

DUNKIRK LOCAL DEVELOPMENT  
CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements and  
Supplementary Information

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

(A Component Unit of the City of Dunkirk)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Dunkirk Local Development Corporation  
and Subsidiaries:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dunkirk Local Development Corporation and Subsidiaries (the DLDC), a component unit of the City of Dunkirk, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the DLDC's preparation and fair presentation of the consolidated 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 DLDC'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dunkirk Local Development Corporation and Subsidiaries as of December 31, 2014 and 2013 and the changes in its consolidated net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed more fully in note 7, the U.S. Department of Housing and Urban Development has undertaken a review of Community Development Block Grant funds provided to the City of Dunkirk. Allocations of these funds have periodically been made to the DLDC.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 16 through 19 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Toski & Co., CPAs, P.C.

Williamsville, New York  
September 24, 2015

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Financial Position  
December 31, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and equivalents	\$ 8,551	10,667
Restricted cash	52,196	18,723
Current portion of loans receivable	27,600	43,259
Prepaid expenses	3,018	4,068
Total current assets	91,365	76,717
Other assets:		
Loans receivable, non-current, less allowance for uncollectible loans of \$230,000	3,941	139,457
Property held for development or sale:		
Flickenger Building	20,200	20,200
Bertges Building	609,500	609,500
Other	47,613	47,613
Total other assets	681,254	816,770
Total assets	\$ 772,619	893,487
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	1,050	-
Accrued interest	9,366	4,683
Current portion of long-term debt	76,585	35,951
Total current liabilities	87,001	40,634
Long-term debt, net of current portion	99,032	139,666
Total liabilities	186,033	180,300
Net assets:		
Unrestricted	516,894	643,495
Temporarily restricted	69,692	69,692
Total net assets	586,586	713,187
Contingencies (notes 6 and 7)		
Total liabilities and net assets	\$ 772,619	893,487

See accompanying notes to consolidated financial statements.

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended December 31, 2014 and 2013

	2014		2013		
	Unrestricted	Temporarily restricted	Total	Temporarily restricted	Total
Revenue and other support:					
City of Dunkirk - CDBG	-	-	-	5,450	5,450
Administrative fees	5,600	-	5,600	6,428	6,428
Rental income	8,358	-	8,358	5,815	5,815
Festival sponsorships and donations	95,785	-	95,785	67,118	67,118
Operating grants	36,460	-	36,460	83,000	83,000
Total revenue and other support	146,203	-	146,203	162,361	167,811
Expenses - program services:					
DLDC program	165,750	-	165,750	140,731	140,731
Festivals	114,233	-	114,233	107,529	107,529
Total expenses	279,983	-	279,983	248,260	248,260
Change in net assets from operations	(133,780)	-	(133,780)	(85,899)	(80,449)
Nonoperating revenues (expenses) - interest income	7,179	-	7,179	7,295	7,295
Change in net assets	(126,601)	-	(126,601)	(78,604)	(73,154)
Net assets at beginning of year	643,495	69,692	713,187	722,099	786,341
Net assets at the end of year	\$ 516,894	69,692	586,586	643,495	713,187

See accompanying notes to consolidated financial statements.

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Functional Expenses

Years ended December 31, 2014 and 2013

	2014			2013		
	DLDC Program	Festivals Program	Total	DLDC Program	Festivals Program	Total
Expenses:						
Advertising and promotion	\$ -	15,039	15,039	-	10,733	10,733
Office expenses	9,744	-	9,744	8,560	-	8,560
Maintenance and supplies	-	2,656	2,656	-	1,381	1,381
Utilities	2,973	-	2,973	2,806	-	2,806
Legal and professional	5,956	-	5,956	11,091	-	11,091
Rent expense	12,600	-	12,600	12,600	-	12,600
Festivals and entertainment	-	96,538	96,538	-	95,415	95,415
Insurance	5,151	-	5,151	4,604	-	4,604
Interest	4,683	-	4,683	15,178	-	15,178
Bad debt	-	-	-	75,000	-	75,000
HUD reimbursement	113,897	-	113,897	-	-	-
Real estate taxes	10,746	-	10,746	10,892	-	10,892
Total functional expenses	\$ 165,750	114,233	279,983	140,731	107,529	248,260

See accompanying notes to consolidated financial statements.

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
 Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Grants and donations received	\$ 132,245	143,525
Receipts from customers	13,958	87,243
Payments to suppliers	<u>(273,200)</u>	<u>(250,456)</u>
Net cash used in operating activities	<u>(126,997)</u>	<u>(19,688)</u>
Cash flows from investing activities:		
Interest income	7,179	7,295
Repayments of loans	<u>117,702</u>	<u>51,960</u>
Net cash provided by investing activities	<u>124,881</u>	<u>59,255</u>
Cash flows from financing activities - payment of long-term debt	<u>-</u>	<u>(34,259)</u>
Net change in cash and equivalents	(2,116)	5,308
Cash and equivalents at beginning of year	<u>10,667</u>	<u>5,359</u>
Cash and equivalents at end of year	<u>\$ 8,551</u>	<u>10,667</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	(126,601)	(73,154)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Interest income	(7,179)	(7,295)
Bad debt expense	-	75,000
Changes in:		
Restricted cash	-	(13,043)
Grants receivable	-	1,000
Prepaid expenses	1,050	(1,632)
Accounts payable	1,050	-
Accrued interest	<u>4,683</u>	<u>(564)</u>
Net cash used in operating activities	<u>\$ (126,997)</u>	<u>(19,688)</u>

See accompanying notes to consolidated financial statements.



# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2014 and 2013

### (1) Summary of Significant Accounting Policies

#### (a) Nature of Activities

The Dunkirk Local Development Corporation and Subsidiaries (the DLDC) is a special purpose, local development corporation organized by the City of Dunkirk (the City) under the Not-for-Profit Corporation Law of the State of New York. The DLDC is a nonstock membership entity governed by a board of directors, consisting of various community members and ex - officio members from the government of the City of Dunkirk.

The DLDC was created to purchase, lease, sublease, own, hold, sell, assign, or pledge various real property throughout the City of Dunkirk. Additionally, the DLDC has been authorized to offer low interest loans to small businesses to help spur economic development throughout the City.

#### (b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Dunkirk Local Development Corporation, Washington Avenue Revitalization Company, LLC and DLDC Real Property Company, LLC. All significant intercompany activity has been eliminated in consolidation.

#### (c) Basis of Accounting

The consolidated financial statements of the Dunkirk Local Development Corporation and Subsidiaries have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### (d) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of FASB ASC 958-210 (formerly Financial Accounting Standards (SFAS) No. 117), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-210, the DLDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets which are described as follows:

Permanently restricted net assets - Contributions and other inflows of assets whose use by the DLDC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the DLDC. The DLDC has no such net assets at December 31, 2014 and 2013.

Temporarily restricted net assets - Contributions and other inflows of assets whose use by the DLDC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the DLDC pursuant to those stipulations.

Unrestricted net assets - Neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements, Continued

### (1) Summary of Significant Accounting Policies, Continued

#### (e) Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates and those differences could be significant.

#### (f) Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the DLDC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### (g) Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the DLDC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The DLDC reclassifies temporarily restricted net assets to unrestricted net assets at that time. In prior years, three such properties were acquired by the DLDC from the County of Chautauqua, New York.

#### (h) Property Held for Development or Sale

The DLDC holds several properties for development or sale. These properties are carried at the lower of cost or value at date of donation or market value. The DLDC reviews the carrying values of these properties for impairment whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable.

#### (i) Donated Services

Contributions have not been reflected in the consolidated financial statements for the value of donated services. The DLDC pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the DLDC with specific assistance programs, campaign solicitations and various committee assignments.

#### (j) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

# DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements, Continued

### (1) Summary of Significant Accounting Policies, Continued

#### (k) Promises to Give

Contributions are recognized when donors make unconditional promises to give to the DLDC. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

#### (l) Subsequent Events

The DLDC has evaluated subsequent events through the date of the report which is the date the consolidated financial statements were available to be issued.

#### (m) Income Taxes

The DLDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the consolidated financial statements. The DLDC has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The DLDC presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the DLDC has taken no uncertain tax positions that require adjustment in its consolidated financial statements. U.S. Forms 990 filed by the DLDC are subject to examination by taxing authorities. The DLDC is no longer subject to tax examination for the years ended December 31, 2011, and prior.

### (2) Restricted Cash

Restricted cash represents the net difference between payments received on HUD loans and amounts expended for CDBG purposes. This residual amount is restricted for such purposes.

### (3) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

## DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements, Continued

#### (3) Fair Value Measurements, Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the DLDC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the DLDC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### (4) Loans Receivable

The DLDC maintains a loan program. The loans, which are considered to be level 3 assets as described in note 3, have varying interest rates and repayment terms. The loans are collateralized by a first or priority security interest in any equipment, machinery, furnishings or fixtures refinanced or purchased from loan proceeds. An allowance for doubtful accounts of \$230,000 has been established as of December 31, 2014 and 2013.

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(4) Loans Receivable, Continued

Loans receivable consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Envirotekknix	\$ 35,001	35,001
Lightning Circuits International, Inc.	9,094	19,344
Demetri's on the Lake	20,009	39,820
Dunkirk Metal Products, Inc.	97,562	97,562
Sound Chaser Systems	8,566	8,566
G&E Tents	2,244	3,925
Chautauqua Woods	262	5,228
Peyin's Deli	6,334	6,334
Lakeshore Grillworks	5	5
Selling Hive	18,078	18,078
Clarion Hotel	-	114,467
Henlie	15,000	15,000
Textivia	35,000	35,000
Paradis	<u>14,386</u>	<u>14,386</u>
Subtotal	261,541	412,716
Less: allowance for doubtful accounts	(230,000)	(230,000)
Less: current portion	<u>(27,600)</u>	<u>(43,259)</u>
Total loans receivable, net	\$ <u>3,941</u>	<u>139,457</u>

During 2009, the DLDC made a loan commitment to the Clarion Hotel for \$175,000. Because of uncertainty as to the terms of the loan and the allocation between loan and grant proceeds, the note was rewritten in 2013. The note as originally written provided that a portion of the outstanding balance would be converted into a grant provided certain job goals were met. This provision was not included in the note as rewritten. This loan was paid off in 2014.

The table below sets forth a summary of changes in the fair value of the DLDC's Level 3 assets for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 412,716	464,676
Less amounts repaid	(151,175)	(51,960)
Balance at end of year	\$ <u>261,541</u>	<u>412,716</u>

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(4) Loans Receivable, Continued

Expected repayments on the loans receivable at December 31, 2014 are as follows:

2015	\$ 27,600
2016	4,009
In default	<u>229,932</u>
Total	261,541
Less current portion	<u>(27,600)</u>
Loans receivable, net of current portion	\$ <u>233,941</u>

(5) Investment in Limited Liability Companies

The DLDC has an interest in the Washington Avenue Revitalization Company, LLC. This company was established in 2009 to rehabilitate certain commercial real estate (the Flickenger Building) in the City of Dunkirk. The DLDC has a 100% ownership interest in the Washington Avenue Revitalization Company, LLC and records net income or loss from this investment in accordance with its ownership interest.

The DLDC also has an interest in the DLDC Real Property, LLC. This company was established in 2010 to rehabilitate certain commercial real estate (the Bertges property) in the City of Dunkirk. The DLDC has a 100% ownership interest in the DLDC Real Property, LLC and records net income or loss from this investment in accordance with its ownership interest.

The following is a summary of selected 2014 and 2013 financial information from the accounts of the LLCs:

	<u>2014</u>	<u>2013</u>
2011 Washington Avenue Revitalization Company, LLC		
Assets (100%)	\$ 20,200	20,200
Debt (100%)	<u>-</u>	<u>-</u>
Members' equity (100%)	\$ <u>20,200</u>	<u>20,200</u>
Revenue (100%)	\$ <u>-</u>	<u>-</u>
Impairment loss (100%)	\$ <u>-</u>	<u>-</u>
Company share of net income (100%)	\$ <u>-</u>	<u>-</u>

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(5) Investment in Limited Liability Companies, Continued

	<u>2014</u>	<u>2013</u>
DLDC Real Property, LLC		
Assets (100%)	\$ 625,500	625,500
Debt (100%)	<u>175,617</u>	<u>175,617</u>
Members' equity (100%)	\$ <u>449,883</u>	<u>449,883</u>
Transfers (100%)	\$ _____	<u>34,259</u>
Company share of net income (100%)	\$ _____	<u>34,259</u>

(6) Long-Term Debt

Long-term debt at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Note payable to Bertges Family Limited Partnership (LLP). Payments are due annually. Interest is accrued annually at various rates and is due with last payment. The note is secured by commercial property in Dunkirk, New York. Final payment is due September 2015.	\$ 175,617	175,617
Less current maturities	<u>(76,585)</u>	<u>(35,951)</u>
Total long-term debt	\$ <u>99,032</u>	<u>139,666</u>

The DLDC did not make the 2014 annual payment required under the terms of this note and has entered into negotiations with the LLP regarding the outstanding balance.

(7) U.S. Department of Housing and Urban Development Review

The U.S. Department of Housing and Urban Development has undertaken a review of the procedures, protocols and uses of funding for Community Development Block Grant funds previously provided to the City of Dunkirk for which allocations were previously made to the DLDC. Management anticipates that this review will not require the DLDC to repay any of these allocations to the City, and no adjustments have been reflected in the consolidated financial statements for this review.

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  
Dunkirk Local Development Corporation  
and Subsidiaries:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of the Dunkirk Local Development Corporation and Subsidiaries (the DLDC), as of and for the year ended December 31, 2014, and the related notes to consolidated financial statements, which collectively comprise the Dunkirk Local Development Corporation and Subsidiaries' basic consolidated financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the DLDC'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the DLDC'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 DLDC's consolidated 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 DLDC's consolidated 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 DLDC'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 DLDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
September 24, 2015

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES  
 Supplementary Information  
 Consolidating Schedule of Financial Position  
 December 31, 2014

Assets	Dunkirk Local Development Corporation	Washington Avenue Revitalization Company, LLC	DLDC Real Property Company, LLC	Eliminations	Total
Current assets:					
Cash and equivalents	\$ 8,551	-	-	-	8,551
Restricted cash	52,196	-	-	-	52,196
Current portion of loans receivable	27,600	-	-	-	27,600
Prepaid expenses	3,018	-	-	-	3,018
Total current assets	<u>91,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,365</u>
Other assets:					
Loans receivable, non-current	3,941	-	-	-	3,941
Investment in LLC's	470,083	-	-	(470,083)	-
Property held for development or sale:					
Flickenger Building	-	20,200	-	-	20,200
Beriges Building	-	-	609,500	-	609,500
Other	31,613	-	16,000	-	47,613
Total other assets	<u>505,637</u>	<u>20,200</u>	<u>625,500</u>	<u>(470,083)</u>	<u>681,254</u>
Total assets	<u>\$ 597,002</u>	<u>20,200</u>	<u>625,500</u>	<u>(470,083)</u>	<u>772,619</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	1,050	-	-	-	1,050
Accrued interest	9,366	-	-	-	9,366
Current portion of long-term debt	-	-	76,585	-	76,585
Total current liabilities	<u>10,416</u>	<u>-</u>	<u>76,585</u>	<u>-</u>	<u>87,001</u>
Long-term debt, net of current portion	-	-	99,032	-	99,032
Total liabilities	<u>10,416</u>	<u>-</u>	<u>175,617</u>	<u>-</u>	<u>186,033</u>
Net assets:					
Unrestricted	516,894	20,200	449,883	(470,083)	516,894
Temporarily restricted	69,692	-	-	-	69,692
Total net assets	<u>586,586</u>	<u>20,200</u>	<u>449,883</u>	<u>(470,083)</u>	<u>586,586</u>
Total liabilities and net assets	<u>\$ 597,002</u>	<u>20,200</u>	<u>625,500</u>	<u>(470,083)</u>	<u>772,619</u>

See accompanying notes to consolidated financial statements.



DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Supplementary Information  
Consolidating Schedule of Activities  
December 31, 2014

	Dunkirk Local Development Corporation	Washington Avenue Revitalization Company, LLC	DLDC Real Property Company, LLC	Eliminations	Total
Revenue and other support:					
Administrative fees	\$ 5,600	-	-	-	5,600
Rental income	8,358	-	-	-	8,358
Festival sponsorships and donations	95,785	-	-	-	95,785
Operating grants	36,460	-	-	-	36,460
Total revenue and other support	<u>146,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,203</u>
Expenses - program services:					
DLDC program	165,750	-	-	-	165,750
Festivals	114,233	-	-	-	114,233
Total expenses	<u>279,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,983</u>
Change in net assets from operations	(133,780)	-	-	-	(133,780)
Nonoperating revenues - interest income	7,179	-	-	-	7,179
Change in net assets	<u>\$ (126,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,601)</u>

See accompanying notes to consolidated financial statements.

DUNKIRK LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

Supplementary Information  
 Consolidating Schedule of Activities  
 December 31, 2013

	Dunkirk Local Development Corporation	Washington Avenue Revitalization Company, LLC	DLDC Real Property Company, LLC	Eliminations	Total
Revenue and other support:					
City of Dunkirk - CDBG	\$ 5,450	-	-	-	5,450
Administrative fees	6,428	-	-	-	6,428
Rental income	5,815	-	-	-	5,815
Festival sponsorships and donations	67,118	-	-	-	67,118
Operating grants	83,000	-	-	-	83,000
Total revenue and other support	<u>167,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,811</u>
Expenses - program services:					
DLDC program	140,731	-	-	-	140,731
Festivals	107,529	-	-	-	107,529
Total expenses	<u>248,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,260</u>
Change in net assets from operations	(80,449)	-	-	-	(80,449)
Intercompany transfers	(34,259)	-	34,259	-	-
Nonoperating revenues - interest income	7,295	-	-	-	7,295
Change in net assets	<u>\$ (107,413)</u>	<u>-</u>	<u>34,259</u>	<u>-</u>	<u>(73,154)</u>

See accompanying notes to consolidated financial statements.