LUMBER CITY DEVELOPMENT CORPORATION

Financial Statements

December 31, 2024 and 2023

(with Independent Auditor's Report)

LUMBER CITY DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lumber City Development Corporation:

Opinion

We have audited the accompanying financial statements of Lumber City Development Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement's section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are condition or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism though the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence of the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

EFPR Group, CPAs, PLLC

Williamsville, New York
February 19, 2025

LUMBER CITY DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2024 and 2023

Assets		2024	2023
Cash	$	643,360	643,848
Loans receivable, less allowance for credit losses of $763,567 in 2024 and $791,005 in 2023		83,248	118,894
Other receivables		82,054	29,249
Prepaid insurance		3,264	3,264
Total assets	$	811,926	795,255
Liabilities and Net Assets			
Liabilities - accounts payable and accrued expenses		1,790	20,420
Net assets without donor restrictions		810,136	774,835
Total liabilities and net assets	$	811,926	795,255

See accompanying notes to financial statements.

LUMBER CITY DEVELOPMENT CORPORATION

Statements of Activities

Years ended December 31, 2024 and 2023

	2024	2023
Revenue:		
Grant income	$ 435,494	203,629
Interest income	3,753	17,699
Contributed nonfinancial assets	71,120	71,120
Total revenue	510,367	292,448
Expenses:		
Program services	404,820	652,502
Management and general	70,246	56,594
Total expenses	475,066	709,096
Change in net assets without donor restrictions before other non-operating income	35,301	(416,648)
Other non-operating income	-	6,525
Change in net assets without donor restrictions	35,301	(410,123)
Net assets without donor restrictions at beginning of year	774,835	1,184,958
Net assets without donor restrictions at end of year	$ 810,136	774,835

See accompanying notes to financial statements.

LUMBER CITY DEVELOPMENT CORPORATION
Statements of Functional Expenses
Years ended December 31, 2024 and 2023

	2024			2023		
	Program services	Management and general	Total	Program services	Management and general	Total
Community development projects	$ 287,492	-	287,492	231,403	-	231,403
Payroll	18,641	6,214	24,855	21,425	7,141	28,566
Payroll taxes and employee benefits	4,841	1,613	6,454	2,774	924	3,698
Stipend - Executive Director	10,800	3,600	14,400	10,800	3,600	14,400
Contributed administrative expenses	27,825	9,275	37,100	27,825	9,275	37,100
Advertising	13,020	-	13,020	12,085	-	12,085
Business meetings	3,113	1,037	4,150	1,018	339	1,357
Legal and professional fees	14,269	14,269	28,538	2,660	2,659	5,319
Accounting fees	-	9,025	9,025	-	8,775	8,775
Insurance	-	4,243	4,243	-	4,192	4,192
Office expense	2,317	2,316	4,633	1,091	1,091	2,182
Rent	17,010	17,010	34,020	17,010	17,010	34,020
Miscellaneous	-	1,644	1,644	-	1,588	1,588
Bad debt	5,492	-	5,492	324,411	-	324,411
Total expenses	$ 404,820	70,246	475,066	652,502	56,594	709,096

See accompanying notes to financial statements.

LUMBER CITY DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended December 31, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Change in net assets without donor restrictions	$	35,301	(410,123)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:			
Bad debt		5,492	324,411
Changes in:			
Loans receivable		30,154	29,285
Other receivables		(52,805)	2,709
Accounts payable and accrued expenses		(18,630)	357
Net cash used in operating activities		(488)	(53,361)
Cash at beginning of year		643,848	697,209
Cash at end of year	$	643,360	643,848

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Lumber City Development Corporation (the Corporation) was formed pursuant to a resolution of the Common Council of the City of North Tonawanda, New York (the City), as a quasi-public local development corporation under the New York Not-For-Profit Corporation Law. The Corporation acts as an agent of the City. The principal purpose is to encourage and promote economic development in the City by distributing and loaning funds to businesses within the corporate limits of the City. A majority of the Corporation's revenue stems from grants passed through the City.

(b) Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. At December 31, 2024 and 2023, the Corporation had only net assets without donor restrictions.

(d) 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 reported amounts and disclosures. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual events and results could differ from those assumptions and estimates.

(e) Cash

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(f) Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash accounts in financial institutions. The Corporation maintains financial instruments at financial institutions which periodically may exceed federally insured limits. At December 31, 2024 and 2023, the Corporation had $395,923 and $396,197, respectively, in excess of the federally insured limits.

Credit risk for loans receivable is concentrated as all the loans are to businesses located within the boundaries of the City. The Corporation performs ongoing credit evaluations of its loans receivable and substantially all loans require collateral.

(1) Summary of Significant Accounting Policies, Continued

(g) Receivables and Bad Debts

The Corporation's receivables are primarily derived from loan principle payments. At each statement of financial position date, the Corporation recognizes an expected allowance for credit losses. This estimate is calculated on a pooled basis where similar characteristics exist and individually when there are no shared characteristics.

The allowance method is derived from a review of the Corporation's historical losses based on an aging of receivables. Historical losses have been consistent. This estimate is adjusted for management's assessment of current conditions, forecasts of future events, and other factors deemed relevant risk factors. As a result, management has determined that the allowance for credit losses is adequate.

The Corporation writes off receivables when there is information that indicates that there is no possibility of collection. If any recoveries are made from any accounts receivable previously written off, they will be recognized in income. The total amount of write-offs was $32,930 and $21,280 for the years ended December 31, 2024 and 2023, respectively.

The allowance for credit losses for receivables for the years ended December 31, 2024 and 2023, is as follows:

	2024	2023
Balance at beginning of year	$ 791,005	487,874
Bad debt	5,492	319,911
Write-offs	(32,930)	(16,780)
Balance at end of year	$ 763,567	791,005

(h) Contributed Nonfinancial Assets

For the years ended December 31, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included space and services in the amount of $71,120.

	2024	2023
Donated space	$ 34,020	34,020
Donated services	37,100	37,100
	$ 71,120	71,120

Contributed space and services are reflected upon receipt and are recorded at cost or estimated cost, where predictable, as expenses for program services. The contribution of space value is based on estimated fair market value based upon its principal market. The contributions of services are recognized if the goods received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchase if not provided by donation.

(1) Summary of Significant Accounting Policies, Continued

(i) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs including professional fees, office expense and rent have been allocated among the programs and supporting services benefited. Other costs such as advertising and community development projects are allocated entirely to program services.

(j) Income Taxes

The Corporation 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 financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation 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 Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(k) Subsequent Events

The Corporation has evaluated all events through the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recording or disclosure.

(l) Reclassifications

Reclassifications have been made to certain 2023 balances in order to conform them to the 2024 presentation.

(2) Liquidity

The Corporation has $725,414 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of $643,360 of cash and $82,054 of other receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2024 statement of financial position date.

(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:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation 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 Corporation 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

Loans receivable, which have interest rates ranging from 0.00% to 4.25%, are considered to be Level 3 assets as described in note 3 and are summarized as follows at December 31, 2024 and 2023:

(4) Loans Receivable, Continued

		2024	2023
Canalside Bistro and Creamery, Inc.	$	738	2,987
Lou Riggio - JFLR Enterprises		50,000	50,000
Thomas Pickles - Shirt Pickle, Inc.		5,491	5,491
Pencil in the River		-	2,689
Pencil in the River		5,548	6,745
Woodcock Brothers Brewing Company, Inc.		435,247	448,890
Lumber City Winery, LLC		-	32,930
El Gringo Mexican Cantina		197,586	197,586
El Gringo Mexican Cantina		120,000	120,000
First-N-Ten		5,643	6,840
Webster’s Restaurant LLC		8,214	9,916
Just Say Cheesecake Bakery & Café		4,532	9,454
A1 Appliance		5,951	7,136
The Vegan Grocery Store		7,865	9,235
Total loans receivable		846,815	909,899
Less allowance for loan losses		(763,567)	(791,005)
Net loans receivable	$	83,248	118,894

The table below sets forth a summary of changes in the fair value of the Corporation’s Level 3 assets for the years ended December 31, 2024 and 2023:

		2024	2023
Balance at beginning of year	$	909,899	955,964
Write-offs		(32,930)	-
Less amounts repaid		(30,154)	(46,065)
Balance at end of year	$	846,815	909,899

In 2019, a loan was issued to Woodcock Brothers Brewing Company, Inc. in the amount of $500,000. The first $100,000 of the loan is to be repaid over the next 7 years in equal monthly payments of principal and interest with the remaining balance of $400,000 to be deferred until the end of the loan term. At the end of the loan term, the deferred portion of the loan and any interest owing thereon shall be forgiven by the Corporation. Because the balance is anticipated to be forgiven by the Corporation at the maturity date, the $400,000 has been included in the allowance for credit losses at December 31, 2024 and 2023.

A summary of current and past due loans as of December 31, 2024 are as follows:

Category	Current	30 - 90 days past due	Over 90 days past due	Total
Commercial	$ 522,871	-	323,944	846,815

(5) Grant Income

The Corporation received grant income for the years ended December 31, 2024 and 2023 as follows:

	2024	2023
Community Development Block Grant	$ 153,871	146,129
City of North Tonawanda	62,000	57,500
Downtown Revitalization Initiative	219,623	-
	$ 435,494	203,629

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies.

(6) Retirement Plan

The Corporation maintains a simplified employee pension plan for all employees meeting certain employment and compensation requirements. The Corporation’s contribution is determined by the Board of Directors. For the years ended December 31, 2024 and 2023, the Corporation contributed 3% of each participant’s annual salary to Individual Retirement Accounts established by the respective employees. The Corporation’s policy is to fund the current retirement benefit costs accrued. Corporation contributions to the plan amounted to $867 and $824 for the years ended December 31, 2024 and 2023, respectively.