



MEETING OF THE BOARD OF DIRECTORS  
Jefferson Educational Society; 3207 State Street; Erie, PA 16508  
February 9, 2017

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES – January 2017
5. COMMENTS BY CHAIRMAN
6. PUBLIC COMMENT
7. PRESENTATION
8. COMMITTEE REPORTS
  - a. Treasurer's Report
  - b. Regional Assets Committee
  - c. Strategic Planning Committee
  - d. Update from County Council
  - e. Update from County Executive's Office
9. REPORT OF THE EXECUTIVE DIRECTOR
10. SOLICITOR'S REPORT
11. OLD BUSINESS
12. NEW BUSINESS
13. ADJOURNMENT
14. THE SCHOOL DISTRICT ENDOWMENT CHALLENGE PRESS CONFERENCE -  
\$115,143 Awarded to 6 Schools

Next Regularly Scheduled Board Meeting of ECGRA

Date: Thursday, March 9, 2017  
Time: 8:30 a.m.  
Location: 23 West 10<sup>th</sup> Street; First Floor; Erie 16501  
*Special Events Grant Reception to Follow at the Playhouse*





**Erie County Gaming Revenue Authority**  
**Minutes of the Board of Directors' Meeting**  
**January 12, 2017**

**CALL TO ORDER**

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on January 12, 2017 at 5240 Knowledge Parkway; Erie, PA 16510. Legal Notice of the meeting was given through an advertisement appearing in the Erie Times-News. The meeting was called to order by the Chair.

**ROLL CALL**

Mr. Bagnoni (arrives late), Mr. Barney, Mr. Paris, Mr. Peters, Mr. Sample, and Mr. Yaple. Mr. Breneman (arrives late), Mr. Lee, Mr. Wachter, and Mr. Wood are also present.

**APPROVAL OF THE AGENDA**

Mr. Paris makes a motion to approve the agenda. Mr. Barney seconds the motion. Motion carries 5-0.

**APPROVAL OF MINUTES** – December 2016

Mr. Barney makes a motion to approve the minutes. Mr. Bagnoni seconds the motion. Motion carries 5-0.

**COMMENTS BY THE CHAIR**

The staff and Perry have been very proactive in getting out at least to the Corry area – I saw them on television the other day – the importance of getting through this gaming law. I appreciate their efforts. There seems to be some confusion out there in the public as to what has to be done, but all we can do is continue to move forward, and, hopefully, our government will get it straightened out.

**PUBLIC COMMENT**

No public comment.

**CHANGE OF ORDER**

Mr. Peters: Mr. Chairman, is it possible for me to make a motion to amend the agenda so that we can move forward?

Mr. Wachter: We can make a motion to move things out of order on the agenda, if you so desire, and at the chairman's discretion.

Mr. Peters: Mr. Chairman, I'd like to make a motion to take items out of order. Mr. Paris seconds the motion. Motion carries 5-0.

## COMMITTEE REPORTS

- a. Treasurer's Report – Mr. Peters: Today, of course, was a scheduled finance meeting, and I had a chance to share with all of you what the finance committee is working on. For the record I'm going to read in a few items that we talked about.
- 1) We continue our process of our agency funds versus our donor-designated funds at The Community Foundation.
  - 2) We continue to work through an audit of the Economic Development Fund with Dave Lastowski, CPA.
  - 3) We discussed briefly the importance of voting on all pools of money that we are investing, particularly Human Services.
  - 4) I shared that we'll be discussing the budget in detail starting next month.
- With that said, I'll get into the Balance Sheet. One thing to note is that we continue to work on a potential adjustment to the Balance Sheet related to the agency-funded Lead Assets Endowment with The Erie Community Foundation.
- As you look at the P & L, we're trending. We're at the last quarter of our fiscal year, hence the need to start on the budget. We need to allocate some time in our next month's meeting to take a look at the budget.
- You have two other items in your package, that if there are any questions, I am glad to field them. One is the Schedule of Grant Reserves, and that again, for those of you who are hearing this for the first time, lists out all of those entities that we've committed funds to that are possibly sitting in a bank account because they've not been drawn down on yet.
- And then finally the Check Detail Report which ties in with the Cash Flow Statement.
- Mr. Barney makes a motion to approve the treasurer's report. Mr. Bagnoni seconds the motion. Motion carries 5-0.
- b. Regional Assets Committee – Mr. Wood: Regional Assets has made the Mission Main Street awards for 2016 and is opening up today Special Events Grants, which we're going to ask you to vote on in Resolution 1, 2017.
- c. Strategic Planning Committee – No report.
- d. Update from County Council – No update.
- e. Update from County Executive's Office – Mr. Lee: The Summer Jobs Program request for proposal went out in the latter part of December, 2016. It is going to be due January 20. We had a pre-proposal conference last week. There were two organizations that expressed an interest at that time. Some of the key changes with this particular RFP is that, as you recall, the previous RFPs were on a year-by-year basis. This latest RFP is good for two years with the option for an additional two years, depending on the relationship and the results of the selected administrator of the program.

Last year we had 165 individuals complete the program. The RFP is good for 150, 175, and 200. We're looking to increase the program based on the demand. We're going to push for the for-profit. In the last two years there has been an increase in the for-profit arena, but we're still at a disparity. The last numbers I checked were 58% for non-profit and 42% for-profit. The goal is to get to 50-50. We're going to be working with the Manufacturers

Association to expand the program with some of their companies. I'll be bringing updates as we progress.

Mr. Sample: Gary, do you have an idea of what the breakdown was for the city and county?

Mr. Lee: I do. The city was 65%, and outside the city was 35%. As you recall, the goal is to try and get that at 50-50 as well. We believe that number will start to show more of a balance.

Mr. Sample: I know that part of the problem in the county was getting groups that were able to handle them. There were a lot of rules early on that made it constrictive for smaller businesses to participate, and those have been relaxed.

Mr. Lee: To your point, Mr. Chairman, a clarification concerning the laws dealing with our youth based on the Sandusky new legislation was causing a bit of confusion as far as who would be responsible for monitoring the students. We have been able to clarify that with the proper documentation to be signed off on.

We're looking to expand the numbers participating outside the City of Erie. One thing I would point out is that relationships have been built in the outlying areas. We reached out to all of the councilpersons who provide recommendations to various companies that could benefit from the program, and some of them provided feedback last year. So we're looking to expand upon that.

Mr. Sample: I commend you for your efforts. I know that in the Corry area there has been a valiant effort to get that out.

## PRESENTATIONS

Family First – The Honorable Flo Fabrizio; Bob Catalde, G.R.E.A.T.; Ron Sertz, Erie Sports Commission; Greg Rubin, Passport Realty; Nancy Agostine, Summit Township.

Atty. Catalde: Thank you for allowing us to speak to you. Ron is passing out the material that we have for you. I think most of you have received this in advance, right?

In looking at you folks and doing some research about the board, I know many of you, but for those of you who don't know me, I'm Bob Catalde, an attorney, and have worked with Erie County government for some years. What brings me here today is more of my role as a hockey coach and a member of the Erie Hockey Association. I know we're limited with some time, so I think in my view the best way to do this would be to maybe let me blab at you really quickly about what the project is and what we're trying to accomplish, and then maybe let some of the other folks that are here air their mind a little bit, or if you have questions or concerns that you want to ask, just please feel free and don't hesitate for a second to interrupt me, certainly, because, as you will soon find out as I begin to talk, I kind of keep going. So don't be afraid to stop me.

This entire project started a few years back when we were looking for just one new ice rink in town, and it quickly blossomed into a much larger project. The more we started looking and the more we started researching what it took to build an ice rink, the more it became apparent that a stand-alone rink isn't sufficient, that we needed to expand, and we started looking at locations to develop this, which led us fairly quickly to the Family First property. Hopefully you are all aware of Family First and what happens up there. That property has been significantly underutilized for many, many years. I don't know if any of you are involved in sports or have kids or grandkids that play sports, but that's been the case up there for a long time.

When we reached out to a professional management company, Rink Management Services, that we now hired to run this facility, they knew of Family First. They told us, because they are so large – they're the largest operator in the United States – they heard about the Snickers Soccer Tournament that used to be up there that brought hundreds of teams to Erie County. That died off.

They already had their sights sort of targeted on Family First and were wondering why it wasn't being developed or used. So they sort of were the impetus initially for us to start negotiating with the owner up there.

After some long, difficult negotiations with the owner, we were able to reach an agreement to purchase the facility. It's contingent upon us getting financing. Before we even started to look at what we wanted to do up there, we needed to understand what the community needs were. We needed to understand how it was going to be used, and so this company did a feasibility study and really reached out to the community and sort of figured out how we need to build out that park to meet the needs of the community and also so that it can support itself and certainly generate enough revenue to keep going.

We formed a non-profit corporation with a charitable purpose of providing an opportunity and space for all the youth of Erie County, from exceptional athletes to average athletes to inner-city kids, special-needs kids, and everybody in between. The facility was designed to serve all of the kids and, quite frankly, some of the adults in the community.

As we developed our plan, we formed the board. You can see who is on the board. It's really just some community minded, sports-connected professionals that just have a desire to see this project through. I think it's important, and I want to tell you this right now, nobody that's involved in this project – that the people that are involved in this project are the board members that you see there – we're not getting paid; we're not trying to create paid positions for ourselves. Everybody that's involved with this project is involved because they are deeply committed to seeing this thing through for the good of the community. There's no personal gain for any of us other than to try and see this thing through, which we believe is good for the community. So as we started to get this thing going, it didn't take long, and it wasn't difficult for us to sort of sell to all of the elected officials, all the people in the community, because the need was so immense. We were able to go through this significantly long process of the RACP application that was recommended to us by our state representatives, and I'm sure you folks understand how tedious that application process is and what has to be done to complete it. We were granted \$3 million for that. In the meantime, we have some financing secured from some local lenders. When I say, "secured", we have term sheets from them and they're really sort of just dependent on what other money we can sort of raise. Our goal is to limit the debt service on this project as much as we possibly can. It's not rocket science. Obviously we don't want to have to carry any debt, if it's possible, but I'm not so sure that is possible, but our financials are very strong. They're in that document you have in front of you. The financials were prepared by Rink Management Services. This is again the company that's going to be operating the facility – the largest operator in the United States. They've never failed. They came in – they vetted us. We didn't really have to vet them as an operating company. They vetted us first, because they do not want to get involved with anything that looks like it could go down the tubes, so to speak, and they recommend very strongly that we build it out consistent with these plans, because they're considering it a home run – especially where Family First is located and the existing structures that are there. It's perfect for the build-out that we want to accomplish.

So, here we are. We've got our capital campaign that is finishing up its feasibility study as we speak. We anticipate the actual campaign to receive donations in the next couple of months. We're here with you folks to hopefully gain your support. We think that this is significant for our community. This is a significant economic driver – part of your packet is the economic impact statement from Tripp Umbach who is a very respected firm that provided this information that we needed for RACP. There's millions and millions of dollars that are coming to Erie County as a result of this project with the tournaments that we can bring in. You have to understand what sports are going to be happening up there. It's ice rinks for hockey. It's outdoor fields for Lacrosse and soccer and baseball and softball; significantly improved indoor training, because, obviously, here we are in Erie, Pennsylvania where

the weather is not perfect all of the time, and we'll be redoing the dome, for those of you who are familiar with it, and if you're not familiar, the information is there for you.

The tournaments and the teams that we can bring to Erie and the thousands of people that will be visiting the community that probably don't, is immense. Obviously the impact that it's going to have on the children of Erie can't be overstated either. So, with all that being said, I know that's sort of the first-read general statement, but I think it might be better for me to kind of shut up for a little while. If you have any questions, please fire away, but the other folks that we have here, obviously, Representative Fabrizio, Nancy Agostine is here from Summit Township to let you know how much they support the project and how excited they are to have it up there. Matt Zonno is here from PNC to let you know that they reviewed the project and whatever level of interest they have in helping with the financing, and I've got Attorney Zona here next to me who many of you know who is on the board, and we're very good friends, but he's involved because of his expertise in this type of stuff. So, I'm going to be quiet and maybe let Flo Fabrizio speak for a little while, but, in the meantime, if you have any questions, please fire away.

Rep. Fabrizio: Gentlemen, I'll keep my remarks very brief. In my 40 years of public service, and I've been involved in a lot of projects, I can't think of one that has the broad-based support that this project has. I can't over-emphasize how the tentacles of the project are going to reach virtually every socio-economic element of our community. And if you believe in kids, okay, and if you believe in the welfare of our youth of this community and an investment in them, this project goes a long way to provide for them, okay, aside from it being a significant economic engine. I know you want to apply numbers to pencil and paper and come up with numbers, and I can't speak to that as well as these others can, but I can tell you that the impact of this thing is so broad-based, were it not to move forward, it would probably be the biggest mistake that this county has made in my 40 years of public service. Thank you.

Nancy Agostine: I'm happy to be here. Bob, Flo, and the group came to us almost two years ago. They had briefly talked with you folks when it was just in its inception, and you recommended that they come and see us. Instantaneously this excites us. I've been with Summit and the director of land development for 23 years, and I echo what Flo says that, other than the casino and saving Lord for Erie County, nothing is more exciting to me than this. You hear about win-win, well this is win-win-win. The community wins; the children win. We're so well placed with the hotels and the retail and everything that's there to support the massive tournaments – the Snickers Tournament – I was there when we brought in those dollars. And that's what we need to do; we need to get those outside dollars in. I can't reiterate how important that is for sustainability for all that we've brought in Summit. But the third biggest win is for the casino itself. What have done lately to enhance their business? It's those out-of-towners, that out-of-Erie-County dollar that's going to go to the casino too. Their profits keep going down, and we keep looking at that cash cow and saying we want more. But what happens when they can't do it? Summit received a small dollar amount because we were a small community when this started, and the law based it on half of our revenue back when the casino was developing. But we have put those millions of dollars right back in. We just did a \$3 million lift station for our sewer authority. The township, through its economic and development authority provided \$1.3 million towards that facility, because the casino uses 50% of the capacity. We had to go to a partially paid fire department. We had needs for the dollars that the casino brings into to us, but we also recognize that those dollars aren't guaranteed. And if we don't look out for them as well with projects like this that are going to bring dollars into the casino, they're not going to be around to give the dollars to us. With full disclosure, I was a hockey coach and involved with Erie youth hockey for 15 years. My son is now 31. I've come full circle, and my grandson is now learning to skate. You couldn't do more for this community, and Summit is very proud. We anticipate our industrial and economic development authority to authorize a grant for this project. And I would anticipate it being in the area of a half million dollars. And we're proud to support them, just as we were proud to support the Lord project with a

half-million-dollar contribution – a grant – to keep the things that Erie County needs. We're looking at the whole county – the tristate area, and everything this project brings to it. Thank you for your time.

Ron Sertz: I think this project for the Sports Commission operationally will be transformational. We currently do about 50 events a year – an economic impact of about \$15 million – and this will significantly open up opportunities for us to attract more state, more regional, and more national types of sporting events and create sports tourism at a very high level. Everything that we do revolves around facilities and having the right facilities to host these major events. Family First has been a missed opportunity for a long time. This project that we're going through will make it a reality, and I think the right renovations and the right improvements to the facilities up there will allow us to go out nationally and try to attract these national sports promoter events, rights holders, and so forth, and bring even more of these events to Erie. If we bring people to Erie, if we put on the right types of events, they'll return on their own as tourists. It's a great opportunity for us, and we hope you'll support it.

Mr. Sample: I'm going to play devil's advocate. I'm from Corry and I've spent numerous hours driving back and forth to that complex. It's a beautiful complex. We referred to the Snickers Tournament. Maybe I have selective memory, but I remember the reason that tournament started to fail was because certain people in our area increased prices and made it practically unaffordable for these people to come for a weekend and enjoy the area. That's always a concern. I don't doubt at all that it will be supported by the local economy. My biggest fear is that all of a sudden hotel rooms escalate and people won't want to come here because the environment is not user friendly. That being said, I'm sure you are going to have a much bigger negotiating chip and will be able to go to the hoteliers and say we want to work with you; we want to fill your hotels. The second thing. You get a 10-year lease on the existing soccer fields with an exclusive option to purchase, and I'm assuming that's at a predetermined price? With any consideration for any infrastructure work you do to it, or that's just for use?

Atty. Catalde: The game plan is to purchase that facility, the rest of the property, sometime in the future, depending on how much money we can raise, and what we can do, and how the facility operates. The existing fields that are up there now, we need to improve them. Just the grass turf needs to be improved, but the long-term plan is to build artificial turf fields up there – certainly a couple – for soccer, lacrosse, baseball, softball, those types of things. So that's the long-term plan for that. We are going to do some improvements on those as well.

To answer your first question which goes back to the Snickers Tournament and what happened, I think it's important to understand that the environment up there is significantly different now than it was back during the Snickers Tournament. What I mean by that is, there's much more competition up there. There are different hotel owners; there are different folks that operate up there now that we've talked to specifically. There are five hotels that are within walking distance of Family First. The only problem is that there are no sidewalks up there yet, so that is probably going to be a difficulty, but the point is that there are multiple hotels up there that we have approached, and we've approached the largest hotel operator in town as well and have had multiple discussions with him and his sons. I don't know how to say this other than just saying it, so I just went up to him and said, listen, if you want to help, and I anticipate that he's going to be helpful during our capital campaign. I didn't have to convince him that he's going to be benefitting from us significantly by doing this. He understands that. The only way that we can ensure that we keep going with these tournaments is that everybody offers a fair rate, and if he does, he does, and if he doesn't, we have other options that certainly will. So it isn't dependent on just any one person up there anymore. There's just too much competition, which is good. So I don't think that's a concern any more. I really don't. And I was very straight forward with them when I spoke to them. I said, whether you believe it or not, the perception in the community is that they helped drive that tournament out of town.

Mr. Sample: I think it was blatantly put in the newspaper.



Atty. Catalde: It's kind of hard for me to say that directly to them, but I told them that was the perception. We're not going to allow that to happen. We just won't.

Ms. Agostine: I would echo that, and I just want to interject that Bob is absolutely right. Since that Snickers Tournament left we have five new hotels...

Mr. Sample: Under different management?

Ms. Agostine: Right. And actually now two have just been recently constructed in the last two years right next to Family First. That same hotel developer has the Country Inn & Suites across the way, and they're building a third where the other two are by Family First.

Mr. Sample: And that's good to know. When I went through this, I just remember reading in the newspaper how one guy shut that tournament down.

Ms. Agostine: I am personally familiar with the other hotel owner – very community minded, and he always steps up for Summit. And I'll be talking with the other one as well.

Mr. Sample: And frankly, I'm surprised the other one wasn't looking at this with his other involvements.

Ms. Agostine: He was.

Atty. Catalde: He ended up competing, for lack of a better term, for the same RACP funding at some point. It's a small community and we all have to work together. It's a good project down at the Bayfront, and ours is a good project, so, at the end of the day, I think it's a win-win for them.

Mr. Sample: What of the dormitories?

Atty. Catalde: We want those; we want the land that surrounds those. That is one part of the operation up there now that is making the current owner money. We don't know what his long-term plans are for that, but he knows we want them. We've had many discussions with him. At some point, maybe he's willing to move on once everything else gets going up there. Those will be important, because we could bring in all kinds of...

Mr. Sertz: Not only could we house folks there for clinics and different things, but we could also offer cheap housing for local kids that come stay during summer; run camps up there. There's a myriad of possibilities and things that we could do up there with or without those, but they are on our radar.

Mr. Sample: And once you drive the value of this up, there goes the value of those.

Mr. Yable: Speaking as one that's walked the walk and talked the talk - I love what you do up there. I understand it, but I had bought into this a long time ago. I was one of the original idiots that got up there. Unfortunately, I'm the Dairy Queen guy that put our facility up there. It started out as the Blizzard Cup, not the Snickers Cup. And a lot of good businesses went up there. To tell you the truth, when I put the place up there it was a hands-down you can't lose. You can lose. It was management. It was mismanagement. Gary Renaud, I'll still take a bullet for him. He was too open-hearted and too big-hearted. Great thought and great progress. It is what it should be up there. You guys have the right idea. God love you. But I've got to see the management, because I can't vote for somebody that runs it, because I lost big bucks up there, along with a certain pizza shop and pro golf. And we lost our butts because it was mismanaged. You had nationwide recognition up there in the soccer realm. We reached out to Minneapolis where my headquarters is, and they knew about this. It's one of the biggest and the best soccer arenas on the East Coast. But it will be the same thing here. I have faith for you. I want to see this happen, but you've got to show me some management, that they know what they're doing, because this could be and should be the best thing going around here. And we need it. I'm not knocking it. But having lost a piece of my you-know-what and plus my board – I've got to cover for my board – I've been there; I've believed in it, and I still do. But we've got to see the management. We've got to see what they've done, how they can do it, and then I'm behind you.

Atty. Catalde: I think your point is dead on. The first thing that we did – and there are some misnomers of who's involved with our group, and there are some misnomers in the community that I am going to be running this facility. If I ran this facility, it would be bankrupt in a month. I don't know

the first thing about operating a sports park, nor did I ever pretend to. I am just the guy that's trying to give some legs to it. One of the most important things, to answer your question, that we have done from the inception of this project is to partner with Rink Management Services Corporation. They are the largest operator and developer of multiple sports park complexes in the United States. This will be their 50<sup>th</sup> park. They work with the Boston Bruins; they run their practice facilities; New Balance; many, many municipalities. All their information is in the stuff we provided to you. They are the ones that came in with their engineers, with their professionals, looked at everything and did their feasibility study. This is their project, with some direction from our board. They are managing it. Every time I talk to them they say, Bob, every square foot on the ground. All they look at is what does it cost to operate and what revenue can be driven from it. They don't care if it's a square foot of ice on the ice rink, or a basketball court, or artificial turf. They don't care if it's a hallway, or an office space, or whatever the case may be. They don't get paid, they get paid some, but they get paid more if they make money, if the operation drives money. They have every reason to make this a success, and they helped us build this idea up from the ground.

Mr. Yapple: I see you as another Gary Renaud. You've got the heart. As long as you've got the people to back it. I'll be honest. I was a small Dairy Queen, and during that tournament I could make \$5,000-\$6,000 on a Saturday or Sunday, which was unheard of at that time. But on Monday when everybody is gone, there's nobody there. That's the problem. You have to have a constant stream of customers or else we've got problems. If you can keep this place filled somehow all week, you've got it, because it's the best place in the world for kids and parents. They loved it.

Atty. Catalde: You've identified two of the most important things that we focused on – the first thing was management, and the second thing is we believe we've found the pocket – that's what I call it – where we are big enough that we can attract tournaments that are going to bring us a significant number of people, but small enough so that our normal use can fill and use the facilities. What good is having 11 soccer fields, bringing 10 tournaments a year, when on the other 250 days only two fields are being used? That is exactly how we built this from the ground up, with that in mind. Again, the management team, they're from Virginia, but they operate all over the United States. Tom Hillgrove is the president. Corry Portner is their ice rink guy. He's currently working with the 2018 Olympics in Korea. He's their ice guy that they utilize for the Olympics. This is the guy that's coming to Erie that's helping us build out and design these rinks. These are top-of-the-line professionals. Tom would have been here today – I actually asked him to come – but he had a conflicting schedule. I know for a fact that if any one of you folks wanted to speak to him, he'd do it in a heartbeat. He'll tell you what he feels about the project and their history with the management. You've got a lot of information about them in the packet, but if you'd like to speak to them – any one of you – I'd be happy to give you his contact information.

Mr. Peters: First of all, thanks for coming in and presenting. I'll absolutely read this. If the questions that I have are addressed in here I apologize, but since we just got it today, I obviously don't know. I'll just fire them at you and hopefully someone can take notes, because I think it would be helpful for us. We look critically at financials – not just at your project, but at any project. As you know, we're an economic development agency, and recently in this community there's been a very, very public falling apart of the economic development groups that exist. Some of these questions may feel like, wait, who are these guys to ask us these questions? But I think it's critical as we are talking about taxpayer funds here. My first question of the management group that you're looking at is could they provide us a list of these groups that they manage that require additional ongoing public subsidy? That would be helpful for us to understand. Looking at a proforma that shows a purchase price and maybe a short-term operating loss, that's great, but anyone who has looked at financials over their career knows that proformas are just guesses. What would be helpful is if there could be a list of facilities like this in market-similar-size – comparing us to New York City, LA, or Chicago is probably not a great idea – that would define how many of them and how much additional ongoing public

subsidy is required. So if you know that and can answer. If you don't, it would be great if you could get it to Perry so that we can review it further.

Atty. Catalde: That wouldn't be a problem.

Mr. Peters: The second question I have, and, unfortunately, like a lot of people who think they know what's going on out there, it is either from what they've read in the paper or read in the paper a long time ago. I recall, and please correct me if I'm wrong, at one point the YMCA and Gannon at various times were offered this facility at no cost, and I see there is a purchase price of \$3.2 million here. As many of you know, my career over the last decade has been dealing with distressed real estate assets, and at times there are owners who want to avoid the embarrassment of a public cleansing of bad debt. Banks don't like it either. They don't like bankruptcies. They're expensive. But my recollection is that this was bad enough up there at one point that the Renauds were willing to give away all but the dormitories to either Gannon or the YMCA. Am I right on that?

Ms. Agostine: That was a substantial many years ago, and the feasibility didn't pan out at that time. It was more than a few years ago.

Mr. Wachter: Was there an assumption of debt with that?

Ms. Agostine: There was.

Mr. Peters: There was an assumption of debt?

Ms. Agostine: There was.

Mr. Peters: I'm asking questions you might not be privy to, but is there a debt currently, and do we know that, and do we know who the lender is?

Atty. Catalde: I'm telling you what I believe to be true. Glen Renaud, the seller, is somewhat difficult. But my understanding from multiple conversations and meetings with him is that his debt is absolutely being serviced; he's not behind on anything. His bank is Key Bank. They were interested in providing finance – we met with them – and they still may. And with respect to the Y and Gannon, I don't know. I know they had some structure in place. I don't know what the cost was, if any. Gannon I met with. The Y I did not. Gannon was very willing to speak with us, their athletic people. They told me they were prepared to pull the trigger. They did all of their due diligence. They provided a lot of that to us in advance. They let us know what they found out about deferred maintenance and a few other things. They explained to me the only reason they ended up not pulling the trigger was because of the distance. They didn't think the kids would be able to get up there from downtown where the school is located. From what they're telling me, they were close. And they were going to do it. There wasn't anything that was problematic that prevented them from doing that when they looked at all the numbers. It was just they decided to spend the money down there and make it a little bit smaller and work with the land that they had downtown. The Y, I can't speak to the Y. I also met with some local businessmen at some point that were looking to purchase the facility. And they had done all of their due diligence, and they were ready to pull the trigger.

Mr. Peters: I thought it was more at the \$1 million to \$1.25 million range.

Atty. Catalde: I don't know.

Mr. Peters: My primary concern – I'll cut to the chase – at \$3.2 million, there are bankers in the room that say, yes, it's worth every bit of that \$3.2 million. What loan value are they willing to loan at on this project? Certainly having bankers having vetted and/or appraisers having looked at this, and maybe that's all in here, but I think it's important to understand is this the right purchase price? If it's a \$7 million project, and your capital campaign can do that, and the \$3 million from the Commonwealth - thank you Rep. Fabrizio for that effort – the money can go a lot further if we're sure we're buying it at the right price.

Mr. Zonno: I'd like to interject. I'm with PNC Bank, and we support the project. But to that point exactly, an appraisal has been ordered, and we'll see what the collateral looks like. It will undoubtedly be enough to support what we think the remaining balance on this project will have. I think once you get a chance to see the appraisal, which probably will be done in – I think it was ordered a week ago –

and will probably take another three weeks before it's finished. So we'll get that report, and, of course, we'll want to make sure there's sufficient collateral to support the remaining debt on the project.

Mr. Peters: Everybody's gut-check, though, is that it supports that?

Mr. Zonno: Exactly. I do not have a concern at this point. I've seen a lot of appraisals come in, and they seem to be on the mark. If it comes back ridiculously low, I think everybody in the room will have the same general concern, including Bob.

Mr. Peters: An hopefully you can use that to your advantage.

Atty. Catalde: I hope it comes in low.

Mr. Peters: Me too, because I'd rather the money go to programs than paying off real estate that was levered on a project that couldn't support it from day one. I understand the concept of win-win-win. With that said, we are in a stagnant economy in Erie County. We have no population growth, we have limited economic growth, if at all, and so the concept, and I'd like to have a little more meat on the bones related to Mr. Yaple's point and your confirmation, Bob, about the fact that the tournaments are one thing, and I believe we can attract tournaments here. We have the water, an amusement park, the casino. There is a lot of stuff to do here. My concern is that in this win-win-win, currently the existing organizations that provide these services – whether it be the zoo with their ice pad reopening, or Mercyhurst, the civic center, the convention center authority, whatever – I'd like to understand if we don't have any growth of population and we don't have an economy, how can we really support this growing and continue to support the old stuff? I think there probably will be some losers in this – my gut tells me there might be. The shiny new facility probably will attract people away from the other sports facilities that exist. It would be interesting, and maybe the impact study that's in here addresses that, but if you have any comments on if you've thought about that...

Atty. Catalde: We're not interested in hurting anyone else. JMC, and I will first tell you that the zoological society and Scott Mitchell in particular, have done more for the skating community than, as far as I'm concerned, anyone else. They've been grinding at this for years. And there are a lot of other things they could do there, obviously, but he wanted to keep that place open because he knows the need is so immense and that there is a shortage of ice. And they've been working to get this thing fixed. It's fixed for a while, but they have some other stuff. I would encourage anybody on the board to reach out to the zoological society and see if they have any other plans for that area if we end up building this rink up there, because I suspect that they do. I think there are some things they would like to do, and they've been hanging onto that ice rink that is 60 years old for community reasons, because they know it's needed. But if we're up there and operating, I don't think that that's going to be a problem for the zoo at the end of the day. With respect to Erie Insurance Arena, that is self-sufficient – I don't know how much of their budget is relying upon ice revenue – but we're not up there a whole heck of a lot. Remember, that facility is designed for a very specific thing – to host events. The BayHawks are up there, the Otters, the Eagles, the concerts and things that go on up there. That's not a constant available flow of ice for the skating community. With respect to Mercyhurst. Mercyhurst has their teams that operate and use that ice. Now we do use some ice from Mercyhurst. It's probably going to affect Mercyhurst revenue a little bit, but again, I encourage you to speak to them and see what their take is on it. I think that they've got enough usage. And you've got to understand, with respect to skating in particular, building these two rinks, we need these two rinks just to accommodate what we currently have. We have to go out of town now. We have 600 kids that are in the Erie Hockey Association. We have thousands of kids that participate in the other sports, but the existing ice that we have, we have to go to Meadville, Mentor, Jamestown, and Fredonia. So it may hurt them, but we will be bringing it back to Erie. It's a good point and it is what it is. There really isn't any indoor training facility. There's a small new indoor soccer facility that opened up in Girard that's no bigger than the room we're sitting in. I think they're going to have a price point, and they're going to have people out in West County that will utilize that, but we're trying to make this significant. We're not just interested in hurting other people and pulling them up to Erie.

Mr. Yaple: Will this ice cure our need for it?

Atty. Catalde: Yes. A double-pad facility is going to fix our need – and again, you have to understand this isn't just hockey. And we can't grow. The Erie Hockey Association cannot grow. The figure skating clubs in town cannot grow. There are therapeutic programs, the Gliding Stars, and the Sled Dogs, that can't get ice. The Sled Dogs and the Gliding Stars, I don't know if they've even been on the ice in months and months. There's nothing for them. These are therapeutic things that are good for the kids.

Mr. Wood: You mentioned that Rink Management Services is doing a feasibility study?

Atty. Catalde: I call it a feasibility study. They came in and talked to users. They've been in many times and reached out. They have letters from all the users. They wanted to know what the level of use was going to be. They came in and determined exactly what the need is before they told us we need to have a double-pad facility. Initially we were going to remove some of the basketball courts. They said you absolutely cannot, and working with the sports commission they said you actually cannot, because you need those. There are a thousand kids that are in the NYAA Basketball League that are up there now that utilize it. They can't grow.

Mr. Wood: Is there a community needs assessment report that says the community needs another million dollars in ice time, because that, in essence, is what your report says.

Mr. Peters: That's what the proforma says, basically, because if you can assume that you're going to generate a million in revenue in ice time, then that number came from somewhere, and that's the level of detail I would want to understand - how exactly you came up with that number.

Atty. Catalde: I think I can get you that information.

Mr. Wood: If they've done a formal report, I think it would be very helpful.

Atty. Catalde: I don't know that it's a formal report, but again, they'd be able to speak to that better than I can, and I don't want to speak out of turn.

Mr. Wood: It seems like the project is going to rely two key things:

1. You get the level of financing that you need in order to make it happen, which seems to be a moving target, right now. It's scalable. You don't know how big you want it. You don't know how small. I've seen the numbers from \$6 million to \$13 million. So, you've got to get your financing right, which means you need financiers in place, which is what you're doing right now.
2. A lot of this hangs on Rink Management Services being able to effectively pull off the project. If they have done the homework and have put it in some type of quantifiable report, I think it would be very helpful for us to see that and understand how they interacted with the Erie market to know what the need is. With a project this big, I think a needs assessment is a no-brainer to start with. If they've done that to some level internally, it would be helpful to us to see it.

Mr. Peters: Just to bring it full circle back to my initial question, which is how many of these communities are providing subsidy, that's the reason that I'm asking the question. If they know that they operate these things at a deficit but that the community always comes up and subsidizes it, that's, I think, important for us to understand when looking at this proforma report. How much of that million is in subsidy versus actual generated revenue? And so that everyone else can ask questions, I'd like to ask my last two quick questions, and they piggyback with Perry's question about the loans.

I think I heard from PNC that you're still in an appraisal state with PNC. Are there other lenders that are being talked to and other appraisals that are being done? And then, finally, and it ties in with my first question, our closest neighbor that is similar to this is the project in Geneva. They don't have ice, I don't think. I'm just curious, again they may be a different operator, and I know it's different because we're talking ice versus track and field, football, and whatever else. It would be nice to know if they are able to operate without subsidy, or if they continue, and I know the guy that did whatever he did to earn that money, my understanding and rumor mill stuff is that a continual subsidy from him, not

necessarily the community, is necessary. Like so many other large-scale projects that look good, it's just nice to know that whatever the ask ends up being, because I don't see if there is a particular ask here, this feels more informational, and getting this group educated, it's nice to know on these big projects, is the ask the ask, or is the ask the ask plus, hey, there's going to be subsidy every year. It should help Nancy understand, because the Gaming Authority is not going to be able to continually provide subsidy if there is a huge deficit. And I don't know how STEIDA feels. They're doing a lot of other stuff. I just think that we are really going to have to fine tune and understand the financials.

Ms. Agostine: If I could just interject, I think the key difference is when you're talking about this project, and the difference from when it developed before – ice. It's what makes the money. We take ice time at all hours of the day and night if we have to, so it's not relegated to the convenient hours or certain hours in the day. Just another point that I did not make. STEIDA was the first one to take the leap of faith a year ago in December. These folks came to us, and they needed to get their feasibility study done for The Erie Community Foundation. So we gave them the \$20,000 for that. I think it's also important to note, that in my contacts, I am aware of another buyer waiting in the wings that is another local developer that I've worked with many times willing to pay a little bit more than what they're paying, and it will be a warehouse project. That will put money in the developer's pocket – not in the casino, not in the community, not in the youth, and we will have missed an amazing opportunity. That thing up there now is becoming a white elephant that Bush Industries did. Beautiful buildings started to deteriorate. Next thing you know you get somebody good coming in, and look what Lord has done with that. We can do the same thing here.

Mr. Sample: The footprint in what you're talking about in phase one is basically the building and the parking area?

Atty. Catalde: Correct. It's the two structures, which are the field house, all the parking that surrounds the field house, the dome, and there are also some areas that are connected. Currently there is an outdoor put-put, batting cages, bumper boats, go-cart track, those types of things. We're going to take all that. We don't have any plans. We want to remove the outdoor batting cages, put-put, bumper boats, and replace that with usable, and less expensive to maintain fields for sports use. I understand Chuck's points, and everything he's saying makes perfect sense to me. I think that it would be enormously helpful if I put Rink Management Services in contact with you folks directly and let them speak to what they've done to research this project, and how confident they are in moving forward with it. Tom was going to be here, but some things changed. They manage 50 different facilities.

Mr. Lee: Bob, thanks for you and your team coming in and sharing the scope of the project. One comment I have and then I'll get to my question. My ears perk up when I start to look at employment projections for individuals in our region. As many of you know, the unemployment rate for our region is 6.9% for Erie County. For the state it's 5.8%, and nationally, 4.7%. Full employment is considered 5%. So, we in this region, unfortunately, have been going the other way. Most of the impact has been because of GE, but not all of it. So when I start to hear about jobs coming to the region, I get excited. Then I start to read and see that these jobs have the potential to be above the state average, which is about \$20,000. You are projecting these jobs to be about \$38,000, which, again, I think is great, because we need more employment opportunities. So here's my question. And this may be for the Rink Management company to work with us. I would like to see, and if you're going to be asking for ECGRA to consider investing in the project, a projected schedule of how these jobs will be phased in. The number that was quoted was about 124 jobs after the construction, and I think that's fantastic and am excited about that. What I would like to see is a projected schedule – how they plan to phase these jobs in, because these are a lot of jobs, and you have to have some type of schedule on how they will be phased in on this particular project.

Atty. Catalde: Tripp Umbach, the firm that did the economic impact study, provided all that information through their – they've got a certain, I'm sure you folks are familiar with it, they've got a

program they have to determine all that – but I'm sure they'd be happy to address that, Gary, and give you whatever information you need with respect to that.

Female voice: I think it's also important to note though that the job creation, the economic impact within the region. So, Rink Management wouldn't be handling the whole 120 jobs that would be full-time at the sports complex. They're talking about insularly jobs that would come from the economic impact of the tournaments here.

Mr. Lee: Whatever organization would be able to provide us as far as the direct impact and the insularly jobs, that would be great for us to see, so that we could have a better understanding of how they will be phased in.

Mr. Yapple: Are there any covenants on the property? In other words, things you can do or can't do? I ask that only because of experience up there. We lost the adults, because we didn't have a sports-bar type of situation. Something like this includes the fathers and mothers. I think that is a need and am hoping this management team looks at it. We lost them. The game's over and they're gone.

Atty. Catalde: I think that Gary Renaud, who has nothing to do with the property now, had a policy that there would be no alcohol. One of the things that Rink Management Services wants to do, and again this was initially in our plan. This is what Perry was referring to earlier when he said it was a moving target what we were looking for in financing. Initially this was a \$16 million project. We had applied for \$8 million from RCAP. We've honed it down now to something based upon what we got from RCAP and what we think we can support. The long-term plans absolutely include a bar. If the rest of you are familiar with where the indoor soccer fields currently are in the field house, those are what are going to be converted to the ice rinks. The second floor between both of those is a gym that is ridiculously underutilized. For the time being we are going to keep that going for the community and sell memberships. Our plan is to absolutely convert that to a bar.

Mr. Yapple: That glassed-in area would be phenomenal.

Atty. Catalde: One of the first things that Rink Management Services did when they came to Erie was, we're not reinventing the wheel, that is a model that exists in many of the nicer facilities throughout the United States and Canada. If you walk into this gym, it looks like a restaurant. It's already outfitted structurally for a restaurant. It's perfect. There was a little bit of blowback from the community. A few people said negatively, oh, you have alcohol up there. We're not going to be having keg parties.

Mr. Yapple: We lost people because of that. I'm just trying to cover anything I can, because that's a phenomenal building.

Atty. Catalde: I'll bet you anything that all of those concerns you have and the ideas are things that we are considering and have in our plans. The financials, we have to ask some questions, and I understand. But I really do think with respect to the game plan that we have up there, and what we want to do, and the impact it's going to have on the community, I really do believe that we've got ourselves positioned the way we need to be. This is 2-1/2 years in the making. This isn't something we decided just a few days ago. We've really, really put a lot of effort and thought and design into this process and have changed it a few times.

Mr. Paris: I have several questions, and some of them can probably be answered very quickly. Can we set up a face-to-face meeting with Rink Management?

Atty. Catalde: I guarantee that Tom would be willing to come here if that is what is most convenient for everybody.

Mr. Paris: Just to have us all there so that we can all ask questions. As far as retail, are there going to be any incentives for people to come in there?

Atty. Catalde: The only thing we are going to do right now is have a skate shop. When you walk into the rinks you have to be able to sell helmets, brakes, shin guards, ice-skate sharpening.

Mr. Sample: Skate rentals?

Atty. Catalde: It depends. I think part of the program that Rink Management wants to offer is open skating, so they are going to have skate rental up there as well. One of the things I'd like to do and I've discussed this briefly – I don't want to compete with Erie Sports Store. I would like to have them work with us and maybe move the small corner of their store they use for their hockey department. I'd love for them to move that up and let them rent space from us and operate up there and then use that space in their store for whatever else they need to use it for. It's hard to compete with a large hockey supply company, but you have to offer something.

Mr. Paris: We talked about the hotels and the ease of pedestrian traffic coming to and from. Are there plans in Summit Township as to how that can be done?

Atty. Catalde: Not yet.

Mr. Paris: How much is Summit Township committing?

Mr. Sample: Half a million.

Ms. Agostine: We're in the same position you are as far as the gaming revenues go. However, our industrial economic development authority has \$880,000 they can work with, and that's why we would anticipate initially approximately a half million, and perhaps additional. The board of supervisors funds that, and we fund it through gaming revenue. What we've done this year in our budget is we only counted for gaming revenue through the end of January when the law is going to be addressed. So we have not allocated \$1.6 million. Some of that I would anticipate would come from STEIDA as a continued economic development. But this is what I feel we can reasonably do right now. And what I would encourage is I would love to be able to use that half million dollars as a match to encourage some of our businesses up there; some of the big players that are going to reap the revenues. Let them match our money and get them a million instead of a half million.

Mr. Paris: We spoke of the dorms, and I know that is something that might never happen. Are there plans that in case you can't buy these dorms you would build some?

Atty. Catalde: Absolutely.

Mr. Paris: You have enough property to do that on?

Atty. Catalde: There is contiguous property for sale up there as well.

Mr. Sample: That would be phase two?

Atty. Catalde: Phase two that we have right now does not include building any dorms.

Mr. Sample: But you've got property there to do it.

Atty. Catalde: Yes. There's a lot of property up there. Those dorms, there's property behind them that he does want to sell. Quite frankly, I have intentionally not discussed this with anybody else because I don't want him to limit what we can and cannot do.

Mr. Sample: You don't want to end up being held hostage after you take the first part.

Mr. Paris: The outdoor basketball courts are not part of this?

Atty. Catalde: No. They are not part of this. They connect to the dorms.

Mr. Paris: As far as the purchase price of \$3.25 million. Where does the debt go that Gary has now? It's gone?

Atty. Catalde: Yes. We're not assuming any debt.

Mr. Wood: If I could just ask some summarizing questions about the financing. So you have a RACP commitment for how much?

Atty. Catalde: \$3 million.

Mr. Wood: What are the requirements on that? Does it have to be matched?

Atty. Catalde: Yes, it does. The match can come from multiple sources, but primarily the match is going to come from the value of the property. We're working with Katrina Vincent and Rick Novotny, who are holding our feet to the fire to make sure we comply with all of the RACP requirements. The RACP grant, we have to make sure that we comply with their standards and requirements. Come March, that's when the formal application goes back to them to show them that we complied and have our match and are all set to go.



Mr. Wood: What is the total fund-raising goal for the capital campaign?

Atty. Catalde: Our capital campaign has set the goal at \$3 million. You have to understand, those financials you are looking at don't take into consideration any additional grants but for the RCAP. It doesn't take into consideration anything from you folks, Summit Township, or from our capital campaign. I think it would be very helpful if you were to speak to Tom Hillgrove, and some of these folks from Rink Management Services, because they will tell you, and you're right, Chuck, a proforma is a proforma, but they didn't just slap some numbers together. Those are very conservative numbers with respect to revenue and expenses. It doesn't do us any good to fool anybody, certainly with public money, and secondly with banks, or anything else. This is what it is. Do you have one of these meetings every month? Maybe on the next one of those we could come back for that, or if you want to set up a special meeting, a video conference with Tom. I think that once you speak with Tom from Rink Management Services, I'll bet anything you're going to be impressed and a lot of your concerns, issues, and questions will be answered or alleviated. I'm pretty confident of that.

Mr. Peters: We entered into an agreement in 2010 with the municipalities surrounding the casino, as well as Erie County, Summit Township was part of that as well. We created what is commonly referred to as "The Framework", and we manage this organization based on that framework. There have been modifications over the years to that, but what it does is establish certain buckets for funding. We're not a grantmaking institution that says, hey this sounds like a cool idea, let's write a check. It has to fit in with our funding parameters. I don't know if this goes to strategic planning. It probably needs to be discussed that if there was a formal ask at that point when you are ready, which program would it even be coming from? That's a technical question.

Hon. Fabrizio: Primarily being responsible for the genesis of this organization, how much money do you have, and what buckets are there, and how much is comingled with Erie? I want that report in writing and to me, and how much is with the Community Foundation. I want to know how much you have available. Before we ask, we have to know how much money you have and where it is and what your obligations are to these other municipalities with these agreements you've entered into.

Mr. Peters: So, anyhow, I think that's something we would have to understand.

Mr. Sample: And the future of gaming revenue money.

Hon. Fabrizio: To answer that, actually, for those of you who don't know, we've been fortunate enough to have my colleague, Pat Harkins appointed as democratic chairman of the gaming oversight committee, which is good, because we have direct access to the committee and what it's doing. There are two primary functions we have to perform when we get back regarding gaming. One is to fill the hole that we created in the budget of \$100 million that we were going to generate from gaming. We've never determined how we were going to generate that. We did that in the house when we passed internet gaming. I can assure you that having talked with the majority chairs and the minority chairs, that's the number one priority. We're going to get that thing resolved quickly when we get back. We have casinos right now that are still volunteering to pay the same amounts of money that they had in the past, so, obviously the one that brought the lawsuit is not doing that. I think you're going to see that resolved, okay, so that this operation can continue its good work. But I would like a breakdown of how much money you have.

Mr. Peters: We do an annual report.

Hon. Fabrizio: I don't want an annual report. I want to know what you have now and where. How it's broken out and what your obligations are to the various municipalities that you've entered into.

Mr. Peters: That's not a problem.

Ms. Agostine: That was by court order.

Mr. Peters: It was by structured settlement. It wasn't a court order.

Mr. Sample: The board agreed to the settlement. Thank you, and we realize the importance to Erie County. Like Chuck said, we have to do our end of due diligence. We appreciate your time.

Atty. Catalde: In the meantime, Perry, if you or anybody can give me some kind of guidance how you want me to connect you with Rink Management Services, how you want to handle that, let me know.

Mr. Sample: We'll discuss that and get back to you.

### REPORT OF THE EXECUTIVE DIRECTOR

Mr. Wood: A quick update on gaming legislation. We know that the PA Senate has begun the process of drafting an extension request to the supreme court. If they are successful, we think they'll ask for between 90 and 180 days. That will keep gaming revenue flowing. If not, gaming will stop being collected by the Commonwealth on January 27. Local gaming share, of course, will stop at that point, although funds will continue to flow based on the fact that in February we'll receive the final 2016 monies. The funds are always delayed by up to a quarter. ECGRA can still expect to receive those funds. After that, the quarterly payments, though, will be suspended. So if the legislature is able to fix local share gaming, then it would resume in April. One piece of bright news is that there is a new senator chairing the economic development committee in the senate that oversees gaming, and he represents a community that hosts a casino. So, there is some incentive there.

Mr. Peters: Who is that?

Mr. Wood: Mario Scavello. So that's a piece of bright news. The former chair did not represent a casino.

The economic impact study of Erie County gaming funds commissioned by ECGRA is in its draft phase right now. ECGRA staff has given its initial feedback, and we're awaiting a second draft from the consultants. The results have been impressive and, I believe, will function as an important historical document for the authority, but also for a decision-making tool for the future based upon what they determine of our activities created economic impact and how much. We expect it to be complete February 1. Following its completion, I'll be traveling to Harrisburg to present to staffers in the house, senate, and DCED. We'll also be doing some press on the economic impact study.

Shaping Tomorrow contracts for the community college were finalized by both ECF and ECGRA. Empower Erie has begun the search process for a firm to conduct a feasibility study for the community college. The innovation district steering committee has met several times to determine how to proceed in its initial phases as well. They decided recently to hire Bruce Katz, who, you may not know, is the father of the innovation district concept, to coach the Erie team on moving the concept forward.

Mr. Peters: What does that get them, the "hiring" of Bruce Katz?

Mr. Wood: We can talk about that in more detail, but, basically, it gets you access to a worldwide innovation district network that's been created – the only one like it, and then the ability to move forward and determine what makes Erie's innovation district unique and how it can appropriately capitalize on its strengths and assets.

The community schools concept has hired site coordinators that are acting as lead agencies for participating locations. It was very publicized a few days ago, and that is the critical first step in getting that concept up and running.

The East-West Bayfront Plan has decided to split their grant funding 50-50 between the two geographic areas. Our West Bayfront has signed a tax credit deal with Marquette Savings and Erie Insurance in addition to their Shaping Tomorrow funds.

Finally, Mission Main Street. ECGRA has conducted a focus group with the most successful main street programs in Erie County in order to discuss how to improve the program and increase collaboration across the region. The results will be part of a report for the regional assets committee on grant recipient needs assessments. We will also be interviewing those who have dropped out of the program to find out what their main obstacles are.

You'll see on SharePoint an executive director's report. In it are appointment letters for two of our board members – Mr. Paris and Mr. Sample – both reappointed by county council. Congratulations. You'll also find our most recent commitments to the human services grants in collaboration with The Erie Community Foundation. You'll find some great press that we were a part of through some international organizations. You'll find some letters of appreciation from grantees that have come in. You'll find newspaper articles that mentioned the name of ECGRA and describe our detailed work over the last 30 days.

So that concludes the executive director's report.

### SOLICITOR'S REPORT

#### OLD BUSINESS

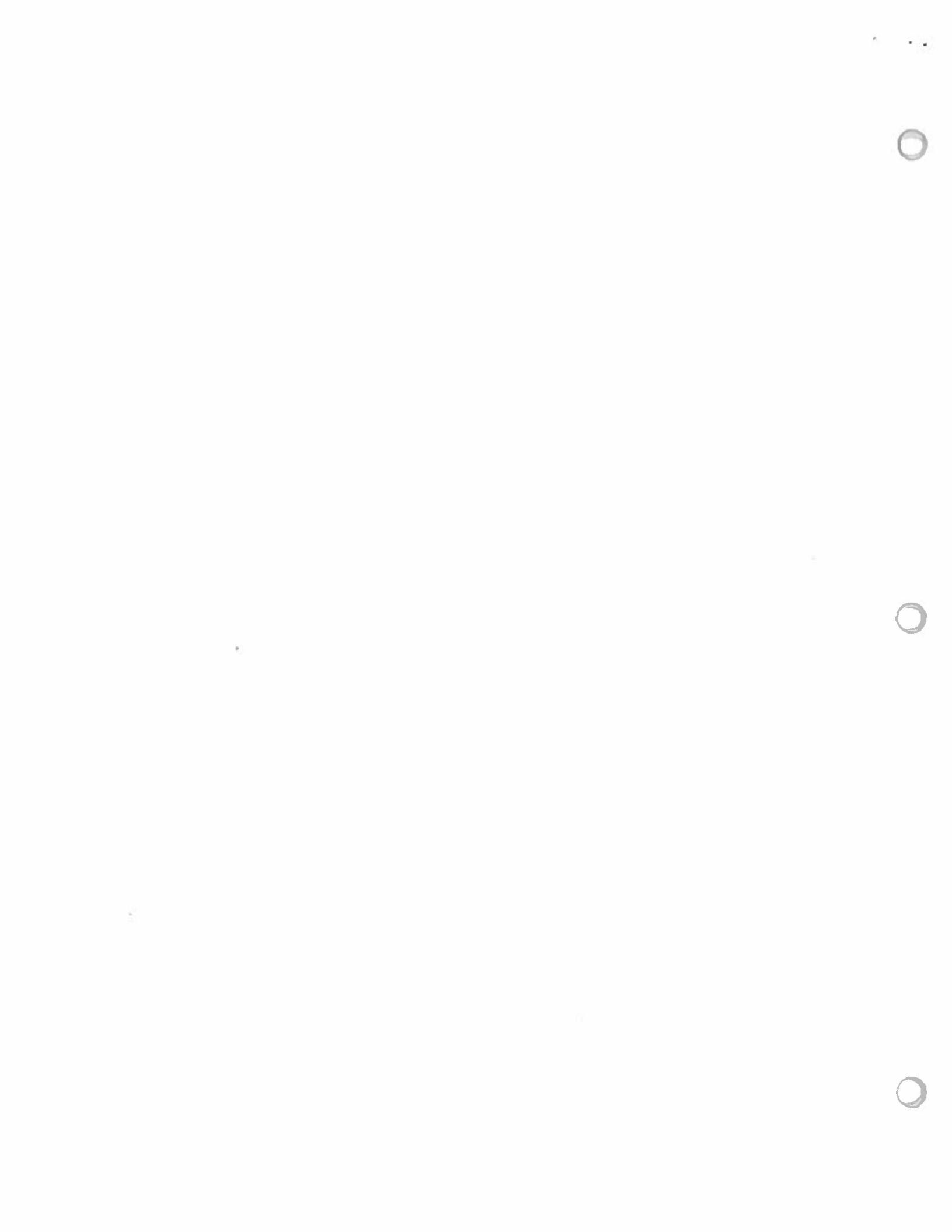
No old business.

#### NEW BUSINESS

Resolution No. 1, 2017: Resolution to adopt the 2017 ECGRA Special Events Grants Guidelines. Mr. Paris makes a motion to adopt the resolution. Mr. Bagnoni seconds the motion. Motion carries 6-0.

#### ADJOURNMENT

Mr. Peters moves to adjourn.



**Erie County Gaming Revenue Authority**  
**Profit & Loss**  
January 2017

	<u>January</u>	<u>YTD</u>	<u>Budget YTD</u>	<u>2016-17 Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
44800 · Gaming Revenue		1,079,481.29		
46400 · Other Types of Income				
46410 · Interest Income - Savings	3,519.60	35,404.93		
46420 · Interest Income - EDF #1	3,833.33	15,238.66		
46421 · Interest Income - EDF #2	6,133.33	24,381.86		
46422 · Interest Income - BWC		29,583.34		
46423 · Interest Income - CIBA		186.50		
46429 · Endowment Income - Lead Assets		772,069.00		
<b>Total Income</b>	<u>13,486.26</u>	<u>1,956,345.58</u>		
<b>Expense</b>				
62100 · Contracted Services	7,275.95	65,167.00	72,583.33	87,100.00
62800 · Facilities & Equipment	2,985.35	21,096.22	27,000.00	32,400.00
65000 · Office Administration	1,479.72	34,079.39	35,666.67	42,800.00
65100 · Other Types of Expenses	3,725.88	138,468.43	220,000.00	264,000.00
66000 · Payroll Expenses	19,321.58	173,824.28	175,000.00	210,000.00
<b>Total Expense</b>	<u>34,788.48</u>	<u>432,635.32</u>	<u>530,250.00</u>	<u>636,300.00</u>
<b>Net Ordinary Income</b>	(21,302.22)	1,523,710.26		
<b>Other Income/Expense</b>				
70000 · Grants / Settlements				
70020 · Lead Assets Endowment		1,000,000.00		
70030 · Community Assets		151,640.00		
70040 · Lead Assets		1,293,626.00		
70050 · Municipal Settlements		269,870.35		
70060 · Human Services	22,815.00	141,761.00		
70070 · Special Events		167,108.00		
70090 · Multi-Municipal Collaboration		166,100.00		
70100 · Mission Main Street		45,000.00		
70120 · Summer Jobs Program	(11,473.86)	138,526.14		
70130 · Small Business Financing		500,000.00		
70150 · Shaping Tomorrow		68,750.00		
70160 · The Challenge	12,305.05	115,143.39		
<b>Total 70000 · Grants / Settlements</b>	<u>23,646.19</u>	<u>4,057,524.88</u>		
<b>Net Other Income</b>	(23,646.19)	(4,057,524.88)		
<b>Net Income</b>	<u>(44,948.41)</u>	<u>(2,533,814.62)</u>		



**Erie County Gaming Revenue Authority**  
**Balance Sheet**  
As of January 31, 2017

	<b>January</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
10000 · ErieBank - Checking	30,155.40
10100 · ErieBank - Savings	
10100 · Uncommitted Funds	4,451,263.35
10101 · Committed Funds	5,264,583.00
10102 · Restricted Funds	809,610.95
<b>Total 10100 · ErieBank - Savings</b>	<b>10,525,457.30</b>
<b>Total Checking/Savings</b>	<b>10,555,612.70</b>
<b>Other Current Assets</b>	
12000 · Notes Receivable	
12001 · Note Receivable - EDF #1	500,000.00
12002 · Note Receivable - EDF #2	800,000.00
12003 · Note Receivable - CIBA	18,846.25
12004 · Note Receivable - BWC	1,000,000.00
<b>Total 12000 · Notes Receivable</b>	<b>2,318,846.25</b>
13000 · Lead Assets Endowment II	2,927,064.18
14500 · Prepaid Insurance	9,609.00
<b>Total Other Current Assets</b>	<b>5,255,519.43</b>
<b>Total Current Assets</b>	<b>15,811,132.13</b>
<b>TOTAL ASSETS</b>	<b>15,811,132.13</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Equity</b>	
30000 · Opening Balance Equity	2,927,064.18
32000 · Unrestricted Net Assets	15,418,672.57
Net Income	(2,534,604.62)
<b>Total Equity</b>	<b>15,811,132.13</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>15,811,132.13</b>





**Erie County Gaming Revenue Authority**  
**Statement of Cash Flows**  
January 2017

	<u>January</u>
<b>OPERATING ACTIVITIES</b>	
<b>Net Income</b>	(44,948.41)
<b>Adjustments to reconcile Net Income</b> <b>to net cash provided by operations:</b>	
<b>14500 · Prepaid Insurance</b>	(8,819.00)
<b>Net cash provided by Operating Activities</b>	<u>(53,767.41)</u>
<b>Net cash increase for period</b>	(53,767.41)
<b>Cash at beginning of period</b>	10,609,380.11
<b>Cash at end of period</b>	<u><u>10,555,612.70</u></u>



**Erie County Gaming Revenue Authority**  
**Budget vs. Actual**  
**January 2017**

Expense	January	YTD	Budget	Over/(Under) Budget	% of Budget
<b>62100 · Contracted Services</b>					
62110 · Accounting Fees	0.00	5,400.00	6,000.00	(600.00)	90.00%
62130 · Professional Services	1,733.40	32,351.40	45,000.00	(12,648.60)	71.89%
62140 · Legal Services	5,461.50	24,612.10	30,000.00	(5,387.90)	82.04%
62145 · Website Design	0.00	1,920.00	5,000.00	(3,080.00)	38.40%
62150 · Payroll Services	81.05	883.50	1,100.00	(216.50)	80.32%
<b>Total 62100 · Contracted Services</b>	<b>7,275.95</b>	<b>65,167.00</b>	<b>87,100.00</b>	<b>(21,933.00)</b>	<b>74.82%</b>
<b>62800 · Facilities &amp; Equipment</b>					
62840 · Office Equipment & Furniture	29.97	5,408.42	10,000.00	(4,591.58)	54.08%
62850 · Janitorial Services	181.60	1,818.90	2,400.00	(581.10)	75.79%
62880 · CAM	0.00	0.00	2,000.00	(2,000.00)	0.00%
62890 · Rent	2,773.78	13,868.90	18,000.00	(4,131.10)	77.05%
<b>Total 62800 · Facilities &amp; Equipment</b>	<b>2,985.35</b>	<b>21,096.22</b>	<b>32,400.00</b>	<b>(11,303.78)</b>	<b>65.11%</b>
<b>65000 · Office Administration</b>					
65010 · Books, Subscriptions, Dues	279.13	3,888.32	7,000.00	(3,111.68)	55.55%
65020 · Postage	65.99	509.90	500.00	9.90	101.98%
65030 · Printing	0.00	109.72	2,500.00	(2,390.28)	4.39%
65040 · Office Supplies	220.13	4,814.96	3,500.00	1,314.96	137.57%
65050 · Cell Phone	96.67	1,494.95	2,200.00	(705.05)	67.95%
65060 · Copier Lease	182.00	1,638.00	2,300.00	(662.00)	71.22%
65070 · Copier Printing Costs	303.37	3,990.79	3,000.00	990.79	133.03%
65080 · Bank Fees	0.00	0.00	50.00	(50.00)	0.00%
65085 · Training & Education	0.00	11,381.00	16,000.00	(4,619.00)	71.13%
65090 · Meeting Expenses	332.43	6,019.15	5,500.00	519.15	109.44%
65095 · Miscellaneous Expense	0.00	232.60	250.00	(17.40)	93.04%
<b>Total 65000 · Office Administration</b>	<b>1,479.72</b>	<b>34,079.39</b>	<b>42,800.00</b>	<b>(8,720.61)</b>	<b>79.62%</b>
<b>65100 · Other Types of Expenses</b>					
65105 · Communications	0.00	14,844.46	15,000.00	(155.54)	98.96%
65110 · Advertising	1,133.49	5,183.99	15,000.00	(9,816.01)	34.56%
65115 · Data Processing	1,591.04	14,581.55	17,000.00	(2,418.45)	85.77%
65120 · Insurance	790.00	7,110.00	10,000.00	(2,890.00)	71.10%
65150 · Travel	211.35	6,446.83	7,000.00	(553.17)	92.10%
65160 · Special Projects	0.00	90,301.60	200,000.00	(109,698.40)	45.15%
<b>Total 65100 · Other Types of Expenses</b>	<b>3,725.88</b>	<b>138,468.43</b>	<b>264,000.00</b>	<b>(125,531.57)</b>	<b>52.45%</b>
<b>66000 · Payroll Expenses</b>					
66005 · Salaries & Wages	16,564.71	156,720.93	188,100.00	(31,379.07)	83.32%
66010 · FITW Tax	1,250.29	11,989.21	14,500.00	(2,510.79)	82.68%
66015 · FUTA Tax	80.00	80.00	200.00	(120.00)	40.00%
66020 · PASUI Tax	864.62	919.74	2,200.00	(1,280.26)	41.81%
66500 · Retirement	561.96	4,114.40	5,000.00	(885.60)	82.29%
<b>Total 66000 · Payroll Expenses</b>	<b>19,321.58</b>	<b>173,824.28</b>	<b>210,000.00</b>	<b>(36,175.72)</b>	<b>82.77%</b>
<b>Total Expense</b>	<b>34,788.48</b>	<b>432,635.32</b>	<b>636,300.00</b>	<b>(203,664.68)</b>	<b>67.99%</b>



**Erie County Gaming Revenue Authority**  
**Schedule of Grant Reserve**  
As of January 31, 2017

	<u>January</u>	<u>YTD</u>	<u>Totals/Subtotals</u>
<b>Uncommitted Funds</b>	4,451,263.35		
<b>Committed Funds</b>	5,264,583.00		
<b>2016 Restricted Funds:</b>			
First Quarter Gaming Revenue (less 25%)		203,252.87	
Second Quarter Gaming Revenue (less 25%)		225,539.71	
Third Quarter Gaming Revenue (less 25%)		380,818.37	
Fourth Quarter Gaming Revenue (less 25%)		0.00	<b>809,610.95</b>
<b>Disbursements:</b>			
First Quarter Disbursements		2,096,730.98	
Second Quarter Disbursements		468,189.91	
Third Quarter Disbursements		1,468,957.80	
Fourth Quarter Disbursements	23,646.19	23,646.19	<b>4,057,524.88</b>

**Disbursements Detail**

**Quality of Place**

**Community Assets**

Albion Area Fair	8,160.00	
Asbury Woods Partnership, Inc.	8,352.00	
Common Ground Youth Center, Inc.	9,120.00	
Downtown Edinboro Art & Music Festival	8,736.00	
Edinboro Highland Games	8,928.00	
Erie PAL	9,173.00	
Gannon University	8,352.00	
Humane Society of NWPA	2,432.00	
Lake Erie Fanfare, Inc.	8,640.00	
Lawrence Park Historical Society	7,280.00	
LeBoeuf Little League	8,928.00	
Living in Fulfilled Excellence	5,248.00	
McDowell Band Aides	4,560.00	
McLane Little League	3,511.00	
North East Little League	5,100.00	
Presque Isle Partnership	8,448.00	
Robbins Blass Neighborhood Network	3,160.00	
Urban Erie Community Development Corporation	8,648.00	
Veterans Miracle Center Erie	8,448.00	
Waterford Community Fair Association	8,352.00	
Young Artists Debut Orchestra	8,064.00	<b>151,640.00</b>

**Human Services**

Bethany Outreach Center	14,000.00
Children's Miracle Network	10,937.00
Emma's Footprints	5,000.00
Erie School District	15,000.00
Gaudenzia Erie, Inc.	19,000.00

**Erie County Gaming Revenue Authority**  
**Schedule of Grant Reserve**  
**As of January 31, 2017**  
**(continued)**

	<u>January</u>	<u>YTD</u>	<u>Totals/Subtotals</u>
Hamot Health Foundation		15,000.00	
John F. Kennedy Center		8,977.00	
Lake Erie College of Osteopathic Medicine		10,000.00	
Medical Associates of Erie		5,000.00	
Sarah Reed Senior Living		7,313.00	
Sisters of St. Joseph Neighborhood Network		8,719.00	
Mercy Hilltop Center	2,315.00	2,315.00	
Booker T. Washington Center	9,000.00	9,000.00	
Parade Street Community Center	2,500.00	2,500.00	
Youth Leadership Institute of Erie	9,000.00	9,000.00	<b>141,761.00</b>
<b>Lead Assets</b>			
Erie Art Museum		170,758.00	
Erie Arts & Culture		121,243.00	
Erie County Historical Society		69,035.00	
Erie Philharmonic		152,651.00	
Erie Playhouse		150,226.00	
Erie Zoological Society		376,387.00	
expERIEncE Children's Museum		47,480.00	
Flagship Niagara League		112,444.00	
Mercyhurst Institute for Arts & Culture		93,402.00	<b>1,293,626.00</b>
<b>Lead Assets Endowment</b>		<u>1,000,000.00</u>	<b>1,000,000.00</b>
<b>Special Events</b>			
Albion Area Fair, Inc.		13,500.00	
Asbury Woods Partnership, Inc.		2,340.00	
Borough of Wesleyville		448.00	
CAFE		15,750.00	
Dr. Gertrude A. Barber Foundation		12,137.00	
Downtown Edinboro Art & Music Festival		1,845.00	
Edinboro Highland Games		2,520.00	
Edinboro University Foundation		2,250.00	
Erie Contemporary Ballet Theatre		5,153.00	
Erie Downtown Partnership		1,647.00	
Erie Homes for Children and Adults, Inc		1,800.00	
Erie Regional Chamber & Growth Partner.		2,475.00	
Erie-Western PA Port Authority		4,443.00	
Gaudenzia Erie		2,802.00	
Goodell Gardens & Homestead		524.00	
Harborcreek Township		1,828.00	
Holy Trinity Roman Catholic Church		5,760.00	
Impact Corry		1,249.00	
Jefferson Educational Society of Erie		13,844.00	
Lake Erie Arboretum at Frontier		1,644.00	
Lake Erie Ballet		5,549.00	
Lake Erie Fanfare, Inc.		4,073.00	
Lawrence Park Township		675.00	

**Erie County Gaming Revenue Authority**  
**Schedule of Grant Reserve**  
**As of January 31, 2017**  
**(continued)**

	<u>January</u>	<u>YTD</u>	<u>Totals/Subtotals</u>
McKean Community Development Group		450.00	
Mercy Center for Women		2,345.00	
The Nonprofit Partnership		2,557.00	
Presque Isle Partnership		5,069.00	
Roar on the Shore		20,467.00	
SafeNet		5,400.00	
Saint Patrick's Church		3,672.00	
Sisters of St. Joseph Neighborhood Network		2,520.00	
Waterford Community Fair Association		4,675.00	
Wattsburg Agricultural Society		13,881.00	
Young Artists Debut Orchestra		1,816.00	<b>167,108.00</b>
<b><u>Municipalities</u></b>			
<b>Multi-Municipal Collaboration</b>			
Erie Area Council of Governments		37,500.00	
Girard Township		7,500.00	
Jefferson Educational Society		100,000.00	
West Erie County Emergency Management Agency		21,100.00	<b>166,100.00</b>
<b>Municipal Settlements</b>			
Erie County		29,685.74	
Greene Township		29,685.74	
McKean Township		29,685.74	
Millcreek Township		29,685.74	
Summit Township		121,441.65	
Waterford Township		29,685.74	<b>269,870.35</b>
<b><u>Neighborhoods &amp; Communities</u></b>			
<b>Impact Corry</b>			
<b>Mission Main Street</b>			
Downtown North East, Inc.		15,000.00	
Erie Downtown Partnership		15,000.00	
Impact Corry		15,000.00	<b>45,000.00</b>
<b><u>Small Business Financing</u></b>			
<b>Industry+University</b>			
<b>Inner-city Small Business</b>			
<b>Small Business Financing</b>			
Ben Franklin Technology Partners CNP - Erie Innovation Fund		500,000.00	<b>500,000.00</b>
<b><u>Youth &amp; Education</u></b>			
<b>The School District Challenge</b>			
Millcreek Education Foundation	5,045.05	22,978.05	
General McLane Foundation		10,960.00	
Corry Area School District Foundation		10,000.00	
The Partnership for Erie's Public Schools		60,000.00	
Union City Area School District Foundation		3,945.34	
Northwestern Community Educational Foundation	7,260.00	7,260.00	<b>115,143.39</b>
<b>Shaping Tomorrow</b>			
All About Character, Inc.		37,500.00	

**Erie County Gaming Revenue Authority**  
**Schedule of Grant Reserve**  
**As of January 31, 2017**  
**(continued)**

	<u>January</u>	<u>YTD</u>	<u>Totals/Subtotals</u>
Gannon University - Go College		31,250.00	68,750.00
<b>Summer Jobs</b>			
GECAC		150,000.00	
Refund of unspent funds	(11,473.86)	(11,473.86)	138,526.14
<b>Total Funds Disbursements</b>	<u>23,646.19</u>	<u>4,057,524.88</u>	<u>4,057,524.88</u>
 <b>Committed Funds:</b>			
The Challenge	(12,305.05)	15,976.61	
Transfer of remainder to Uncommitted Funds	(15,976.61)	(15,976.61)	
Enterprise Development Fund		500,000.00	
Shaping Tomorrow			
Empower Erie		400,000.00	
Erie's Public Schools - Tech After Hours//Community Schools		283,333.00	
Gannon University - Go College//East-West Bayfront Plan		81,250.00	
Primary Health Network		100,000.00	
Mercyhurst University - Innovation District		400,000.00	
Penn State, The Behrend College		500,000.00	
PennVenture Partners		2,000,000.00	
Progress Fund, The (voided check)		1,000,000.00	
<b>Total Committed Funds</b>	<u>(28,281.66)</u>	<u>5,264,583.00</u>	



**Erie County Gaming Revenue Authority**  
**Check Detail Report**  
 January 2017

<u>Date</u>	<u>#</u>	<u>Name</u>	<u>Memo</u>	<u>Amount</u>
01/05/2017	EFT	Fidelity Investments	12/10/16-12/23/16 Payroll Retirement	-408.47
01/09/2017	2009	Diane Kuvshnikov	December Travel / Cell Phone Reimbursements	-87.15
01/09/2017	2010	GreatAmerica Financial Services	January Statement	-332.00
01/09/2017	2011	Mark Fainstein	Lead Assets Reception	-222.50
01/09/2017	2012	Northwestern Community Educational Found	The Challenge	-7,260.00
01/09/2017	2013	Penn State University	January Rent	-1,386.89
01/09/2017	2014	Presque Isle Partnership	VOID: Storytelling Blog / Lead Assets Ad	0.00
01/09/2017	2015	The West County News Journal	2017 Subscription	-52.00
01/09/2017	2016	Times Publishing Company	2017 Meetings Public Notice	-224.30
01/09/2017	2017	Velocity Network, Inc.	12-16 Copy Overage / Phones / 2-17 IT / Internet	-963.13
01/09/2017	2018	Presque Isle Designs, LLC	Blog & Lead Assets Ad	-300.00
01/09/2017	2019	Great Lakes Insurance Services Group	2/1/17-2/1/18 Directors & Officers Insurance	-6,854.00
01/11/2017	2020	Booker T. Washington Center	4th Qtr. 2016 Helping Today Grant	-9,000.00
01/11/2017	2021	Mercy Hilltop Center	4th Qtr. 2016 Helping Today Grant	-2,315.00
01/11/2017	2022	Amanda Burlingham	December 2016 Statement	-1,733.40
01/13/2017	EFT	ECCA, Inc.	12/24/16-1/6/17 Payroll & Perry's Optout	-10,522.71
01/13/2017	EFT	Fidelity Investments	12/24/16-1/6/17 Payroll Retirement	-408.47
01/25/2017	2026	Erie Insurance	Ultraflex/Workers Comp/Liability	-2,755.00
01/25/2017	2027	Liz Allen	ECCRA Blog Stories	-270.00
01/25/2017	2028	Millcreek Education Foundation	The School District Challenge	-5,045.05
01/25/2017	2029	Parade Street Community Center	4th Qtr 2016 Human Services Grant	-2,500.00
01/25/2017	2030	Penn State University	February Rent	-1,386.89
01/25/2017	2031	Perry Wood	Meals & Cellphone Reimbursement	-121.43
01/25/2017	2032	Tracy Graham	December Cleaning	-181.60
01/25/2017	2033	Youth Leadership Institute of Erie	4th Qtr 2016 Human Services Grant	-9,000.00
01/27/2017	EFT	ECCA, Inc.	1/7/17-1/20/17 Payroll	-7,654.51
01/27/2017	EFT	Fidelity Investments	1/7/17-1/20/17 Payroll Retirement	-408.47
01/28/2017	EFT	VISA	1/3/17 Statement - Diane	-7,030.30
01/28/2017	EFT	VISA	1/3/17 Statement - Perry	-304.26
<b>TOTAL</b>				<b>-78,727.53</b>





**E·C·G·R·A**  
ERIE COUNTY GAMING REVENUE AUTHORITY

**EXECUTIVE  
DIRECTOR'S  
REPORT  
FOR  
FEBRUARY 2017**

February 1, 2017

Mr. Bob Catalde  
President  
GREAT, Inc.  
5341 Colt Lane  
Eric, PA 16506

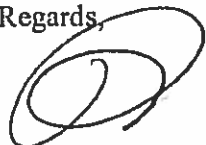
Dear Bob:

Thank you for the time you and your team put into the GREAT presentation to the ECGRA board of directors. The dialogue was an important first step toward ECGRA understanding the community and economic impact of the project. Please know that the ECGRA board, a group of volunteers, appreciates the time and dedication you've devoted to the effort.

As we begin to review the information provided and dialogue engaged in thus far, additional questions are likely to arise for a project as complex as this. In order to accommodate busy schedules, we've composed a survey of aggregated questions summarizing points of interest to ECGRA.

In order to keep things moving along, please provide answers to the attached questions by Wednesday, February 15<sup>th</sup> COB. At that time, the staff will review, process, and respond with any pertinent follow-up clarifications.

Regards,



Perry N. Wood  
Executive Director

*Board of Directors*

**David S. Sample**  
Chair

**Michael J. Paris**  
Vice-chair

**Charles J. Peters**  
Treasurer

**David H. Yaple**  
Secretary

**David M. Bagnoni**

**Dale E. Barney**

**James T. Domino**

**Jay A. Breneman**  
Ex-officio

**Gary N. Lee**  
Ex-officio

**Perry N. Wood**  
Executive Director

As we review the information you provided to us at our last ECGRA board meeting, we have a number of requests for additional information which will help us better understand the project.

1. At the meeting, you said that Rink Management Services (RMS) had conducted a study. When we contacted RMS, they responded that no such study was conducted. Can you provide us with any feasibility study or needs assessment completed by your organization, RMS, or other source which serves as the basis for the revenue projections, the community demand, and the operational expenses?
2. We understand that GREAT is going to conduct a capital campaign in 2017. An important first step in this process is to conduct a feasibility study. Can you provide us with that study?
3. For a capital campaign to gain approval through the Community Fund Drives Committee, a cash gift of 10% or what's known as a "lead gift" is required. A lead gift cannot be from a government or philanthropic source. Have you secured the lead gift? Is this a part of the naming rights strategy?
4. During the meeting, the gentleman from PNC discussed an appraisal of the property. The land appraisal is a key step in utilizing the value of land as match for the RACP grant. Has the appraisal been ordered or completed? Can you provide us with the appraisal?
5. The construction costs you provided were aggregated. Please provide us with more detail broken down by facilities (ice rinks and sports dome) such as mechanical systems, electrical, plumbing, general construction (ice rink infrastructure, locker rooms, restrooms, spectator seating, ADA improvements), engineering, architectural, inspection fees, etc. Do you have a set of plans and construction documents for our review?
6. Can you provide information about the status of construction financing and permanent financing?
7. Do you have any commitments in writing or contracts to utilize the facility? We believe that these contracts would be valuable in doing two things: A) in establishing community need and desired usage, and, B) in helping you secure private sector financing to make up for the gaps you currently face.
8. Has GREAT ever explored a partnership with JMC/Erie Zoo? Were you aware that the zoo explored plans to turn JMC into a double pad ice arena in recent years?

Mr. Bob Catalde  
February 1, 2017  
Page 3

9. Has GREAT explored an operations relationship with the Convention Center Authority? The CCA is the region's largest operator of such facilities with extensive experience and a stable funding stream.
  
10. When GREAT assumes ownership of the ice rink building and dome, will the property be tax exempt? Have you had dialogue with the township, county, and school district on this? Would your intention be to pay taxes or enter into a PILOT?

January 30, 2017

Honorable Dan Laughlin  
PA Senate  
1314 Griswold Plaza  
Erie, PA 16501

Senator Laughlin,

As you know, the Senate recently requested and was granted an extension by the PA Supreme Court in order to fix gaming legislation. The new deadline is May 26. While this is welcomed news because it continues the flow of capital, it also creates great anxiety in the people of Erie County who rely upon these funds for economic development projects through ECGRA and municipal projects through Summit Township and Erie County Government. The following is a summary of our policy positions on gaming revenue.

- A) Our top priority at ECGRA is to make Erie County gaming revenue recipients whole. In brief, any legislative fix that falls short of ensuring that ECGRA and Erie County government split \$10 million is unacceptable to our constituents. With that in mind, there is a proposal being discussed that would accomplish this. The idea has been proposed to impose a \$10 million local host fee for casinos with slot machines. This would essentially hold us harmless.
- B) The expansion of gaming into iGaming and other types should follow the spirit of local share gaming. When iGaming was proposed, the initial legislation redefined local share to be distributed statewide by DCED. We view this unfavorably because it shatters the intent of local share being invested by local entities such as ECGRA. We call on you to make the Senate's version of the bill consistent with the original intent of keeping local share gaming at the local level.

We believe these positions are in the best interest of the people of Erie County and the Commonwealth. Those affected by the gaming legislation have expressed their support for these positions as well. Over the last two months, ECGRA has been copied on hundreds of letters in addition to emails that have been sent to the Senate and House's leadership, as well as the Erie delegation, reiterating their support for these positions.

Thank you in advance for your support on this legislative priority. I stand ready to assist you in any way possible.

Sincerely,

  
Perry N. Wood  
Executive Director

*Board of Directors*

David S. Sample  
Chair

Michael J. Paris  
Vice-chair

Charles J. Peters  
Treasurer

David H. Yaple  
Secretary

David M. Bagnoni

Dale E. Barney

James T. Domino

Jay A. Breneman  
Ex-officio

Gary N. Lee  
Ex-officio

Perry N. Wood  
Executive Director



People, Progress, Impact: business finance, entrepreneurial coaching, community revitalization

January 27, 2017

Perry Wood  
Executive Director  
Erie County Gaming Revenue Authority  
5340 Fryling Road, Suite 201  
Erie, PA 16510

RE: The Progress Fund's Bi-Annual Performance Report

Dear Mr. Wood:

I've enclosed The Progress Fund's first Bi-Annual Performance Report for our \$1,000,000 loan from Erie County Gaming Revenue Authority.

Sincerely,

A handwritten signature in blue ink that reads "Elizabeth Wise". The signature is written in a cursive style with a large initial "E".

Elizabeth Wise  
Executive Assistant



**First Bi-Annual Performance Report for The Progress Fund  
For the period ending December 31, 2016  
for  
\$1,000,000 loan from Erie County Gaming Revenue Authority (ECGRA)  
Loan Closing Effective Date: September 30, 2016  
Report Due: February 1, 2017**

As required in section 6(b) "Bi-Annual Performance Reports" in the Agreement between the Erie County Gaming Revenue Authority and The Progress Fund for Special Economic Development Assistance for Erie County, we are reporting the following information regarding loans made pursuant to this Agreement:

**1. Percentage of both the number of loans to and total investment into Target Markets**

Although we haven't drawn down our ECGRA loan yet, we have been providing small business loans in Erie County, Pennsylvania using our own funds.

Since the ECGRA Board approved our loan on November 12, 2015 we have made two small business loans totaling \$975,000 in Erie County using our own funds.

**2. Internal leverage ratio for The Progress Fund**

The Progress Fund has used its own funds for 100% of the loans it has provided to businesses in Erie County to date. No funds from the \$1,000,000 ECGRA loan have been drawn down yet.

**3. External leverage ratio for The Progress Fund**

N/A

**4. Total matching funds raised, including source and terms of matching funds**

As explained above, we are using our own funds as matching funds first. After we've loaned out another \$25,000 we'll have made our \$1,000,000 match and then begin to draw down funds from our ECGRA loan.

**5. Job creation/retention attributed to loans made pursuant to this Agreement**

See response to #8.

**6. List of loan recipients by organization's name and contact person, or if loan recipient objects to public disclosure of their financial relationship with The Progress Fund, an anonymous by unique identifier and a non-identifying description of the recipient**

- \$300,000 loan to BGL Capital Investments, Inc. DBA Steelhead Inn  
Contact name: Carl Leicher
- \$675,000 loan to Presque Isle Passage RV Park, Inc.  
Contact name: Matt May

**7. Report of the activities and results associated with the expansion of The Progress Fund's Trail Town Program in Erie County**

The Progress Fund's Trail Town Program® staff has met with multiple individuals and businesses in Corry, PA and along the corridor of the Erie to Pittsburgh Bike Trail within Erie County.

**8. Job creation/retention attributed to loan recipients**

Our loan recipients in Erie County have retained 12 jobs and created 4 jobs as a result of our loans.



**BRIDGEWAY  
CAPITAL**  
Connect Opportunity with Capital

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F 814.451.1150

**UNIONTOWN**  
2 West Main Street  
Suite 135  
Uniontown, PA 15401  
T 724.425.0330  
F 724.425.0332

January 26, 2017

Mr. Perry Wood  
Erie County Gaming Revenue Authority  
5340 Fryling Road Suite 201  
Erie, PA 16510

Dear Perry,

For Bridgeway Capital, 2016 was another successful year of connecting opportunity with capital. We closed 122 investments totaling more than \$18 million and delivered more than 1,200 hours of technical assistance. Seventy-seven percent of our lending dollars went directly into low-income communities. We helped small businesses stimulate economic activity and supported nonprofits serving vulnerable populations. Our customers retained 834 jobs and created 167 new jobs. Highlights from 2016 include:

- A \$150,000 loan to Learning Ladder Early Child Care Center, a daycare on Peach Street near downtown Erie. The loan allowed owners Sean and Kenya Johnson to purchase the building where they had been renting space and to expand their operations.
- A \$32,000 loan to ceramics teaching studio and retail shop Ton Pottery. When the rental market pushed the business out of its Lawrenceville, Pittsburgh location, Ton Pottery turned to Bridgeway for a loan to help it stay in business and relocate to Millvale.
- A \$3.1 million loan to Provident Charter School, the region's first school dedicated to serving students with dyslexia. Bridgeway financed the purchase and rehab of the former North Catholic High School on Pittsburgh's Northside. In its first year, Provident is serving 48 third- and fourth-grade students with additional grades to be added each year. The loan is the largest in Bridgeway's history.
- A new tenant, the University of Pittsburgh's Manufacturing Assistance Center (MAC) moved into Bridgeway's 7800 Susquehanna Street – a 150,000 square foot light industrial building in Homewood, Pittsburgh. The MAC offers a 15-week program in which students are trained in machine operation and placed in living-wage employment. With the addition of tenants like the MAC, and with \$2.8 million in new state and federal funds received in 2016, Bridgeway will continue to redevelop the property as a beacon of opportunity for Homewood.

Bridgeway continues to generate high impact while maintaining strong financial performance. In 2016, for the second straight year, our net loss rate was less than one percent of loans outstanding. Year after year, we demonstrate an ability to take the kind of prudent, measured risk that underinvested communities need to access economic opportunity. Our 2016 audited financial statements are enclosed for your review.

(continued)

BRIDGEWAYCAPITAL.ORG

At the end of 2016, we announced an ambitious new goal: \$100 million invested in low-income communities by 2020. Our region is changing quickly, and development and market pressures present both opportunities and risks for the communities we care about. With your continued support, we will respond to this moment with the urgency necessary to make sure that all people are uplifted by economic change, and that no one is left behind.

Sincerely,

A handwritten signature in blue ink that reads "Mark Peterson". The signature is written in a cursive style with a horizontal line at the end.

Mark Peterson  
President and CEO

encl.



# BRIDGEWAY CAPITAL

Connect Opportunity with Capital

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F 724.425.0332

January 26, 2017

Perry Wood  
Erie County Gaming Revenue Authority  
5340 Fryling Road, Suite 201  
Erie, PA 16510

Dear Perry,

In accordance with Section 5.3 of the Credit Agreement dated January 12, 2016 between Erie County Gaming Revenue Authority and Bridgeway Capital, Inc., please find enclosed the following required documents:

- Annual audited financial statements of Bridgeway Capital and Affiliates for the fiscal years ended September 30, 2016 and 2015, prepared in accordance with generally accepted accounting principles.

We certify that the financial statements fairly present the financial condition of Bridgeway Capital as of this date and for the periods covered. We also certify that as of this date there exists no violation of any provision of the Credit Agreement or any Event of Default.

Sincerely,

  
Mark Peterson  
President and CEO

  
Scott Langill  
Controller

Encls.

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**  
Pittsburgh, Pennsylvania

Combined Financial Statements  
and  
Supplemental Financial Information  
For the years ended September 30, 2016 and 2015  
and Independent Auditors' Report Thereon



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## INDEPENDENT AUDITORS' REPORT

To the Boards of Directors  
Bridgeway Capital, Inc. and Affiliates  
Pittsburgh, Pennsylvania

We have audited the accompanying combined financial statements of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC), and 15CCD Corporation (15CCD) (collectively referred to as the Organization), which comprise the combined statements of financial position as of September 30, 2016 and 2015, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Schneider Downs & Co., Inc.  
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FAX 614.621.4062



### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of September 30, 2016 and 2015, 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.

### ***Other Matters***

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statements of financial position as of September 30, 2016 and 2015, the combining statements of activities and changes in net assets and combining statements of functional expenses for the years ended September 30, 2016 and 2015, the combined statements of activities and changes in net assets for the years ended September 30, 2016 and 2015, and the 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, are presented for purposes of additional analysis and are not a required part of the combined 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 combined 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 January 20, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
January 20, 2017

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**

	September 30	
ASSETS	2016	2015
<b>CURRENT ASSETS</b>		
Loans receivable, net	\$ 8,244,441	\$ 5,895,518
Cash and cash equivalents	9,136,378	4,565,018
Cash and cash equivalents - restricted	562,215	3,692,813
Interest and fees receivable	266,173	256,227
Grants receivable	594,883	381,828
Investments	-	1,383,452
Other assets	398,594	248,128
Total Current Assets	19,202,684	16,422,984
<b>LONG-TERM ASSETS</b>		
Loans receivable, net	38,163,738	35,057,821
Investments	16,039,590	10,078,800
Cash and cash equivalents - restricted	1,640,879	1,955,458
Interest receivable	114,896	86,406
Other assets	107,685	75,540
Property, plant and equipment, net	6,787,397	4,226,511
Total Long-Term Assets	62,854,185	51,480,536
Total Assets	\$82,056,869	\$67,903,520
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 426,844	\$ 951,608
Current maturities of notes payable, net	875,722	2,053,364
Total Current Liabilities	1,302,566	3,004,972
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net	40,689,235	32,574,580
Agency funds	1,477,069	1,635,090
Fair value of interest rate swap	84,074	77,707
Total Long-Term Liabilities	42,250,378	34,287,377
Total Liabilities	43,552,944	37,292,349
<b>NET ASSETS</b>		
Lending:		
Unrestricted	26,534,671	23,884,979
Temporarily restricted	8,648,138	5,180,727
Permanently restricted	5,500	5,500
	35,188,309	29,071,206
Operating:		
Unrestricted	1,517,268	53,744
Temporarily restricted	1,798,348	1,486,221
	3,315,616	1,539,965
Total Net Assets	38,503,925	30,611,171
Total Liabilities And Net Assets	\$82,056,869	\$67,903,520

See notes to combined financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND SUPPORT</b>				
Loan interest income	\$ 2,522,813	-	-	\$ 2,522,813
Loan fee and rental income	604,933	-	-	604,933
Grants and contributions	2,269,108	\$ 8,569,349	-	10,838,457
Investment income	319,295	-	-	319,295
Net realized and unrealized gains (losses) on investments	408,490	-	-	408,490
Net assets released from restrictions	4,789,811	(4,789,811)	-	-
<b>Total Revenue And Support</b>	<b>10,914,450</b>	<b>3,779,538</b>	<b>-</b>	<b>14,693,988</b>
<b>PROGRAM AND GENERAL EXPENSES</b>				
Program services	5,321,077	-	-	5,321,077
Management and general	1,342,327	-	-	1,342,327
Fundraising	131,463	-	-	131,463
<b>Total Program And General Expenses</b>	<b>6,794,867</b>	<b>-</b>	<b>-</b>	<b>6,794,867</b>
<b>Increase In Net Assets From Operations</b>	<b>4,119,583</b>	<b>3,779,538</b>	<b>-</b>	<b>7,899,121</b>
<b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>	<b>(6,367)</b>	<b>-</b>	<b>-</b>	<b>(6,367)</b>
<b>Changes In Net Assets</b>	<b>4,113,216</b>	<b>3,779,538</b>	<b>-</b>	<b>7,892,754</b>
<b>NET ASSETS</b>				
Beginning of year	23,938,723	6,666,948	\$5,500	30,611,171
End of year	<u>\$28,051,939</u>	<u>\$10,446,486</u>	<u>\$5,500</u>	<u>\$38,503,925</u>

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,326,044	-	-	\$ 2,326,044
477,183	-	-	477,183
1,760,970	\$4,346,739	-	6,107,709
315,332	-	-	315,332
(289,391)	-	-	(289,391)
<u>4,241,681</u>	<u>(4,241,681)</u>	<u>-</u>	<u>-</u>
8,831,819	105,058	-	8,936,877
4,680,227	-	-	4,680,227
1,373,142	-	-	1,373,142
<u>158,300</u>	<u>-</u>	<u>-</u>	<u>158,300</u>
<u>6,211,669</u>	<u>-</u>	<u>-</u>	<u>6,211,669</u>
2,620,150	105,058	-	2,725,208
(12,263)	-	-	(12,263)
2,607,887	105,058	-	2,712,945
<u>21,330,836</u>	<u>6,561,890</u>	<u>\$5,500</u>	<u>27,898,226</u>
<u>\$23,938,723</u>	<u>\$6,666,948</u>	<u>\$5,500</u>	<u>\$30,611,171</u>

See notes to combined financial statements.

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 7,892,754	\$ 2,712,945
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Provision for loan losses	785,766	824,128
Depreciation and amortization	226,555	91,956
Loss on disposal of property, plant and equipment	2,261	-
Net realized and unrealized (gains) losses on investments	(408,490)	289,391
Change in fair value of interest rate swap	6,367	12,263
Proceeds from sale of donated stock for restricted purposes	4,894,547	2,416,119
Changes in assets and liabilities:		
Grants, fees and interest receivable	(251,491)	539,484
Other assets	(182,611)	(82,295)
Accounts payable and accrued expenses	56,547	(43,526)
Net Cash Provided By Operating Activities	<u>13,022,205</u>	<u>6,760,465</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans receivable disbursed	(18,719,374)	(17,590,719)
Loans receivable repayments	12,478,768	6,155,875
Acquisition of property, plant and equipment	(2,757,543)	(2,413,032)
Changes in accounts payable related to the acquisition of property, plant and equipment	(581,311)	527,165
Proceeds from the sale of property, plant and equipment	1,080	-
Purchases of investments	(16,408,942)	(6,601,542)
Proceeds from sales of investments	7,345,547	4,575,498
Changes in agency funds	(158,021)	2,572
Changes in restricted cash and cash equivalents	3,445,177	(4,015,753)
Net Cash Used In Investing Activities	<u>(15,354,619)</u>	<u>(19,359,936)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on notes payable	8,307,600	11,125,000
Repayments on notes payable	(1,383,708)	(572,695)
Deferred financing costs	(20,118)	(545,254)
Net Cash Provided By Financing Activities	<u>6,903,774</u>	<u>10,007,051</u>
 Net Increase (Decrease) In Cash And Cash Equivalents	4,571,360	(2,592,420)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>4,565,018</u>	<u>7,157,438</u>
End of year	<u>\$ 9,136,378</u>	<u>\$ 4,565,018</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Cash paid during the year for interest	<u>\$ 1,162,313</u>	<u>\$ 894,774</u>

See notes to combined financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 1 - ORGANIZATION

The accompanying combined financial statements include the accounts of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC) and 15CCD Corporation (15CCD), collectively referred to as the Organization.

All material intercompany accounts have been eliminated in the combination.

Bridgeway Capital, a Pennsylvania nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, was founded in 1990 and strives to make western Pennsylvania a thriving region for all by providing capital and educational opportunities to entrepreneurs and growing small businesses to create new businesses and new jobs, to nonprofits to help sustain and expand the services they provide, and to community development organizations that are working to revitalize distressed communities. Most of Bridgeway Capital's loans benefit low-income people in western Pennsylvania through employment opportunities at the small businesses that Bridgeway Capital finances, through the services provided by its nonprofit borrowers or through the real estate projects undertaken by Bridgeway Capital's community development borrowers. Bridgeway Capital is a member of the Opportunity Finance Network (OFN) and is certified as a Community Development Financial Institution by the U.S. Department of the Treasury and accredited by the Commonwealth of Pennsylvania Community Development Bank.

CDC is a Pennsylvania nonprofit corporation exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and was founded in 2003. It is certified by the U.S. Small Business Administration (SBA). CDC works in conjunction with the SBA to conduct a Certified Development Company 504 Lending Program, which is designed to foster economic development, create or preserve job opportunities and stimulate growth, expansion and modernization of small businesses, by providing long-term financing for the acquisition, construction or renovation of owner-occupied real estate or the acquisition of equipment. Bridgeway Capital provides all staffing, management and underwriting services to the CDC pursuant to an annual management contract.

BDC is a Pennsylvania nonprofit corporation, wholly owned by Bridgeway Capital, established in August 2012 for the purpose of owning a commercial rental real estate building as a space for small businesses and nonprofit companies in a low-income community. BDC was converted to a nonprofit corporation during fiscal 2015 and is exempt from income taxes under Internal Revenue Code Section 501(c)(2).

15CCD is a Pennsylvania nonprofit corporation, wholly owned by Bridgeway Capital, established in July 2014 for the purpose of engaging in commercial real estate development activities, principally in low-income communities. 15CCD was converted to a nonprofit corporation during fiscal 2015 and the Organization has not yet applied for exemption from federal income tax.

The Organization offers five primary loan products used to benefit low-income people: 1) entrepreneur, 2) growth, 3) nonprofit loans, 4) SBA 504 loans and 5) community development loans. Entrepreneur and growth borrowers are prospective or existing small businesses that demonstrate the motivation to launch or expand businesses but are unable to obtain financing from conventional sources. Nonprofit organizations obtain loans from Bridgeway Capital to fill capital gaps due to the nonprofit sector's structural barriers in accessing conventional debt, investment capital or equity markets. SBA 504 borrowers are small businesses seeking long-term, fixed-rate financing to acquire fixed assets for expansion or modernization that promotes business growth and job creation. SBA 504 loans are made in conjunction with a participating bank and are funded by the SBA through the sale of debentures. Community development borrowers seek patient capital that is unavailable from traditional sources to finance predevelopment and development costs for affordable housing, commercial real estate and community facilities projects, principally in low income communities.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying combined financial statements follows:

**Basis of Accounting** - The combined financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

**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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Loans Receivable and Allowance for Loan Losses** - Bridgeway Capital evaluates the creditworthiness of potential borrowers on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Bridgeway Capital upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory and property and equipment.

Loans receivable are stated at the amount management expects to collect from outstanding balances, representing unpaid principal less an allowance for loan losses. Amounts due are presented net of any loan participations by other lenders. At September 30, 2016 and 2015, there was one significant concentration of credit risk to an individual borrower in the amount of \$4,816,000 where Bridgeway Capital made a leveraged loan as part of a New Markets Tax Credit (NMTC) transaction involving the commercial rental building owned by BDC. See Note 12 for details on this transaction and its effect on these combined financial statements.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in the active process of collection. Loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off in the current year is reversed against interest income, and uncollected interest income recorded in previous years is charged-off against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

An allowance for loan losses is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes collection of a loan balance is unlikely or when the value is deemed to be impaired. Subsequent recoveries of these loan losses are added back to the allowance at the time of receipt. There were no impaired loans as of September 30, 2016 and 2015.

The allowance for loan losses is evaluated quarterly by management. The allowance is based upon payment performance criteria and management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions.

The determination of the adequacy of the allowance for loan losses is based on estimates that are sensitive to significant changes in the economic environment and market conditions. While management uses all available information to estimate losses on loans, it is reasonably possible that adjustments in the carrying amounts of loans may be necessary in the near term based on changes in local economic conditions.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The majority of cash and cash equivalents are on deposit with five financial institutions located in western Pennsylvania. Account balances at September 30, 2016 and 2015 exceeded the Federal Deposit Insurance Corporation (FDIC) limit. The Organization believes it has placed these cash investments with high-credit-quality financial institutions and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Restricted Cash and Cash Equivalents - Restricted cash and cash equivalents represent cash on hand related to the agency funds held by the Organization as well as cash on hand related to the New Markets Tax Credit financing obtained for the substantial renovation of the commercial rental building owned by BDC.

Grants Receivable - Grants receivable represent amounts due from the SBA, the USDA and various foundations under grant agreements. The grants receivable are expected to be collected within the next year and are recorded at their estimated future net realizable value.

Investments - Investments are recorded at fair value. Realized and unrealized gains and losses on investments are reflected in unrestricted revenue and support on the combined statements of activities and changes in net assets.

Bridgeway Capital follows a matched funding investment policy in order to reduce liquidity risk to investors. Under this policy, a portion of the investments Bridgeway Capital purchases are high-quality, fixed-income investments whose maturity dates are matched with notes payable maturing within the next three years. The current portion of fixed-income investments maturing within the next fiscal year approximated \$0 and \$1,383,000, as of September 30, 2016 and 2015, respectively. It is Bridgeway Capital's policy to classify all other investments as long-term, due to the Organization's intended use to ultimately convert these investments into long-term loans receivable.

Bridgeway Capital has investments in money market funds (classified as cash and cash equivalents in the combined statement of financial position), corporate bonds, mutual funds, government securities, equity securities and mortgage-backed securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and those changes could materially affect the amounts reported in the combined statements of financial position.

Property, Plant and Equipment - Property, plant and equipment acquired are recorded at lower of cost or fair value. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. The estimated useful lives of rental buildings and improvements range from 20 to 25 years. The estimated useful lives of office furniture and equipment range from 3 to 10 years. Depreciation expense recognized for 2016 and 2015 was approximately \$193,000 and \$85,000, respectively.

The rental building and improvements comprise a commercial property, which is stated at cost. Costs to complete construction are held in construction in progress. Once completed, these costs are reclassified into rental buildings and improvements, and are depreciated using the straight-line method over 20 to 25 years. Rental revenue recognized by the Organization for 2016 and 2015 was approximately \$306,000 and \$152,000, respectively.

Impairment of Long-Lived Assets - Management of the Organization reviews the carrying amount of land, buildings and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, impairment has occurred. Any write-downs due to impairment are charged to the combined statement of activities and changes in net assets at the time impairment is identified. No such write-downs were required in 2016 and 2015.



BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Net Asset Restrictions - Contractual revenue is recognized when earned under the terms of the contracts. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

The Organization categorizes contributions and net assets as operating or lending based on management's anticipated use of those funds and in accordance with donor restrictions. Contributions and net assets that are restricted or designated for use in making loans or awarding grants are classified as lending net assets. Contributions and net assets that are not restricted or designated for use in program-specific lending activities are classified as operating net assets.

Temporarily restricted net assets for lending include the portion of grants received for program-specific lending that has not yet been loaned. The funds are restricted until loans have been made that satisfy the programmatic restriction imposed by the donor, and when those loans are repaid, the funds become unrestricted net assets. Permanently restricted net assets include a grant received for lending on which the donor has placed a permanent program-related restriction. In 2016, approximately \$1,105,000 of temporarily restricted net assets were released and used to support operating programs and approximately \$3,685,000 was released and used for lending purposes. In 2015, approximately \$947,000 of temporarily restricted net assets were released and used to support operating programs, and approximately \$3,294,000 was released and used for lending purposes.

Temporarily restricted net assets for operations include approximately \$157,000 and \$120,000 from unexpended portions of grants from the SBA for the provision of technical assistance to Bridgeway Capital's borrowers, approximately \$1,590,000 and \$1,312,000 from unexpended portions of grants from foundations for operating programs and approximately \$51,000 and \$54,000 from fee revenue related to future events as of September 30, 2016 and 2015, respectively. The funds are restricted until they have been expended according to the grant budget approved by the SBA, foundation or until the future events have occurred.

Agency Funds - Agency funds represents assets transferred to the Organization by a third party and committed to be used by an unaffiliated beneficiary. The agency funds' restricted cash and respective liabilities are considered long-term based upon contractual terms and expected usage of the funds.

Derivative Financial Instruments - The Organization uses derivatives to manage risk related to interest rate movements. The Organization's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate contracts to convert variable-rate debt to a fixed rate. The Organization is exposed to credit losses from counterparty (its lending bank) nonperformance, but does not anticipate any losses from its agreements, which are with a major financial institution.

Derivative financial instruments are to be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments used for hedging purposes by nonprofit organizations are recognized annually in income. The Organization reflects changes in the fair value of its interest rate swap in nonoperating income (loss) on the combined statements of activities and changes in net assets.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic on Income Taxes, which prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in combined financial statements. The Organization's combined statements of financial position at September 30, 2016 and 2015 do not include any liabilities associated with uncertain tax positions; further, the Organization has no unrecognized tax benefits. The Organization would accrue interest and penalties related to unrecognized tax benefits in income tax expense, if any were to be incurred. The Organization is no longer subject to examination of its tax returns for fiscal years before 2013.

**Fair Value Measurement** - The Organization has implemented the provisions of the FASB Codification topic Fair Value Measurements and Disclosures, which established a framework for measuring fair value and expanded disclosures related to fair value measurements. The Organization applies the provision of the Fair Value Measurements and Disclosures topic to its recurring measurements. (See Note 11.)

**Recent Accounting Pronouncements** - In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued Accounting Standards Update (ASU) No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to simplify and improve not-for-profit financial reporting. Specifically, the new guidance:

- Revises net asset classification to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.
- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.
- Enhances disclosures for:
  - Self-imposed limits on the use of resources without donor-imposed restrictions.
  - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources.
  - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the balance sheet date.
  - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date.
  - Methods used to allocate costs among program and support functions.
- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.
- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

The FASB issued ASU No. 2014-09 to the Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which is the result of a joint project of FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the United States and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the Codification and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The Organization is currently assessing the impact that ASU 2014-09 will have on its combined financial statements.

Subsequent Events - The Organization has evaluated subsequent events through January 20, 2017, the date on which the combined financial statements were available to be issued.

NOTE 3 - LOANS RECEIVABLE

Loans receivable at September 30 consist of the following:

	<u>2016</u>	<u>2015</u>
Outstanding principal	\$ 48,850,715	\$ 43,108,778
Less - Loan loss reserve	<u>2,442,536</u>	<u>2,155,439</u>
	46,408,179	40,953,339
Less - Current portion, net of loan loss reserve	<u>8,244,441</u>	<u>5,895,518</u>
Loans receivable, net of current portion	<u>\$ 38,163,738</u>	<u>\$ 35,057,821</u>

Net loans receivable outstanding at September 30, 2016 and 2015 include loans funded through the use of Small Business Administration loans (Note 7) and totaled approximately \$1,218,000 and \$1,282,000 at September 30, 2016 and 2015, respectively.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 3 - LOANS RECEIVABLE (Continued)

The total recorded loans on nonaccrual status were approximately \$2,066,000 and \$2,097,000 at September 30, 2016 and 2015, respectively, and the total recorded loans past due 90 days or more and still accruing interest were approximately \$531,000 and \$-0- at September 30, 2016 and 2015, respectively.

Approximate aggregate maturities of the loans receivable at September 30, 2016 are as follows:

<u>Fiscal Year</u> <u>Ending September 30</u>	<u>Amount</u>
2017	\$ 8,678,000
2018	5,158,000
2019	4,842,000
2020	3,114,000
2021	4,069,000
Thereafter	<u>22,990,000</u>
	<u>\$ 48,851,000</u>

Activity in the reserve for loan losses is summarized for the years ended September 30 as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,155,439	\$ 1,591,777
Recoveries	157,720	80,128
Charge-offs	(656,389)	(340,594)
Provision charged to current expense	<u>785,766</u>	<u>824,128</u>
Balance, end of year	<u>\$ 2,442,536</u>	<u>\$ 2,155,439</u>

NOTE 4 - CASH AND INVESTMENTS

Cash and investments held at September 30 are available as follows:

	<u>2016</u>	<u>2015</u>
Designated by management for:		
Lending	\$ 11,447,556	\$ 7,768,700
Operations	3,508,732	1,659,092
Agency funds	1,477,069	1,635,090
Restricted cash held for capital expenditures	476,293	3,666,813
Restricted cash held - other	249,732	346,368
Assets from third parties held for lending	9,938,523	6,326,446
Held for loan loss reserve	<u>281,157</u>	<u>273,032</u>
	<u>\$ 27,379,062</u>	<u>\$ 21,675,541</u>

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**NOTE 5 - INVESTMENTS**

Investments at September 30 consisted of the following:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
<b>Current portion:</b>				
Corporate and bond funds	-	-	\$ 1,035,980	\$ 1,072,143
U.S. government bond	-	-	347,472	353,018
Total current portion	-	-	1,383,452	1,425,161
<b>Noncurrent portion:</b>				
Equity securities	\$ 2,174,262	\$ 1,944,899	1,481,185	1,362,163
Corporate and bond funds	3,253,988	3,218,692	2,596,466	2,605,819
Domestic taxable bonds	5,159,386	5,088,481	3,183,436	3,209,439
International taxable bonds	67,971	71,402	18,432	20,209
Mortgage-backed bonds	2,506,431	2,534,159	1,787,656	1,865,575
U.S. government bond	2,877,552	2,880,225	1,011,625	1,012,883
Total noncurrent portion	16,039,590	15,737,858	10,078,800	10,076,088
	<u>\$ 16,039,590</u>	<u>\$ 15,737,858</u>	<u>\$ 11,462,252</u>	<u>\$ 11,501,249</u>

The fixed-income securities held by the Organization with fixed maturity dates at September 30 that are included within corporate and bond funds, mortgage-backed bonds and U.S. government bonds above are as follows:

	2016	2015
Due in one year or less	-	\$ 1,383,000
Due in one to five years	\$ 2,990,000	1,092,000
Due in five to ten years	455,000	690,000
Thereafter	818,000	1,017,000
	<u>\$ 4,263,000</u>	<u>\$ 4,182,000</u>

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment at September 30 consisted of the following:

	2016	2015
Land	\$ 893,974	\$ 708,002
Rental buildings and improvements	5,989,709	1,649,830
Office furniture and equipment	388,673	299,398
Construction in progress	11,582	1,889,178
	<u>7,283,938</u>	<u>4,546,408</u>
Less - Accumulated depreciation	496,541	319,897
	<u>\$ 6,787,397</u>	<u>\$ 4,226,511</u>

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**NOTE 7 - NOTES PAYABLE**

Notes payable at September 30 consisted of the following:

	Interest Rates	Effective Interest Rates	Maturity Dates	Note Balance	
				2016	2015
<b>*Commercial Banks</b>					
Various Financial Institutions - Multiple	2.00% to 5.32%	Same ***	Sep. 2019- Oct 2027	\$25,132,600	\$20,500,000
<b>*Federal Government Agencies</b>					
**U.S. Department of Agriculture	1.00%	Same	Apr. 2031	84,314	114,022
**U.S. Small Business Administration	3.75%	Same	Sep. 2017	96,681	189,635
**U.S. Small Business Administration	1.25%	Same	Sep. 2019	259,239	343,579
**U.S. Small Business Administration	0.38%	Same	Jan. 2021	379,345	466,014
**U.S. Small Business Administration	0.38%	Same	Jun. 2024	746,463	300,000
U.S. Treasury Small Business Lending Fund	2.00%	Same	Sep. 2019	1,820,000	1,820,000
<b>*Limited Partnerships</b>					
Pittsburgh Urban Initiatives Sub-CDE 13, LP	0.72%	0.82%	Dec. 2049	5,760,000	5,760,000
PNC CDE 50, LP	0.72%	1.11%	Dec. 2049	1,000,000	1,000,000
<b>*Nonprofit Organizations</b>					
Anonymous Foundation	3.00%	Same	Jun. 2022	850,000	850,000
Anonymous Foundation	3.00%	Same	Jun. 2023	400,000	400,000
Anonymous Foundation	0.00%	Same	Jan. 2017	500,000	-
Opportunity Finance Network	4.00%	Same	Jan. 2016	1,000,000	300,000
Opportunity Finance Network	4.50%	Same	Jan. 2016	1,000,000	-
<b>Private Investors</b>					
Anonymous	4.00%	Same	Jul. 2023	10,000	10,000
<b>Religious Organizations</b>					
Anonymous - Multiple	0.00% to 4.00%	Same	Dec. 2016- Jul. 2021	282,000	282,000
<b>*State and Local Government Agencies</b>					
Commonwealth of Pennsylvania - Multiple	1.00% to 1.50%	Same	Aug. 2019- Sep. 2026	1,769,000	2,830,500
Erie County Games Revenue Authority	3.0%	Same	Jan. 2026	1,000,000	-
				<u>42,089,642</u>	<u>35,165,750</u>
Less - Deferred financing costs				524,685	537,806
				<u>41,564,957</u>	<u>34,627,944</u>
Less - Current portion of notes payable, net of deferred financing costs				875,722	2,053,364
				<u>\$40,689,235</u>	<u>\$32,574,580</u>

\* The notes payable in these categories were not issued through a prospectus or private placement memorandum, and none of the counterparties to these notes are considered to be related parties under ASC 850-10.

\*\* Borrowings under the SBA and U.S. Department of Agriculture notes payable are secured by the related cash held by the Organization and loans outstanding that were funded from the proceeds of these notes. All other borrowings are unsecured.

\*\*\* At September 30, 2016, two notes payable to commercial banks totaling \$6,500,000 had effective interest rates that were approximately 20 to 25 basis points higher than their stated interest rates but still fell within the interest rate range for the category.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 7 - NOTES PAYABLE (Continued)

At September 30, 2016 and 2015, borrowings from commercial banks consisted of twenty and eighteen fixed rate loans, respectively and one and zero variable rate loans, respectively. Borrowings from religious organizations consisted of twelve and twelve fixed rate loans, respectively. Borrowings from state government agencies consisted of four and five fixed rate loans, respectively.

Amortization expense of financing costs recognized for 2016 and 2015 was approximately \$33,000 and \$7,000, respectively. The current portion of deferred financing costs presented as a reduction to the current portion of notes payable for 2016 and 2015 was approximately \$35,000 and \$32,000, respectively.

Approximate aggregate payments due on the notes payable as of September 30, 2016 are as follows:

<u>Fiscal Year</u> <u>Ending September 30</u>	<u>Amount</u>
2017	\$ 910,000
2018	398,000
2019	3,271,000
2020	7,377,000
2021	9,319,000
Thereafter	<u>20,815,000</u>
	<u>\$ 42,090,000</u>

Bridgeway Capital follows a matched funding policy in order to reduce liquidity risk to investors. Under this policy, notes payable maturing within three years are matched on both face value and maturity with high-quality, fixed-income investments.

Bridgeway Capital has an interest rate swap agreement with a bank. Under the swap, Bridgeway Capital agrees to pay fixed rates of interest of 4.85% on its notes and to receive a variable rate based upon London InterBank Offered Rate (0.525% at September 30, 2016) on approximately \$2,500,000 notional amount of indebtedness. The contract matures on March 16, 2020.

The interest expense for the Organization was \$1,192,000 and \$921,000 for the years ended September 30, 2016 and 2015, respectively.

The Organization is required to maintain various financial and operational covenants, including certain levels of reserves for loan losses, related to the various outstanding notes, none of which the Organization was in violation of at September 30, 2016 and 2015.

NOTE 8 - RETIREMENT PLAN

Bridgeway Capital maintains a 401(k) retirement plan, which operates in accordance with the "safe harbor" provisions of Section 401(k)(12) and/or Section 401(m)(11) of the Internal Revenue Code. Under the plan, participants may elect to contribute a portion of their compensation up to Internal Revenue Service limits. This plan is open to all Bridgeway Capital employees. Retirement expense totaled approximately \$129,000 and \$108,000 for 2016 and 2015, respectively.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 9 - OPERATING LEASES

The Organization leases its office facilities and other office equipment under operating leases with terms of 36 to 72 months, which expire at various times through July 2022. Total rent expense under these leases was approximately \$170,000 and \$148,000 in 2016 and 2015, respectively. Approximate future minimum rentals for these leases at September 30, 2016 are as follows:

Fiscal Year Ending September 30	Amount
2017	\$ 197,000
2018	192,000
2019	196,000
2020	199,000
2021	202,000
Thereafter	<u>169,000</u>
	<u>\$ 1,155,000</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Organization has commitments, lawsuits, claims and contingent liabilities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's combined financial statements.

Commitments to extend credit are agreements to lend to an organization as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Loan commitments outstanding were approximately \$4,640,000 and \$6,327,000 at September 30, 2016 and 2015, respectively.

As of September 30, 2016, the Organization has an opportunity to receive \$87,750 in grant funding from the Pennsylvania Department of Community and Economic Development upon satisfying certain conditions. This funding is expected to be received in fiscal year 2017.

As of September 30, 2016, the Organization has an opportunity to receive \$1,000,000 in grant funding from the Pennsylvania Department of Community and Economic Development upon satisfying certain conditions. This funding is expected to be received in fiscal year 2017.

As of September 30, 2016, the Organization has an opportunity to receive \$800,000 in grant funding from the Department of Health and Human Services Office of Community Services upon satisfying certain conditions. This funding is expected to be received in fiscal year 2017 or 2018.

As of September 30, 2016, the Organization has an opportunity to receive \$174,696 in grant funding from the Goldman Sachs Foundation upon satisfying certain conditions. This funding is expected to be received in fiscal years 2017 and 2018.



BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

As of September 30, 2016, the Organization has \$475,000 available from a \$1,250,000 term loan commitment from the United States Small Business Administration. The commitment is available through June 2017, unless an extension is requested and approved by the lender.

As of September 30, 2016, the Organization has \$4,000,000 available from a term loan commitment from Banc of America Community Development Corporation. The loan is available through June 2017.

As of September 30, 2016, the Organization has \$250,000 available from a term loan commitment from Pennsylvania Community Development Bank, a department of the Commonwealth of Pennsylvania. The commitment is available through June 2017.

As of September 30, 2016, the Organization has \$1,000,000 available from a \$2,000,000 line-of-credit commitment from Citizens Bank of Pennsylvania. The line of credit is available through April 2020.

As of September 30, 2016, the Organization has \$1,000,000 available from a \$4,000,000 equity equivalent investment commitment from PNC Community Development Company in the form of a term loan. The loan was available through and fully drawn on in December 2016.

As of September 30, 2016, the Organization has \$2,000,000 available from a line-of-credit commitment from Key Bank (formerly First Niagara Bank). The line of credit is available through September 2018.

As of September 30, 2016, the Organization has \$4,367,400 available from a \$5,000,000 term loan commitment from Goldman Sachs Bank. The commitment is available through October 2018.

As of September 30, 2016, the Organization has \$15,000,000 available from a term loan agreement from the CDFI Bond Guarantee Program through Opportunity Finance Network as the qualified issuer. The loan is available through September 2020.

NOTE 11 - FAIR VALUE MEASUREMENT

The framework for measuring fair value provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, giving the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). The lowest level of input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy.

The three levels of inputs that may be used to measure fair value are defined as:

Level 1 - Inputs to the valuation methodology are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Inputs to the valuation methodology are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect the Organization's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

There have been no changes in the methodologies used at September 30, 2016 and 2015.

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

NOTE 11 - FAIR VALUE MEASUREMENT (Continued)

The Organization's financial instruments consist primarily of cash and cash equivalents, loans and other receivables, investments, accounts payable, interest rate swap and notes payable.

The carrying amount of the Organization's cash and cash equivalents, other receivables, accounts payable and agency funds approximates their fair value due to the short-term nature of such instruments.

The carrying amount of the Organization's interest rate swap and notes payable approximates fair value at September 30, 2016 and 2015, since the interest rates are either market-based and are generally adjusted periodically or represent rates that the Organization would be able to obtain in the current market. Loans receivable are recorded at their net realizable value, which management believes approximates fair value.

The Organization's assets and (liabilities) that are measured at fair value on a recurring basis at September 30 are as follows:

	2016			Total
	Level 1	Level 2	Level 3	
Equities:				
Domestic	\$ 980,542	-	-	\$ 980,542
International	881,466	-	-	881,466
Absolute return	177,386	-	-	177,386
Real estate	65,015	-	-	65,015
Infrastructure	41,943	-	-	41,943
Business development companies	27,910	-	-	27,910
Corporate bonds and bond funds	3,253,988	-	-	3,253,988
Domestic taxable bonds	5,159,386	-	-	5,159,386
International taxable bonds	67,971	-	-	67,971
Mortgage-backed bonds	-	\$ 2,506,431	-	2,506,431
U.S. government bonds	-	2,877,552	-	2,877,552
Total investments	<u>10,655,607</u>	<u>5,383,983</u>	<u>-</u>	<u>16,039,590</u>
Interest rate swap	<u>-</u>	<u>(84,074)</u>	<u>-</u>	<u>(84,074)</u>
	<u>\$ 10,655,607</u>	<u>\$ 5,299,909</u>	<u>-</u>	<u>\$ 15,955,516</u>

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

NOTE 11 - FAIR VALUE MEASUREMENT (Continued)

	2015			Total
	Level 1	Level 2	Level 3	
Equities:				
Domestic	\$ 680,805	-	-	\$ 680,805
International	558,880	-	-	558,880
Absolute return	112,373	-	-	112,373
Real estate	68,844	-	-	68,844
Infrastructure	35,650	-	-	35,650
Business development companies	24,633	-	-	24,633
Corporate bonds and bond funds	2,596,466	\$ 1,035,980	-	3,632,446
Domestic taxable bonds	3,183,436	-	-	3,183,436
International taxable bonds	18,432	-	-	18,432
Mortgage-backed bonds	-	1,787,656	-	1,787,656
U.S. government bonds	-	1,359,097	-	1,359,097
Total investments	<u>7,279,519</u>	<u>4,182,733</u>	<u>-</u>	<u>11,462,252</u>
Interest rate swap	<u>-</u>	<u>(77,707)</u>	<u>-</u>	<u>(77,707)</u>
	<u>\$ 7,279,519</u>	<u>\$ 4,105,026</u>	<u>-</u>	<u>\$ 11,384,545</u>

The fair value of investments categorized as Level 1 includes investments in common stock and mutual funds, the fair value of which are based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Organization.

Included in Level 2 were corporate bonds and bond funds, mortgage-backed bonds, U.S. government bonds and interest rate swap. Fair value of bonds is based upon quoted market prices for similar securities in active markets; for identical or similar assets in inactive markets; and inputs that are derived from observable market data. The fair value of the interest rate swap is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and while there are no quoted prices in active markets, it uses observable market-based inputs, including interest rate curves.

NOTE 12 - NEW MARKETS TAX CREDIT FINANCING

In July of 2015, the Organization participated in a New Markets Tax Credit (NMTC) transaction pursuant to Section 45D of the Internal Revenue Code. The purpose of the transaction was to finance the substantial renovation of the commercial rental building at 7800 Susquehanna Street in Pittsburgh, PA, which is owned by BDC. A NMTC transaction assists an eligible business in making investments in certain communities. The leveraged structure for the purpose of generating the NMTCs was used. Details of the NMTC transactions are as follows:

PNC Community Partners, Inc. (PNC CP) and Pittsburgh Urban Initiatives, LLC (PUI) each provided a portion of their NMTC allocation from the Community Development Financial Institutions Fund of the Department of the Treasury (CDFI Fund) to BDC totaling \$7,000,000.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

NOTE 12 - NEW MARKETS TAX CREDIT FINANCING (Continued)

Bridgeway Capital acted as the leverage lender by loaning \$4,816,000 of the \$7,000,000 to 7800 Susquehanna Investment Fund, LLC (Susquehanna Fund), which is wholly owned by PNC New Markets Investment Partners, LLC (PNC NMIP).

PNC NMIP loaned the remaining \$2,184,000 of the \$7,000,000 to Susquehanna Fund.

Susquehanna Fund made qualified equity investments (QEI) of \$6,000,000 in Pittsburgh Urban Initiatives Sub-CDE 13, LP and \$1,000,000 in PNC CDE 50, LP. These two certified community development entities (Sub-CDEs) generate the NMTCs from the allocations, and are each 99.99% owned by Susquehanna Fund through the QEIs and 0.01% owned by PUI and PNC CP respectively.

The two Sub-CDEs utilized \$6,760,000 of the QEIs to make qualified low-income community investments (QLICs) in BDC. (See Note 7.)

After the seven-year NMTC compliance period expires on December 31, 2021, it is anticipated through an option agreement that Bridgeway Capital will be given the option to purchase a 100% interest in Susquehanna Fund from PNC NMIP for \$1,000.

Given the structure of the NMTC transaction and the various ownership interests described, management has taken the position that while BDC is a beneficiary of this transaction by way of below-market financing, BDC is not the primary beneficiary. The primary beneficiary in this transaction is the receiver of the tax credits created through the allocations.

Since BDC is determined to not be the primary beneficiary of the transaction and holds no ownership or voting interests in Susquehanna Fund or either of the Sub-CDEs, activities from those entities are not consolidated in these combined financial statements. Accordingly, interest income and expense associated with the leverage loan and QLICs have not been eliminated in these combined financial statements.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**

**COMBINING STATEMENTS OF FINANCIAL POSITION**

	September 30, 2016					
	Bridgeway Capital	BDC	CDC	15CCD	Eliminations	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Loans receivable, net	\$ 8,244,441	-	-	-	-	\$ 8,244,441
Cash and cash equivalents	8,653,066	\$ 173,810	\$19,093	\$290,409	-	9,136,378
Cash and cash equivalents - Restricted	-	562,215	-	-	-	562,215
Interest and fees receivable	1,504,693	14,724	-	-	\$(1,253,244)	266,173
Grants receivable	594,883	-	-	-	-	594,883
Investments	-	-	-	-	-	-
Other assets	196,220	161,391	1,333	39,650	-	398,594
Total Current Assets	19,193,303	912,140	20,426	330,059	(1,253,244)	19,202,684
<b>LONG-TERM ASSETS</b>						
Loans receivable, net	38,163,738	-	-	-	-	38,163,738
Investments	16,758,864	-	-	-	(719,274)	16,039,590
Cash and cash equivalents - Restricted	1,477,069	163,810	-	-	-	1,640,879
Interest receivable	114,896	-	-	-	-	114,896
Other assets	-	-	-	107,685	-	107,685
Property, plant and equipment, net	142,334	6,566,471	-	323,592	(245,000)	6,787,397
Total Long-Term Assets	56,656,901	6,730,281	-	431,277	(964,274)	62,854,185
Total Assets	\$75,850,204	\$7,642,421	\$20,426	\$761,336	\$(2,217,518)	\$82,056,869
<b>LIABILITIES AND NET ASSETS/(DEFICIT)</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 344,667	\$1,184,442	\$88,007	\$ 62,972	\$(1,253,244)	\$ 426,844
Current maturities of notes payable, net	885,434	(9,712)	-	-	-	875,722
Total Current Liabilities	1,230,101	1,174,730	88,007	62,972	(1,253,244)	1,302,566
<b>LONG-TERM LIABILITIES</b>						
Notes payable, net	34,242,454	6,446,781	-	-	-	40,689,235
Agency funds	1,477,069	-	-	-	-	1,477,069
Fair value of interest rate swap	84,074	-	-	-	-	84,074
Total Long-Term Liabilities	35,803,597	6,446,781	-	-	-	42,250,378
Total Liabilities	37,033,698	7,621,511	88,007	62,972	(1,253,244)	43,552,944
<b>NET ASSETS/(DEFICIT)</b>						
<b>Lending:</b>						
Unrestricted	26,534,671	-	-	-	-	26,534,671
Temporarily restricted	8,648,138	-	-	-	-	8,648,138
Permanently restricted	5,500	-	-	-	-	5,500
	35,188,309	-	-	-	-	35,188,309
<b>Operating:</b>						
Unrestricted	1,829,849	20,910	(67,581)	698,364	(964,274)	1,517,268
Temporarily restricted	1,798,348	-	-	-	-	1,798,348
	3,628,197	20,910	(67,581)	698,364	(964,274)	3,315,616
Total Net Assets/(Deficit)	38,816,506	20,910	(67,581)	698,364	(964,274)	38,503,925
Total Liabilities And Net Assets/(Deficit)	\$75,850,204	\$7,642,421	\$20,426	\$761,336	\$(2,217,518)	\$82,056,869

September 30, 2015

Bridgeway Capital	BDC	CDC	15CCD	Eliminations	Total
\$ 5,895,518	-	-	-	-	\$ 5,895,518
4,119,570	\$ 428,009	\$ 14,585	\$ 2,854	-	4,565,018
-	3,692,813	-	-	-	3,692,813
1,907,134	44,644	-	-	\$(1,695,551)	256,227
381,828	-	-	-	-	381,828
1,383,452	-	-	-	-	1,383,452
164,376	81,468	792	1,492	-	248,128
13,851,878	4,246,934	15,377	4,346	(1,695,551)	16,422,984
35,057,821	-	-	-	-	35,057,821
10,326,978	-	-	-	(248,178)	10,078,800
1,635,090	320,368	-	-	-	1,955,458
86,406	-	-	-	-	86,406
-	-	-	75,540	-	75,540
80,414	4,098,477	-	137,620	(90,000)	4,226,511
47,186,709	4,418,845	-	213,160	(338,178)	51,480,536
<u>\$61,038,587</u>	<u>\$8,665,779</u>	<u>\$ 15,377</u>	<u>\$217,506</u>	<u>\$(2,033,729)</u>	<u>\$67,903,520</u>
\$ 430,822	\$1,929,346	\$ 98,587	\$278,404	\$(1,785,551)	\$ 951,608
2,063,076	(9,712)	-	-	-	2,053,364
2,493,898	1,919,634	98,587	278,404	(1,785,551)	3,004,972
26,137,511	6,437,069	-	-	-	32,574,580
1,635,090	-	-	-	-	1,635,090
77,707	-	-	-	-	77,707
27,850,308	6,437,069	-	-	-	34,287,377
30,344,206	8,356,703	98,587	278,404	(1,785,551)	37,292,349
23,884,979	-	-	-	-	23,884,979
5,180,727	-	-	-	-	5,180,727
5,500	-	-	-	-	5,500
29,071,206	-	-	-	-	29,071,206
136,954	309,076	(83,210)	(60,898)	(248,178)	53,744
1,486,221	-	-	-	-	1,486,221
1,623,175	309,076	(83,210)	(60,898)	(248,178)	1,539,965
30,694,381	309,076	(83,210)	(60,898)	(248,178)	30,611,171
<u>\$61,038,587</u>	<u>\$8,665,779</u>	<u>\$ 15,377</u>	<u>\$217,506</u>	<u>\$(2,033,729)</u>	<u>\$67,903,520</u>

The independent auditors' report should be read with these combining financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016					Total
	Bridgeway Capital	BDC	CDC	15CCD	Eliminations	
<b>REVENUES AND SUPPORT</b>						
Loan interest income	\$ 2,522,813	-	-	-	-	\$ 2,522,813
Loan fee and rental income	532,676	\$305,750	\$ 71,148	-	\$ (304,641)	604,933
Grants and contributions	10,838,457	-	-	-	-	10,838,457
Investment income	315,248	4,047	-	-	-	319,295
Net realized and unrealized gains (losses) on investments	6,926	-	-	-	401,564	408,490
<b>Total Revenue And Support</b>	<b>14,216,120</b>	<b>309,797</b>	<b>71,148</b>	<b>-</b>	<b>96,923</b>	<b>14,693,988</b>
<b>PROGRAM AND GENERAL EXPENSE</b>						
Program services	4,687,239	604,727	28,538	\$ 60,214	(59,641)	5,321,077
Management and general	1,268,926	43,236	26,981	3,184	-	1,342,327
Fundraising	131,463	-	-	-	-	131,463
<b>Total Program And General Expenses</b>	<b>6,087,628</b>	<b>647,963</b>	<b>55,519</b>	<b>63,398</b>	<b>(59,641)</b>	<b>6,794,867</b>
<b>Increase (Decrease) In Net Assets From Operations</b>	<b>8,128,492</b>	<b>(338,166)</b>	<b>15,629</b>	<b>(63,398)</b>	<b>156,564</b>	<b>7,899,121</b>
<b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>	<b>(6,367)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,367)</b>
<b>Changes In Net Assets</b>	<b>8,122,125</b>	<b>(338,166)</b>	<b>15,629</b>	<b>(63,398)</b>	<b>156,564</b>	<b>7,892,754</b>
<b>EQUITY CONTRIBUTION</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>822,660</b>	<b>(872,660)</b>	<b>-</b>
<b>Total Change In Net Assets</b>	<b>8,122,125</b>	<b>(288,166)</b>	<b>15,629</b>	<b>759,262</b>	<b>(716,096)</b>	<b>7,892,754</b>
<b>NET ASSETS/(DEFICIT)</b>						
Beginning of year	30,694,381	309,076	(83,210)	(60,898)	(248,178)	30,611,171
End of year	<u>\$38,816,506</u>	<u>\$ 20,910</u>	<u>\$ (67,581)</u>	<u>\$ 698,364</u>	<u>\$ (964,274)</u>	<u>\$38,503,925</u>



2015

Bridgeway Capital	BDC	CDC	15CCD	Eliminations	Total
\$ 2,358,540	\$ 22,167	-	-	\$ (54,663)	\$ 2,326,044
304,439	151,582	\$ 103,489	-	(82,327)	477,183
6,107,709	-	-	-	-	6,107,709
313,642	1,690	-	-	-	315,332
(663,042)	-	-	-	373,651	(289,391)
8,421,288	175,439	103,489	-	236,661	8,936,877
4,222,891	412,789	56,454	\$ 58,366	(70,273)	4,680,227
1,275,110	70,518	20,107	7,407	-	1,373,142
158,300	-	-	-	-	158,300
5,656,301	483,307	76,561	65,773	(70,273)	6,211,669
2,764,987	(307,868)	26,928	(65,773)	306,934	2,725,208
(12,263)	-	-	-	-	(12,263)
2,752,724	(307,868)	26,928	(65,773)	306,934	2,712,945
-	480,746	-	10,000	(490,746)	-
2,752,724	172,878	26,928	(55,773)	(183,812)	2,712,945
27,941,657	136,198	(110,138)	(5,125)	(64,366)	27,898,226
<u>\$30,694,381</u>	<u>\$309,076</u>	<u>\$ (83,210)</u>	<u>\$ (60,898)</u>	<u>\$ (248,178)</u>	<u>\$30,611,171</u>

The independent auditors' report should be read with these combining financial statements.

**BRIDGEWAY CAPITAL, INC. AND AFFILIATES**

**COMBINING STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016						
	Bridgeway Capital				BDC		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Total
Personnel	\$1,622,548	\$ 739,954	\$ 111,985	\$2,474,487	-	-	-
Provision for loan losses	785,766	-	-	785,766	-	-	-
Investor interest	1,134,008	-	-	1,134,008	\$ 58,384	-	\$ 58,384
General and administrative	284,600	231,521	7,936	524,057	503,807	-	503,807
Professional and subcontracted services	212,833	253,414	5,004	471,251	42,536	\$43,236	85,772
Occupancy	110,948	44,037	6,538	161,523	-	-	-
Grants	536,536	-	-	536,536	-	-	-
	<u>\$4,687,239</u>	<u>\$1,268,926</u>	<u>\$ 131,463</u>	<u>\$6,087,628</u>	<u>\$604,727</u>	<u>\$43,236</u>	<u>\$647,963</u>

	2015						
	Bridgeway Capital				BDC		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Total
Personnel	\$1,837,425	\$ 692,162	\$ 118,715	\$2,648,302	-	-	-
Provision for loan losses	757,421	-	-	757,421	-	-	-
Investor interest	910,218	-	-	910,218	\$ 65,695	-	\$ 65,695
General and administrative	237,294	183,674	6,972	427,940	300,993	-	300,993
Professional and subcontracted services	138,154	366,514	27,026	531,694	46,101	\$70,518	116,619
Occupancy	100,320	32,760	5,587	138,667	-	-	-
Grants	242,059	-	-	242,059	-	-	-
	<u>\$4,222,891</u>	<u>\$1,275,110</u>	<u>\$ 158,300</u>	<u>\$5,656,301</u>	<u>\$412,789</u>	<u>\$70,518</u>	<u>\$483,307</u>

2016

CDC			15CCD			Eliminations	Total Expenses
Program Services	Management and General	Total	Program Services	Management and General	Total		
-	-	-	-	-	-	-	\$2,474,487
-	-	-	-	-	-	-	785,766
-	-	-	-	-	-	-	1,192,392
\$ 23,543	\$ 13,351	\$ 36,894	\$ 11,214	-	\$ 11,214	\$ (59,641)	1,016,331
4,995	13,630	18,625	49,000	\$ 3,184	52,184	-	627,832
-	-	-	-	-	-	-	161,523
-	-	-	-	-	-	-	536,536
<u>\$ 28,538</u>	<u>\$ 26,981</u>	<u>\$ 55,519</u>	<u>\$ 60,214</u>	<u>\$ 3,184</u>	<u>\$ 63,398</u>	<u>\$ (59,641)</u>	<u>\$ 6,794,867</u>

2015

CDC			15CCD			Eliminations	Total Expenses
Program Services	Management and General	Total	Program Services	Management and General	Total		
-	-	-	-	-	-	-	\$2,648,302
-	-	-	-	-	-	\$ 66,707	824,128
-	-	-	-	-	-	(54,663)	921,250
\$ 42,640	\$ 9,557	\$ 52,197	\$ 1,866	-	\$ 1,866	(82,317)	700,679
13,814	10,550	24,364	56,500	\$ 7,407	63,907	-	736,584
-	-	-	-	-	-	-	138,667
-	-	-	-	-	-	-	242,059
<u>\$ 56,454</u>	<u>\$ 20,107</u>	<u>\$ 76,561</u>	<u>\$ 58,366</u>	<u>\$ 7,407</u>	<u>\$ 65,773</u>	<u>\$ (70,273)</u>	<u>\$ 6,211,669</u>

The independent auditors' report should be read with these combining financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>REVENUES AND SUPPORT</b>		
Loan interest income	\$ 2,522,813	\$ 2,326,044
Loan fee and rental income	604,933	477,183
Grants and contributions	10,838,457	6,107,709
Investment income	319,295	315,332
Net realized and unrealized gains (losses) on investments	<u>408,490</u>	<u>(289,391)</u>
 Total Revenue And Support	 14,693,988	 8,936,877
 <b>PROGRAM AND GENERAL EXPENSE</b>		
Program services	5,321,077	4,680,227
Management and general	1,342,327	1,373,142
Fundraising	<u>131,463</u>	<u>158,300</u>
 Total Program And General Expenses	 <u>6,794,867</u>	 <u>6,211,669</u>
 Increase In Net Assets From Operations	 7,899,121	 2,725,208
 <b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>		
	<u>(6,367)</u>	<u>(12,263)</u>
 Changes In Net Assets	 7,892,754	 2,712,945
 <b>NET ASSETS</b>		
Beginning of year	<u>30,611,171</u>	<u>27,898,226</u>
 End of year	 <u>\$38,503,925</u>	 <u>\$30,611,171</u>

The independent auditors' report should be read with these combined financial statements.

REPORTING UNDER *GOVERNMENT AUDITING STANDARDS* AND UNIFORM GUIDANCE



Big Thinking. Personal Focus.

**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**

To the Boards of Directors  
Bridgeway Capital, Inc. and Affiliates  
Pittsburgh, Pennsylvania

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 combined financial statements of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC), and 15CCD Corporation (15CCD), collectively referred to as the Organization, which comprise the combined statement of financial position as of September 30, 2016, and the related combined statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 20, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the combined financial statements, we considered the Organization'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combined 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 may 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 might exist that have not been identified.

Schneider Downs & Co., Inc.  
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An Association of  
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***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's combined 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 the combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
January 20, 2017

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity/ Identifying Number</u>	<u>Federal Expenditures</u>
<b>SMALL BUSINESS ADMINISTRATION</b>			
Microloan Program (loans)	59.046	N/A	\$ 402,613
Microloan Program - 2015 (TA)	59.046	SBAHQ-15-Y-00138	119,744
Microloan Program - 2016 (TA)	59.046	SBAHQ-16-Y-0055	<u>52,607</u>
Total Small Business Administration			574,964
<b>DEPARTMENT OF THE TREASURY</b>			
Community Development Financial Institutions Program - 2014 (FA)	21.020	141FA012561	459,440
Community Development Financial Institutions Program - 2014 (HFFI-FA)	21.020	141FA012561	396,637
Community Development Financial Institutions Program - 2015 (FA)	21.020	151FA013422	797,803
Community Development Financial Institutions Program - 2015 (HFFI-FA)	21.020	141FA013422	<u>173,169</u>
Total Department of the Treasury			<u>1,827,049</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,402,013</u></u>

This schedule should be read with the independent auditors' report on internal control.



BRIDGEWAY CAPITAL, INC. AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC) and 15CCD Corporation (15CCD), collectively referred to as the Organization, for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the combined financial position, changes in net assets or cash flows of the Organization.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



Big Thinking. Personal Focus.

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

To the Boards of Directors  
Bridgeway Capital, Inc. and Affiliates  
Pittsburgh, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates', Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC), and 15CCD Corporation (15CCD) (collectively referred to as the Organization), compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2016. The Organization'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 Organization'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 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). Those standards and the Uniform Guidance 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 Organization'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 Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

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***Report on Internal Control Over Compliance***

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

***Purpose of Report***

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.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
January 20, 2017

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> no	
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no	

Federal Awards:

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> no	
Type of auditors' report on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	<u>  X  </u> no	

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs</u>
21.020	Community Development Financial Institutions Program
59.046	Small Business Administration Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Uniform Guidance audit.

There were no findings in the current year required to be reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the 2 CFR 200.516(a).

There were no findings in the current year required to be reported.

The independent auditors' report on compliance should be read with this schedule.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Finding Number</u>	<u>Finding</u>	<u>Status</u>
	There were no prior-year audit findings.	

The independent auditors' report on compliance should be read with this schedule.



Dr. Gertrude A. Barber  
Foundation

*Making dreams come true.*

January 26, 2017

Mr. Perry Wood  
ECGRA  
5340 Fryling Road Suite 201  
Erie, PA 16510

Dear Perry,

On behalf of all of us here at the Barber National Institute, thank you for your sponsorship of \$5,000.00 in support of the **2016 Barber Bash on the Bay~ A Love Erie Holiday Event!** Your gift was processed 4/5/2016. ECGRA helped make this event a success, and we are truly grateful for your wonderful commitment to the mission and vision of our organization.

What you may not realize is that your sponsorship also supported another very special event, the Christmas Party held the day after the Ball for adults with disabilities from throughout the region. More than 400 individuals gathered at the Bayfront Convention Center to enjoy the same beautiful decorations as well as wonderful entertainment and refreshments for a truly meaningful holiday celebration made possible because of your generosity. Thanks to you, dreams really do come true for the children, adults and families who rely on the programs and services the Barber National Institute provides.

Perry, thank you for your very special support of the **2016 Barber Bash on the Bay.** Your friendship means the world to the children, adults and families who turn to the Barber National Institute for hope and opportunity.

I wish you the very best in 2017!

Sincerely,

*Laura*  
Laura R. Schaaf  
Director of Giving

LRS/bak

Enclosure

*Perry ~  
Thank you for  
your continued  
support of these  
magical holiday  
events!*



**THANK YOU!**



For more information about the Barber National Institute and to see photos from the 2016 Christmas Ball, please visit our website at [www.BarberInstitute.org](http://www.BarberInstitute.org).

# NORTHWESTERN COMMUNITY EDUCATIONAL FOUNDATION

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100 Harthan Way, Albion, PA 16401

Phone (814) 756-9400

[ncef@nwsd.org](mailto:ncef@nwsd.org)

January 19, 2017

Erie County Gaming Revenue Authority  
5340 Fryling Road  
Suite 201  
Erie, PA 16510

Dear Friends,

On behalf of the Northwestern Community Educational Foundation, I wanted to thank you for the recent grant awarded to our group as part of the School District Foundation Endowment Challenge. The funds will be added to our permanent endowment as stated in our application. Your generous support of local organizations such as ours is greatly appreciated.

Again, many thanks to you for choosing our organization and supporting our continuing efforts in educational improvements for our students.

Sincerely,



Paul P. Sachar  
Treasurer



Mr. Perry Wood, Executive Director  
Erie County Gaming Revenue Authority  
5340 Fryling Road, Suite 201  
Erie, PA 16510

January 9, 2017

Dear Mr. Wood,

On behalf of the Mercy Hilltop Center members, board of directors, staff and all the older adults served by the Center, thank you for the grant to enhance technology at the Center. The grant provides an opportunity for the Center to become a more efficient and effective work environment, therefore enhances the Center's quality of service to Erie area's older adults. You have made a positive difference for older adults and seniors.

Thank you for all you and the ECGRA do to improve the quality of life for so many. The Center wishes you the best, and positive community support.

Sincerely,

  
Jamie Johnson  
Executive Director

*Thank you!*



April 07, 2016



Providing Shelter, Counseling,  
Advocacy, Legal Representation,  
Education & Transitional Housing for  
Survivors of Domestic Violence

Erie County Gaming Revenue Authority  
ATTN Perry Wood  
5340 Fryling Road  
Suite 201  
Erie, PA 16510-4672

Dear Mr. Wood

Thank you very much for your donation of a partial grant in the amount of \$5,400.00 dated 4/1/2016 to SafeNet in support of our mission. We will be sure to use this grant money to carry out the events we listed with your organization.

This year your support is more important than ever. In 2015 we experienced a year of funding cuts, a lengthy budget impasse and an increasing number of Erie County residents seeking SafeNet services. SafeNet has worked hard to provide the same level of services to clients and their children even with all these challenges.

With 1 out of 4 persons experiencing domestic violence in their lifetime, SafeNet's services are needed more than ever and your support is very much appreciated.

Sincerely,

*Linda Lyons King*  
Linda Lyons King  
Executive Director

*It means a lot to have  
designated operating capital  
for our events.  
Thank you!*

Please save this document for your tax records. It is your acknowledgment as required by IRS regulations. No goods or services have been provided in exchange for all or part of the above cash gift.

The official registration and financial information for SafeNet may be obtained from the Pennsylvania Department of State Bureau of Charitable Organizations by calling 1-800-732-0999. SafeNet, Domestic Violence Safety Network is registered as charitable organization No. 181 under the Solicitation of funds for Charitable Purposes Act, 10 P.S. Section 162.1 et seq., and is authorized to solicit charitable contributions under the conditions and limitations set forth under the Act.

**SafeNet**  
Domestic Violence Safety Network

1702 French Street • Erie, Pennsylvania 16501 • PHONE (814) 455-1774 • FAX (814) 314-1506 • www.safeneterie.org

# VIEWPOINT

## OUR VIEW

### A deal is a deal; restore Erie's casino fees

The issue: Lawmakers try to fix casino fee  
Our view: Erie County's stake must be protected

**P**ennsylvania's broke. A nearly \$2 billion shortfall is projected for 2017-18 and Gov. Tom Wolf says he won't seek any broad-based tax increases.

Instead, Wolf has been cutting costs and streamlining government in the weeks leading to his February budget address. A state prison and two state hospitals for people with intellectual disabilities will be shuttered.

Unfilled state jobs will be eliminated. State information technology and human resources services will be consolidated, as will four state health agencies.

School funding remains a problem, and not just for poor urban districts like Erie's. As Erie Times-News reporter Valerie Myers detailed, Fairview School District is seeking to raise taxes above its state-imposed ceiling in order to meet its pension obligations.

The Pennsylvania State System of Higher Education has announced some of Pennsylvania's state colleges might have to merge or close.

A legislative fix for casino host fees for places like Erie, home to Presque Isle Downs & Casino, must not get lost in the hunt for viable revenue streams.

Communities that host casinos agreed to do so as part of a bargain. They would open their communities to legalized gambling and all that vice entails, including an increased demand on infrastructure and police and fire services, in exchange for a portion of the local casino's revenue.

Erie County alone received about \$11 million a year in host fees from Presque Isle Downs & Casino, with about half going to the Erie County Gaming Revenue Authority, Summit Township, where the casino is located, collected roughly \$1.2 million a year.

That's not petty cash. The Gaming Revenue Authority has invested about \$43 million in vital regional projects, supporting job creation, education and area festivals, since 2009.

After the state Supreme Court in September declared the host fees unconstitutional, the legislative fix got bogged down. The House saddled new host fee legislation with gaming expansions meant to generate \$100 million in additional state revenues.

So now the issue is back as the newly sworn-in Legislature begins its work.

State Rep. Pat Harkins, of Erie, D-1st Dist., and newly elected state Sen. Dan Laughlin, of Millcreek Township, R-49th Dist., both say they recognize the importance of this casino cash.

Harkins has called it "priority number one." But he also rightly noted that there will be other lawmakers from areas that do not host casinos looking to claim a piece of this action.

Whatever solution is devised, local lawmakers must do their utmost to ensure that Erie County residents, who assumed the burdens and risks of legalized gaming within their community, receive their fair share, especially now when the region is on the brink of promising, expensive initiatives that promise lasting recovery.

# CITY & REGION

Doug Oathout  
Executive editor  
870-1698  
doug.oathout@timesnews.com

## Still no gambling law fix

Erie-area lawmakers applaud extension aimed at working out a permanent solution

By Kevin Flowers  
kevin.flowers@timesnews.com

The Pennsylvania Supreme Court has given the state's legislators more time to come up with a permanent fix regarding an earlier court



Laughlin



Harkins

decision that has jeopardized millions of dollars that casinos pay to host communities across Pennsylvania.

State Rep. Pat Harkins of

Erie, D-1st Dist., said that decision is both "crucial" and a wake-up call for the state Legislature.

"I think it was essential given the time frame we have to work with," Harkins said. "And with the reorganizing of the House and Senate, (Gov. Tom Wolf's upcoming) budget address and all the other issues involved, the courts realized that in

order for us to address this critical issue it was in everyone's best interest to grant the extension.

"It is anyone's guess at this point what the final product will look like," Harkins said. "I am confident that we can reach a consensus with everyone involved and find common ground with a bill that can pass the House and Senate ... that will be good

for the Commonwealth."

In a 6-1 decision on Jan. 20, the Supreme Court gave legislators until May 26 to create a new "local share assessment" on slot machines. The original deadline was Jan. 23.

The Supreme Court ruled on Sept. 28 that the effect of the current local share

See GAMBLING, B2

### GAMBLING

Continued from B1

assessment was unconstitutional because it treats the state's 12 casinos unequally.

A lawsuit filed by Mount Airy Casino in the Pocono Mountains argued the assessment violates the state constitution by imposing a heavier tax burden on lower-performing casinos.

State lawmakers, though, have failed to come up with a solution, even though potential remedies have been proposed.

That House passed a bill on Oct. 27 that requires the state's casinos to pay a \$10 million yearly fee to their host municipalities to cover costs associated with legalized gambling. However, the state Senate needs to take up the issue again before the legislation can move forward, and that has not happened.

Even though the Senate approved a gambling bill on Oct. 25 that included the \$10 million

host fee, that bill was changed by the House to include gaming expansions that would legalize internet and fantasy sports gambling that represent about \$100 million in new revenue for the state.

State Sen. Dan Laughlin of Millcreek Township, R-49th Dist., said legislators and Gov. Tom Wolf's administration "must work quickly to finalize legislation that will ensure the flow of funding from the casinos to counties and local entities continues unabated."

Wolf told the Erie Times-News in December that he was willing to work with legislators to forge a solution, in large part because he is concerned that Erie County and other communities that rely on gambling revenues could start to suffer financially.

Presque Isle Downs & Casino in Summit Township has paid county government about \$11 million each year since it opened in February 2007, with \$5.5 million going to the county and \$5.5 million to the Gaming Revenue Authority.

Summit Township also receives roughly \$1.2 million annually as the casino's host municipality, and four other municipalities near the casino — Millcreek, McKean, Waterford and Greene townships — receive smaller shares of slots revenue as the result of a 2008 lawsuit over how county government planned to use a portion of its gambling funds.

The county uses gambling revenues to fund libraries, award grants to various local agencies and to make payments on the county's existing long-term debt. Erie County Executive Kathy Dahlkemper's administration plugged \$5.5 million in gambling revenue into the county's \$98.7 million budget for 2017.

Laughlin said that failing to find a permanent fix to the local share issue could put the "burden of additional financial costs" directly onto taxpayers when it comes to social services and other projects and programs funded by casino revenues.

"This is an issue that has wide-ranging

impacts not only for Erie, but for communities across Pennsylvania," Laughlin said.

Justice David Wecht was the lone Supreme Court justice opposed to the extension. Wecht, in his dissent, was critical of state legislators for taking too long and lacking "the political will" to resolve the local share issue.

He also said the extension allows the state to "defy" its own constitution for a brief time, because "some entitlements will be required to pay a tax that this Court has declared unconstitutional."

Wecht wrote that while the legislative process can be complicated and present challenges, "this Court should not, and I dare say properly cannot, ease the burdens of democracy by suspending the Pennsylvania Constitution at the first sign of political gridlock."

Kevin Flowers can be reached at 870-1693 or by email. Follow him on Twitter at twitter.com/ETNflowers.

## ANOTHER VIEW

### GUEST VIEWPOINT

# Wolf administration works to support Erie's revitalization



Dennis Davin

**G**ov. Tom Wolf believes it is vitally important that we support well-rounded, well-balanced revitalization efforts statewide through a fiscally responsible approach. The administration remains steadfast in its commitment to all communities through the commonwealth to ensure Pennsylvania has schools that teach, jobs that pay and government that works.

Through the governor's leadership, we are doing our part to fix Harrisburg by taking a different approach for Pennsylvania and rebuilding the middle class by putting more people back to work and investing in good-paying jobs. To that end, the Department of Com-

and investing in the private sector to create and keep jobs in Pennsylvania.

Since Gov. Wolf appointed me secretary, I have had the fortunate opportunity to visit Erie on several occasions, and I am pleased to say we have worked with Erie to make some significant strides in moving its revitalization efforts forward, leaving me with a great sense of optimism about the city's future.

To continue these efforts, we are working to identify programs and resources within our agency that will assist with the priority projects that have been outlined by community leaders. Recently, however, misleading information regarding the DCED's Keystone Opportunity Zone (KOZ) and City Revitalization and Improvement Zone (CRIZ) programs has circulated, causing unnecessary alarm. We understand the positive impacts the KOZ and CRIZ programs can have on

on hold. In fact, there are at least three KOZs remaining within the city of Erie.

Most recently, DCED approved a 10-year extension of the KOZ designation at the former International Paper site to assist with business attraction efforts on that property.

Businesses located within previously approved KOZ designations remain eligible to apply for benefits under the program and are still being approved. DCED did receive and deny four applications for new KOZ designations statewide this year, none of which was in Erie.

In the case of the CRIZ program, results from the implementation of the first round of approvals revealed that changes were necessary for the recipients to receive the program's intended benefits. It is important that the program is efficient and successful before the approval of any additional zones. DCED has been working with the current

results as well as implementing reforms passed in Act 84 by the General Assembly.

KOZ and CRIZ are only two of dozens of resources available for Pennsylvania's communities, and the governor has instructed us to continue to work with our partner agencies at the state level to identify funding opportunities in order to realize a greater impact on our efforts in Erie and other communities throughout the commonwealth.

The governor has worked with our departments to make investments that are impactful in our communities. Last year, the city of Erie received funding that will provide significant support that will have long-lasting positive effects. Some of which include:

- The approval of a new Keystone Enterprise Zone designation for the city of Erie will address deteriorated, distressed and blighted industrial and manufacturing areas through a five-year

- Making available \$1,667,075 in Neighborhood Assistance Program tax credits leveraging \$2,599,600 that will be invested in projects serving distressed areas or supporting conservation efforts.
- The \$5 million in Redevelopment Assistance Capital program funding was announced for the Harbor Place project to help kick off a planned multimillion-dollar investment on Erie's bayfront.

- The Governor's Action Team secured commitments from Sterling Technologies and VNET that will lead to 335 new and existing jobs, and more than \$7.4 million in private investment.
- The administration is aware of a number of transformational private investments on the horizon within the city, and we look forward to continuing the conversations as to how we can best leverage these investments for continued growth and revitalization.

# CITY & REGION

Doug Oathout  
Executive editor  
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doug.oathout@timesnews.com

## Senators see disrepair of Erie schools on tour



Welding instructor Deema Bastian, at left, talks with state Sen. Dan Laughlin, center, of Millcreek, R-49th Dist., and state Sen. Scott Wagner, at right, of York, R-29th Dist., in the welding lab of Central Career and Technical School in Erie on Wednesday. Laughlin, Wagner and other state and local officials toured Central Tech because they were interested in seeing the condition of the building, which school officials say is in disrepair because of a lack of funding. PHOTOS BY CHRISTOPHER MILLETTE/ERIE TIMES-NEWS

By Nico Salvatore  
nico.salvatori@timesnews.com

The last time Dan Laughlin had set foot inside the Central Career and Technical School on Cherry Street, the year was 1976.

The freshman state senator from Millcreek Township was a student then, and on Wednesday, he returned to the Erie School District facility.

"It looks pretty much the same," said Laughlin, R-49th Dist., taking in the industrial activity and noise of students in shop class.

Clearly visible was a large hole in one of the ceiling tiles, and students in an adjacent room were designing projects on computers close to 10 years old. Dented-up lockers with faded paint suggestive of another era lined the hallways leading to the classrooms.

Laughlin had invited some of his colleagues from



State Sen. Scott Wagner, left, talks with Brian Polito, chief financial officer for the Erie School District, after a school tour Wednesday.

the state Senate to tour the 500,000-square-foot building, as well as the Northwest Pennsylvania Collegiate Academy, with school officials. He wanted them to see firsthand the crumbling school infrastructure and outdated equipment the district can't afford to repair or replace.

See SCHOOLS, B2

### Online

Read more stories about education in the Erie region:  
[GoErie.com/News/Education](http://GoErie.com/News/Education)

See more photos from state Sen. Scott Wagner's tour of Central Tech on Wednesday:  
[GoErie.com/photos](http://GoErie.com/photos)

# SCHOOLS

*Continued from B1*

State Sen. Scott Wagner, who is seeking the Republican nomination for governor, came along, as did a representative from the office of state Sen. Joe Scarnati, who is president pro tempore of the Senate. Julie Slomski, director of the governor's northwest regional office, attended as well.

Laughlin said he has invited Senate Majority Leader Jake Corman for another tour of district buildings in the near future.

"The way I see it, the more senators I can bring up here, the better," Laughlin said.

The Central Tech structure, where roughly 900 students are enrolled, was built in the 1950s, and almost no major renovations have been done since, said Brian Polito, the school district's chief financial officer.

"The kids are doing great things, but the building is crumbling around them," Polito told the Erie Times-News from inside the welding department, where flashes of light could be seen from behind red curtains as students welded with scrap metal donated to the school.

Later on, a trip to the swimming area revealed an empty diving pool. A few scattered sports balls, an empty plastic water bottle, and panels of broken wood lay at the bottom. The pool had been drained at the end of the last school year due to a broken filter. There is no money for a replacement.

During the tour, Wagner, of York, expressed disbelief.

"I'm ashamed of this," he said, lamenting the hundreds of millions of state dollars that he said were wasted on a failed project to upgrade computers at unemployment call centers throughout the state. Wagner feuded with Gov. Tom Wolf over the call centers and prevented a funding bill from going forward. That led to hundreds of layoffs late last year.

Wagner's visit was his second to the region in as many weeks. On Jan. 12, he brought his gubernatorial announcement tour to Lake City.

"We wasted so much money, and I come up to see this," Wagner added. "This is disgusting, and this is wrong. We're going to do something about it."

The Pennsylvania Democratic Party criticized Wagner's trip to Erie, drawing attention to his "no" vote on the 2016-17 state budget that included boosts in education spending.

"Today's trip was a cynical attempt by Harrisburg

politician Scott Wagner to distract voters from his plans to take us back to the days of billion dollar cuts to education," said Preston Maddock, Pennsylvania Democratic Party spokesman. "Wagner has been working in Harrisburg to undermine the very schools he used as a publicity stunt today in Erie."

The Erie School District has asked for \$31.8 million in additional state funding to stay solvent as part of a financial recovery plan sent to the state Department of Education in December.

The plan shows how the district can achieve financial stability, and Education Secretary Pedro Rivera has said state review of the plan will be finished by Jan. 27. The school district is hoping Gov. Wolf considers the plan as he prepares his proposed 2017-18 state budget, which will be released on Feb. 7.

The attention legislators paid to the school district on Wednesday encouraged Erie School Board President Frank Petrunger Jr.

"Seeing is believing," Petrunger said. "We're kind of in a standstill right now. Any help is well-received. I hope they go back to Harrisburg and explain the dire need here."

*Nico Salvatori can be reached at 870-1714 or by email. Follow him on Twitter at twitter.com/ETNsalvatori.*

# Five directors announced for community schools



Daria Devlin, far left, Erie School District Coordinator of Grants and Community Relations, introduces five women recently named to serve as community schools directors. From left, with hand raised, Tami Krzeszewski-Conway at Edison Elementary School, Katrina Byrd at Emerson-Gridley Elementary School, Sonia Rios at McKinley Elementary School, Meghan Easter at Pfeiffer-Burleigh School and Jamilla Gates at Wayne School. GREG WOHLFORD/ERIE TIMES-NEWS

By Gerry Weiss  
gerry.weiss@timesnews.com

With her two small dogs in tow, Katrina Byrd drove a rental car from Brooklyn, N.Y., to Erie last week, arriving early Thursday morning on Interstate 79 during a snowstorm.



The 49-year-old native New Yorker moved here after recently accepting a job as one of the directors for the “community schools” pilot program being launched at five city of Erie schools — a project bringing social services directly into school buildings, aiming to help thousands of city children in high-poverty households.

## Online Extras

Find more stories about education in the Erie region:  
[GoErie.com/News/Education](http://GoErie.com/News/Education)

Byrd, who said she is “still living out of boxes,” wasted no time getting to work. She spent Monday at

Emerson-Gridley, 816 Park Avenue, getting acclimated to the school she’ll be working in and meeting with Principal Timothy Sabol, who told Byrd the most pressing need for the community schools project revolved around behavioral health services.

See DIRECTORS, B2

# DIRECTORS

*Continued from B1*

She began three days of intense training on Tuesday with the four other new community schools directors, before they each officially start at their respective schools this coming Tuesday.

Byrd brings two years of experience working at a similar community school inside Public School 184 in the Brownsville section of Brooklyn, which has long been one of New York City's most dangerous neighborhoods, with escalating poverty and housing projects surrounding the school.

The community school in Brooklyn had been established for several years before Byrd joined the program.

At Emerson-Gridley, which has about 550 students, the community school will be at its inception — a challenge that drew Byrd to the position.

"I'm an innovator. I like to develop and create and see things grow," Byrd said Tuesday during a break in her training as the Erie School District and United Way of Erie County held a news conference to introduce the five new directors. "With my experience, I think we can make phenomenal

things happen for these kids and the community. Good changes not just for the children, but for their parents and families as well."

The new directors are all women, with the four other than Byrd — Tami Krzeszewski-Conway, 30; Sonia Rios, 40; Meghan Easter, 32, and Jamilla Gates, 31 — being Erie natives.

The new hires emerged out of a pool of about 200 candidates, said Daria Devlin, coordinator of grants and community relations for the district.

The candidates had backgrounds in numerous sectors, Devlin said, including social services, education and juvenile justice.

"Community schools are to help make sure our children with the greatest needs don't want, and don't continue to receive the least," Erie Schools Superintendent Jay Badams said to a group of about 60 people who attended Tuesday's news conference inside the fourth floor amphitheater at the district's administration building, 148 W. 21st St.

The five city schools participating in the community schools project are Emerson-Gridley, Edison, Pfeiffer Burleigh, Wayne and McKinley.

Krzeszewski-Conway, 30, the community schools director at Edison, said the project has "an amazing opportunity to connect all our assets and resources to our children right now."

She said one of her primary goals at Edison, which has about 520 students, is to engage the families and surrounding community to be part of the school.

Krzeszewski-Conway worked for nearly four years as a mental health case manager for Erie County Care Management. The Mercyhurst Preparatory School graduate earned a master's degree in social work at the University of Pittsburgh.

The community school initiative, which has been successful in other school districts nationwide, brings social services like health care, dental care and after-school programming directly into school buildings, making the services more accessible and available to students in one place.

With trained service providers in the building, teachers and administrators are freed to focus on education, coordinators said.

The annual salary for each full-time

community schools director is \$60,000, officials said.

The Erie School District and local United Way are coordinators of the project.

The corporate partners for the initiative — Hamot Health Foundation, GE Transportation, Erie Insurance, Highmark Blue Cross Blue Shield and Lord Corp. — were announced in August, and will combine to donate more than \$1 million to the project across the next three years.

The lead partners in the program, who employ the community school directors and take the lead in brokering additional programs and services for the project, are the Achievement Center, Gannon University, the United Way and Safe Harbor Behavioral Health.

*Gerry Weiss can be reached at 870-1884 or by email. Follow him on twitter at [twitter.com/ETNweiss](https://twitter.com/ETNweiss).*



# Erie Times-News

## Building the future



Penn State Behrend senior Wesley Hall, left, and junior John Nowakowski, both 23, stand inside a 3D imaging scanner both men are helping build at the school's makerspace in Harberscreek Township on Thursday.

### Makerspaces provide tools and room to dream and build

By Jim Martin  
jim.martin@timesnews.com

The word makerspace wasn't in the dictionary or even on even on anyone's lips when Mary Rennie started her library career 35 years ago.

But the concept of a makerspace — loosely defined as a shared space for making things — looms large as Rennie, executive director of the Erie County Public Library, looks ahead to a \$1 million renovation of the Blasco Library that's expected to be complete by the end of the year.

Plans include transforming about 5,000 square feet into a space called the IdeaLab, equipped with a range of equipment that is expected to include 3-D printers, sewing machines, vinyl-cutting equipment, laser engravers and metal-working tools.

What's happening at the library, however, only



John Nowakowski says he uses models like this 3D-printed Star Wars Imperial Star Destroyer to test the accuracy of the printers. PHOTOS BY GREG WOHLFORD/ERIE TIMES-NEWS

scratches the surface of a movement that's catching on in Erie County, where a number of makerspaces have sprung up to pair people with equipment and expertise.

Penn State Behrend's Innovation Commons, for instance, provides an opportunity for entrepreneurs and small businesses to develop

See BUILD, A5

To see more photos from the makerspace:

[GoErie.com/photos](http://GoErie.com/photos)

**What's a makerspace?**  
A place in which people with shared interests, especially in computing or technology, can gather to work on projects while sharing ideas, equipment and knowledge.

# BUILD

Continued from A1

product ideas with the help of high-tech tools and students with the expertise to guide them.

It's an arrangement that already has produced results, said Amy Bridger, Behrend's senior director of corporate strategy and external relations.

Among other projects, Innovations Commons provided space, equipment and brainpower for the development of Lace-N-Lock, an idea that originated with Hank Graygo, an Erie-area man whose wife had trouble tying her shoes after having hip surgery.

Faculty members connected Graygo with Wesley Hall, a Behrend student who tackled the challenge for his senior design project. His work would lead to the development of a product that enables the wearer to tighten his shoes without bending down.

The device is now in production, using a mold built by Port Erie Plastics.

At one level, the project is already a success.

"This is about getting the ideas out of your head and creating something," Bridger said.

Each of these spaces is different.

At McKean Elementary School, for instance, grade-school students who visit the library makerspace can try their hand at stations that allow them to conduct experiments, build things and learn the basics of computer coding.

At Mercyhurst Prepa-

that combines business and engineering. "I just saw it as a chance to maybe bring a product to market from nothing."

To a great extent, the makers movement can be found taking root in local school districts and public libraries.

Erin Wincek, who worked until this past week as Blasco Library coordinator, said she saw the enthusiasm generated by access to 3-D printers at a previous job at another library.

"It was so popular I can't even explain it," she said. "People came from all over to try out our equipment."

Both Rennie and Wincek see a well-equipped makerspace as an investment in the future.

"Right now, everyone has access to books, but not everyone has access to new technology and pieces of equipment," Wincek said. "It gives them a chance to try it out. Hopefully it will spark ideas."

Sparking ideas was the impetus behind a \$39,100 Erie County Gaming Revenue Authority grant to help the Fairview School District develop a Science, Technology and Math initiative that could be shared with other Erie County school districts.

"It's part of a movement to make education more relevant for people who learn by doing," said Perry Wood, executive director of the authority. "This is another way to unleash that creativity and invest in the way young people think about themselves and what they can contribute," he said.

The term makerspace is relatively new, but the concept isn't, Rennie

said. ratory School, the Bill and Audrey Hirt Dream Labs, completed in 2015, include a makerspace for computer-aided drafting and design, 3-D design and hands-on learning.

Meanwhile, Tech Tank LLC, located at 152 W. 12th St., is another makerspace geared toward entrepreneurs. Owner Brock Allen offers clients access to equipment and professional guidance as they work to transform their ideas into products.

The demand for a service like Tech Tank is a reflection of an economy that's changing and focused more on small business and entrepreneurs.

"That is where the opportunity is in the community," Allen said. "We have to create our own jobs."

Innovation Commons at Behrend is part of a growing university-based makerspace movement.

"We are interested in people who want to develop a new invention," said Jake Marsh, Behrend's industry relations coordinator. "We want to hear about it. We want to help you."

The availability of high-end equipment is part of the draw, he said. Perhaps more important, he said, is the access to students who know how to make the most of that equipment.

Innovation Commons gave Hall, a Pittsburgh native now living in Erie, a chance he could never have imaged.

"It was really for me probably the greatest thing I could have gotten involved in," said Hall, who is nearing completion of an interdisciplinary major

said.

"It really harkens back to the shop-type classes that some of us would have taken back in high school," she said. "I think that type of knowledge and learning is really important."

As vice president of economic development for the Erie Regional Chamber and Growth Partnership, Jake Rouch would like to see some entrepreneurs' vision turn into jobs.

But that's not the only measure of success for setting aside space and equipment for people to gather and make things.

"The benefit is that it creates a pathway for people to become entrepreneurs and just express themselves in whatever fashion that might be," Rouch said.

"Is there a potential for a home run? Of course there is," he said. "But if you don't get that home run, you just want to remove the barriers for people to take a shot at whatever their dream might be."

*Jim Martin can be reached at 870-1668 or by email. Follow him on Twitter at twitter.com/ETNMartin.*

## Group hosts information session

### Leaders learn more about community college plan

By Kevin Flowers  
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timesnews.com

Empower Erie, the nonprofit behind efforts to create an Erie County community college, hosted an event Thursday evening aimed at giving business and community leaders an opportunity to learn more about the plan.

The event took place at Erie Insurance at East Sixth and French streets, and Roy Church was

the featured speaker. Church, the retired president of Lorain County Community College, near Cleveland, is helping Empower Erie develop its community college plan.

Others expected to attend included Empower Erie's chairman, lawyer Ronald DiNicola; Erie County Council chairman and Erie mayoral candidate Jay Breneman; County Council members Andre Horton, Kathy Fatica and Flore Leone; and Mike Batchelor, president of the Erie Community Foundation.

County Council on

Dec. 21 signed off on allocating \$60,000 to study whether creating an Erie County community college is feasible. Previous efforts to organize a local community college failed for lack of a prime financial sponsor.

Empower Erie plans to hire a consulting firm familiar with community colleges to conduct the state-required feasibility study that will look at possible locations for the school; staffing requirements; community needs; accreditation; funding sources, and other factors.

The nonprofit's plan

has support from the Erie Community Foundation, the Erie County Gaming Revenue Authority and the Susan Hirt Hagen Fund for Transformational Philanthropy, which have contributed \$300,000 toward the effort.

The Hagen Fund and ECGRA have promised an additional \$3.7 million if Erie County Council ultimately votes to create a community college.

*Kevin Flowers can be reached at 870-1693 or by email. Follow him on Twitter at twitter.com/ETNflowers.*

# Council supports new formula for gambling revenues

By Kevin Flowers  
kevin.flowers@timesnews.com

The Pennsylvania Legislature is wrestling with how to come up with a permanent fix to a 2016 decision by the state Supreme Court that has jeopardized millions of dollars that casinos pay to host communities across Pennsylvania.

Erie City Council wants to see any resolution include money for both the city and the Erie School District.

City Council on Wednesday waived agenda rules and unanimously passed a resolution requesting that local state legislators support a plan that would set aside 10 percent of the slot machine revenues that Erie County government receives from Presque Isle Downs & Casino in Summit Township. That money would be distributed evenly between the city and the financially struggling school district.

The county has received about \$11 million in gambling revenues annually under state

law; 10 percent of that amount would be roughly \$1.1 million, or about \$550,000 each for the city and school district each year.

"We can't keep doing business as usual," said Councilman Bob E. Merski, who sponsored the resolution. "The way the money is distributed doesn't make sense."

Merski, before the 7-0 City Council vote, said the city has many of the region's cultural and entertainment assets, as well as a large share of tax-exempt properties, and it should benefit more directly from gambling funds.

"We are subsidizing the very things that are sucking taxes out of the city of Erie," said Merski, a Democratic candidate for mayor in the May 16 municipal primary.

Merski said he has written letters to local state legislators asking them to support his suggestion, including state Rep. Pat Harkins, of Erie, D-1st Dist., minority chairman of the House Gaming Oversight Committee.

Harkins said the committee plans to host a public hearing in Erie regarding potential fixes to the gaming law. He added that municipalities across the state are asking how they can get revenues from gambling, "so this is not unusual."

"Where we distribute it and how we distribute it is the issue, and it's an issue of fairness," Harkins said. "But I understand why (City Council) would take this position. We're a stone's throw from the facility but Erie deals with the pros and cons of gambling."

In a 6-1 decision Jan. 20, the Supreme Court gave legislators until May 26 to create a new local share assessment on slot machines. The original deadline was Jan. 23.

The Supreme Court ruled on Sept. 28 that the effect of the existing local share assessment was unconstitutional because it treats the state's 12 casinos unequally. A lawsuit filed by Mount Airy Casino argued the assessment violates the state constitution by imposing a

heavier tax burden on lower-performing casinos.

State lawmakers have failed to come up with a solution, even though potential remedies have been proposed. Gov. Tom Wolf has pledged to work closely with lawmakers to resolve the issue.

Presque Isle Downs has paid county government about \$11 million each year since it opened in February 2007, with \$5.5 million going to the county and \$5.5 million to the Gaming Revenue Authority.

Summit Township also receives roughly \$1.2 million annually as the casino's host municipality, and four other municipalities near the casino — Millcreek, McKean, Waterford and Greene townships — receive smaller shares of slots revenue as the result of a 2008 lawsuit over how county government planned to use a portion of its gambling funds.

The county uses gambling revenues to fund libraries, award grants to various local agencies and to make payments

on the county's long-term debt.

The Gaming Revenue Authority has invested about \$43 million into the region from its share of gambling revenues since 2009, according to Perry Wood, the authority's executive director. That is when the authority began distributing grants and loans to various agencies, nonprofits and municipalities to improve public spaces; create jobs via small businesses; expand education and training, and help fund local festivals and other community events.

However, now that the local share assessment formula must be revamped, City Council wants state legislators to keep Erie and its school district in mind.

"The door's been opened now," City Council President Cas Kwitowski said. "We should try to jump in."

Kevin Flowers can be reached at 870-1693 or by email. Follow him on Twitter at [twitter.com/ETNflowers](https://twitter.com/ETNflowers).



January 27, 2017

James Sparber  
Finance Director  
Erie County Courthouse  
140 W 6<sup>th</sup> Street, Room 111  
Erie, PA 16501-1011

Dear Mr. Sparber:

In accordance with the Pennsylvania Race Horse Development and Gaming Act of 2004, as amended, (the Act) the Department is required to distribute quarterly the Local Share Assessment collected to the municipalities in which a licensed gaming entity is located. The distribution is based on the amount of money collected less a reserve to cover pending promotional item refunds. Once all refunds have been processed any remaining reserve will be distributed.

An ACH for the fourth quarter of 2016 payment in the amount of \$8,665,284.09 should be deposited in your bank account within 3 - 5 business days. Any reductions to the Gross Terminal Revenue (GTR) for promotional items is the result of the Gaming Bulletin 2015-01 and the Pennsylvania Supreme Court's April 28, 2014 decision in Greenwood Gaming and Entertainment Incorporated v. Commonwealth of Pennsylvania, Department of Revenue (90 A.3d 699 (Pa. 2014)).

If you have any questions, please contact me at 717-772-4372.

Sincerely,

*Shawn Barnes*  
Shawn Barnes, Director  
Bureau of Fiscal Management

<i>unrestricted</i>	067-021010-042100	4,332,642.05
<i>restricted</i>	067-021050-042100	4,332,642.04
	<i>total</i>	<u>8,665,284.09</u>



**Revenue Dashboard  
by Quarter  
2007 - 2016 YTD**



Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2007	201,418.07	562,082.72	867,508.44	3,507,952.54	5,138,961.77
2008	366,211.37	672,936.98	941,125.00	4,063,561.53	6,043,834.88
2009	407,507.87	701,525.21	898,525.69	4,060,932.24	6,068,491.01
2010	385,476.85	665,559.96	962,909.94	4,073,449.24	6,087,395.99
2011	393,440.61	636,302.96	903,421.25	4,166,222.13	6,099,386.95
2012	356,241.99	554,752.50	794,443.73	4,114,583.35	5,820,021.57
2013	318,869.71	374,557.04	701,478.54	4,261,932.00	5,656,837.29
2014	281,934.65	315,628.24	584,126.03	4,350,692.65	5,532,381.57
2015	264,934.67	308,566.19	541,749.43	4,390,710.21	5,505,960.50
2016	271,003.84	300,719.61	507,757.83	4,332,642.04	5,412,123.32
	<b>3,247,039.63</b>	<b>5,092,631.41</b>	<b>7,703,045.88</b>	<b>41,322,677.93</b>	<b>57,365,394.85</b>

