

LUMBER CITY DEVELOPMENT  
CORPORATION

Financial Statements

December 31, 2025 and 2024

(with Independent Auditor's Report)

LUMBER CITY DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
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 <u>Government Auditing Standards</u>	17 - 18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19 - 21
Status of Prior Year Audit Findings	22
Schedule of Findings and Questioned Costs	23

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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, 2025 and 2024, 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, 2025 and 2024, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements 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 and Government 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 and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism through 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.

### Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 audits 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 accompanying supplemental information is fairly stated, in all material respects, in relation to the 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 17, 2026, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Corporation's 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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
April 17, 2026

LUMBER CITY DEVELOPMENT CORPORATION  
 Statements of Financial Position  
 December 31, 2025 and 2024

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Cash	\$ 653,473	643,360
Loans receivable, less allowance for loan losses of \$1,397,169 in 2025 and \$763,567 in 2024	515,462	83,248
Other receivables	123,672	82,054
Prepaid insurance	<u>3,264</u>	<u>3,264</u>
Total assets	<u>\$ 1,295,871</u>	<u>811,926</u>
<u>Liabilities and Net Assets</u>		
Liabilities - accounts payable and accrued expenses	291	1,790
Net assets without donor restrictions	<u>1,295,580</u>	<u>810,136</u>
Total liabilities and net assets	<u>\$ 1,295,871</u>	<u>811,926</u>

See accompanying notes to financial statements.

LUMBER CITY DEVELOPMENT CORPORATION  
 Statements of Activities  
 Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenue:		
Grant income	\$ 2,092,514	435,494
Interest income	15,157	3,753
Contributed nonfinancial assets	<u>64,340</u>	<u>71,120</u>
Total revenue	<u>2,172,011</u>	<u>510,367</u>
Expenses:		
Program services	1,624,578	404,820
Management and general	<u>69,897</u>	<u>70,246</u>
Total expenses	<u>1,694,475</u>	<u>475,066</u>
Change in net assets without donor restrictions before other non-operating income	477,536	35,301
Other non-operating income	<u>7,908</u>	<u>-</u>
Change in net assets without donor restrictions	485,444	35,301
Net assets without donor restrictions at beginning of year	<u>810,136</u>	<u>774,835</u>
Net assets without donor restrictions at end of year	<u><u>\$ 1,295,580</u></u>	<u><u>810,136</u></u>

See accompanying notes to financial statements.

LUMBER CITY DEVELOPMENT CORPORATION  
Statements of Functional Expenses  
Years ended December 31, 2025 and 2024

	2025			2024		
	Program services	Management and general	Total	Program services	Management and general	Total
Community development projects	\$ 858,788	-	858,788	287,492	-	287,492
Payroll	50,063	16,688	66,751	18,641	6,214	24,855
Payroll taxes and employee benefits	5,687	1,895	7,582	4,841	1,613	6,454
Stipend - Executive Director	12,600	4,200	16,800	10,800	3,600	14,400
Contributed administrative expenses	22,740	7,580	30,320	27,825	9,275	37,100
Advertising	5,359	-	5,359	13,020	-	13,020
Business meetings	2,225	742	2,967	3,113	1,037	4,150
Legal and professional fees	1,836	1,835	3,671	14,269	14,269	28,538
Accounting fees	-	9,425	9,425	-	9,025	9,025
Insurance	-	6,643	6,643	-	4,243	4,243
Office expense	2,270	2,269	4,539	2,317	2,316	4,633
Rent	17,010	17,010	34,020	17,010	17,010	34,020
Miscellaneous	-	1,610	1,610	-	1,644	1,644
Bad debts	646,000	-	646,000	5,492	-	5,492
Total expenses	\$ 1,624,578	69,897	1,694,475	404,820	70,246	475,066

See accompanying notes to financial statements.

LUMBER CITY DEVELOPMENT CORPORATION  
 Statements of Cash Flows  
 Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 485,444	35,301
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating		
Bad debts	646,000	5,492
Changes in:		
Principal payments on loans receivable	59,786	30,154
Loans granted during the year	(1,138,000)	-
Other receivables	(41,618)	(52,805)
Accounts payable and accrued expenses	<u>(1,499)</u>	<u>(18,630)</u>
Net cash provided by (used in) operating activities	10,113	(488)
Cash at beginning of year	<u>643,360</u>	<u>643,848</u>
Cash at end of year	<u>\$ 653,473</u>	<u>643,360</u>

See accompanying notes to financial statements.

LUMBER CITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2025 and 2024

(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, 2025 and 2024, 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 reporting 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, 2025 and 2024, the Corporation had \$453,614 and \$395,923, 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.

LUMBER CITY DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Receivables and Bad Debts

The Corporation's receivables are primarily derived from loan principal payments. At each statement of financial position date, management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable.

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 \$12,398 and \$32,930 for the years ended December 31, 2025 and 2024, respectively.

The allowance for loan losses and related activity for the years ended December 31, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 763,567	791,005
Provisions for bad debts	646,000	5,492
Write-offs	<u>(12,398)</u>	<u>(32,930)</u>
Balance at end of year	\$ <u>1,397,169</u>	<u>763,567</u>

(h) Contributed Nonfinancial Assets

For the years ended December 31, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities are as follows:

	<u>2025</u>	<u>2024</u>
Donated space	\$ 34,020	34,020
Donated services	<u>30,320</u>	<u>37,100</u>
	\$ <u>64,340</u>	<u>71,120</u>

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.

LUMBER CITY DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(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. Form 990's 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.

(2) Liquidity

The Corporation has \$777,145 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$653,473 of cash and \$123,672 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 2025 statement of financial position date.

## LUMBER CITY DEVELOPMENT CORPORATION

### Notes to Financial Statements, Continued

#### (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, 2025 and 2024:

LUMBER CITY DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(4) Loans Receivable, Continued

	<u>2025</u>	<u>2024</u>
Canalside Bistro and Creamery, Inc.	\$ -	738
Lou Riggio - JFLR Enterprises	44,127	50,000
Thomas Pickles - Shirt Pickle, Inc.	-	5,491
Pencil in the River	4,523	5,548
Woodcock Brothers Brewing Company, Inc.	419,673	435,247
El Gringo Mexican Cantina	197,586	197,586
El Gringo Mexican Cantina Deferred	120,000	120,000
JFLR Enterprise, LLC	179,045	-
JFLR Enterprise, LLC Deferred	354,000	-
Dockside Inn	289,063	-
Dockside Inn Deferred	292,000	-
First-N-Ten	-	5,643
Webster's Restaurant LLC	6,306	8,214
Just Say Cheesecake Bakery & Café	-	4,532
A1 Appliance	-	5,951
The Vegan Grocery Store	<u>6,308</u>	<u>7,865</u>
Total loans receivable	1,912,631	846,815
Less allowance for loan losses	<u>(1,397,169)</u>	<u>(763,567)</u>
Net loans receivable	\$ <u>515,462</u>	<u>83,248</u>

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 846,815	909,899
Loans issued	1,138,000	-
Write-offs	(12,398)	(32,930)
Less amounts repaid	<u>(59,786)</u>	<u>(30,154)</u>
Balance at end of year	\$ <u>1,912,631</u>	<u>846,815</u>

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, 2025 and 2024.

LUMBER CITY DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(4) Loans Receivable, Continued

In 2025, a loan was issued to JFLR Enterprise, LLC in the amount of \$554,000. The first \$200,000 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 \$354,000 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 \$354,000 has been included in the allowance for credit losses at December 31, 2025.

In 2025, a loan was issued to Dockside Inn in the amount of \$584,000. The first \$292,000 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 \$292,000 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 \$292,000 has been included in the allowance for credit losses at December 31, 2025.

A summary of current and past due loans as of December 31, 2025 are as follows:

<u>Category</u>	<u>Current</u>	<u>30 - 90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
Commercial	\$ <u>1,595,045</u>	<u>-</u>	<u>317,586</u>	<u>1,912,631</u>

(5) Grant Income

The Corporation received grant income for the years ended December 31, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Community Development Block Grant	\$ 1,353,107	153,871
City of North Tonawanda	63,000	62,000
Downtown Revitalization Initiative	176,407	219,623
Empire State Development	<u>500,000</u>	<u>-</u>
	<u>\$ 2,092,514</u>	<u>435,494</u>

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.

LUMBER CITY DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(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, 2025 and 2024, 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 \$1,644 and \$867 for the years ended December 31, 2025 and 2024, respectively.

LUMBER CITY DEVELOPMENT CORPORATION  
 Schedule of Expenditures of Federal Awards  
 Year ended December 31, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Housing and Urban Development - Community Development Block Grants passed through City of North Tonawanda:				
Microenterprise Program	14.228	822ME545	\$ 186,821	-
Economic Development Program	14.228	822ME545	<u>1,215,190</u>	<u>-</u>
			<u>\$ 1,402,011</u>	<u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

LUMBER CITY DEVELOPMENT CORPORATION

Notes to Schedule of Expenditures of Federal Awards

December 31, 2025

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activities of all federal awards programs administered by the Corporation. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the schedule of expenditures of federal awards.

(2) Basis of Accounting

The information is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

(3) Relationship to Basic Financial Statements

Federal award expenditures are reported on the statement of functional expenses as program services and any related allowable general and administrative expenses under the category of management and general expenses. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations, matching or contributed nonfinancial assets or capitalization policies required under accounting principles generally accepted in the United States of America.

(4) Indirect Costs

Indirect costs are included in the reported expenditures to the extent that such costs are included in the Federal financial reports used as the source for the data presented. The de minimis election allows the Corporation to allocate 10% of indirect costs to grants with periods ending on or before September 30, 2024 and 15% of indirect costs to grants with periods after September 30, 2024. The Corporation has not elected to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

**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  
Lumber City Development Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Lumber City Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated April 17, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
April 17, 2026

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors  
Lumber City Development Corporation:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lumber City Development Corporation's (the Corporation) compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Corporation's major federal program for the year ended December 31, 2025. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lumber City Development Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on Each Major Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

## Responsibilities for Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

## Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 the compliance requirements 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 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
April 17, 2026

LUMBER CITY DEVELOPMENT CORPORATION  
 Schedule of Findings and Questioned Costs  
 Year ended December 31, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   x   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   x   No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   x   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 2 CFR Section 200.516(a) (Uniform Guidance)? \_\_\_\_\_ Yes   x   No
- The Corporation's major program audited was Community Development Block Grant, 14.218
- The dollar threshold for distinguishing between Type A and B programs was \$1,000,000.
- Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   x   No

SECTION II - FINANCIAL STATEMENTS FINDINGS

There were no findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings.

LUMBER CITY DEVELOPMENT CORPORATION  
Status of Prior Year Audit Findings  
Year ended December 31, 2025

There were no audit findings with regard to the prior year financial statements (December 31, 2024).