

**BUFFALO NIAGARA CONVENTION CENTER
MANAGEMENT CORPORATION**

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

December 31, 2020

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, 2020 and 2019, 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, 2020 and 2019, 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.

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 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 30, 2021, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

March 30, 2021

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Balance Sheets

December 31,	2020	2019
Assets		
Current assets:		
Cash	\$ 1,497,983	\$ 998,676
Short-term investments	-	199,632
Accounts receivable, net of allowance of \$9,000 in 2019	-	662,931
Inventory (Note 2)	29,310	58,755
Prepaid expenses	21,788	26,903
	<u>\$ 1,549,081</u>	<u>\$ 1,946,897</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 62,984	\$ 535,792
Accrued expenses	43,086	131,964
Deferred revenue	95,127	122,066
	<u>201,197</u>	<u>789,822</u>
Net assets	<u>1,347,884</u>	<u>1,157,075</u>
	<u>\$ 1,549,081</u>	<u>\$ 1,946,897</u>

See accompanying notes.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Activities

For the years ended December 31,	2020	2019
Revenue and support:		
Erie County grant (Note 1)	\$ 1,867,551	\$ 1,830,932
Contributions - Paycheck Protection Program (Note 7)	649,352	-
Revenue from in-house catering service	705,485	2,810,208
Rentals	322,049	1,012,122
Miscellaneous	100,273	247,939
Total revenue and support	3,644,710	5,901,201
Expenses:		
Program services	2,476,694	5,014,715
General and administrative	977,207	1,024,484
Total expenses	3,453,901	6,039,199
Change in net assets	190,809	(137,998)
Net assets - beginning	1,157,075	1,295,073
Net assets - ending	\$ 1,347,884	\$ 1,157,075

See accompanying notes.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Functional Expenses

For the years ended December 31,

2020

2019

	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and wages	\$ 1,017,133	\$ 416,832	\$ 1,433,965	\$ 2,073,351	\$ 489,442	\$ 2,562,793
Payroll taxes	121,709	38,841	160,550	245,743	44,050	289,793
Employee benefits	219,679	93,613	313,292	387,910	106,162	494,072
	1,358,521	549,286	1,907,807	2,707,004	639,654	3,346,658
Cost of goods sold	230,632	-	230,632	908,859	-	908,859
Professional and contracted services	-	114,793	114,793	-	124,614	124,614
Property and equipment purchases	667	74	741	119,849	13,317	133,166
Supplies	105,090	13,245	118,335	280,461	34,194	314,655
Telephone	54,443	9,608	64,051	71,618	12,638	84,256
Postage	754	133	887	1,480	261	1,741
Occupancy	594,186	54,150	648,336	677,428	66,285	743,713
Rental and maintenance of equipment	95,763	9,997	105,760	124,573	12,486	137,059
Travel and entertainment	-	13,611	13,611	-	34,710	34,710
Promotion, printing and publications	30,182	10,640	40,822	110,635	42,269	152,904
Dues and subscriptions	-	3,307	3,307	-	5,183	5,183
Laundry, uniforms and cleaning	3,628	1,209	4,837	6,011	2,004	8,015
Bad debt	-	179,256	179,256	-	-	-
Miscellaneous	2,828	17,898	20,726	6,797	36,869	43,666
Total non-personnel expenses	1,118,173	427,921	1,546,094	2,307,711	384,830	2,692,541
Total	\$ 2,476,694	\$ 977,207	\$ 3,453,901	\$ 5,014,715	\$ 1,024,484	\$ 6,039,199

See accompanying notes.

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Statements of Cash Flows

For the years ended December 31,	2020	2019
Operating activities:		
Change in net assets	\$ 190,809	\$ (137,998)
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	483,675	(67,437)
Inventory	29,445	10,504
Prepaid expenses	5,115	48,589
Accounts payable	(472,808)	127,983
Accrued expenses	(88,878)	(17,878)
Deferred revenue	(26,939)	(28,631)
Net operating activities	299,675	(64,868)
Investing activities:		
Purchase of investments	-	(498,227)
Proceeds from sales of investments	199,632	298,595
Net investing activities	199,632	(199,632)
Net change in cash	499,307	(264,500)
Cash - beginning	998,676	1,263,176
Cash - ending	\$ 1,497,983	\$ 998,676

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.

Governmental Support:

Under the terms of annual public benefit services contracts (service contracts) with the County, the Center received subsidies for operations in 2020 and 2019 totaling \$1,867,551 and \$1,830,932, representing 51% and 31% 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 2020 or 2019.

Funding by the County for the year ending December 31, 2021 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 30, 2021, 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.

Short-Term Investments:

At times, the Center invests excess funds in highly liquid, interest earning investments. At December 31, 2019 investments consist of a corporate bond stated at fair value, which approximated cost. The bond matured 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 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:

	2020	2019
Food	\$ 5,274	\$ 16,662
Beverage	21,135	37,708
Catering service supplies	2,901	3,593
Vending machine merchandise	-	792
	<u>\$ 29,310</u>	<u>\$ 58,755</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, 2020 and 2019.

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 2020 and 2019. Total expense under this plan was \$18,900 for 2020 and \$18,100 for 2019.

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 \$2,688 for 2020 and \$4,860 for 2019.

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, 2020 and 2019 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 2020 and 2019 are for the following plan year ends: December 31, 2019 and 2018 for Plan 1, and January 31, 2020 and 2019 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
		2020	2019		2020	2019		
Plan 1	16-0908576/001	Green	Green	Yes	\$ 15,400	\$ 42,300	Yes	December 31, 2021
Plan 2	36-6052390/001	Green	Green	No	23,700	26,400	No	December 31, 2021
					<u>\$ 39,100</u>	<u>\$ 68,700</u>		

The Center was not listed in any of the Forms 5500 as providing more than 5 percent of the total contributions for the plan years ended December 31, 2019 and 2018 and January 31, 2020 and 2019. At the date the financial statements were issued, Form 5500 was not available for Plan 1’s year ended December 31, 2020.

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, 2020 and 2019:

	2020	2019
Cash	\$ 1,497,983	\$ 998,676
Short-term investments	-	199,632
Accounts receivable	-	662,931
	<u>\$ 1,497,983</u>	<u>\$ 1,861,239</u>

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 subsequent to December 31, 2020, 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 expects to reopen for events in September 2021, in accordance with applicable safety guidelines.

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. The Center believes it has met the required conditions established by the SBA for the loan to be forgiven in its entirety as of December 31, 2020 and the proceeds have been recognized as contributions revenue in the accompanying 2020 statement of activities. In March 2021, the Center received a second PPP loan totaling \$375,215, which it expects to be forgiven during 2021. If any amount is not forgiven, it is repayable over a negotiable period of time and subject to 1% interest.

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

BUFFALO NIAGARA CONVENTION CENTER MANAGEMENT CORPORATION

Additional Information
Schedule of Contracted Surplus

For the year ended December 31, 2020

Net assets	\$ 1,347,884
Working capital, as defined in agreement with County of Erie dated February 25, 2020	<u>3,121,637</u>
Contractual deficit	<u>\$ (1,773,753)</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, 2020, 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 30, 2021.

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.

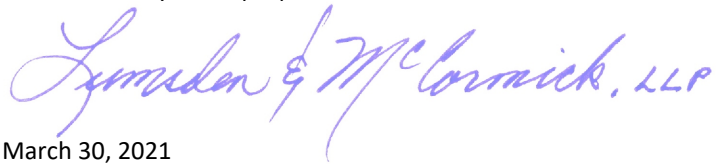
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

March 30, 2021