

**BUFFALO NIAGARA CONVENTION CENTER
MANAGEMENT CORPORATION**

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo Niagara Convention Center Management Corporation

We have audited the accompanying balance sheets of Buffalo Niagara Convention Center Management Corporation (the Center) as of December 31, 2016 and 2015, 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 audit 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 auditor considers internal control relevant to the entity'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 entity'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 the Center as of December 31, 2016 and 2015, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information on pages 9 and 10 is presented for purposes of additional analysis 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 information is 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 March 22, 2017, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Center's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

March 22, 2017

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Balance Sheets

December 31,	2016	2015
Assets		
Current assets:		
Cash	\$ 950,431	\$ 841,786
Accounts receivable, net (Note 2)	408,659	511,052
Inventory (Note 3)	67,219	73,907
Prepaid expenses	34,460	61,496
	<u>\$ 1,460,769</u>	<u>\$ 1,488,241</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 290,791	\$ 254,406
Accrued expenses	130,591	123,559
Deferred revenue	123,680	161,807
	<u>545,062</u>	<u>539,772</u>
Unrestricted net assets	<u>915,707</u>	<u>948,469</u>
	<u>\$ 1,460,769</u>	<u>\$ 1,488,241</u>

See accompanying notes.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Activities

For the years ended December 31,	2016	2015
Changes in unrestricted net assets:		
Revenue and support:		
Erie County grant (Note 1)	\$ 1,725,369	\$ 1,699,871
Revenue from in-house catering service	3,166,711	3,094,872
Rentals	1,019,144	925,313
Technology grant	28,196	-
Miscellaneous	134,057	126,023
Total revenue and support	<u>6,073,477</u>	<u>5,846,079</u>
Expenses:		
Program services	5,151,006	4,927,580
General and administrative	955,233	854,707
Total expenses	<u>6,106,239</u>	<u>5,782,287</u>
Change in unrestricted net assets	(32,762)	63,792
Net assets - beginning	<u>948,469</u>	<u>884,677</u>
Net assets - ending	<u>\$ 915,707</u>	<u>\$ 948,469</u>

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Cash Flows

For the years ended December 31,	2016	2015
Operating activities:		
Change in unrestricted net assets	\$ (32,762)	\$ 63,792
Adjustments to reconcile change in unrestricted net assets to net operating activities:		
Changes in other current assets and current liabilities:		
Accounts receivable	102,393	(252,771)
Inventory	6,688	(17,607)
Prepaid expenses	27,036	(18,442)
Accounts payable	36,385	(4,599)
Accrued expenses	7,032	17,597
Deferred revenue	(38,127)	8,782
Net change in cash	108,645	(203,248)
Cash - beginning	841,786	1,045,034
Cash - ending	\$ 950,431	\$ 841,786
Supplemental cash flows information:		
Interest paid (approximates expense)	\$ 454	\$ -

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization:

Buffalo Niagara Convention Center Management Corporation (the Center) is a nonprofit corporation organized to operate, manage and promote a convention center facility located in the City of Buffalo, New York (the City) pursuant to an agreement with Erie County, New York (the County). The membership of the Corporation consists of one class of members composed of the City and the County.

The Center grants credit to individuals, businesses and not-for-profit organizations located throughout the United States.

Buffalo Niagara Convention and Visitors Bureau, Inc. (the CVB) is an entity related to the Center through shared administration and common board members. The Center reimbursed the CVB \$10,000 in fees for shared administrative services in 2015.

Governmental Support:

Under the terms of annual public benefit services contracts (service contracts) with the County, the Center received subsidies for operations in 2016 and 2015 totaling \$1,725,369 and \$1,699,871, representing 29% of total revenue for each year. The service contracts also require the Center to repay the County any surplus funds at the end of the contract year, calculated as the excess of net assets over the 6 months average of operating expenses, based on actual expenses for the 36 months immediately preceding the current year. The Center had no calculated surplus funds for 2016 or 2015.

Funding by the County for the year ending December 31, 2017 is expected to continue in the form of a subsidy to the Center with similar terms. Funding beyond December 31, 2017 is contingent upon actions taken by the County. The Board and management of the Center believe the funding arrangements will be made timely so uninterrupted operations will continue beyond that time.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 22, 2017, the date the financial statements were available to be issued.

Cash:

At various times, cash in financial institutions may exceed federally insured limits and subject the Center to concentrations of credit risk.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to bad debts expense and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts and historical trends. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Inventory:

Inventory consists primarily of food and beverage products and is valued at the lower of first-in, first-out cost or net realizable value.

Property and Equipment:

The Center is operated for the County under a service concession arrangement, defined as an arrangement between a public sector entity grantor and an operating entity under which the operating entity operates the grantor’s infrastructure. Consequently, capital expenditures are generally expensed as incurred.

Deferred Revenue:

Deferred revenue consists of rental deposits received in advance of scheduled events and advances on certain grants. Revenue is recognized when the events occur or when the Center has incurred expenditures in compliance with the specific grant requirements.

Sales Tax:

Certain jurisdictions impose a sales tax on the Center sales to nonexempt customers. The Center collects these taxes from customers and remits the entire amount accordingly. The Center excludes from revenues and expenses the tax collected and remitted.

Functional Allocation of Expenses:

The costs of providing program and supporting services have been summarized in the statements of activities. Certain costs have been allocated among program and supporting services based on management estimates.

Tax Status:

The Center is a 501(c)(3) organization exempt from income taxes under Section 501(a) of the Internal Revenue Code.

2. Accounts Receivable:

	2016	2015
Trade receivables	\$ 417,659	\$ 520,052
Less allowance for doubtful accounts	9,000	9,000
	<u>\$ 408,659</u>	<u>\$ 511,052</u>

3. Inventory:

	2016	2015
Food	\$ 25,243	\$ 32,251
Beverage	33,964	33,946
Catering service supplies	6,829	6,415
Vending machine merchandise	1,183	1,295
	<u>\$ 67,219</u>	<u>\$ 73,907</u>

4. Short-Term Borrowings:

The Center has available a \$400,000 bank demand line of credit for working capital financing with interest payable at prime plus 1½%. The line is secured by essentially all assets of the Center. There were no outstanding borrowings under this line at December 31, 2016 and 2015.

5. Retirement Plans:

The Center maintains a noncontributory, defined contribution profit sharing plan covering essentially all nonunion employees. Employer contributions are a percentage of qualifying compensation for 2016 and 2015. Total expense under this plan was \$17,600 for 2016 and \$17,900 for 2015.

The Center also contributes to a defined contribution pension plan covering eligible employees of one union group. Contributions are determined pursuant to the collective bargaining agreement between the Center and this union. Total expense under this plan was \$3,400 for 2016 and \$3,700 for 2015.

The Center’s other union employees are covered by defined benefit multi-employer plans pursuant to the terms of collective bargaining agreements. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- c. If the Center chooses to stop participating in a multiemployer plan, the Center may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Center’s participation in the plans for the years ended December 31, 2016 and 2015 is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone statuses available in 2016 and 2015 are for the following plan year ends: December 31, 2015 and 2014 for Plan 1, and January 31, 2016 and 2015 for Plan 2. The zone status is based on information that the Center received from the plans and is certified by the plans’ actuaries. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The “FIP/RP Status Pending/Implemented” column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective bargaining agreement to which the plan is subject.

Pension Plan	EIN/Pension Plan Number	PPA Zone Status		FIP/RP Status Pending/Implemented	Company Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2016	2015		2016	2015		
Plan 1	16-0908576/001	Green	Green	Yes	\$ 34,800	\$ 32,200	Yes	December 31, 2017
Plan 2	36-6052390/001	Green	Green	No	24,200	23,500	No	December 31, 2017
					<u>\$ 59,000</u>	<u>\$ 55,700</u>		

The Center was not listed in any of the Forms 5500 as providing more than 5 percent of the total contributions for the plan years ended December 31, 2015 and 2014 and January 31, 2016 and 2015. At the date the financial statements were issued, Forms 5500 were not available for the plan year ended December 31, 2016.

6. Contingencies:

The Center is involved in legal proceedings, which in the opinion of management, will not have a material adverse impact on the financial position of the Center.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Additional Information
Schedule of Functional Expenses

For the year ended December 31, 2016

With comparative summarized totals for the year ended December 31, 2015

	Program Services	General and Administrative	2016 Total	2015 Total
Salaries and wages	\$ 1,124,148	\$ 481,778	1,605,926	\$ 1,539,927
Payroll taxes	103,593	44,397	147,990	155,888
Employee benefits	226,063	96,884	322,947	288,454
Total non-catering personnel expenses	<u>1,453,804</u>	<u>623,059</u>	<u>2,076,863</u>	<u>1,984,269</u>
In-house catering expenses	2,405,177	-	2,405,177	2,376,429
Professional and contracted services	18,657	136,816	155,473	108,332
Property and equipment purchases	191,059	21,230	212,289	59,931
Supplies	209,032	34,029	243,061	254,533
Telephone	53,225	9,393	62,618	58,418
Postage	1,732	306	2,038	2,303
Occupancy	573,732	63,748	637,480	634,112
Rental and maintenance of equipment	100,203	11,134	111,337	111,420
Travel and entertainment	21,849	2,428	24,277	24,424
Promotion, printing and publications	111,963	-	111,963	122,283
Dues and subscriptions	-	5,302	5,302	6,311
Laundry, uniforms and cleaning	10,187	3,396	13,583	12,626
Interest	386	68	454	-
Miscellaneous	-	44,324	44,324	26,896
Total non-personnel expenses	<u>3,697,202</u>	<u>332,174</u>	<u>4,029,376</u>	<u>3,798,018</u>
Total	<u>\$ 5,151,006</u>	<u>\$ 955,233</u>	<u>\$ 6,106,239</u>	<u>\$ 5,782,287</u>

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Additional Information
Schedule of Contracted Surplus

For the year ended December 31, 2016

Net assets	\$ 915,707
Working capital, as defined in agreement with County of Erie dated March 4, 2016	<u>2,729,850</u>
Contractual surplus (deficit)	<u>\$ (1,814,143)</u>

INDEPENDENT AUDITORS' 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

The Board of Directors
Buffalo Niagara Convention Center Management Corporation

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 balance sheet of Buffalo Niagara Convention Center Management Corporation (the Center) as of December 31, 2016, 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 March 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 entity'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 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 Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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March 22, 2017