BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2014

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Center adopted new accounting guidance in 2013 for Service Concession Arrangements. Our opinion is not modified with respect to that matter.

Additional 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 to 11 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 16, 2015, 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.

Lumsden & McCormick, LLP

March 16, 2015

Balance Sheets

December 31,	2014	2013
Assets		
Current assets:		
Cash	**$ 1,045,034**	$ 1,002,022
Accounts receivable, net (Note 3)	**258,281**	434,726
Inventory (Note 4)	**56,300**	55,485
Prepaid expenses	**43,054**	51,174
	$ 1,402,669	$ 1,543,407
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 259,005**	$ 419,315
Accrued expenses	**105,962**	114,366
Deferred revenue	**153,025**	173,783
	517,992	707,464
Unrestricted net assets	**884,677**	835,943
	$ 1,402,669	$ 1,543,407

See accompanying notes.

Statements of Activities

For the years ended December 31,	2014	2013
Changes in unrestricted net assets:		
Revenue and support:		
Erie County grant (Note 1)	$ 1,674,750	$ 1,650,000
Revenue from in-house catering service	2,692,433	2,352,363
Rentals	867,434	870,873
Technology grant	5,000	466,804
Miscellaneous	108,474	98,210
Total revenue and support	5,348,091	5,438,250
Expenses:		
Program services	4,490,993	4,479,081
General and administrative	808,364	818,376
Total expenses	5,299,357	5,297,457
Change in unrestricted net assets	48,734	140,793
Net assets - beginning, as previously stated	835,943	1,350,260
Cumulative effect of change in accounting principle (Note 2)	-	(655,110)
Net assets - beginning, as restated	835,943	695,150
Net assets - ending	$ 884,677	$ 835,943

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2014	2013
Operating activities:		
Change in unrestricted net assets	$ 48,734	$ 140,793
Adjustments to reconcile change in unrestricted net assets to net operating activities:		
Bad debts expense	3,000	-
Changes in other current assets and current liabilities:		
Accounts receivable	173,445	(164,082)
Inventory	(815)	8,168
Prepaid expenses	8,120	(3,060)
Accounts payable	(160,310)	220,825
Accrued expenses	(8,404)	(13,318)
Deferred revenue	(20,758)	(420,688)
Net change in cash	43,012	(231,362)
Cash - beginning	1,002,022	1,233,384
Cash - ending	$ 1,045,034	$ 1,002,022
Supplemental cash flows information:		
Interest paid (approximates expense)	$ 392	$ 539

See accompanying notes.

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 $8,000 and $29,000 in fees for shared administrative services in 2014 and 2013, of which $1,000 and $3,000 were included in accounts payable at December 31, 2014 and 2013.

Governmental Support:

Under the terms of annual public benefit services contracts (service contracts) with the County, the Center received subsidies for operations in 2014 and 2013 totaling $1,674,750 and $1,650,000, representing 31% and 30% of total revenue, respectively. 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 2014 or 2013.

Funding by the County for the year ending December 31, 2015 is expected to continue in the form of a subsidy to the Center with similar terms. Funding beyond December 31, 2015 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 16, 2015, 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 market.

Deferred Revenue:

Deferred revenue consists of rental deposits received in advance of scheduled events and advances on certain grants. Revenue will be 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. Management believes that the Center is no longer subject to examination by Federal and State taxing authorities for years prior to 2011.

2. Change in Accounting Principle:

Effective January 1, 2013, the Center adopted new accounting guidance surrounding service concession arrangements. The new guidance defines a service concession arrangement as an arrangement between a public sector entity grantor and an operating entity under which the operating entity operates the grantor's infrastructure, subject to certain terms. It specifies when infrastructure operated under such an arrangement should not be recognized as property and equipment of the operating entity. The Center's building and original equipment as well as certain improvements were constructed or purchased by the County, and improvements and equipment purchased by the Center were capitalized prior to 2013.

The agreement with the County meets the definition of a service concession arrangement. Accordingly, opening net assets in the year of adoption (2013) have been restated to remove net property and equipment balances on a modified retrospective basis. The effect of this adjustment was to decrease net property and equipment and net assets totaling $655,110 at January 1, 2013.

3. Accounts Receivable:

	2014	2013
Trade receivables	**$ 271,281**	$ 444,726
Less allowance for doubtful accounts	**13,000**	10,000
	$ 258,281	$ 434,726

4. Inventory:

	2014	2013
Food	**$ 26,112**	$ 32,929
Beverage	**21,590**	14,002
Catering service supplies	**7,821**	8,063
Vending machine merchandise	**777**	491
	$ 56,300	$ 55,485

5. 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, 2014 and 2013.

6. 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 2014 and 2013. Total expense under this plan was $19,800 for 2014 and $15,100 for 2013.

The Center's 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, 2014 and 2013 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 2014 and 2013 are for the following plan year ends: December 31, 2013 and 2012 for Plan 1, December 31, 2013 and 2012 for Plan 2, and January 31, 2014 and 2013 for Plan 3. 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 2014	PPA Zone Status 2013	FIP/RP Status Pending/ Implemented	Company Contributions 2014	Company Contributions 2013	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Plan 1	16-0908576/001	Green	Yellow	Yes	$ 20,600	$ 21,700	Yes	April 30, 2015
Plan 2	13-6130178/001	Yellow	Yellow	Yes	2,700	2,800	Yes	April 30, 2015
Plan 3	36-6052390/001	Green	Green	No	28,900	25,900	No	February 28, 2015
					$ 52,200	$ 50,400		

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 January 31, 2014 and 2013 and December 31, 2013 and 2012. At the date the financial statements were issued, Forms 5500 were not available for the plan years ended January 31, 2015 and December 31, 2014.

Additional Information
Schedule of Functional Expenses

For the year ended December 31, 2014
With comparative summarized totals for the year ended December 31, 2013

	Program Services	General and Administrative	2014 Total	2013 Total
Salaries and wages	$ 1,001,050	$ 429,021	$ 1,430,071	$ 1,354,571
Payroll taxes	109,707	47,018	156,725	144,675
Employee benefits	161,587	69,251	230,838	239,023
Total non-catering personnel expenses	1,272,344	545,290	1,817,634	1,738,269
In-house catering expenses	2,070,884	-	2,070,884	1,887,916
Professional and contracted services	14,717	107,928	122,645	142,470
Property and equipment purchases	96,760	10,751	107,511	564,615
Supplies	240,162	39,096	279,258	159,107
Telephone	59,400	10,482	69,882	28,854
Postage	1,993	352	2,345	2,947
Occupancy	500,769	55,641	556,410	530,819
Rental and maintenance of equipment	93,966	10,441	104,407	111,409
Travel and entertainment	16,527	1,836	18,363	20,654
Promotion, printing and publications	115,033	-	115,033	79,176
Dues and subscriptions	-	4,856	4,856	4,863
Laundry, uniforms and cleaning	8,105	2,702	10,807	8,231
Interest	333	59	392	539
Miscellaneous	-	18,930	18,930	17,588
Total non-personnel expenses	3,218,649	263,074	3,481,723	3,559,188
Total	$ 4,490,993	$ 808,364	$ 5,299,357	$ 5,297,457

Additional Information
Schedule of Contracted Surplus

For the year ended December 31, 2014

Net assets	**$ 884,677**
Working capital, as defined in agreement with County of Erie dated March 7, 2014	**2,398,673**
Contractual surplus (deficit)	**$ (1,513,996)**

See independent auditors' report.

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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 the 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, 2014, 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 16, 2015.

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.

Lumsden & McCormick, LLP

March 16, 2015