NYBDC LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Teal, Becker & Chiaramonte™
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION

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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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 audit was 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 are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of NYBDC Local Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NYBDC Local Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYBDC Local Development Corporation's internal control over financial reporting and compliance.

Teal, Becker & Chiaramonte, CPAs PC

Albany, New York
December 10, 2019

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Financial Position

September 30

	2019	2018
Assets		
Assets:		
Cash	$ 772,006	$ 113,075
Accounts receivable (Note 9)	91,967	769,753
Grants receivable	982,849	1,641,442
Prepaid expenses	11,567	11,105
Accrued interest receivable	373,702	372,003
Restricted cash	5,657,542	5,028,560
Loans receivable, net (Note 3)	46,234,320	46,874,624
Total Assets	$ 54,123,953	$ 54,810,562
Liabilities And Net Assets		
Liabilities:		
Short-term borrowings (Notes 5 and 9)	$ 28,132,929	$ 34,497,720
Other current liabilities (Note 9)	5,344,782	4,357,279
Interest payable (Note 9)	375,284	203,533
Pass-through grant payable	437,008	1,374,011
Community Development Block Grant loans payable (Note 4)	1,384,944	2,818,612
Empire State Development loan funds (Note 6)	3,542,216	1,624,157
NYC Economic Development Corporation borrowings (Note 7)	1,500,000	1,000,000
Long-term debt (Note 8)	10,739,815	6,980,766
Total liabilities	51,456,978	52,856,078
Net assets:		
Without donor restrictions	1,240,036	764,545
With donor restrictions (Note 10)	1,426,939	1,189,939
Total net assets	2,666,975	1,954,484
Total Liabilities And Net Assets	$ 54,123,953	$ 54,810,562

The accompanying notes are an integral part of these financial statements

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Activities

For The Year Ended September 30, 2019
(With Summarized Comparative Totals For The Year Ended September 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Interest income on loans	$ 5,595,838	$ -	$ 5,595,838	$ 3,768,536
Grant income	788,320	813,000	1,601,320	2,708,222
Origination and other fee income	524,468	-	524,468	524,642
Contribution income	150,000	-	150,000	-
Community Development Block Grant income (Note 4)	12,040	-	12,040	30,120
Staffing reimbursements (Note 9)	-	-	-	125,933
Net assets released from restrictions	576,000	(576,000)	-	-
Total revenues	7,646,666	237,000	7,883,666	7,157,453
Operating expenses:				
Program services	6,397,125	-	6,397,125	6,042,512
Management and general	774,050	-	774,050	759,074
Total operating expenses	7,171,175	-	7,171,175	6,801,586
Increase in net assets	475,491	237,000	712,491	355,867
Net assets at beginning of year	764,545	1,189,939	1,954,484	1,598,617
Net Assets At End Of Year	$ 1,240,036	$ 1,426,939	$ 2,666,975	$ 1,954,484

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Interest income on loans	$ 3,768,536	$ -	$ 3,768,536
Grant income	483,222	2,225,000	2,708,222
Origination and other fee income	524,642	-	524,642
Staffing reimbursements (Note 9)	125,933	-	125,933
Community Development Block Grant income (Note 4)	30,120	-	30,120
Net assets released from restrictions	1,412,338	(1,412,338)	-
Total revenues	6,344,791	812,662	7,157,453
Operating expenses:			
Program services	6,042,512	-	6,042,512
Management and general	759,074	-	759,074
Total operating expenses	6,801,586	-	6,801,586
Increase (decrease) in net assets	(456,795)	812,662	355,867
Net assets at beginning of year	1,221,340	377,277	1,598,617
Net Assets At End Of Year	$ 764,545	$ 1,189,939	$ 1,954,484

The accompanying notes are an integral part of these financial statements

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Functional Expenses

For The Year Ended September 30, 2019
(With Summarized Comparative Totals For The Year Ended September 30, 2018)

	2019			2018
	Program	Management And General	Total	Total
Operating expenses:				
Interest expense	$ 2,597,045	$ -	$ 2,597,045	$ 1,654,436
Provision for loan losses	1,575,092	-	1,575,092	1,496,739
Shared services	569,859	569,859	1,139,718	1,168,733
Salaries and wages	897,836	99,759	997,595	934,778
Public relations	161,859	-	161,859	81,350
IT and software expense	126,007	-	126,007	102,107
Consulting	102,655	-	102,655	59,993
Employee benefits	93,759	8,062	101,821	93,905
Professional fees	37,390	34,429	71,819	42,739
401(k) and profit sharing	54,776	6,086	60,862	62,087
Payroll taxes	50,432	5,603	56,035	60,959
Travel and meals	22,783	19,486	42,269	25,450
Referral fees	26,575	-	26,575	28,053
Director fees	26,133	-	26,133	17,538
Credit reports	16,367	-	16,367	7,252
Insurance	-	14,046	14,046	12,881
Independent contractor	13,250	-	13,250	19,300
Office expenses	8,929	1,033	9,962	8,346
Telephone	4,028	4,028	8,056	5,144
Miscellaneous expense	5,000	2,576	7,576	9,632
Bank fees	-	7,217	7,217	5,845
Rent	5,235	-	5,235	7,946
Events	2,075	1,866	3,941	15,385
Grant expenses	40	-	40	880,988
Total Operating Expenses	$ 6,397,125	$ 774,050	$ 7,171,175	$ 6,801,586

NYBDC LOCAL DEVELOPMENT CORPORATION

Statements Of Functional Expenses

For The Year Ended September 30, 2018

	Program	Management And General	Total
Operating expenses:			
Interest expense	$ 1,654,436	$ -	$ 1,654,436
Provision for loan losses	1,496,739	-	1,496,739
Shared services	584,367	584,366	1,168,733
Salaries and wages	841,301	93,477	934,778
Grant expenses	880,988	-	880,988
IT and software expense	102,107	-	102,107
Employee benefits	84,610	9,295	93,905
Public relations	81,350	-	81,350
401(k) and profit sharing	55,878	6,209	62,087
Payroll taxes	54,863	6,096	60,959
Consulting	59,993	-	59,993
Professional fees	17,518	25,221	42,739
Referral fees	28,053	-	28,053
Travel and meals	14,514	10,936	25,450
Independent contractor	19,300	-	19,300
Director fees	17,538	-	17,538
Events	14,205	1,180	15,385
Insurance	-	12,881	12,881
Miscellaneous expense	9,632	-	9,632
Office expenses	7,350	996	8,346
Rent	7,946	-	7,946
Credit reports	7,252	-	7,252
Bank fees	-	5,845	5,845
Telephone	2,572	2,572	5,144
Total Operating Expenses	$ 6,042,512	$ 759,074	$ 6,801,586

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

		2019		2018
Operating activities:				
Increase in net assets	$	712,491	$	355,867
Adjustments to reconcile increase in net assets to net cash flows from (for) operating activities:				
Provision for loan losses		1,575,092		1,496,739
Changes in operating assets and liabilities:				
Restricted cash		(628,982)		(1,656,483)
Accrued interest receivable		(1,699)		(163,870)
Prepaid expenses		(462)		(2,537)
Accounts receivable		677,786		(43,865)
Grants receivable		658,593		(1,641,442)
Other current liabilities		987,503		604,461
Pass-through grant payable		(937,003)		243,889
Accrued interest payable		171,751		154,805
Net cash flows from (for) operating activities		3,215,070		(652,436)
Investing activities:				
Loans disbursed, net		(934,788)		(25,694,318)
Net cash flows for investing activities		(934,788)		(25,694,318)
Financing activities:				
Proceeds from (payments on) short-term borrowings, net		(6,364,791)		22,966,833
Issuance of long-term debt		5,123,662		5,076,093
Repayments on long-term debt		(1,364,613)		(289,797)
Proceeds from NYC Economic Development Corporation borrowings		500,000		-
Proceeds from Empire State Development loan funds, net		1,918,059		179,157
Payments on Community Development Block Grant loans payable, net		(1,433,668)		(1,538,236)
Net cash flows from (for) financing activities		(1,621,351)		26,394,050
Net increase in cash		658,931		47,296
Cash - beginning		113,075		65,779
Cash - Ending	$	772,006	$	113,075
Supplemental disclosures of cash flows information:				
Interest Paid	$	2,425,294	$	1,499,631

The accompanying notes are an integral part of these 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:

> Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company's management and the Board of Directors.
>
> Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 are designated for specific loan programs that have not been disbursed in accordance with the borrowing or grant agreements as of September 30.

Note 1: Summary Of Significant Accounting Policies (Continued)

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.

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.

Contributions - Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are 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 state of activities as net assets released from restrictions.

Advertising - Advertising costs are charged to operations when incurred or when such advertising takes place.

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.

Note 1: Summary Of Significant Accounting Policies (Continued)

Functional allocation of expenses - The costs of program and management and general activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and other activities benefited. Such allocations are determined by management on an equitable basis. While most costs are directly allocated to their specific program or other activity, certain costs are allocated using the following methods:

- Payroll expenses are allocated between programs and management and general based on management estimates of personnel costs identified with each of these categories. The percentage allocation is then used to allocate payroll benefits between programs and management and general.

- Professional services which cannot be specifically identified as program expenses are allocated between programs and management and general based on management estimates.

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.

Recently adopted accounting principle - On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU is effective for financial statements issued for annual periods beginning after December 15, 2017. The Company has applied this standard retrospectively, and there has been no effect on net assets.

Note 1: Summary Of Significant Accounting Policies (Continued)

Recently issued accounting pronouncement - In May 2014, ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*, was issued that replaces the existing revenue recognition framework regarding contracts with customers. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the standard requires disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is designed to create greater comparability for financial statement users across industries, jurisdictions and capital markets and also requires enhanced disclosures. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The new standard is effective for periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, however, early adoption is permitted. The Company has yet to adopt this standard and cannot reasonably estimate the impact of the new standard on the financial statements at this time.

Note 2: Availability And Liquidity

The following represents the Company's financial assets at September 30, 2019 that could readily be made available to meet general expenditures over the next twelve months:

Financial assets at year end:	
Loans receivable, net	$ 46,234,320
Cash (includes restricted cash)	6,429,548
Grants receivable	982,849
Accounts receivable	91,967
Total financial assets	53,738,684
Less: amounts not readily available to be used within twelve months:	
Loans receivable, net	19,473,746
Restricted cash	5,657,542
Net assets with donor restrictions	1,426,939
Total amounts not readily available to be used within twelve months	26,558,227
Financial Assets Available To Meet General Expenditures Over The Next Twelve Months	**$ 27,180,457**

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet operating expenses over a twelve-month period, the Company considers all expenses related to its ongoing program-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In an effort to reduce the cost of borrowing, the Company's policy is to paydown short-term borrowings with a related party (see Notes 5 and 9) with any excess cash on hand. This funding source, along with other available lines of credit with banks (see Note 5), provides the Company with sufficient resources to meet its liquidity needs.

Note 3: Loans Receivable And Allowance For Loan Losses

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

	2019	2018
Excelsior Growth Fund loans receivable	$ 32,533,031	$ 23,468,352
Interim loans receivable	17,036,423	24,521,381
Community Development Block Grant loans receivable (Note 4)	1,384,944	2,818,612
	50,954,398	50,808,345
Less: participations sold	(820,647)	(1,241,913)
	50,133,751	49,566,432
Less: allowance for loan losses	(3,899,431)	(2,691,808)
Loans Receivable, Net	$ 46,234,320	$ 46,874,624

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

September 30, 2019

Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 + Days Past Due	Total Loans
$ 46,231,880	$ 62,221	$ 104,026	$ 3,735,624	$ 50,133,751

September 30, 2018

Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 + Days Past Due	Total Loans
$ 47,496,893	$ 116,678	$ -	$ 1,952,861	$ 49,566,432

The Company's investment in loans receivable 90 days or more past due and still accruing interest at September 30, 2019 and 2018 was $2,602,424 and $1,042,186, respectively.

Note 3: 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:

	2019	2018
Balance, beginning of year	$ 2,691,808	$ 1,277,690
Provision for loan losses	1,575,092	1,496,739
Recoveries	565,275	4,000
Losses charged to the allowance	(1,078,785)	(780,074)
Other adjustments	146,041	693,453
Balance, End Of Year	$ 3,899,431	$ 2,691,808

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).

	2019	2018
Ending allowance balance attributable to loans:		
Individually evaluated for impairment	$ 1,011,000	$ 794,000
Collectively evaluated for impairment	2,888,431	1,897,808
Total Ending Allowance Balance	$ 3,899,431	$ 2,691,808
Loans:		
Individually evaluated for impairment	$ 1,133,200	$ 910,675
Collectively evaluated for impairment	49,000,551	48,655,757
Total Ending Loan Balance	$ 50,133,751	$ 49,566,432

Loans on which the accrual of interest has been discontinued, or impaired loans, approximated $1,133,200 and $910,675 at September 30, 2019 and 2018, respectively.

Note 3: Loans Receivable And Allowance For Loan Losses (Continued)

Impaired loans as of September 30 are presented as follows:

September 30, 2019

Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
$ 1,133,200	$ 1,133,200	$ 1,011,000	$ 432,652	$ -

September 30, 2018

Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
$ 910,675	$ 970,675	$ 794,000	$ 354,111	$ -

The Company did not acquire any loans with deteriorated credit quality in 2019 and 2018.

Note 4: 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 allocated $1.7 billion to the City for the Program. Grant and loan applications were submitted to the City for approval. The Company used 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.

During the fiscal years ended September 30, 2019 and 2018, $-0- and $8,322 of loan awards have been disbursed to qualified applicants, respectively. As of September 30, 2019 and 2018, $1,384,944 and $2,818,612 of loans receivable are outstanding, respectively. These amounts are offset by the corresponding payable to the City. During the fiscal years ended September 30, 2019 and 2018, $59,066 and $259,459 of grant awards have been disbursed to qualified applicants, respectively.

Under the agreement with the City, the Company has charged the City a servicing fee for each loan and grant application file that was serviced, along with out-of-pocket expenses, and a specified marketing, outreach, and program development fee. For the years ended September 30, 2019 and 2018, the City was billed $12,040 and $30,120, for the Company’s services, respectively.

Note 5: Short-Term Borrowings

Short-term borrowings as of September 30 consist of:

	2019	2018
The Company has short-term funding available from a related party with principal due on demand (see Note 9). 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 3.82% at September 30, 2019).	$ 3,237,423	$ 21,555,664
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 5.00% at September 30, 2019), however, cannot be lower than 5.00%. The Company has $948,954 available on this line at September 30, 2019.	14,051,046	6,351,023
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 5.00% at September 30, 2019), however, cannot be lower than 5.00%. The Company has $1,155,540 available on this line at September 30, 2019.	5,844,460	6,591,033
Line of credit with a bank. The line has a limit of $5,000,000 and is secured by all business assets. Borrowings against the line are due on demand and interest is payable monthly at the LIBOR rate plus 1.00% (LIBOR was 2.04% at September 30, 2019). The Company has $-0- available on this line at September 30, 2019.	5,000,000	-
Line of credit with a bank. The line has a limit of $5,000,000 and is secured by all business assets. Borrowings against the line are due on demand and interest is payable monthly at the LIBOR rate plus 1.00% (LIBOR was 2.04% at September 30, 2019). The Company has $5,000,000 available on this line at September 30, 2019.	-	-
Total Short-Term Borrowings	$ 28,132,929	$ 34,497,720

Note 6: Empire State Development Loan Funds

The Company has entered into various loan fund agreements with New York State Urban Development Corporation d/b/a Empire State Development (ESD). The loan fund agreements are summarized as follows:

	2019	2018
Revolving note payable to ESD, up to a maximum of $1,695,000, with semi-annual installments of interest only payable at a rate of 1.00%. 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, 2019, $1,695,000 has been deployed.	$ 1,695,000	$ 1,445,000
Revolving loan fund payable to ESD, up to a maximum of $1,500,000, without interest, due May 2024, with principal payments beginning May 2022 and recurring annually in equal installments. Each principal installment will be equivalent to 33.33% of the original principal balance. Loan funds may be used solely to provide loans to exporting businesses located in New York State.	500,000	-
Revolving loan fund payable to ESD, up to a maximum of $537,471, without stated interest, due at the sole discretion of ESD subsequent to the agreement's expiration date of December 2020. Loan funds may be used solely to provide loans to minority and women owned businesses within certain geographical limitations. Loan capital is expected to revolve until ESD determines that the loan capital is no longer needed.	358,314	179,157
Revolving loan fund payable to ESD, up to a maximum of $1,000,000, due February 2029, with semi-annual installments of interest only payable at a rate of 1.00% through January 2024, at which time the remaining balance will be converted to a five (5) year term loan, with interest payable at 1.00%. Loan funds may be used solely to make loans to small businesses and minority-owned and woman-owned business enterprises located within the economically-distressed communities of the Metropolitan Economic Revitalization Fund designation areas.	333,333	-

Note 6: Empire State Development Loan Funds (Continued)

	2019	2018
Revolving loan fund payable to ESD, up to a maximum of $900,000, due March 2029, with semi-annual installments of interest only payable at a rate of 1.00% through February 2024, at which time the remaining balance will be converted to a five (5) year term loan, with interest payable at 1.00%. Loan funds may be used solely to make loans to minority-owned and woman-owned business.	250,000	-
Revolving loan fund payable to ESD, up to a maximum of $231,754, without stated interest, due at the sole discretion of ESD subsequent to the agreement's expiration date of December 2022. Loan funds may be used solely to provide loans to small businesses located in the Finger Lakes region of New York State. Loan capital is expected to revolve until ESD determines that the loan capital is no longer needed.	231,754	-
Revolving loan fund payable to ESD, up to a maximum of $173,815, without stated interest, due at the sole discretion of ESD subsequent to the agreement's expiration date of December 2022. Loan funds may be used solely to provide loans to small businesses located in the Long Island region of New York State. Loan capital is expected to revolve until ESD determines that the loan capital is no longer needed.	173,815	-
Total Empire State Development Loan Funds	$ 3,542,216	$ 1,624,157

Note 7: 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, 2019, $1,500,000 has been disbursed to the Company, and $795,000 of loans have been disbursed to borrowers under the program.

Note 8: Long-Term Debt

Long-term debt as of September 30 consists of:

	2019	2018
Notes payable with a financing company, due at various dates through November 2024, in monthly installments of interest only at rates determined at the time of each advance, currently at 3.00% and 4.50%, with the lump sum balance of each advance due at maturity. The master promissory note has no stated limit and is unsecured.	$ 4,119,875	$ 3,793,266
Loan payable to the U.S. Small Business Administration, due April 2028, in monthly installments of $24,845, including interest at 1.375%. 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.	2,375,773	2,500,000
Loan payable to the U.S. Small Business Administration, due April 2029, with interest at 1.25%. Principal payments of approximately $21,210 are payable monthly beginning May 2020. 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.	2,140,000	-
Note payable to a foundation, due June 2024, with quarterly installments of interest only at a rate of 2.50%, and the balance of any unpaid principal due at maturity. Loan proceeds may be used to provide small business loans and business advisory services in New York State for low-income and moderate-income individuals.	1,500,000	-
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.	604,167	687,500
Total Long-Term Debt	$ 10,739,815	$ 6,980,766

Note 8: Long-Term Debt (Continued)

Maturities of long-term debt are as follows:

2020	$ 2,626,893
2021	2,051,710
2022	957,788
2023	597,526
2024	2,229,342
Thereafter	2,276,556
Total	$ 10,739,815

Note 9: Related Party Transactions

At September 30, 2019 and 2018, 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:

	2019	**2018**
Due to/from related parties		
Due To NYBDC - Represents short-term borrowings to fund operations (included in short-term borrowings on the statements of financial position) (see Note 5).	$ 3,237,423	$ 21,555,664
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).	$ 5,092,500	$ 3,952,782
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).	$ -	$ 139,245
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).	$ -	$ 675,999
Accrued Interest - Due to NYBDC (included in interest payable on the statements of financial position).	$ 92,599	$ 91,831

Note 9: Related Party Transactions (Continued)

Income and expenses	2019	2018
Staffing Reimbursements - Received from NYBDC.	$ -	$ 125,933
Shared Services - Paid to NYBDC.	$ 1,139,718	$ 1,099,765
Shared Services - Paid to ESCDC.	$ -	$ 68,968
Interest Expense - Paid to NYBDC.	$ 1,455,057	$ 858,477
Employee Benefits Expense - Paid to NYBDC.	$ 101,410	$ 114,007
Rent Expense - Paid to NYBDC.	$ 5,235	$ 7,946

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions 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. Net assets with donor restrictions are as follows for the years ended September 30:

	2019	2018
Subject to expenditure for specified purpose:		
Loan programs	$ 1,426,939	$ 1,189,939
Total	$ 1,426,939	$ 1,189,939

Net assets released from net assets with donor restrictions are as follows:

	2019	2018
Satisfaction of purpose restrictions:		
Loan programs	$ 576,000	$ 1,412,338
Total	$ 576,000	$ 1,412,338

Note 11: 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, 2019 and 2018 were $60,862 and $47,912, respectively.

Note 12: Commitments And Contingencies

At September 30, 2019, the Company has committed to loans totaling $17,254,150 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, 2019, 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 13: Concentrations Of Credit Risk

Financial instruments that are 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 14: Subsequent Events

Subsequent events have been evaluated through December 10, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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, 2019, 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 10, 2019.

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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Teal, Becker & Chiaramonte CPAs PC

Albany, New York
December 10, 2019

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, 2019. 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, 2019.

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 to determine the 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.

Teal, Becker & Chiaramonte, CPAs, P.C.

Albany, New York
December 10, 2019

NYBDC LOCAL DEVELOPMENT CORPORATION

Schedule Of Expenditures Of Federal Awards

September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Small Business Administration		
Direct Program:		
Microloan Program	59.046	$ 3,212,500
Microloan Program Grant	59.046	179,095
Total U.S Small Business Administration		3,391,595
U.S. Department of Housing and Urban Development		
Passed through the City of New York Hurricane Sandy Community Development Block Grant Disaster Recovery - Grants	14.269	59,066
Passed through the City of New York Hurricane Sandy Community Development Block Grant Disaster Recovery - Loan and Grant Servicing Fees	14.269	12,040
Total U.S Department of Housing and Urban Development		71,106
Total Expenditures Of Federal Awards		$ 3,462,701

Note 1: Basis Of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the NYBDC Local Development Corporation (the Company) under programs of the federal government for the year ended September 30, 2019. The information in the Schedule is presented in accordance with requirements of *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Company.

Note 2: 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?	☐ yes	☒ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no

FEDERAL AWARDS

Internal control over the major program:		
• Material weakness(es) identified?	☐ yes	☒ no
• Significant deficiency(ies) identified?	☐ yes	☒ none reported

Type of auditors' report issued on compliance for the major program:
U.S. Small Business Administration
Microloan Program — Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ yes	☒ no

IDENTIFICATION OF MAJOR PROGRAM:

CFDA Number	Name of Federal Program
59.046	U.S. Small Business Administration Microloan Program

Dollar threshold used to distinguish between Federal Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☒ yes	☐ no