NIAGARA AREA DEVELOPMENT CORPORATION
A Component Unit of
Niagara County Industrial Development Agency

FINANCIAL STATEMENTS

DECEMBER 31, 2013

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara Area Development Corporation

We have audited the accompanying financial statements of Niagara Area Development Corporation (the Corporation), a business-type activity and a component unit of Niagara County Industrial Development Agency (NCIDA), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, 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 respective financial position of the Corporation as of December 31, 2013 and 2012, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis

The Corporation has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, April 9, 2014 on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

April 9, 2014

NIAGARA AREA DEVELOPMENT CORPORATION
(a component unit of Niagara County Industrial Development Agency)

Balance Sheets

December 31,	2013	2012
Assets		
Current assets:		
Cash	**$ 535**	$ 534
Liabilities and Net Position		
Current Liabilities:		
Affiliate payable - NCIDA	**$ 535**	$ 534
Net position:		
Unrestricted	**-**	-
	$ 535	$ 534

See accompanying notes.

NIAGARA AREA DEVELOPMENT CORPORATION
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Statements of Revenues, Expenses and Changes in Net Position

For the years ended December 31,	2013	2012
Operating revenues:		
Fees	$ -	$ 999,025
Operating expenses:		
Transfer to NCIDA	1	999,050
Bank fees	-	148
	1	999,198
Operating loss	(1)	(173)
Nonoperating revenue:		
Interest income	1	173
Change in net position	-	-
Net position - beginning of year	-	-
Net position - end of year	$ -	$ -

See accompanying notes.

NIAGARA AREA DEVELOPMENT CORPORATION
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Statements of Cash Flows

For the years ended December 31,	2013	2012
Operating activities:		
Cash received from loan fees	$ -	$ 999,025
Transfer to NCIDA and other expense	-	(1,070,477)
Net operating activities	-	(71,452)
Investing activities:		
Interest income	1	173
Net change in cash	1	(71,279)
Cash - beginning of year	534	71,813
Cash - end of year	$ 535	$ 534
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	$ (1)	$ (173)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Change in affiliate payable	1	(71,279)
Net operating activities	$ -	$ (71,452)

See accompanying notes.

1. Summary of Significant Accounting Policies:

Nature of Organization:

Niagara Area Development Corporation (the Corporation), a governmental entity, was organized on September 12, 2011 to undertake and promote economic development initiatives in the Niagara County, New York area.

The Corporation is empowered to issue industrial revenue bonds for the benefit of not-for-profits. The bonds are not obligations of the Corporation or New York State. The Corporation does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the bond holders. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Corporation receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds. The Corporation's administrative agreement with NCIDA requires that all earnings generated by the Corporation be remitted to NCIDA. The Corporation did not issue any tax-exempt bonds in 2013. The original value of tax-exempt bonds issued by the Corporation aggregated $185,960,000 for 2012.

In accordance with accounting standards, the Corporation is considered a component unit of Niagara County Industrial Development Agency (NCIDA). The Corporation is included in the statements of NCIDA as a blended component unit.

Basis of Presentation:

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus:

The Corporation reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Corporation's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

The Corporation's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as nonoperating activities and include the Corporation's investment income.

Estimates:

The preparation of financial statements in conformity 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.

Cash:

Cash management policies are governed by New York State (the State) laws and as established in the Corporation's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned to it. At December 31, 2013, the Corporation's bank deposits were fully insured by FDIC coverage.

Net Position:

The Corporation is required to classify net position into three categories: net investment in capital assets, restricted, and unrestricted. The Corporation does not currently maintain any capital assets nor are restrictions imposed by external organizations, therefore all net position is deemed to be unrestricted and is available for general use by the Corporation.

Income Taxes:

The Corporation is a governmental entity exempt from income taxes under §115 of the Internal Revenue Code. No tax filings are required and accordingly, no tax is paid.

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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
Niagara Area Development Corporation

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 financial statements of Niagara Area Development Corporation (the Corporation), a component unit of Niagara County Industrial Development Agency, which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

April 9, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Niagara Area Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of Niagara Area Development Corporation (the Corporation), a business-type activity and a component unit of Niagara County Industrial Development Agency (NCIDA), which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated April 09, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2013. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

April 9, 2014