

***NYBDC LOCAL  
DEVELOPMENT CORPORATION***

***FINANCIAL STATEMENTS***

***SEPTEMBER 30, 2018 AND 2017***



Teal, Becker & Chiamonte™  
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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, 2018 and 2017, 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. 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, 2018 and 2017, 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.

***Report on Summarized Comparative Information***

We have previously audited the Company's September 30, 2017 financial statements, and our report dated December 12, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Teal Becker & Charamonte CPAs PC*

Albany, New York  
December 11, 2018

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Statements Of Financial Position

September 30

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
<b>Assets:</b>		
Cash	\$ 113,075	\$ 65,779
Accounts receivable (Note 7)	769,753	725,888
Grants receivable	1,641,442	-
Prepaid expenses	11,105	8,568
Accrued interest receivable	337,630	178,186
Restricted cash	5,028,560	3,372,077
Loans receivable, net (Note 2)	<u>46,908,997</u>	<u>22,706,992</u>
 <b>Total Assets</b>	 <b><u>\$ 54,810,562</u></b>	 <b><u>\$ 27,057,490</u></b>
<b><u>Liabilities And Net Assets</u></b>		
<b>Liabilities:</b>		
Short-term borrowings (Notes 5 and 7)	\$ 34,497,720	\$ 11,530,887
Other current liabilities (Note 7)	4,357,279	3,752,818
Pass-through grant payable	1,374,011	1,130,122
Community Development Block Grant loans payable (Note 3)	2,818,612	4,356,848
NYC Economic Development Corporation borrowings (Note 8)	1,000,000	1,000,000
Empire State Development Minority and Women Revolving Loan Trust Fund (Note 9)	179,157	-
Interest payable (Note 7)	203,533	48,728
Long-term debt (Note 6)	<u>8,425,766</u>	<u>3,639,470</u>
 Total liabilities	 52,856,078	 25,458,873
 <b>Net assets:</b>		
Unrestricted	764,545	1,221,340
Temporarily restricted (Note 4)	<u>1,189,939</u>	<u>377,277</u>
 Total net assets	 <u>1,954,484</u>	 <u>1,598,617</u>
 <b>Total Liabilities And Net Assets</b>	 <b><u>\$ 54,810,562</u></b>	 <b><u>\$ 27,057,490</u></b>

The accompanying notes are an integral part of these financial statements

**NYBDC LOCAL DEVELOPMENT CORPORATION**

Statements Of Activities

For The Year Ended September 30, 2018

(With Summarized Comparative Totals For The Year Ended September 30, 2017)

	<b>2018</b>			<b>2017</b>
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>	
<b>Revenues:</b>				
Interest income on loans	\$ 3,768,536	\$ -	\$ 3,768,536	\$ 2,117,122
Grant income	483,222	2,225,000	2,708,222	3,861,136
Origination fees	524,642	-	524,642	336,558
Staffing reimbursements (Note 7)	125,933	-	125,933	124,965
Community Development Block Grant income (Note 3)	30,120	-	30,120	100,570
Net assets released from restrictions	<u>1,412,338</u>	<u>(1,412,338)</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>6,344,791</u>	 <u>812,662</u>	 <u>7,157,453</u>	 <u>6,540,351</u>
 <b>Operating expenses:</b>				
Interest expense (Note 7)	1,654,436	-	1,654,436	872,709
Provision for loan losses	1,496,739	-	1,496,739	245,367
Shared services (Note 7)	1,168,733	-	1,168,733	1,462,587
Payroll and payroll related expenses	1,151,729	-	1,151,729	1,130,949
Grant expenses	801,000	-	801,000	1,729,014
Other administrative and operating expenses	448,961	-	448,961	433,186
Community Development Block Grant expenses (Note 3)	<u>79,988</u>	<u>-</u>	<u>79,988</u>	<u>76,457</u>
 Total operating expenses	 <u>6,801,586</u>	 <u>-</u>	 <u>6,801,586</u>	 <u>5,950,269</u>
 <b>Change in net assets</b>	 (456,795)	812,662	355,867	590,082
 <b>Net assets at beginning of year</b>	 <u>1,221,340</u>	<u>377,277</u>	<u>1,598,617</u>	<u>1,008,535</u>
 <b>Net Assets At End Of Year</b>	 <u>\$ 764,545</u>	<u>\$ 1,189,939</u>	<u>\$ 1,954,484</u>	<u>\$ 1,598,617</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>2018</u>	<u>2017</u>
<b>Operating activities:</b>		
Increase in net assets	\$ 355,867	\$ 590,082
Adjustments to reconcile increase in net assets to net cash flows from (for) operating activities:		
Provision for loan losses	1,496,739	245,367
Changes in operating assets and liabilities:		
Restricted cash	(1,656,483)	(2,716,052)
Accrued interest receivable	(159,444)	(68,800)
Prepaid expenses	(2,537)	(3,820)
Accounts receivable	(43,865)	(75,875)
Grants receivable	(1,641,442)	-
Other current liabilities	604,461	2,343,585
Pass-through grant payable	243,889	1,130,122
Accrued interest payable	154,805	19,326
Net cash flows from (for) operating activities	<u>(648,010)</u>	<u>1,463,935</u>
<b>Investing activities:</b>		
Loans disbursed, net	<u>(25,698,744)</u>	<u>(1,662,176)</u>
Net cash flows for investing activities	<u>(25,698,744)</u>	<u>(1,662,176)</u>
<b>Financing activities:</b>		
Proceeds from (payments on) short-term borrowings, net	22,966,833	(1,698,490)
Issuance of long-term debt	5,076,093	2,194,470
Repayments on long-term debt	(289,797)	
Proceeds from NYC Economic Development Corporation borrowings	-	1,000,000
Proceeds from Empire State Development Minority and Women Revolving Loan Trust Fund	179,157	-
Payments on Community Development Block Grant loans payable, net	<u>(1,538,236)</u>	<u>(1,239,687)</u>
Net cash flows from financing activities	<u>26,394,050</u>	<u>256,293</u>
<b>Net increase in cash</b>	47,296	58,052
<b>Cash - beginning</b>	<u>65,779</u>	<u>7,727</u>
<b>Cash - Ending</b>	<u>\$ 113,075</u>	<u>\$ 65,779</u>
<b>Supplemental disclosures of cash flows information:</b>		
Interest Paid	<u>\$ 1,499,631</u>	<u>\$ 853,383</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 is released, 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, 2018 and 2017.

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 and proceeds from grants that is designated for specific loan programs that has not been disbursed in accordance with the borrowing or grant 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 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:

	<u>2018</u>	<u>2017</u>
Excelsior Growth Fund loans receivable	\$ 23,468,352	\$ 14,002,842
Interim loans receivable	24,555,754	7,396,740
Community Development Block Grant loans receivable (Note 3)	<u>2,818,612</u>	<u>4,356,848</u>
	50,842,718	25,756,430
Less: participations sold	<u>(1,241,913)</u>	<u>(1,771,748)</u>
	49,600,805	23,984,682
Less: allowance for loan losses	<u>(2,691,808)</u>	<u>(1,277,690)</u>
 <b>Loans Receivable, Net</b>	 <u><u>\$ 46,908,997</u></u>	 <u><u>\$ 22,706,992</u></u>

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

<u>September 30, 2018</u>				
<u>Current</u>	<u>30 - 59 Days Past Due</u>	<u>60 - 89 Days Past Due</u>	<u>90 + Days Past Due</u>	<u>Total Loans</u>
<u>\$ 47,531,266</u>	<u>\$ 116,678</u>	<u>\$ -</u>	<u>\$ 1,952,861</u>	<u>\$ 49,600,805</u>
<u>September 30, 2017</u>				
<u>Current</u>	<u>30 - 59 Days Past Due</u>	<u>60 - 89 Days Past Due</u>	<u>90 + Days Past Due</u>	<u>Total Loans</u>
<u>\$ 23,286,256</u>	<u>\$ -</u>	<u>\$ 409,320</u>	<u>\$ 289,106</u>	<u>\$ 23,984,682</u>

The Company's investment in loans receivable 90 days or more past due and still accruing interest at September 30, 2018 and 2017 was \$1,042,186 and \$-0-, 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>2018</u></b>	<b><u>2017</u></b>
Balance, beginning of year	\$ 1,277,690	\$ 597,035
Provision for loan losses	1,496,739	245,367
Recoveries	4,000	-
Losses charged to the allowance	(780,074)	-
Other adjustments	<u>693,453</u>	<u>435,288</u>
 <b>Balance, End Of Year</b>	 <b><u>\$ 2,691,808</u></b>	 <b><u>\$ 1,277,690</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>2018</u></b>	<b><u>2017</u></b>
<b>Ending allowance balance attributable to loans:</b>		
Individually evaluated for impairment	\$ 794,000	\$ 30,000
Collectively evaluated for impairment	<u>1,897,808</u>	<u>1,247,690</u>
 <b>Total Ending Allowance Balance</b>	 <b><u>\$ 2,691,808</u></b>	 <b><u>\$ 1,277,690</u></b>
 <b>Loans:</b>		
Individually evaluated for impairment	\$ 910,675	\$ 289,106
Collectively evaluated for impairment	<u>48,690,130</u>	<u>23,695,576</u>
 <b>Total Ending Loan Balance</b>	 <b><u>\$ 49,600,805</u></b>	 <b><u>\$ 23,984,682</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 \$910,675 and \$289,106 at September 30, 2018 and 2017, respectively.

Impaired loans as of September 30 are presented as follows:

<b>September 30, 2018</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>
\$ 910,675	\$ 910,675	\$ 794,000	\$ 354,111	\$ -
<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	\$ -

The Company did not acquire any loans with deteriorated credit quality in 2018 and 2017.

**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, 2018 and 2017, \$8,322 and \$292,826 of loan awards have been disbursed to qualified applicants, respectively. As of September 30, 2018 and 2017, \$2,818,612 and \$4,356,848 of loans receivable are outstanding, respectively. These amounts are offset by the corresponding payable to the City.

During the fiscal years ended September 30, 2018 and 2017, \$259,459 and \$2,468,371 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, 2018 and 2017, the City was billed \$30,120 and \$100,570, for the Company's services, respectively.

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

Temporarily restricted net assets at September 30, 2018 and 2017 comprise 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 2020.

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

Short-term borrowings as of September 30 consist of:

	<u>2018</u>	<u>2017</u>
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 related party's internal cost of funds plus 1.50% (the internal cost of funds was 3.84% at September 30, 2018).	\$ 21,555,664	\$ 8,016,838
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 5.25% at September 30, 2018), however, cannot be lower than 5.00%. The Company has \$408,967 available on this line at September 30, 2018.	6,591,033	1,568,769

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

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

	<b><u>2018</u></b>	<b><u>2017</u></b>
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 5.25% at September 30, 2018), however, cannot be lower than 5.00%. The Company has \$8,648,977 available on this line at September 30, 2018.	<u>6,351,023</u>	<u>1,945,280</u>
<b>Total Short-Term Borrowings</b>	<b><u>\$ 34,497,720</u></b>	<b><u>\$ 11,530,887</u></b>

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

Long-term debt as of September 30 consists of:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Notes payable with a financing company, due at various dates through October 2020, in monthly installments of interest only at rates determined at the time of each advance, currently at 3.00% and 3.50%, with the lump sum balance of each advance due at maturity. The master promissory note has no stated limit and is unsecured.	\$ 3,793,266	\$ 1,444,470
Loan payable to the U.S. Small Business Administration, due April 2028, with interest at 0.625%. Principal payments of \$23,811 are payable monthly beginning May 2019. 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.	2,500,000	-

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### Note 6: Long-Term Debt (Continued)

	<u>2018</u>	<u>2017</u>
<p>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, 2018, \$1,445,000 has been deployed.</p>	1,445,000	1,445,000
<p>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.</p>	<u>687,500</u>	<u>750,000</u>
<b>Total Long-Term Debt</b>	<u>\$ 8,425,766</u>	<u>\$ 3,639,470</u>

Maturities of long-term debt are as follows:

2019	\$ 594,945
2020	3,687,511
2021	1,381,687
2022	840,005
2023	360,062
Thereafter	<u>1,561,556</u>
<b>Total</b>	<u>\$ 8,425,766</u>

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

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

At September 30, 2018 and 2017, 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>2018</u></b>	<b><u>2017</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>\$ 21,555,664</u>	<u>\$ 8,016,838</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>\$ 3,952,782</u>	<u>\$ 2,773,029</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>\$ 139,245</u>	<u>\$ 70,278</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>\$ 675,999</u>	<u>\$ 550,066</u>
Accrued Interest - Due to NYBDC (included in interest payable on the statements of financial position).	<u>\$ 91,831</u>	<u>\$ 30,240</u>



# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

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

<b><u>Income and expenses</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Staffing Reimbursements - Received from NYBDC.	\$ <u>125,933</u>	\$ <u>124,965</u>
Staffing Expense - Paid to NYBDC.	\$ <u>79,988</u>	\$ <u>76,457</u>
Shared Services - Paid to NYBDC.	\$ <u>1,099,765</u>	\$ <u>1,392,309</u>
Shared Services - Paid to ESCDC.	\$ <u>68,968</u>	\$ <u>70,278</u>
Interest Expense - Paid to NYBDC.	\$ <u>858,477</u>	\$ <u>327,572</u>
Employee Benefits Expense - Paid to NYBDC.	\$ <u>114,007</u>	\$ <u>98,943</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 prior 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, 2018, \$1,000,000 has been disbursed to the Company, and \$15,000 of loans have been disbursed to borrowers under the program.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 9: New York State Minority and Women Revolving Loan Trust Fund**

The Company entered into an agreement with New York State Urban Development Corporation d/b/a Empire State Development ("ESD") in the current year. Under the agreement, ESD will provide \$537,471 to the Company to be used solely as loan capital for a program outlined by ESD. Specifically, the loan capital will be distributed to minority and women owned businesses within certain geographical limitations. Any funds received by the Company relating to the program loans are to be remitted to ESD. Any funds not distributed as of the expiration date of the agreement shall be returned to ESD. Notwithstanding other events, the agreement expires on December 31, 2020, and all capital provided is due to ESD upon the conclusion of the program. Loan capital is expected to revolve until ESD determines that loan capital is no longer being used or is no longer needed, or when the Company determines that loan capital is no longer needed. As of September 30, 2018, the Company has received \$179,157 under this program. No loans have been disbursed to borrowers by the Company as of September 30, 2018.

### **Note 10: 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, 2018 and 2017 were \$62,087 and \$49,153, respectively.

### **Note 11: Commitments And Contingencies**

At September 30, 2018, the Company has committed to loans totaling \$30,256,234 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, 2018, 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.

# NYBDC LOCAL DEVELOPMENT CORPORATION

## Notes To Financial Statements

### **Note 12: Concentrations Of Credit Risk**

Financial instruments that potentially subject 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 13: Subsequent Events**

Subsequent events have been evaluated through December 11, 2018, which is the date the financial statements were available to be issued.