N.F.C. DEVELOPMENT CORP.

(A Discretely Presented Component Unit of the City of Niagara Falls, New York)

Financial Statements
as of December 31, 2014 and 2013
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

N.F.C. DEVELOPMENT CORP.
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 5
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position	6
Statements of Activities and Change in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15
INDEPENDENT AUDITOR'S 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*	16 - 17

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 5, 2015

To the Board of Directors of
N.F.C. Development Corp:

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of N.F.C. Development Corp. (the Corporation), a discretely presented component unit of the City of Niagara Falls, New York, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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.

Auditor's 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 auditor's 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.

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Corporation, as of December 31, 2014 and 2013, and the changes in financial position, and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2015, 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, and 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.

Bonadio & Co., LLP

THE ORGANIZATION

N.F.C. Development Corporation (the Corporation) was created to foster business, industrial and employment retention and development in the City of Niagara Falls, New York (the City). The Corporation is a discretely presented component unit of the City. Accordingly, the financial statements report only the activities of the Corporation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The financial statements of the Corporation include management's discussion and analysis (MD&A) (this section), the statements of net position, statements of activities and change in net position, statement of cash flows, and related notes to the financial statements. The statement of net position presents information on all of the Corporation's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The statement of activities and change in net position presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Corporation's accounting methods and policies.

BASIS OF ACCOUNTING

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Corporation's activities are classified as business-type activities.

FINANCIAL HIGHLIGHTS

- The Corporation's net position decreased by $149,420 in 2014 and decreased by $64,412 in 2013, as a result of the individual year's operations.

- The assets of the Corporation exceeded its liabilities by $1,668,854 and $1,818,274 at December 31, 2014 and 2013, respectively.

FINANCIAL HIGHLIGHTS (Continued)

The analysis below summarizes the statements of net position of the Corporation for the years ended December 31, 2014, 2013 and 2012.

STATEMENT OF NET POSITION

	2014	2013	2012
ASSETS:			
Cash and equivalents	$ 1,349,129	$ 1,449,525	$ 1,455,210
Loans receivable, net	326,198	383,070	433,759
Total assets	1,675,327	1,832,595	1,888,969
LIABILITIES:			
Accounts payable	6,473	14,321	6,283
Total liabilities	6,473	14,321	6,283
NET POSITION:			
Unrestricted	1,668,854	1,818,274	1,882,686
Total net position	$ 1,668,854	$ 1,818,274	$ 1,882,686

Assets

The Corporation's cash and cash equivalents decreased by $100,396 in 2014 from 2013 due to cash disbursed as grants and loans to businesses in the City to foster development and employment during 2014. Cash and cash equivalents decreased by $5,685 in 2013 from 2012 due to cash disbursed as grants and loans to businesses in the City to foster development and employment during 2013.

FINANCIAL HIGHLIGHTS (Continued)

Table shows the changes in net position for the years ended December 31, 2014, 2013 and 2012.

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

	2014	2013	2012
REVENUES:			
City of Niagara Falls, New York	$ -	$ 93,531	$ -
Grant income	-	-	25,000
Administrative fees	700	1,483	1,950
Interest income - lending activities	17,700	21,163	15,714
Interest income - other	1,518	2,866	4,097
Miscellaneous income	150	1,942	29
Total revenues	20,068	120,985	46,790
EXPENSES:			
General and administrative	99,488	118,594	178,793
Grant expense	70,000	66,803	252,557
Depreciation	-	-	242
Total expenses	169,488	185,397	431,592
CHANGE IN NET POSITION	(149,420)	(64,412)	(384,802)
NET POSITION - beginning of year	1,818,274	1,882,686	2,267,488
NET POSITION - end of year	$ 1,668,854	$ 1,818,274	$ 1,882,686

Revenues
Funds provided by the City to foster economic development represented 77% of total revenues in 2013. From these funds, the Corporation was able to continue to provide funding for economic development. No amounts were provided by the City in 2014.

Expenses
Grants disbursed to recipients to assist in development projects represented 41% of total expenses in 2014 (36% in 2013 and 59% in 2012).

Change in Net Position
In 2014, net position decreased from the prior year by $149,420. The decrease is attributable to the lack of revenues available to the City to transfer to the Corporation and the use of unrestricted net position to fund grant and operating expenses. In 2013, net position decreased from the prior year by $64,412.

REQUEST FOR INFORMATION

This financial report is designed to provide financial statement users with a general overview of the Corporation's finances and to show accountability for the money received. Questions concerning any information within this report or requests for additional information should be addressed to the Office of the City Controller, City of Niagara Falls, 745 Main Street, P.O. Box 69, Niagara Falls, New York 14302.

N.F.C. DEVELOPMENT CORP.
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)

STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,349,129	$ 1,449,525
Loans receivable, net, current portion	56,130	53,521
Total current assets	1,405,259	1,503,046
NON-CURRENT ASSETS:		
Loans receivable, net, less current portion	270,068	329,549
Total non-current assets	270,068	329,549
Total assets	1,675,327	1,832,595
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	6,473	14,321
Total liabilities	6,473	14,321
NET POSITION		
Unrestricted	1,668,854	1,818,274
Total net position	$ 1,668,854	$ 1,818,274

The accompanying notes are an integral part of these statements.

N.F.C. DEVELOPMENT CORP.
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)

STATEMENTS OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES:		
Interest income - lending activities	$ 17,700	$ 21,163
Interest income - other	1,518	2,866
Administrative fees	700	1,483
City of Niagara Falls, New York	-	93,531
Miscellaneous income	150	1,942
Total revenues	20,068	120,985
EXPENSES:		
General and administrative	99,488	118,594
Grant expense	70,000	66,803
Total expenses	169,488	185,397
CHANGE IN NET POSITION	(149,420)	(64,412)
NET POSITION - beginning of year	1,818,274	1,882,686
NET POSITION - end of year	$ 1,668,854	$ 1,818,274

The accompanying notes are an integral part of these statements.

N.F.C. DEVELOPMENT CORP.
(A Discretely Presented Component Unit of the City of Niagara Falls, New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net position	$ (149,420)	$ (64,412)
Adjustments to reconcile change in net position to cash provided by operating activities		
Bad debt expense	-	19,009
Changes in:		
Loans receivable, net	56,872	31,680
Accounts payable	(7,848)	8,038
Net cash flow from operating activities	(100,396)	(5,685)
CHANGE IN CASH AND CASH EQUIVALENTS	(100,396)	(5,685)
CASH AND CASH EQUIVALENTS - beginning of year	1,449,525	1,455,210
CASH AND CASH EQUIVALENTS - end of year	$ 1,349,129	$ 1,449,525

The accompanying notes are an integral part of these statements.

1. ORGANIZATION AND REPORTING ENTITY

Reporting Entity

The financial statements of N.F.C. Development Corp. (the Corporation), are intended to present only that portion of the activities that are attributable to the transactions of N.F.C. Development Corp. The financial statements do not purport to, and do not, present the financial position of the City of Niagara Falls, New York (the City), as of December 31, 2014 and 2013, or the changes in its financial position or its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States.

Nature of Operations

The governing body of the Corporation, located in Niagara Falls, New York, is the Board of Directors. The scope of activities included within the accompanying financial statements are those transactions which comprise the Corporation's operations, and are governed, or significantly influenced by the Board of Directors. The Board of Directors of the Corporation is appointed by the City. The Corporation was incorporated on April 3, 1980 under the provisions of Sections 102 and 201 of the Not-For-Profit Corporation Law of the State of New York. Essentially, the primary function of the Corporation is to foster business, industrial, and employment retention and development in the City.

The Corporation is a discretely presented component unit of the City by virtue of certain common board members and management personnel.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash is received or paid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of ninety days or less. The Corporation maintains its cash and cash equivalents in bank accounts. Interest and dividend income from cash and cash equivalents is reported in operating revenue in the statements of activities.

Loans Receivable

As part of its economic development activities, the Corporation makes loans available at more favorable terms and interest rates than are generally available in the market. The ultimate fair value of each loan is not readily determinable. Interest on loans is based on the particular loan agreements. Loan balances reflect principal due and excludes any accrued interest and late charges.

Loans receivable are carried at unpaid principal balances. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation reviews outstanding loans receivable for uncollectibility and records an allowance for uncollectible accounts based on that review. When all collection efforts have been exhausted, the account is written-off as uncollectible. The allowance for doubtful accounts was $94,880 at December 31, 2014 and 2013.

Capital Assets

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of the assets, which range from 3 to 5 years.

Net Position

The financial statements display net position in three components as follows:

- **Net Investment in Capital Assets**
  This net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted Net Position**
  This net position consists of resources with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.

- **Unrestricted Net Position**
  This net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Corporation is exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1992 C.C. 418 as a governmental unit or affiliate of a governmental unit as described in the Procedure.

Revenues

Revenues consist principally of funding provided by the City, which is recognized as revenue when received.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

Demand deposits at year-end were entirely covered by FDIC insurance or secured by trust companies located within the State. At December 31, 2014 and 2013, cash and cash equivalents are composed entirely of a demand deposit account and a money market account. All deposits are carried at cost, which approximates fair value.

Policies

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the funds of the Corporation and funds under the control of the Corporation; to provide sufficient liquidity of invested funds in order to meet obligations as they become due; and to earn the maximum yield possible given the objectives previously listed. Oversight of investment activity is the responsibility of the Executive Director. The Corporation's monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies as designated by the Board of Directors. Permissible investments include: a) obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal or state government, b) obligations of New York State or in general obligations of the State's political subdivisions, c) certificates of deposits or deposits with banks with an investment grade rating by a Rating Agency, d) commercial paper rated Prime-1 and/or A-1, e) and money market funds with AAA ratings.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. CASH AND CASH EQUIVALENTS (Continued)

Credit Risk
The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. At December 31, 2014, the bank balance of the Corporation's cash and cash equivalents was exposed to custodial credit risk as follows:

Description	Bank Balance	Carrying Amount
Cash and cash equivalents	$ 1,349,702	$ 1,349,104
Category 1: Covered by FDIC insurance	$ 250,000	
Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Corporation's name	1,121,698	
	$ 1,371,698	

At December 31, 2013, the bank balance of the City's cash and cash equivalents was exposed to custodial credit risk as follows:

Description	Bank Balance	Carrying Amount
Cash and cash equivalents	$ 1,450,777	$ 1,449,500
Category 1: Covered by FDIC insurance	$ 522,091	
Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Corporation's name	63,554	
Category 3: Uncollateralized	865,132	
	$ 1,450,777	

4. LOANS RECEIVABLE

Loans receivable consisted of the following at December 31:

Borrower	Date of Issue	Original Loan	Rate of Interest	Maturity Date	Balance at 12/31/2014	Balance at 12/31/2013
Como Restaurant	12/2008	$ 100,000	3.00%	12/2023	$ 67,387	$ 73,552
Cafe Lola	1/2009	55,000	3.00%	1/2019	47,684	47,684
T-Krow Inc.	12/2009	30,000	5.00%	12/2015	28,187	28,187
Wine on 3rd, LLC.	12/2009	45,000	5.00%	12/2016	13,304	22,273
PEMCO, Inc.	6/2011	30,000	5.00%	4/2017	14,446	19,387
Kandola Group, Inc.	5/2011	35,000	5.00%	6/2016	11,416	18,576
Franks Vacuum Truck Service, Inc.	5/2012	200,000	5.00%	12/2021	170,996	189,580
Nazim, Inc.	1/2012	25,000	5.00%	2/2017	14,465	19,753
Yvonne's Bakery	8/2012	20,000	5.00%	8/2019	19,009	19,009
Jimbo's Fish House, Inc.	10/2012	35,000	5.00%	10/2019	25,829	30,350
WNY Tents & Awning	8/2013	9,960	5.00%	8/2020	8,355	9,599
Total		$ 584,960			421,078	477,950
Allowance for uncollectable accounts					(94,880)	(94,880)
Total, net					$ 326,198	$ 383,070

The amount to be received over the next five years is as follows:

Principal Repayment Schedule	2015	2016	2017	2018	2019	Thereafter	Total
Como Restaurant	$ 6,416	$ 6,611	$ 6,819	$ 7,026	$ 7,240	$ 33,275	$ 67,387
Cafe Lola	5,717	5,890	6,070	6,255	23,752	-	47,684
T-Krow Inc.	28,187	-	-	-	-	-	28,187
Wine on 3rd, LLC.	7,097	6,207	-	-	-	-	13,304
PEMCO, Inc.	5,280	5,550	3,616	-	-	-	14,446
Kandola Group, Inc.	7,520	3,896	-	-	-	-	11,416
Frank's Vacuum Truck Service, Inc.	19,535	20,535	21,585	22,690	23,851	62,800	170,996
Nazim, Inc.	4,221	4,437	5,807	-	-	-	14,465
Yvonne's Bakery	2,739	2,879	3,026	3,181	7,184	-	19,009
Jimbo's Fish House, Inc.	4,753	4,996	5,252	5,520	5,308	-	25,829
WNY Tents & Awning	1,308	1,375	1,445	1,519	1,597	1,111	8,355
Total	92,773	62,376	53,620	46,191	68,932	97,186	421,078
Allowance for uncollectable accounts	(36,643)	(8,769)	(9,096)	(9,436)	(30,936)	-	(94,880)
Total, net	$ 56,130	$ 53,607	$ 44,524	$ 36,755	$ 37,996	$ 97,186	$ 326,198

5. GRANTS

Grants are made under the market rate apartment rental rehabilitation and small business significant economic impact programs. These grants were made possible with initial funding from the City. The grants are recorded as an expense by the Corporation when disbursed to the grantees. Grant expense was $70,000 and $66,803 for the years ended 2014 and 2013, respectively.

The grantees have each executed promissory notes with the City that outline specific repayment requirements if certain criteria for the grant are not met during the grant period. Any amounts subsequently repaid as a result of failing to meet the grant obligations are recorded as grant recovery revenue in the year received. Grants subject to such contingent repayment requirements at December 31, 2014 are as follows.

Grantee	Date of Final Disbursement	Original Grant	Term(Years)	Maturity Date
NFNY Hotel (TGIF)	5/2012	$ 75,000	3	5/2015
Yvonne's Bakery	7/2012	10,000	3	7/2015
Jimbo's Fish House, Inc.	8/2012	10,000	3	8/2015
Niagara Industrial Products	9/2012	10,000	3	9/2015
Frank's Vacuum Truck Service	1/2013	150,000	3	1/2016
Hampton inn (RECH1, Inc.)	1/2013	10,000	3	1/2016
Dijah's Natural Hair Creations	4/2013	10,000	3	4/2016
Niagara's Honeymoon Sweets	5/2013	10,000	3	5/2016
WNY Tents & Awnings	7/2013	10,000	3	7/2016
Mario's Pizza	8/2013	15,000	3	8/2016
Makeup Palace	8/2013	10,000	3	8/2016
Outer Beauty Salon & Boutique	3/2014	10,000	3	3/2017
Ventry's Pizza & Subs	3/2014	10,000	3	3/2017
454-460 Third St - RRH	9/2014	40,000	3	9/2017
Greater Niagara Building Center	7/2014	10,000	3	7/2017
Total		$ 390,000		

6. CAPITAL ASSETS

Capital assets consisted of the following at December 31:

	2014	2013
Furniture and fixtures	$ 65,830	$ 65,830
Less: Accumulated depreciation and amortization	(65,830)	(65,830)
	$ -	$ -

As of December 31, 2014 and 2013 the assets were fully depreciated.

7. COMMITMENTS AND CONTINGENCIES

The Corporation faces a potential liability for total reimbursement of project costs related to a 2001 Industrial Access Project with the State of New York (the State) if certain jobs and investment objectives are not met. A liability is not reflected on the financial statements as it is generally believed that the State will not likely seek repayment of these funds.

In addition, the Corporation's Board approved a contract with National Development Council for consulting services to the Corporation for a period extending to May 31, 2015. Funds committed to the remaining term of this contract total $30,000 at December 31, 2014.

8. NET POSITION

The Corporation's Board has adopted resolutions committing funds for grants or loans to the following recipients, but at year-end no monies had been disbursed for that purpose:

Borrower / Grantee	Agenda Date	Amount to be Issued
Holiday Inn Retail Project	7/2011	$ 550,000
Players Properties, LLC	12/2011	50,000
Royal Café	7/2012	40,000
Cataract Coffee & Market Place-RRH	1/2014	10,000
444 Third Street-RRH	1/2014	10,000
Market Rate Rental Rehab Program (balance @ YE 2014)	7/2014	30,000
Plati Niagara-Wingate by Wyndham	7/2014	150,000
Cataract Development-435 Third Street-RRH	7/2014	40,000
Cataract Development-437 Third Street-RRH	7/2014	40,000
Cataract Development-537 Third Street-RRH	7/2014	30,000
Ciara Holdings-1217 Main Street-RRH	7/2014	20,000
Mansour's Market	12/2014	10,000
Nellie's Café	12/2014	10,000
Sass Beauty Salon	12/2014	7,000
Prince of Wales Shoppe	12/2014	5,775
Subway	12/2014	139,000
Total		$ 1,141,775

These amounts are reported as a component of unrestricted net position at year-end. Total available and uncommitted net position was as follows at December 31:

	2014	2013
Unrestricted net position	$ 1,668,854	$ 1,818,274
Loans committed per above	(30,000)	(30,000)
Grants committed per above	(1,111,775)	(720,000)
Available unrestricted net position	$ 527,079	$ 1,068,274

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

March 5, 2015

To the Board of Directors of
N.F.C. Development Corp:

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 the business-type activities of N.F.C Development Corp. (the Corporation), a discretely presented component unit of the City of Niagara Falls, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 5, 2015.

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.

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S 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*
(Continued)

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP