BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo Niagara Convention Center Management Corporation

Opinion

We have audited the balance sheets of Buffalo Niagara Convention Center Management Corporation (the Center) as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 GAAS. 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, 2022 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, 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 the Center'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 the Center's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

March 24, 2022

Balance Sheets

December 31,	2021	2020
Assets		
Current assets:		
Cash	$ 1,326,840	$ 1,497,983
Accounts receivable	42,091	-
Inventory (Note 2)	44,798	29,310
Prepaid expenses	27,939	21,788
	$ 1,441,668	$ 1,549,081
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 115,098	$ 62,984
Accrued expenses	70,804	43,086
Deferred revenue	107,837	95,127
	293,739	201,197
Net assets	1,147,929	1,347,884
	$ 1,441,668	$ 1,549,081

See accompanying notes.

Statements of Activities

For the years ended December 31,	2021	2020
Revenue and support:		
Erie County grant (Note 1)	$ 1,867,551	$ 1,867,551
Paycheck Protection Program (Note 7)	375,215	649,352
Revenue from in-house catering service	305,658	705,485
Rentals	112,126	322,049
Miscellaneous	36,020	100,273
Total revenue and support	2,696,570	3,644,710
Expenses:		
Program services	2,234,552	2,476,694
General and administrative	661,973	977,207
Total expenses	2,896,525	3,453,901
Change in net assets	(199,955)	190,809
Net assets - beginning	1,347,884	1,157,075
Net assets - ending	$ 1,147,929	$ 1,347,884

See accompanying notes.

Statements of Functional Expenses

For the years ended December 31,	2021			2020		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and wages	$ 848,546	$ 316,017	$ 1,164,563	$ 1,017,133	$ 416,832	$ 1,433,965
Payroll taxes	105,664	34,275	139,939	121,709	38,841	160,550
Employee benefits	151,365	56,916	208,281	219,679	93,613	313,292
	1,105,575	407,208	1,512,783	1,358,521	549,286	1,907,807
Cost of goods sold	96,990	-	96,990	230,632	-	230,632
Professional and contracted services	-	128,442	128,442	-	114,793	114,793
Property and equipment purchases	181,309	20,145	201,454	667	74	741
Supplies	94,762	11,317	106,079	105,090	13,245	118,335
Telephone	53,303	9,406	62,709	54,443	9,608	64,051
Postage	451	80	531	754	133	887
Occupancy	556,816	50,933	607,749	594,186	54,150	648,336
Rental and maintenance of equipment	116,477	12,813	129,290	95,763	9,997	105,760
Travel and entertainment	-	1,588	1,588	-	13,611	13,611
Promotion, printing and publications	23,941	6,134	30,075	30,182	10,640	40,822
Dues and subscriptions	-	5,323	5,323	-	3,307	3,307
Laundry, uniforms and cleaning	1,385	462	1,847	3,628	1,209	4,837
Interest	-	579	579	-	-	-
Bad debt	-	-	-	-	179,256	179,256
Miscellaneous	3,543	7,543	11,086	2,828	17,898	20,726
Total non-personnel expenses	1,128,977	254,765	1,383,742	1,118,173	427,921	1,546,094
Total	$ 2,234,552	$ 661,973	$ 2,896,525	$ 2,476,694	$ 977,207	$ 3,453,901

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2021	2020
Operating activities:		
Change in net assets	$ (199,955)	$ 190,809
Adjustments to reconcile change in net assets to net operating activities:		
Bad debt	-	179,256
Changes in other current assets and current liabilities:		
Accounts receivable	(42,091)	483,675
Inventory	(15,488)	29,445
Prepaid expenses	(6,151)	5,115
Accounts payable	52,114	(472,808)
Accrued expenses	27,718	(88,878)
Deferred revenue	12,710	(26,939)
Net operating activities	(171,143)	299,675
Investing activities:		
Proceeds from sales of investments	-	199,632
Net change in cash	(171,143)	499,307
Cash - beginning	1,497,983	998,676
Cash - ending	$ 1,326,840	$ 1,497,983

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 Corporation has one class of members which consists of the City and the County.

The Center grants credit to individuals, businesses and nonprofit organizations located throughout the United States.

Buffalo Niagara Convention and Visitors Bureau, Inc. (d/b/a Visit Buffalo Niagara (VBN)) and its affiliated entities are related to the Center through shared administration and common board members. The Center reimbursed VBN $7,500 in fees for shared administrative services in 2021.

Governmental Support:

Under the terms of annual public benefit services contracts (service contracts) with the County, the Center received subsidies for operations in 2021 and 2020 totaling $1,867,551 for each year, representing 69% and 51% 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 2021 or 2020.

Funding by the County for the year ending December 31, 2022 is expected to continue in the form of a subsidy to the Center with similar terms. Funding beyond December 31, 2021 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, 2022, 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. Property and equipment purchases expensed in 2021 and 2020 totaled $201,454 and $741.

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's sales to nonexempt customers. The Center collects these taxes from customers and remits the entire amount accordingly. Taxes collected and remitted are excluded from revenues and expenses in the accompanying financial statements.

Functional Allocation of Expenses:

The costs of providing program and supporting services have been summarized on a functional basis in the statements 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:

	2021	2020
Food	**$ 23,256**	$ 5,274
Beverage	**19,664**	21,135
Catering service supplies	**1,183**	2,901
Vending machine merchandise	**695**	-
	$ 44,798	$ 29,310

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, 2021 and 2020.

4. Retirement Plans:

The Center maintains a noncontributory, defined contribution profit sharing plan covering essentially all nonunion employees. The Center can make discretionary contributions to the plan. Total expense under this plan was $9,700 for 2021 and $18,900 for 2020.

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 $672 for 2021 and $2,688 for 2020.

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 multi-employer 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, 2021 and 2020 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 2021 and 2020 are for the following plan year ends: December 31, 2020 and 2019 for Plan 1, and January 31, 2021 and 2020 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.

		PPA Zone Status		FIP/RP Status	Center Contributions			
Pension Plan	EIN/Pension Plan Number	2021	2020	Pending/ Implemented	2021	2020	Surcharge Imposed	Expiration Date of Participation Agreement
Plan 1	16-0908576/001	Green	Green	Yes	$ 20,600	$ 15,400	Yes	December 31, 2022
Plan 2	36-6052390/001	Green	Green	No	23,000	23,700	No	December 31, 2022
					$ 43,600	$ 39,100		

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, 2020 and 2019 and January 31, 2021 and 2020. At the date the financial statements were issued, Form 5500 was not available for Plan 1's year ended December 31, 2021.

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 a government grant, in-house catering services 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 (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, 2021 and 2020:

	2021	2020
Cash	**$ 1,326,840**	$ 1,497,983
Accounts receivable	**42,091**	-
	$ 1,368,931	$ 1,497,983

7. Risks and Uncertainties:

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 organizations.

Beginning in March 2020 and continuing through 2021, the Center experienced a significant decline in revenues. Scheduled events were cancelled due to state mandates limiting group gatherings. In response, the Center laid off employees and reduced other expenses. The Center was able to reopen for events in September 2021, in accordance with applicable safety guidelines, including limits on capacity.

In April 2020, the Center received a $649,352 loan from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the pandemic. In March 2021, the Center received a second PPP loan totaling $375,215. The loans were forgiven in May 2021 and November 2021, and the proceeds have been recognized as revenue in the accompanying statements of activities.

The 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 events, customers, employees, suppliers, and vendors, none of which can be predicted.

Additional Information
Schedule of Contracted Surplus

For the year ended December 31, 2021

Net assets	$	1,147,929
Working capital, as defined in agreement with County of Erie dated February 26, 2021		2,681,821
Contractual deficit	$	(1,533,892)

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 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, 2021, 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, 2022.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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 24, 2022