

**BUFFALO NIAGARA CONVENTION CENTER
MANAGEMENT CORPORATION**

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

December 31, 2019

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, 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 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, 2019 and 2018, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information on page 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 24, 2020, 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.



March 24, 2020

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Balance Sheets

December 31,	2019	2018
Assets		
Current assets:		
Cash	\$ 998,676	\$ 1,263,176
Short-term investments	199,632	-
Accounts receivable, net of allowance of \$9,000	662,931	595,494
Inventory (Note 2)	58,755	69,259
Prepaid expenses	26,903	75,492
	<u>\$ 1,946,897</u>	<u>\$ 2,003,421</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 535,792	\$ 407,809
Accrued expenses	131,964	149,842
Deferred revenue	122,066	150,697
	<u>789,822</u>	<u>708,348</u>
Net assets	<u>1,157,075</u>	<u>1,295,073</u>
	<u>\$ 1,946,897</u>	<u>\$ 2,003,421</u>

See accompanying notes.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Activities

For the years ended December 31,	2019	2018
Revenue and support:		
Erie County grant (Note 1)	\$ 1,830,932	\$ 1,795,031
Revenue from in-house catering service	2,810,208	3,664,961
Rentals	1,012,122	1,021,320
Miscellaneous	247,939	298,160
Total revenue and support	5,901,201	6,779,472
Expenses:		
Program services	5,014,715	5,573,568
General and administrative	1,024,484	1,024,255
Total expenses	6,039,199	6,597,823
Change in net assets	(137,998)	181,649
Net assets - beginning	1,295,073	1,113,424
Net assets - ending	\$ 1,157,075	\$ 1,295,073

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Functional Expenses

For the years ended December 31,

2019

2018

	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and wages	\$ 2,073,351	\$ 489,442	\$ 2,562,793	\$ 2,210,306	\$ 478,933	\$ 2,689,239
Payroll taxes	245,743	44,050	289,793	272,381	41,902	314,283
Employee benefits	387,910	106,162	494,072	367,491	94,861	462,352
	2,707,004	639,654	3,346,658	2,850,178	615,696	3,465,874
Cost of goods sold	908,859	-	908,859	1,164,621	-	1,164,621
Professional and contracted services	-	124,614	124,614	-	153,301	153,301
Property and equipment purchases	119,849	13,317	133,166	129,375	14,375	143,750
Supplies	280,461	34,194	314,655	343,444	42,973	386,417
Telephone	71,618	12,638	84,256	70,153	12,380	82,533
Postage	1,480	261	1,741	1,779	314	2,093
Occupancy	677,428	66,285	743,713	711,298	70,076	781,374
Rental and maintenance of equipment	124,573	12,486	137,059	127,486	12,674	140,160
Travel and entertainment	-	34,710	34,710	-	25,051	25,051
Promotion, printing and publications	110,635	42,269	152,904	154,634	37,213	191,847
Dues and subscriptions	-	5,183	5,183	-	4,846	4,846
Laundry, uniforms and cleaning	6,011	2,004	8,015	8,237	2,746	10,983
Interest	-	-	-	-	350	350
Miscellaneous	6,797	36,869	43,666	12,363	32,260	44,623
Total non-personnel expenses	2,307,711	384,830	2,692,541	2,723,390	408,559	3,131,949
Total	\$ 5,014,715	\$ 1,024,484	\$ 6,039,199	\$ 5,573,568	\$ 1,024,255	\$ 6,597,823

See accompanying notes.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Cash Flows

For the years ended December 31,	2019	2018
Operating activities:		
Change in net assets	\$ (137,998)	\$ 181,649
Adjustments to reconcile change in net assets to net operating activities:		
Changes in other current assets and current liabilities:		
Accounts receivable	(67,437)	(160,133)
Inventory	10,504	(15,298)
Prepaid expenses	48,589	208
Accounts payable	127,983	157,701
Accrued expenses	(17,878)	(3,294)
Deferred revenue	(28,631)	4,762
Net operating activities	(64,868)	165,595
Investing activities:		
Purchase of investments	(498,227)	-
Proceeds from sales of investments	298,595	-
Net investing activities	(199,632)	-
Net change in cash	(264,500)	165,595
Cash - beginning	1,263,176	1,097,581
Cash - ending	\$ 998,676	\$ 1,263,176

See accompanying notes.

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. (d/b/a Visit Buffalo Niagara (VBN)) and Affiliates is related to the Center through shared administration and common board members.

Governmental Support:

Under the terms of annual public benefit services contracts (service contracts) with the County, the Center received subsidies for operations in 2019 and 2018 totaling \$1,830,932 and \$1,795,031, representing 31% and 26% of total revenue and support 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 2019 or 2018.

Funding by the County for the year ending December 31, 2020 is expected to continue in the form of a subsidy to the Center with similar terms. Funding beyond December 31, 2020 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 accordance 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 through March 24, 2020, the date the financial statements were available to be issued.

New Accounting Standard Adopted:

In 2019, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the full retrospective method, and the Center's accounting policies related to revenues were revised accordingly effective January 1, 2018. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The adoption of the new standard did not impact the Center's recognition of revenue and related accounts.

Cash:

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

Short-Term Investments:

At times, the Center invests excess funds in liquid interest earning investments. Short-term investments at December 31, 2019 includes a corporate bond stated at fair value, which approximates cost. The bond matures in November 2020.

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.

Revenue Recognition:

Revenue is recognized when related events occur. Customer payment is generally due within 30 days of an event. Deferred revenue consists of deposits received in advance of scheduled events when required by contract terms.

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 on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes:

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

2. Inventory:

	2019	2018
Food	\$ 16,662	\$ 24,254
Beverage	37,708	36,319
Catering service supplies	3,593	6,440
Vending machine merchandise	792	2,246
	<u>\$ 58,755</u>	<u>\$ 69,259</u>

3. 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, 2019 and 2018.

Effective February 10, 2020, the Center has available \$62,500 letters of credit as revolving credit under the bank demand line of credit.

4. 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 2019 and 2018. Total expense under this plan was \$18,100 for 2019 and \$24,000 for 2018.

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 the union. Total expense under this plan was \$4,860 for 2019 and \$3,950 for 2018.

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:

- Assets contributed to the multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- 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, 2019 and 2018 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 2019 and 2018 are for the following plan year ends: December 31, 2018 and 2017 for Plan 1, and January 31, 2019 and 2018 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	Fund Contributions		Surcharge Imposed	Expiration Date of Participation Agreement
		2019	2018		2019	2018		
Plan 1	16-0908576/001	Green	Green	Yes	\$ 42,300	\$ 41,500	Yes	December 31, 2020
Plan 2	36-6052390/001	Green	Green	No	26,400	25,500	No	December 31, 2020
					<u>\$ 68,700</u>	<u>\$ 67,000</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, 2018 and 2017 and January 31, 2019 and 2018. At the date the financial statements were issued, Form 5500 was not available for Plan 1’s year ended December 31, 2019.

5. 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.

6. Financial Resources Available for Operations:

The Center obtains financial assets generally through government grants, in-house catering sales and rentals. The financial assets are acquired throughout the year to help meet the Center’s cash needs for general expenditures. If necessary, the Center also has access to a \$400,000 bank demand working capital line of credit (see Note 3).

The Center’s financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	2018
Cash	\$ 998,676	\$ 1,263,176
Short-term investments	199,632	-
Accounts receivable	662,931	595,494
	<u>\$ 1,861,239</u>	<u>\$ 1,858,670</u>

7. Subsequent Events:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for most organizations. Financial markets also experienced a significant decline in value. Specifically, scheduled events at the Center were cancelled at the Center from March 12, 2020 through at least May 15, 2020. The full extent of the impact of COVID-19 on the Center’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on customers, employees, suppliers and vendors, all of which cannot be predicted.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Additional Information
Schedule of Contracted Surplus

For the year ended December 31, 2019

Net assets	\$ 1,157,075
Working capital, as defined in agreement with County of Erie dated February 28, 2019	<u>3,146,711</u>
Contractual deficit	<u>\$ (1,989,636)</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 financial statements of Buffalo Niagara Convention Center Management Corporation (the Center), which comprise the balance sheet as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2020.

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.

A handwritten signature in blue ink that reads "Sumner & McCormick, LLP". The signature is written in a cursive style with a large, stylized initial 'S'.

March 24, 2020