

**NIAGARA FALLS
BRIDGE COMMISSION**

Financial Statements and Additional Information
For the Years Ended
October 31, 2019 and 2018
with
Independent Auditors' Report

NIAGARA FALLS BRIDGE COMMISSION

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of
Niagara Falls Bridge Commission
Lewiston, New York

We have audited the accompanying financial statements of Niagara Falls Bridge Commission (the "Commission"), which comprise the statements of financial position as of October 31, 2019 and 2018, and the related statements of activities and changes in net assets, and of cash flows for the years then ended, the statement of functional expenses for the year ended October 31, 2019, 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. 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 financial position of the Commission as of October 31, 2019 and 2018, 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.

Report on Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information included on pages 16 through 17 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Champion Travis Besant & Kershner LLP
January 15, 2020

NIAGARA FALLS BRIDGE COMMISSION

**STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,243,977	\$ 88,890,880
Accounts receivable	2,061,738	3,483,509
Prepaid expenses	628,901	466,063
Investments	57,614,816	7,213,383
Total current assets	<u>81,549,432</u>	<u>100,053,835</u>
NONCURRENT ASSETS:		
Investments	44,923,228	54,839,513
Land, bridges, buildings and equipment, net	299,906,502	303,719,880
Construction in progress - 30 year plan	39,153,125	10,956,448
Construction in progress - other	10,070,623	2,918,191
Total assets	<u>\$ 475,602,910</u>	<u>\$ 472,487,867</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable, net	\$ 2,160,000	\$ 6,800,000
Current portion of postretirement benefit obligation	871,404	833,890
Accounts payable	10,804,689	7,154,113
Accrued wages and related withholdings	1,002,469	1,442,249
Other accrued expenses	407,915	671,772
Bond interest payable	361,018	383,684
Deferred income	983,730	1,020,404
Total current liabilities	<u>16,591,225</u>	<u>18,306,112</u>
NONCURRENT LIABILITIES:		
Postretirement benefit obligation	26,385,676	24,494,341
Bonds payable, net	102,081,795	104,159,074
Total liabilities	<u>145,058,696</u>	<u>146,959,527</u>
NET ASSETS WITHOUT DONOR RESTRICTION:		
Revenue	1,368,639	1,523,310
Operation	(28,882,212)	(27,603,437)
General	55,537,298	53,915,912
Renewal and replacement	(4,009,036)	(583,164)
Debt sinking	3,799,220	3,751,019
Construction	308,003,585	299,530,111
	<u>335,817,494</u>	<u>330,533,751</u>
Cumulative effect of foreign currency translation	(5,273,280)	(5,005,411)
Total net assets without donor restriction	<u>330,544,214</u>	<u>325,528,340</u>
Total liabilities and net assets without donor restriction	<u>\$ 475,602,910</u>	<u>\$ 472,487,867</u>

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

	2019	2018
REVENUES:		
Toll income	\$ 21,925,336	\$ 21,331,613
Rental income	11,042,799	10,958,945
Construction reimbursement	90,953	1,444,760
Investment income, net	3,088,205	1,989,805
Miscellaneous	155,308	157,808
Total revenues	<u>36,302,601</u>	<u>35,882,931</u>
EXPENSES:		
Administration and overhead	6,415,007	6,428,897
Maintenance	5,372,575	5,336,785
Toll	2,083,067	2,163,971
Management information systems	945,511	918,966
Security	878,947	887,031
Postretirement	1,932,302	1,875,662
Depreciation	11,074,528	10,506,528
Interest on indebtedness	4,581,546	2,887,601
Amortization of bond financing expenses	82,721	86,742
Total expenses	<u>33,366,204</u>	<u>31,092,183</u>
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN (LOSS) ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	2,936,397	4,790,748
UNREALIZED GAIN (LOSS) ON INVESTMENTS	2,347,345	(1,302,326)
CHANGE IN FOREIGN CURRENCY TRANSLATION (See Note 2)	<u>(267,868)</u>	<u>(3,649,425)</u>
CHANGE IN NET ASSETS	5,015,874	(161,003)
NET ASSETS WITHOUT DONOR RESTRICTION - beginning of year	<u>325,528,340</u>	<u>325,689,343</u>
NET ASSETS WITHOUT DONOR RESTRICTION - end of year	<u><u>\$330,544,214</u></u>	<u><u>\$325,528,340</u></u>

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2019**

	Program Services	Management and General	Total
Administration and overhead	\$ 3,074,955	\$ 3,340,052	\$ 6,415,007
Maintenance	5,372,575	-	5,372,575
Toll	2,083,067	-	2,083,067
Management information systems	739,967	205,544	945,511
Security	804,203	74,744	878,947
Postretirement	1,623,339	308,963	1,932,302
Depreciation	10,879,794	194,734	11,074,528
Interest on indebtedness	4,581,546	-	4,581,546
Amortization of bond financing expenses	82,721	-	82,721
Total	<u>\$ 29,242,167</u>	<u>\$ 4,124,037</u>	<u>\$ 33,366,204</u>

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets before unrealized gain (loss) on investments and change in foreign currency translation	\$ 2,936,397	\$ 4,790,748
Adjustments to reconcile change in net assets before unrealized gain (loss) on investments and change in foreign currency translation to net cash flows provided by operating activities:		
Depreciation	11,074,528	10,506,528
Amortization of bond financing expenses	82,721	86,742
Amortization of investment discounts	(22,371)	(17,849)
Loss on sale of investments	136,000	151,043
Gain on disposal of property	(5,134)	(554)
Changes in operating assets and liabilities:		
Accounts receivable	1,291,856	(2,147,938)
Prepaid expenses	(163,043)	(38,956)
Accounts payable	3,627,541	3,663,773
Accrued wages and related withholdings	(437,689)	(34,459)
Other accrued expenses	(264,235)	419,214
Bond interest payable	(22,666)	226,843
Deferred income	(35,932)	5,448
Postretirement benefit obligation	1,932,302	1,875,662
Net cash provided by operating activities	<u>20,130,275</u>	<u>19,486,245</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	36,809,133	19,720,978
Purchases of investments	(74,968,063)	(6,815,050)
Purchases of land, bridges, buildings, equipment and construction in progress	(42,837,799)	(11,919,652)
Proceeds from sale of property	5,134	554
Net cash provided by (used in) investing activities	<u>(80,991,595)</u>	<u>986,830</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bond principal payments	(6,800,000)	(6,500,000)
Proceeds from bond issuance	-	71,225,000
Bond issuance costs	-	(1,206,843)
Net cash provided by (used in) financing activities	<u>(6,800,000)</u>	<u>63,518,157</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>14,417</u>	<u>(74,185)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(67,646,903)</u>	<u>83,917,047</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>88,890,880</u>	<u>4,973,833</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 21,243,977</u>	<u>\$ 88,890,880</u>

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

1. ORGANIZATION

The Niagara Falls Bridge Commission (the “Commission”) is a public instrumentality created by an Act of the Congress of the United States (Chapter 490, 75th Congress, 3rd Session, as amended) (the “Act”) to own, operate and maintain the Rainbow, Whirlpool-Rapids and Lewiston-Queenston bridges across the Niagara River. The Extra Provincial Corporations Act of the Province of Ontario, Canada licenses the Niagara Falls Bridge Commission. Canada and the United States are equally represented on the Niagara Falls Bridge Commission by an eight-member Board of Commissioners. The Commission has no stockholders or equity holders. The Act provides that upon retirement of the Bridge Revenue Bonds, the bridges will be transferred to the State of New York and the Province of Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The provisions of the Bond Indenture with the Commission’s bondholders (the “bond agreement”) govern the disposition of revenues and prescribe certain accounting practices of the Commission, which include the conditions for transfer of funds between the various accounts held by the Commission or the trustee and the use of such funds. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are reflected in United States currency. The accounting policies followed by the Commission in preparing financial statements are set forth below.

Reporting and Accounting Guidelines – The financial statements are prepared on the accrual basis of accounting and according to current standards, which require all nonprofit organizations provide a statement of financial position, a statement of activities and changes in net assets, a statement of functional expenses, and a statement of cash flows. Classification of net assets and revenues, expenses, gains, and losses is based on the existence or absence of donor-imposed restrictions. The standards also require that the amounts for each of the two classes of net assets – net assets with donor restriction and net assets without donor restriction be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities and changes in net assets. As of October 31, 2019 and 2018, the Commission only had net assets without donor restriction.

The net assets without donor restriction of the Commission consist of the following:

Revenue Net Assets – Revenue net assets represent toll and non-toll revenues which are transferred to other various net asset subgroups to be used for their specific purposes. Non-toll revenues are to be used for payment of operations and maintenance expenses and for renewal and replacement. Toll revenues are first to be used for operating purposes if there is a deficiency of non-toll revenue. The remaining excess of toll revenue must be expended in the following order: (1) to meet debt service requirements of the outstanding bond issues, (2) any remaining renewal and replacement expenses not paid for by non-toll revenues are to be paid for by toll revenues, and (3) any excess is to be deposited into the general net asset subgroup.

Operation Net Assets – Operation net assets represent the portion of expendable funds that are available for all reasonable and necessary operation and maintenance expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Net Assets – General net assets consist of undesignated net assets obtained from excess toll revenues, after the replenishment of debt sinking requirements, which may be used for any lawful purpose of the Commission. General net assets may be used to cover net operation deficits or accrued liabilities.

Renewal and Replacement Net Assets – Renewal and replacement net assets represent net assets designated for major or extraordinary renewal, replacement, resurfacing or reconstruction of the Toll Bridge System.

Debt Sinking Net Assets – Debt sinking net assets represent net assets set aside to meet debt service requirements.

Construction Net Assets – Construction net assets represent net assets designated for the capital program for improvements and expansion of the bridges, tolls and toll plazas.

Cash and Cash Equivalents – Cash equivalents are highly liquid investments (valued at cost, which approximates fair value) acquired with original maturities of three months or less. The Commission's cash, at times, could exceed federally insured limits. The Commission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Accounts Receivable – Accounts receivable primarily represents rents receivable from Duty Free and the General Services Administration ("GSA") and EZ Pass payments receivable from other EZ Pass agencies. Also included in accounts receivable at October 31, 2019, is approximately \$76,000 due from the GSA for the United States Customs and Border Protection administration building and Nexus building at Whirlpool-Rapids Bridge. Included in accounts receivable at October 31, 2018, is approximately \$1,367,000 due from GSA for the bus and pedestrian modification project at Rainbow Bridge. The Commission utilizes EZ Pass, a form of electronic toll collection, which involves collection of tolls via the use of electronic transponders issued by other participating agencies. These agencies then forward payment to the Commission for amounts collected through their transponders. Included in accounts receivable at October 31, 2019 and 2018, is approximately \$1,777,000 and \$1,088,000, respectively, due from EZ Pass agencies.

The Commission uses the reserve method to account for bad debts and reviews its accounts receivable on a monthly basis. When management considers an account to be delinquent, customary collection efforts are initiated. When an account is deemed uncollectible, the Commission charges operations. At October 31, 2019 and 2018, all of the accounts receivable were deemed collectible by management.

Investments – Investments in marketable securities with readily determinable fair values, and all investments in debt securities, are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities and changes in net assets. If, and when, a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value.

Investment Valuation and Income Recognition – The Commission follows accounting standards that were established to determine the fair value of assets and liabilities which are subject to reporting at fair value. This guidance established a hierarchy for the determination of fair value, as well as disclosure requirements relative to those assets and liabilities. The hierarchy identified three levels of input. Level 1 inputs are generally quoted market prices for identical assets or liabilities, which are actively traded on an exchange. Level 2 inputs generally consist of market prices for identical assets which are not actively traded or market prices of similar assets or liabilities which are actively traded on an exchange. Level 3

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

inputs are referred to as unobservable inputs and consist primarily of information derived by management where Level 1 and Level 2 inputs are not available. These may include such things as present value of expected future cash flows or other valuation methodologies. Under the hierarchy, Level 1 inputs are the most preferred followed by Level 2 and Level 3. Level 3 inputs are to be used when neither Level 1 nor Level 2 inputs are available.

An investment'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.

Following is a description of the valuation methodologies used for investments measured at fair value as of October 31, 2019 and 2018:

U.S. Government Obligations and Corporate Bonds: Under the Commission's current investment asset strategy, the Commission's investment assets in this category are classified as Level 1. These assets include government agency bonds, and corporate and treasury bonds. Quoted prices for these securities are provided to the Commission by published market sources.

Canadian Government Obligations and Corporate Bonds: Under the Commission's current investment asset strategy, the Commission's investment assets in this category are classified as Level 1. These assets consist of guaranteed interest certificates and corporate bonds. Quoted prices for the guaranteed interest certificates are based on the original cost plus the amount of interest these investments have earned. Quoted prices for the corporate bonds are provided to the Commission by published market sources.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Commission 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 different fair value measurements at the reporting date.

The Commission presents unrealized gains and losses on investments in the statements of activities and changes in net assets.

Purchases and sales of obligations and bonds are recorded on a trade date basis. Interest income is recorded on the accrual basis.

Land, Bridges, Building, and Equipment – Land, bridges, building, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets and amounted to \$11,074,528 and \$10,506,528 for the years ended October 31, 2019 and 2018, respectively. Prior to November 1, 2018, the policy of the Commission was to not record depreciation in the year of acquisition. As of November 1, 2018, depreciation is recorded as of the date the asset is placed into service. Management has determined that this method best reflects annual depreciation expense. This change had the effect of increasing depreciation expense for the year ended October 31, 2019 by approximately \$118,000. The estimated useful lives used are as follows:

Bridges	62 – 120 years
Buildings	20 – 50 years
Equipment	3 – 15 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Income – Deferred income represents prepaid toll payments received as part of the Commission’s electronic toll program. The program consists of prepaid deposits linked to an electronic card. Each time a participating patron crosses a bridge, the card is read and their account balance is decreased as toll revenue is recognized.

Revenue Recognition – The two primary recurring sources of revenue for the Commission consist of toll and rental income. The Commission recognizes toll income as earned and accepts payment in both United States and Canadian currency. The Commission also recognizes monthly rental income from various duty-free shops on an accrual basis.

Foreign Currency Translation – The revenues, expenses, assets and liabilities recorded in Canadian currency have been translated into United States currency in the accompanying financial statements based on the appropriate rates of exchange. Revenues and expenses are translated using an average of the currency exchange rates which prevailed during the fiscal year. The average of the currency exchange rates for the years ended October 31, 2019 and 2018 were .7527 and .7773, respectively, and resulted in exchange gains of \$700,347 and \$695,282 for the years ended October 31, 2019 and 2018, respectively. Assets and liabilities are translated at currency exchange rates prevailing at the statement of financial position date. The spot rates at October 31, 2019 and 2018 were .7599 and .7609, respectively, and resulted in exchange losses of \$267,868 and \$3,649,425 as of October 31, 2019 and 2018, respectively.

Functional Expenses – The Commission’s primary functional purpose is to own and operate the Rainbow, Whirlpool-Rapids and Lewiston-Queenston bridges across the Niagara River. All support costs, primarily interest and depreciation, have been charged to that function. The allocation of all other expenses between program and management and general are based on management’s reasonable percentage estimate of job function.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Standards Issued – The Commission adopted Accounting Standards Update (“ASU”) 2016-14 “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities” in the current year. ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, changes in underwater endowment accounting, quantitative and qualitative disclosures regarding liquidity, a change in presentation of investment return to a net basis, a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature, and the removal of the requirement for a reconciliation for statements of cash flows done on a direct basis, making it optional.

The Commission elected not to implement the option of reporting the statements of cash flows on a direct basis as permitted under ASU 2016-14. Further, the Commission has not presented the statement of functional expenses for the year ended October 31, 2018 as this period was before the implementation of the new guidance as permitted under ASU 2016-14.

Income Taxes – No provision for income tax is recorded because the Commission is a tax-exempt organization as a public instrumentality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Cash Flows – Interest paid was \$4,604,212 and \$2,660,758 for the years ended October 31, 2019 and 2018, respectively. Accounts payable as of October 31, 2019 and 2018, included \$10,148,714 and \$6,217,876 related to additions to land, bridges, buildings, equipment and construction in progress, respectively.

Reclassifications – Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

Subsequent Events – Management of the Commission has evaluated the effects of all subsequent events through January 15, 2020, the date which the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustment or disclosure in the financial statements.

3. LIQUIDITY

The Commission has approximately \$81,000,000 of financial assets available within one year of the statement of financial position date consisting of approximately \$21,000,000 of cash, approximately \$2,000,000 of accounts receivable and approximately \$58,000,000 of investments. None of the financial assets are subject to donor or other contractual restrictions which make them unavailable for general expenditure within one year of the statement of financial position date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

4. INVESTMENTS

Investments consisted of the following as of October 31, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. government obligations	\$ 16,513,984	\$ 16,594,783	\$ 3,899,834	\$ 3,757,538
U.S. treasury obligations	18,832,151	19,433,465	14,791,580	14,441,395
Canadian guaranteed interest certificates (stated in U.S. dollars)	12,918,300	14,264,067	15,218,000	16,488,338
Canadian corporate bonds (stated in U.S. dollars)	4,498,707	4,596,576	4,504,627	4,461,726
U.S. corporate bonds	47,099,678	47,649,153	22,943,202	22,400,443
Global corporate bonds	-	-	518,375	503,456
	<u>\$ 99,862,820</u>	<u>\$ 102,538,044</u>	<u>\$ 61,875,618</u>	<u>\$ 62,052,896</u>

Investment maturity as of October 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Due in less than one year	\$ 57,614,816	\$ 7,213,383
Due from one to five years	33,546,008	44,327,242
Due in greater than five years	11,377,220	10,512,271
	<u>\$ 102,538,044</u>	<u>\$ 62,052,896</u>

4. INVESTMENTS (continued)

The Commission's investment income, consisting of interest income, net of related fees, and amortization of discounts and premiums, was \$3,088,205 and \$1,989,805 for the years ended October 31, 2019 and 2018, respectively. The unrealized gain (loss) on the adjustment of fair value of the investments was \$2,347,345 and \$(1,302,326) for the years ended October 31, 2019 and 2018, respectively.

The Commission regularly assesses its investment portfolio in order to determine if unrealized losses on individual securities held represent an other-than-temporary decline in fair value, in which case a realized loss would be recognized. The Commission did not deem any securities to be other-than-temporarily impaired as of and for the years ended October 31, 2019 or 2018.

5. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET

A summary of land, bridges, buildings and equipment as of October 31, 2019 and 2018, is as follows:

	2019	2018
Land and land improvements	\$ 55,585,734	\$ 55,006,083
Bridges	135,789,815	132,064,891
Buildings and leasehold improvements	209,664,495	208,052,722
Equipment	<u>7,202,978</u>	<u>6,443,515</u>
	408,243,022	401,567,211
Less accumulated depreciation	<u>108,336,520</u>	<u>97,847,331</u>
	<u>\$ 299,906,502</u>	<u>\$ 303,719,880</u>

The Commission has construction in progress – 30 year plan of \$39,153,125 and \$10,956,448 as of October 31, 2019 and 2018, respectively. This represents construction projects funded by the 2014 and 2018 bond issuances. Also, the Commission has construction in progress – other of \$10,070,623 and \$2,918,191 as of October 31, 2019 and 2018, respectively. This consists of construction projects funded by the reserves of the Commission. Construction in progress consists primarily of construction costs related to bridge renovations, reconstruction of the Lewiston and Queenston plazas and Rainbow Bus Inspection building renovations.

6. BONDS PAYABLE

The outstanding bonds are presented net of the discount and premium on bond issuance and financing costs. The discount, premium and financing costs are being amortized on a basis consistent with the principal payments due on the bonds.

As of October 31, 2019 and 2018, bridge revenue bonds payable consisted of the following:

6. BONDS PAYABLE (continued)

	2019	2018
Total outstanding bonds:		
Series 2018	\$ 71,225,000	\$ 71,225,000
Series 2014A	33,830,000	33,830,000
Series 1993A	<u>-</u>	<u>6,800,000</u>
	105,055,000	111,855,000
Net premium on bond issuance	628,247	675,736
Bond financing costs	<u>(1,441,452)</u>	<u>(1,571,662)</u>
	104,241,795	110,959,074
Less current portion	<u>2,160,000</u>	<u>6,800,000</u>
	<u>\$ 102,081,795</u>	<u>\$ 104,159,074</u>

Principal payments on the outstanding bonds are due as follows:

2020	\$ 2,160,000
2021	2,240,000
2022	2,325,000
2023	2,415,000
2024	2,515,000
Thereafter	<u>93,400,000</u>
	<u>\$ 105,055,000</u>

On July 9, 1993, the Commission issued \$133,035,000 of Toll Bridge System Revenue Bonds consisting of \$30,700,000 Series 1993A Weekly Adjustable/Fixed Rate Bonds which matured on October 1, 2019, and \$102,335,000 of Series 1993B 5.2% Fixed Rate Bonds which matured on October 1, 2015. On February 25, 2010, the Commission remarketed the Series 1993A Bonds and replaced these variable rate bonds with 4% fixed rate bonds.

On October 1, 2014, the Commission issued \$33,830,000 of Toll Bridge System Revenue Bonds Series 2014A maturing on October 1, 2044. The net proceeds of approximately \$34,200,000 (after issuance costs and premiums received) were used for reconstruction and expansion at the Lewiston Bridge.

On June 27, 2018, the Commission issued \$71,225,000 of Toll Bridge System Revenue Bonds Series 2018 maturing on October 1, 2048. The net proceeds of approximately \$70,000,000 (after issuance costs and premiums received) are to be used for reconstruction and expansion at the Lewiston Bridge.

The bonds provide, among other things, that the Commission meet specified requirements for debt service coverage. The Commission was in compliance with these requirements as of October 31, 2019.

The Commission maintains a Sinking Fund Debt Service Reserve representing 125% of the average annual debt service of the remaining term of all outstanding bonds which are not covered under a surety bond. The balance in the Sinking Fund Debt Service Reserve, consisting principally of cash and investments, was approximately \$4,160,000 and \$4,131,000 as of October 31, 2019 and 2018, respectively.

7. LEASES

The Commission's leasing operations consist primarily of renting various bridge facilities to third parties under operating-type leases, some of which contain renewal options and escalation clauses.

The cost of the leased facilities is included in the statements of financial position as a portion of the cost of bridges and related structures and is not separately determinable.

A schedule by year of minimum future rentals receivable for the next five years under noncancelable operating leases in effect as of October 31, 2019, is as follows:

2020	\$ 11,203,353
2021	12,912,813
2022	12,825,998
2023	13,458,705
2024	13,678,769

The above minimum future rentals for the next five years does not include contingent rentals which may be received under lease agreements based upon gross sales of the lessee.

8. PENSION PLANS

The Commission has defined contribution pension plans covering substantially all full-time employees after six months of service. The retirement contribution is generally based on annual compensation. Employees may elect to contribute a minimum of 3% of their salary to the United States plans and 5% of their salary to the Canadian plans to receive the Commission match. Contributions by the Commission under the plans amounted to approximately \$441,000 and \$422,000 for the years ended October 31, 2019 and 2018, respectively.

9. POSTRETIREMENT BENEFITS

The Commission has postretirement medical, dental and group life plans. To be eligible to receive benefits in the plans, the employee must be full-time with twenty (20) years of service and have reached age fifty (50) for both United States and Canadian employees. No new non-union U.S. or Canadian employees will enter the plan subsequent to December 31, 2005, unless through board resolution. No new Canadian union employees will enter the plan subsequent to October 31, 2007. No new U.S. union employees will enter the plan subsequent to June 30, 2010.

The accumulated postretirement benefit obligation as of October 31, 2019 and 2018 is summarized below:

	2019	2018
Retirees	\$ (15,755,516)	\$ (15,206,959)
Active participants	<u>(21,840,539)</u>	<u>(20,283,141)</u>
Total	<u>\$ (37,596,055)</u>	<u>\$ (35,490,100)</u>
Plan assets at fair value	<u>\$ -</u>	<u>\$ -</u>
Payments for beneficiaries	<u>\$ 682,425</u>	<u>\$ 559,558</u>

9. POSTRETIREMENT BENEFITS (continued)

	2019	2018
Accumulated postretirement benefit obligation in excess of plan assets	\$ (37,596,055)	\$ (35,490,100)
Unrecognized loss	<u>10,338,975</u>	<u>10,161,869</u>
Accrued postretirement benefit cost	<u>\$ (27,257,080)</u>	<u>\$ (25,328,231)</u>

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8% for the United States for the first year, then decreasing 1% each subsequent year until a floor of 5% is reached. The assumed health care cost trend rate for Canada was 8% for the first year and 5% for all subsequent years. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 3.5% and 4.0% at October 31, 2019 and 2018, respectively.

Benefit payments, which reflect expected future service, are expected to be paid for the years ending October 31 are approximately as follows:

2020	\$ 871,000
2021	973,000
2022	1,056,000
2023	1,194,000
2024	1,334,000
2025 - 2029	7,818,000

10. CONCENTRATIONS

At October 31, 2019, approximately 50% of the Commission's U.S. employees are covered by a U.S. collective bargaining agreement which expires on October 31, 2024; 69% of the Commission's Canadian employees are covered by a Canadian collective bargaining agreement which expires on October 31, 2022.

11. CONTINGENCIES

The Commission is involved in various legal actions and claims arising in the ordinary course of its operations. The Commission believes its ultimate liability, if any, in connection with these matters will not have a material effect on the Commission's results of operations or financial position.

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NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF FINANCIAL POSITION BY NET ASSETS
OCTOBER 31, 2019

ASSETS	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
Cash and cash equivalents	\$ 579,931	\$ 257,626	\$ 16,955,551	\$ 57,161	\$ 3,306,818	\$ 86,890	\$ 21,243,977
Accounts receivable	1,976,518	9,498	-	75,722	-	-	2,061,738
Prepaid expenses	-	628,901	-	-	-	-	628,901
Investments	-	-	62,460,359	-	853,420	39,224,265	102,538,044
Land, bridges, buildings and equipment, net	-	-	-	-	-	299,906,502	299,906,502
Construction in progress - 30 year plan	-	-	-	-	-	39,153,125	39,153,125
Construction in progress - other	-	-	-	-	-	10,070,623	10,070,623
Total assets	\$ 2,556,449	\$ 896,025	\$ 79,415,910	\$ 132,883	\$ 4,160,238	\$ 388,441,405	\$ 475,602,910
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTION							
Accounts payable	\$ 80,266	\$ 561,711	\$ -	\$ 3,283,828	\$ -	\$ 6,878,884	\$ 10,804,689
Accrued wages and related withholdings	-	1,002,469	-	-	-	-	1,002,469
Other accrued expenses	-	208,939	-	122,986	-	75,990	407,915
Bond interest payable	-	-	-	-	361,018	-	361,018
Deferred income	983,730	-	-	-	-	-	983,730
Postretirement benefit obligation	-	27,257,080	-	-	-	-	27,257,080
Bonds payable, net	-	-	-	-	-	104,241,795	104,241,795
Total liabilities	1,063,996	29,030,199	-	3,406,814	361,018	111,196,669	145,058,696
NET ASSETS WITHOUT DONOR RESTRICTION:							
Revenue	1,368,639	-	-	-	-	-	1,368,639
Operation	-	(28,882,212)	-	-	-	-	(28,882,212)
General	-	-	55,537,298	-	-	-	55,537,298
Renewal and replacement	-	-	-	(4,009,036)	-	-	(4,009,036)
Debt sinking	-	-	-	-	3,799,220	-	3,799,220
Construction	-	-	-	-	-	308,003,585	308,003,585
	<u>1,368,639</u>	<u>(28,882,212)</u>	<u>55,537,298</u>	<u>(4,009,036)</u>	<u>3,799,220</u>	<u>308,003,585</u>	<u>335,817,494</u>
Cumulative effect of foreign currency translator	123,814	748,038	23,878,612	735,105	-	(30,758,849)	(5,273,280)
Total net assets without donor restriction	1,492,453	(28,134,174)	79,415,910	(3,273,931)	3,799,220	277,244,736	330,544,214
Total liabilities and net assets without donor restriction	\$ 2,556,449	\$ 896,025	\$ 79,415,910	\$ 132,883	\$ 4,160,238	\$ 388,441,405	\$ 475,602,910

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTION BY NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2019

	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
REVENUES:							
Toll income	\$ 21,925,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,925,336
Rental income	11,042,799	-	-	-	-	-	11,042,799
Construction reimbursement	-	-	-	90,953	-	-	90,953
Investment income, net	3,735	3,604	1,831,762	694	15,867	1,232,543	3,088,205
Miscellaneous	137,378	17,930	-	-	-	-	155,308
Total revenues	33,109,248	21,534	1,831,762	91,647	15,867	1,232,543	36,302,601
EXPENSES:							
Administration and overhead	-	6,273,556	141,451	-	-	-	6,415,007
Maintenance	-	5,371,580	-	995	-	-	5,372,575
Toll	630	2,082,437	-	-	-	-	2,083,067
Management information systems	-	945,511	-	-	-	-	945,511
Security	-	878,947	-	-	-	-	878,947
Postretirement	-	1,932,302	-	-	-	-	1,932,302
Depreciation	-	-	-	-	-	11,074,528	11,074,528
Interest on indebtedness	-	-	-	-	4,581,546	-	4,581,546
Amortization of bond financing expenses	-	-	-	-	-	82,721	82,721
Total expenses	630	17,484,333	141,451	995	4,581,546	11,157,249	33,366,204
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION							
	33,108,618	(17,462,799)	1,690,311	90,652	(4,565,679)	(9,924,706)	2,936,397
UNREALIZED GAIN ON INVESTMENTS							
	-	-	2,328,741	-	11,721	6,883	2,347,345
CHANGE IN FOREIGN CURRENCY TRANSLATION							
	(2,420)	4,407	(28,814)	(12,941)	-	(228,100)	(267,868)
CHANGE IN NET ASSETS							
	33,106,198	(17,458,392)	3,990,238	77,711	(4,553,958)	(10,145,923)	5,015,874
TRANSFER OF NET ASSETS							
	(33,263,291)	16,184,025	(2,397,667)	(3,516,523)	4,602,159	18,391,297	-
NET ASSETS WITHOUT DONOR RESTRICTION - beginning of year							
	1,649,546	(26,859,807)	77,823,339	164,881	3,751,019	268,999,362	325,528,340
NET ASSETS WITHOUT DONOR RESTRICTION - end of year							
	\$ 1,492,453	\$(28,134,174)	\$ 79,415,910	\$ (3,273,931)	\$ 3,799,220	\$ 277,244,736	\$ 330,544,214