Company, however no loans have been disbursed to borrowers under the program.

### **Note 9: Defined Contribution Plan**

Employees of the Company may participate in the New York Business Development Corporation Employees Salary Reduction 401(k) Plan, a participant directed 401(k) Plan. The Plan provides for the participation of employees immediately upon hire and attainment of age 21. Employees may elect to defer 100% of eligible compensation, as defined in the Plan. The Plan allows for matching employer contributions up to 6% of eligible participant deferrals. Employer contributions allocated to the Company for the years ended September 30, 2017 and 2016 were \$49,153 and \$40,505, respectively.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 10: Commitments And Contingencies**

At September 30, 2017, the Company has committed to loans totaling \$13,678,221 to be made in subsequent fiscal years. Commitments to extend credit represent obligations to lend to a customer as long as there is no violation of any condition established under the loan approval. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The Company follows the guidance for uncertainty in income taxes. As of September 30, 2017, the Company believes that it has appropriate support for the income tax positions taken and to be taken on its returns based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

### **Note 11: Concentrations Of Credit Risk**

Financial instruments that potentially subject NYBDC Local Development Corporation to concentrations of credit risk consist principally of cash in financial institutions. Accounts at each institution are insured up to the Federal Deposit Insurance Corporation limits.

### **Note 12: Subsequent Events**

Subsequent events have been evaluated through December 12, 2017, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**



Teal, Becker & Chiaramonte™  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**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***

To The Board Of Directors  
NYBDC Local Development Corporation

**Independent Auditors' Report**

We have audited, 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, the financial statements of NYBDC Local Development Corporation (the Company), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2017.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Company'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the Company'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 the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Leah Becker & Charamonte, CPAs PC*

Albany, New York  
December 12, 2017



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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance In  
Accordance With The Uniform Guidance**

To The Board Of Directors  
NYBDC Local Development Corporation

**Independent Auditors' Report**

**Report on Compliance for the Major Federal Program**

We have audited NYBDC Local Development Corporation's (the Company) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Company's major federal program for the year ended September 30, 2017. The Company's major federal program is identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Company's major federal program 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the 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 the Company'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 its major federal program. However, our audit does not provide a legal determination of the Company's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

**Report on Internal Control over Compliance**

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 the Company'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.

*Paul Becker & Charamonte, CPAs PC*

Albany, New York  
December 12, 2017

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Schedule Of Expenditures Of Federal Awards

September 30, 2017

<b>Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed through the City of New York Hurricane Sandy Community Development Block Grant Disaster Recovery - Grants	14.269	\$ 2,468,371
Passed through the City of New York Hurricane Sandy Community Development Block Grant Disaster Recovery - Loans	14.269	292,826
Passed through the City of New York Hurricane Sandy Community Development Block Grant Disaster Recovery - Loan and Grant Servicing Fees	14.269	<u>100,570</u>
Total U.S Department of Housing and Urban Development		<u>2,861,767</u>
<b>Total Expenditures Of Federal Awards</b>		<b><u><u>\$ 2,861,767</u></u></b>



## **NYBDC LOCAL DEVELOPMENT CORPORATION**

### **Note To Schedule Of Expenditures Of Federal Awards**

#### **Note 1: Summary Of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) was prepared on the accrual basis of accounting. Grant awards received from the U.S. Department of Housing and Urban Development are not recorded as revenue since the awards are subsequently disbursed to the applicant.

Loans are disbursed as awards are received; corresponding assets and liabilities arising from the loans are recorded.

The amounts reported as federal expenditures in the Schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable program and periods. The non-federal share of expenditures, if any, is excluded from the Schedule.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Schedule Of Findings And Questioned Costs

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

#### FEDERAL AWARDS

Type of auditors' report issued on compliance for the major program -  
Hurricane Sandy Community Development Block  
Grant Disaster Recovery Program Unqualified

Internal control over the major program:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Any audit findings disclosed that are required to be reported  
in accordance with the Uniform Guidance? ☐ yes ☒ no

#### IDENTIFICATION OF MAJOR PROGRAM:

CFDA Number	Name of Federal Program
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Program

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no