GREATER LOCKPORT DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

GREATER LOCKPORT DEVELOPMENT CORPORATION

Table of Contents

December 31, 2014

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Greater Lockport Development Corporation

We have audited the accompanying consolidated balance sheets of Greater Lockport Development Corporation (the Corporation), a nonprofit organization, as of December 31, 2014 and 2013, and the related consolidated statements of activities 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 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 consolidated 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 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 auditors' 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 entity'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 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 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 the Corporation as of December 31, 2014 and 2013, 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.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying additional information as listed in the table of contents, including the schedule of expenditures of federal awards required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 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, 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 20, 2015

Consolidated Balance Sheets

December 31,		2014		2013
Assets				
Cash	**$**	**856,379**	$	676,507
Interest and other receivables		**31,461**		33,592
Prepaid expenses and deposits		**6,822**		20,918
Grants receivable		**-**		434,721
Loans receivable, net (Note 2)		**472,306**		589,282
Property, net (Note 3)		**7,199,983**		7,265,860
	$	**8,566,951**	$	9,020,880
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**38,863**	$	525,565
Security deposits		**63,203**		58,757
Long-term debt (Note 4)		**3,497,824**		3,152,988
		3,599,890		3,737,310
Unrestricted net assets		**4,967,061**		5,283,570
	$	**8,566,951**	$	9,020,880

See accompanying notes.

GREATER LOCKPORT DEVELOPMENT CORPORATION

Consolidated Statements of Activities

For the years ended December 31,		2014		2013
Changes in unrestricted net assets:				
Revenues and other support:				
Rental income	**$**	**710,339**	$	492,149
Grant revenue		**558,231**		434,048
Interest income		**23,492**		18,415
Other income and fees		**98,117**		37,568
Total unrestricted revenues and other support		**1,390,179**		982,180
Expenses:				
Program:				
Grants		**578,429**		286,137
Consulting fees		**22,229**		16,805
Depreciation		**353,888**		384,025
Interest		**185,904**		1,494
Loss on sale of assets		**-**		50,205
General and administrative		**566,238**		434,913
		1,706,688		1,173,579
Change in unrestricted net assets		**(316,509)**		(191,399)
Net assets - beginning		**5,283,570**		5,474,969
Net assets - ending	**$**	**4,967,061**	$	5,283,570

GREATER LOCKPORT DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31,	2014	2013
Operating activities:		
Change in unrestricted net assets	$ (316,509)	$ (191,399)
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities:		
Depreciation	353,888	384,025
Allowance for doubtful loans	(9,337)	-
Loss on sale of assets	-	50,205
Changes in other assets and liabilities:		
Interest and other receivables	2,131	10,795
Prepaid expenses and deposits	14,096	(4,083)
Grants receivable	434,721	(186,246)
Accounts payable and accrued expenses	(486,702)	(7,593)
Security deposits	4,446	35,360
Net operating activities	(3,266)	91,064
Investing activities:		
Property expenditures	(288,011)	(3,178,125)
Proceeds from sale of assets	-	120,687
Payments received on loans receivable, net	126,313	216,124
Net investing activities	(161,698)	(2,841,314)
Financing activities:		
Proceeds from issuance of long-term debt	462,012	3,037,988
Payments on long-term debt	(117,176)	(50,000)
Net financing activities	344,836	2,987,988
Change in cash	179,872	237,738
Cash - beginning	676,507	438,769
Cash - ending	$ 856,379	$ 676,507

See accompanying notes.

1. Summary of Significant Accounting Policies:

Organization

Greater Lockport Development Corporation (the Corporation) is a not-for-profit organization and the financial statements include its related but separate entities, 210 Walnut Street, LLC (210 Walnut) and Lockport Locks Heritage District Corporation (Lockport Locks). The Corporation is the sole member of 210 Walnut, which was formed to own and manage industrial rental property acquired by the Corporation through foreclosure proceedings. Lockport Locks is a not-for-profit entity established to attract investment and stimulate the economic revitalization of Lockport's Erie Canal Corridor.

The principal purpose is to aid the efforts of the Economic Development Program of the City of Lockport, New York (the City). The Corporation administers loan programs to create favorable conditions for City enterprises to expand or locate businesses engaged in the manufacturing, assembling, wholesaling or retailing of goods or services. Further, it provides for the financing of capital improvements, equipment, or working capital, where such financing will assist in creating employment opportunities for persons of low and moderate income or assist in the elimination of slums and/or blight in the City.

The Corporation's funding was established through grants awarded by the United States Department of Housing and Urban Development (HUD), Urban Development Action Grant (UDAG), and Community Development Block Grant for Small Cities (CDBG) programs. The Corporation has the right to use principal repayments and interest income for the furtherance of its mission.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation, 210 Walnut, and Lockport Locks. All significant inter-entity accounts and transactions have been eliminated.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by the Corporation in perpetuity. Currently, there are no temporarily or permanently restricted net assets.

Cash

At various times, cash in financial institutions may exceed federally insured limits and subject the Corporation to concentrations of credit risk.

Grants Receivable

The Corporation and 210 Walnut periodically receive grants from State and local governments. To the extent expenditures have been incurred, grant revenue and a corresponding receivable are recognized.

Loans Receivable

Loans receivable are stated at the principal amount outstanding, net of the allowance for doubtful loans that includes loan forgiveness. The allowance method is used to compute the provision for doubtful loans.

The determination of the balance of the allowance for doubtful loans is based on an analysis of the loan portfolio and reflects an amount that, in management's judgment, is adequate to provide for potential loan losses after evaluating current economic conditions, historical collections, current collection efforts, and the financial condition of each loan recipient. Loans are charged off when, in management's judgment, no legal recourse is available to collect the amount owed.

Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. Interest accrual stops when a loan becomes more than three months past due and does not commence again until the loan is current.

Loan Repayments

CDBG loan repayments (including interest thereon) are classified as income that is no longer restricted for program purposes and, accordingly, can be used by the Corporation to finance other eligible activities. UDAG loan repayments (including interest thereon) can be used by the Corporation to finance other projects in accordance with Title I of The Housing and Community Development Act of 1974 (the Act).

Property

Property is stated at cost or fair value at date of donation, net of accumulated depreciation. Depreciation is computed by the straight-line method over estimated service lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

The property maintained by 210 Walnut is known to contain asbestos. The Corporation is legally obligated to remediate the asbestos upon the related assets' retirement or disposal. The fair value of the liability cannot currently be estimated with reasonable certainty. Additionally, the property is expected to be maintained through repair and maintenance activities that would not involve the removal of the asbestos. The need for major renovations caused by technology changes, operational changes, or other factors has not been identified. When such an estimate of the liability's fair value can be made, it will be established and the carrying value of the property will be increased by a corresponding amount.

Use of 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.

Income Taxes

The Corporation and Lockport Locks are 501(c)(3) organizations exempt from Federal income taxes under §501(a) of the Internal Revenue Code. 210 Walnut is organized as a limited liability corporation, with flow-through characteristics to the Corporation, its sole member. Income of 210 Walnut may potentially subject the Corporation to unrelated business income tax.

Management believes the Corporation is no longer subject to examination by Federal and State taxing authorities for years ended prior to December 31, 2011.

Contributions

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose stipulated purpose restriction is accomplished in the same reporting period as received are reported as an increase in unrestricted net assets.

The Corporation considers recognition of contribution revenue and expense for those specialized contributed services that it would otherwise be required to purchase at fair value had they not been contributed. Certain administrative support has been provided to the Corporation by the City. The amounts are not deemed significant however, and are not recognized as revenue and expense in the accompanying statements of activities.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 20, 2015, the date the financial statements were available to be issued.

2. Loans Receivable:

Loans are granted directly by the Corporation to local businesses to facilitate economic development in the City. The loans bear interest at rates ranging from 0.25% to 5%, and have varying repayment terms. Interest on loans receivable is accrued as required by the terms of the agreement; management considers that collection is probable based on the current economic condition of the borrower. All loans are classified as small business loans. The following is a summary of the loans receivable:

	2014	2013
Current	**$ 453,136**	$ 461,024
30-90 days past due	**57,152**	240,428
	510,288	701,452
Less allowance for doubtful loans	**37,982**	112,170
	$ 472,306	$ 589,282

Following is a summary of the activity in the allowance for doubtful loans:

	2014	2013
Balance, beginning of year	**$ 112,170**	$ 262,170
Change in estimated allowance	**(9,337)**	-
Loans charged off	**(64,851)**	(150,000)
	$ 37,982	$ 112,170

3. Property:

	2014	2013
Buildings and improvements	**$ 8,196,901**	$ 7,908,890
Less accumulated depreciation	**996,918**	643,030
	$ 7,199,983	$ 7,265,860

Buildings and improvements include a building and equipment purchased as a result of foreclosure proceedings. The amount is presented at estimated fair value totaling $129,456.

4. Long-Term Debt:

	2014	2013
Corporation HUD note payable, annual installments ranging from $40,000 to $60,000, plus 6% interest through December 2015, secured by future grants awarded to the City.	**$ 60,000**	$ 115,000
210 Walnut bank construction loan, converted to a bank term loan with monthly payments of $22,089 including interest at 6.25% through April 2024, with a final balloon payment due May 2024, guaranteed by the Corporation.	**2,949,165**	2,537,988
210 Walnut bank note, refinanced to a term loan in 2014 with monthly payments of $3,954 including interest at 5% through June 2024, and a final balloon payment due July 2024, secured by a second security interest in 210 Walnut's assets.	**488,659**	500,000
	$ 3,497,824	$ 3,152,988

The bank term loan requires a minimum debt service coverage ratio for the consolidated entity. At December 31, 2014, the Corporation did not meet these debt covenants and has obtained a waiver from the bank.

Aggregate maturities of long-term debt subsequent to December 31, 2014 are:

2015	$ 162,034
2016	109,876
2017	117,217
2018	124,500
2019	132,238
Thereafter	2,851,959
	$ 3,497,824

5. Rental Income:

The Corporation and 210 Walnut lease space to various companies under the terms of non-cancellable operating leases. Rental income for 2014 and 2013, including month-to-month leases, was $710,339 and $492,149. Future minimum rental payments to be received subsequent to December 31, 2014 are:

2015	$	571,582
2016		476,080
2017		434,994
2018		425,500
2019		423,875
Thereafter		1,486,250
	$	3,818,281

6. Cash Flows Information:

Cash flows from operating activities reflect cash payments for interest of $170,041 in 2014 and $1,494 in 2013.

The statement of cash flows excludes the effect of building improvements included in accounts payable of $487,054 at December 31, 2013.

GREATER LOCKPORT DEVELOPMENT CORPORATION

Additional Information
Consolidating Balance Sheet

December 31, 2014

		GLDC		210 Walnut Street, LLC		Lockport Locks		Eliminations		Consolidated
Assets										
Cash	$	476,977	$	376,368	$	3,034	$	-	**$**	**856,379**
Interest and other receivables		93,089		17,459		-		(79,087)		**31,461**
Prepaid expenses and deposits		414		6,408		-		-		**6,822**
Loans receivable, net		780,126		-		-		(307,820)		**472,306**
Property, net		2,190,270		5,009,713		-		-		**7,199,983**
	$	3,540,876	$	5,409,948	$	3,034	$	(386,907)	**$**	**8,566,951**
Liabilities and Net Assets										
Liabilities:										
Accounts payable and accrued expenses	$	8,513	$	109,437	$	-	$	(79,087)	**$**	**38,863**
Security deposits		7,500		55,703		-		-		**63,203**
Long-term debt		60,000		3,742,824		2,820		(307,820)		**3,497,824**
		76,013		3,907,964		2,820		(386,907)		**3,599,890**
Unrestricted net assets		3,464,863		1,501,984		214		-		**4,967,061**
	$	3,540,876	$	5,409,948	$	3,034	$	(386,907)	**$**	**8,566,951**

GREATER LOCKPORT DEVELOPMENT CORPORATION

Additional Information
Consolidating Statement of Activities

For the year ended December 31, 2014

	GLDC	210 Walnut Street, LLC	Lockport Locks	Eliminations	Consolidated
Changes in unrestricted net assets:					
Revenues and other support:					
Rental income	$ 90,000	$ 620,339	$ -	$ -	**$ 710,339**
Grant revenue	558,231	181,395	12,500	(193,895)	**558,231**
Interest income	35,692	-	-	(12,200)	**23,492**
Other income and fees	5,112	85,970	7,035	-	**98,117**
Total unrestricted revenues and other support	689,035	887,704	19,535	(206,095)	**1,390,179**
Expenses:					
Program:					
Grants	759,824	-	-	(181,395)	**578,429**
Consulting fees	22,229	-	12,500	(12,500)	**22,229**
Depreciation	57,179	296,709	-	-	**353,888**
Interest	1,815	196,289	-	(12,200)	**185,904**
General and administrative	161,974	397,443	6,821	-	**566,238**
	1,003,021	890,441	19,321	(206,095)	**1,706,688**
Change in unrestricted net assets	(313,986)	(2,737)	214	-	**(316,509)**
Net assets - beginning	3,778,849	1,504,721	-	-	**5,283,570**
Net assets - ending	$ 3,464,863	$ 1,501,984	$ 214	$ -	**$ 4,967,061**

GREATER LOCKPORT DEVELOPMENT CORPORATION

Additional Information
Schedule of Revolving Loans

For the year ended December 31, 2014

	Balance January 1, 2014	New Loans	Payments	Written Off	Balance December 31, 2014
Diversified Manufacturing, Inc.	$ 133,444	$ -	$ 19,205	$ -	$ 114,239
East Ave. Apparel, Inc.	5,604	-	3,715	-	1,889
JunkeBell LLC	74,153	-	17,001	-	57,152
Lockport Locks & Canal Tours, Inc.	140,430	-	43,977	-	96,453
Rubberform Recycled Products, LLC	175,577	-	14,241	-	161,336
The Dale Association, Inc.	107,393	-	28,174	-	79,219
Tuscarora Inn, Inc.	64,851	-	-	64,851	-
Total	701,452	$ -	$ 126,313	$ 64,851	510,288
Less: allowance for doubtful loans	(112,170)				(37,982)
Total loans receivable	$ 589,282				$ 472,306

Additional Information
Schedule of Expenditures of Federal Awards

For the year ended December 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number		Expenditures
U.S. Department of Housing and Urban Development:				
Passed through the City of Lockport				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	N/A	$	734,625
Passed through the City of Lockport				
Community Development Block Grants_Section 108 Loan Guarantees	14.248	N/A		60,000
Total Expenditures of Federal Awards			$	794,625

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs administered by Greater Lockport Development Corporation (the Corporation), an entity as defined in Note 1 to the Corporation's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the SEFA.

Expenditures are calculated as required by OMB Circular A-133 or the applicable program and do not necessarily constitute actual program disbursements.

Basis of Accounting

The Corporation uses the accrual basis of accounting for each federal program. The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Corporation's financial reporting system.

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

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
Greater Lockport 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 consolidated balance sheet of Greater Lockport Development Corporation (the Corporation), a nonprofit organization, as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item [2014-001] that we collectively consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

The Corporation's Response to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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

Lumsden & McCormick, LLP

April 20, 2015

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Greater Lockport Development Corporation

Report on Compliance for Each Major Federal Program

We have audited Greater Lockport Development Corporation's (the Corporation), a nonprofit organization, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2014. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lumsden & McCormick, LLP

April 20, 2015

GREATER LOCKPORT DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

For the year ended December 31, 2014

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	[2014-001]
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	$ 734,625

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Schedule of Findings and Questioned Costs (con't)

For the year ended December 31, 2014

Section II. Financial Statement Findings

2014-001

Condition: Account detail for certain accounts was not reconciled with general ledger activity, resulting in presentation of incorrect account balances. In addition, because of the small number of staff, it is difficult to achieve an ideal segregation of duties. The risk that material errors, whether intentional or unintentional, may occur and go undetected is inherent given the small staff size.

Criteria: Controls should be in place to ensure general ledger accounts are properly reconciled and all funds are properly receipted and disbursed.

Effect: Material errors, whether intentional or unintentional, may occur and go undetected.

Recommendation: We encourage the Board to remain committed to its involvement in the financial operations of the Corporation and 210 Walnut Street. In lieu of ideal segregation of duties, we encourage the Board to be involved with reviewing financial data, approving bank reconciliations, periodically matching cancelled checks to the cash disbursement journal, and reviewing cash receipts and disbursement journals monthly.

Management's Response: Management will review bookkeeping procedures in place to ensure account balances are adjusted appropriately. In addition, management and the Board will monitor controls.

Management would need to hire part-time individuals to segregate incompatible accounting responsibilities. Based on an evaluation of resources and cost/benefit scenarios, we do not believe this is practical for the Corporation. Management and the Board will continue to monitor controls and provide guidance for exception-based transactions.

Section III. Federal Award Findings and Questioned Costs

No findings were reported.

GREATER LOCKPORT DEVELOPMENT CORPORATION

Summary Schedule of Prior Audit Findings

December 31, 2014

No findings were reported and as such no corrective action plan is needed.

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, New York 14202

716-856-3300 | Fax 716-856-2524 | www.LumsdenCPA.com

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

The Board of Directors
Greater Lockport Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Greater Lockport Development Corporation (the Corporation), a nonprofit organization, as of December 31, 2014, and the related consolidated statements of activities 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 20, 2015.

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, 2014. 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 20, 2015