BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

December 31, 2023

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

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, 2023 and 2022, 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, 2023 and 2022, 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 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 November 12, 2024 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

November 12, 2024

Balance Sheets

December 31,	2023	2022
Assets		
Current assets:		
Cash	$ 202,397	$ 958,809
Accounts receivable, net of allowance for doubtful accounts of $3,000 in 2023	689,910	477,417
Inventory (Note 2)	49,517	44,753
Prepaid expenses	63,264	57,842
	$ 1,005,088	$ 1,538,821
Liabilities and Net Assets		
Current liabilities:		
Short-term borrowings (Note 3)	$ 200,000	$ -
Accounts payable	218,881	441,680
Accrued expenses	126,999	94,208
Deferred revenue	51,719	73,364
	597,599	609,252
Net assets	407,489	929,569
	$ 1,005,088	$ 1,538,821

See accompanying notes.

Statements of Activities

For the years ended December 31,	2023	2022
Revenue and support:		
Contributions:		
Erie County grant (Note 1)	$ 1,981,286	$ 1,923,578
Government stimulus (Note 1)	-	345,977
Revenue from in-house catering service	2,963,394	2,157,788
Rentals	1,000,790	824,299
Miscellaneous	175,979	278,733
Total revenue and support	6,121,449	5,530,375
Expenses:		
Program services	5,517,652	4,694,530
General and administrative	1,125,877	1,054,205
Total expenses	6,643,529	5,748,735
Change in net assets	(522,080)	(218,360)
Net assets - beginning	929,569	1,147,929
Net assets - ending	$ 407,489	$ 929,569

See accompanying notes.

Statements of Functional Expenses

For the years ended December 31,	2023			2022		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and wages	$ 2,413,266	$ 562,908	$ 2,976,174	$ 1,983,376	$ 531,210	$ 2,514,586
Payroll taxes	134,527	51,904	186,431	193,227	52,614	245,841
Employee benefits	280,762	95,877	376,639	260,668	83,169	343,837
	2,828,555	710,689	3,539,244	2,437,271	666,993	3,104,264
Cost of goods sold	1,173,532	-	1,173,532	833,152	-	833,152
Professional and contracted services	-	173,662	173,662	-	162,846	162,846
Property and equipment purchases	6,345	705	7,050	86,170	9,574	95,744
Supplies	400,756	36,347	437,103	279,650	29,983	309,633
Telephone	88,911	15,690	104,601	112,745	19,896	132,641
Postage	4,315	762	5,077	2,344	414	2,758
Occupancy	805,644	59,609	865,253	708,528	68,252	776,780
Rental and maintenance of equipment	160,211	16,111	176,322	144,011	15,194	159,205
Travel and entertainment	-	9,709	9,709	-	14,865	14,865
Promotion, printing and publications	41,652	8,732	50,384	49,549	7,853	57,402
Dues and subscriptions	-	5,253	5,253	-	19,842	19,842
Laundry, uniforms and cleaning	1,471	490	1,961	4,592	1,531	6,123
Interest	-	722	722	-	-	-
Miscellaneous	6,260	87,396	93,656	36,518	36,962	73,480
Total non-personnel expenses	2,689,097	415,188	3,104,285	2,257,259	387,212	2,644,471
Total	$ 5,517,652	$ 1,125,877	$ 6,643,529	$ 4,694,530	$ 1,054,205	$ 5,748,735

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2023	2022
Operating activities:		
Change in net assets	$ (522,080)	$ (218,360)
Adjustments to reconcile change in net assets		
to net operating activities:		
Changes in other current assets and current liabilities:		
Accounts receivable	(212,493)	(435,326)
Inventory	(4,764)	45
Prepaid expenses	(5,422)	(29,903)
Accounts payable	(222,799)	326,582
Accrued expenses	32,791	23,404
Deferred revenue	(21,645)	(34,473)
Net operating activities	(956,412)	(368,031)
Financing activities:		
Net proceeds from short-term borrowings	200,000	-
Net change in cash	(756,412)	(368,031)
Cash - beginning	958,809	1,326,840
Cash - ending	$ 202,397	$ 958,809

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 $12,000 and $19,400 in fees for shared administrative services in 2023 and 2022.

Governmental Support:

Under the terms of an annual public benefit services contract (service contract) with the County, the Center received subsidies for operations in 2023 and 2022 totaling $1,981,286 and $1,923,578, representing 32% and 35% of total revenue and support for each year. The service contract also requires 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 2023 or 2022.

Funding by the County for the year ending December 31, 2024 will continue in the form of a subsidy to the Center totaling $2,581,286 under the terms of an agreement executed on March 21, 2024. Funding beyond December 31, 2024 is contingent upon actions taken by the County that are consistent with prior years. The Board and management of the Center believe sufficient funding arrangements will be made timely, so uninterrupted operations will continue beyond that time.

During 2022, the Center recognized $345,977 of refundable credits under the Employee Retention Credit program of the CARES Act in response to the COVID-19 pandemic declared by the World Health Organization in February 2020. These credits, which were received in December 2022, are included in revenue on the 2022 statement of activities.

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 November 12, 2024, 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, historical trends, and existing and forecasted economic conditions. 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, property and equipment purchases are generally expensed as incurred. Property and equipment purchases expensed in 2023 and 2022 totaled $7,050 and $95,744.

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:

		2023		2022
Food	**$**	**30,359**	$	21,809
Beverage		**11,768**		19,449
Catering service supplies		**6,602**		2,997
Vending machine merchandise		**788**		498
	$	**49,517**	$	44,753

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. Amounts outstanding on this line at December 31, 2023 totaled $200,000. There were no amounts outstanding at December 31, 2022.

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 $24,500 for 2023 and $13,300 for 2022.

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 $4,781 for 2023 and $3,024 for 2022.

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, 2023 and 2022 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 2023 and 2022 are for the following plan year ends: December 31, 2023 and 2022 for the Service Employees Pension Fund of Upstate NY (Plan 1), and January 31, 2023 and 2022 for the Central Pension Fund of the IUOE & Participating Employers (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			Expiration Date
Pension Plan	EIN/Pension Plan Number	2023	2022	Pending/ Implemented	2023	2022	Surcharge Imposed	of Participation Agreement
Plan 1	16-0908576/001	Green	Green	No	$ 55,100	$ 48,600	No	December 31, 2024
Plan 2	36-6052390/001	Green	Green	No	30,800	28,700	No	December 31, 2024
					$ 85,900	$ 77,300		

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, 2023 and 2022 and January 31, 2023 and 2022.

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 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, 2023 and 2022:

	2023	2022
Cash	**$ 202,397**	$ 958,809
Accounts receivable	**689,910**	477,417
	$ 892,307	$ 1,436,226

Additional Information
Schedule of Contracted Surplus

For the year ended December 31, 2023

Net assets	$ 407,489
Working capital, as defined in agreement with County of Erie dated March 17, 2023	2,016,493
Contractual deficit	$ (1,609,004)

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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 balance sheet of Buffalo Niagara Convention Center Management Corporation (the Center), as of December 31, 2023, 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 November 12, 2024.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Financial Reporting

Our audit of the Center's 2023 financial statements revealed that key general ledger accounts, including cash, were not reconciled timely, which resulted in significant additional analysis and adjustments subsequent to year end. Additionally, we noted the Center did not timely record transactions to the general ledger during the year.

We recommend management implement additional procedures to ensure accounts are reconciled to the general ledger and activity of the Center is recorded in a timely manner.

Management Response

During 2023, the Center terminated its controller and hired a replacement. However, the replacement was not suited for the position and was terminated in May 2024. The Center hired a new controller in June 2024. Additional policies and procedures will also be implemented, including regular meetings between the controller and General Manager of the Center, specific training for the individual on the accounting software, and specific monthly closing procedures will be established, including reconciliation of key accounts.

Management's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Center's response to the findings identified in our audit, and is described above. The Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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

November 12, 2024