

GRIFFISS LOCAL
DEVELOPMENT
CORPORATION AND
SUBSIDIARIES

For the Year Ended
December 31, 2020

CONSOLIDATED
FINANCIAL STATEMENTS
AND SUPPLEMENTAL
SCHEDULES

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

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Independent Auditor's Report

Board of Directors

Griffiss Local Development Corporation and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Griffiss Local Development Corporation (a nonprofit organization) and subsidiaries, Cardinal Griffiss Realty, LLC, and 99 Otis Street, LLC, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Griffiss Local Development Corporation and subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplemental schedules, as described in the table of contents, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

D'Arcangelo + Co., LLP

March 25, 2021

Utica, New York

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,703,731	\$ 1,345,335
Accounts Receivable, Net	42,025	49,291
Due from Related Organizations	22,161	25,300
Grants Receivable	100,000	883,699
Prepaid and Other Assets - Current	<u>67,298</u>	<u>46,092</u>
Total Current Assets	<u>2,935,215</u>	<u>2,349,717</u>
Property		
Land	3,514,714	3,962,538
Building and Site Improvements	40,877,710	40,374,027
Roadways and Improvements	5,203,440	5,203,440
Railways and Improvements	1,686,767	1,686,767
Utility Improvements	582,831	582,831
Signage	230,672	230,672
Furniture, Fixtures, and Equipment	812,037	763,790
Vehicles and Automotive Equipment	<u>272,314</u>	<u>254,022</u>
Total Property	53,180,485	53,058,087
Accumulated Depreciation	<u>(27,593,234)</u>	<u>(26,280,400)</u>
Net Property	<u>25,587,251</u>	<u>26,777,687</u>
Other Long-Term Assets		
Prepaid and Other Assets	0	24,975
Lease Acquisition Costs, Net	325,003	339,073
Project Costs, Net	1,934,246	2,095,434
Goodwill	<u>132,000</u>	<u>132,000</u>
Total Other Long-Term Assets	<u>2,391,249</u>	<u>2,591,482</u>
Total Assets	<u>\$ 30,913,715</u>	<u>\$ 31,718,886</u>

(Continued)

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

(Continued)

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 180,721	\$ 138,816
Retainage Payable	0	314,866
Due to Related Organization	32,429	31,989
Deferred Revenue	112,318	70,913
Lines of Credit	0	706,958
Current Maturities of Long-Term Debt	<u>643,924</u>	<u>653,932</u>
Total Current Liabilities	<u>969,392</u>	<u>1,917,474</u>
Long-Term Liabilities		
Capital Improvement Reserve	412,936	441,144
Railroad Improvement Fund	63,000	57,000
Compensated Absences	29,079	19,180
Construction Loan	410,690	2,463,846
Long-Term Debt	<u>7,668,483</u>	<u>6,282,656</u>
Total Long-Term Liabilities	<u>8,584,188</u>	<u>9,263,826</u>
Net Assets		
Net Assets without Donor Restrictions		
Controlling Interests	19,638,189	19,011,636
Noncontrolling Interests	<u>1,721,946</u>	<u>1,525,950</u>
Total Net Assets	<u>21,360,135</u>	<u>20,537,586</u>
Total Liabilities and Net Assets	<u>\$ 30,913,715</u>	<u>\$ 31,718,886</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue, Gains and Support		
Building Lease Income	\$ 3,384,112	\$ 3,070,476
Other Lease Related Income	382,794	482,866
Federal, New York State and Local Grants	630,786	1,308,161
Snowplowing and Lawn Maintenance	317,819	321,756
Payments In Lieu of Taxes	181,719	181,719
Interest Income	10,482	6,159
Reimbursements and Refunds	61,216	80,593
Other Income	285,259	77,758
Net Gain on Sales of Property	<u>1,030,630</u>	<u>38,097</u>
Total Revenue, Gains and Support	<u>6,284,817</u>	<u>5,567,585</u>
Expenses		
Program Services		
Redevelopment and Leasing	3,416,965	3,217,086
Marketing and Promotion	20,397	23,578
Supporting Services		
Management and General	<u>416,429</u>	<u>401,967</u>
Total Expenses	<u>3,853,791</u>	<u>3,642,631</u>
Increase in Net Assets		
Before Other Changes	2,431,026	1,924,954
Other Changes		
Depreciation and Amortization Expense	(1,608,477)	(1,418,112)
Equity Contribution by Noncontrolling Member of Subsidiary	<u>0</u>	<u>350,000</u>
Increase in Net Assets	822,549	856,842
Net Assets, Beginning of Year	<u>20,537,586</u>	<u>19,680,744</u>
Net Assets, End of Year	<u><u>\$ 21,360,135</u></u>	<u><u>\$ 20,537,586</u></u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2020
(With Comparative Totals For the Year Ended December 31, 2019)**

	Program Services		Supporting Services		Total	
	Redevelopment and Leasing	Marketing and Promotion	Management and General		2020	2019
Salaries	\$ 499,219	\$ 0	\$ 22,903	\$	522,122	\$ 464,211
Employee Benefits	143,237	0	7,143		150,380	157,965
Payroll Taxes	39,318	0	1,961		41,279	38,604
Professional Services	119,033	0	83,950		202,983	197,754
Information Technology	4,800	0	0		4,800	10,306
Outside Consultants	66,633	0	0		66,633	66,468
Occupancy	1,250	0	15,252		16,502	16,227
Contracted Services	231,468	0	0		231,468	117,250
Insurance	144,472	0	15,948		160,420	118,850
Office Expenses	0	0	28,199		28,199	28,406
Service Fees	285,609	18,052	233,180		536,841	521,160
Travel	45,694	0	0		45,694	64,846
Repairs and Maintenance	489,927	0	390		490,317	512,156
Lease Related Expenses	784,950	0	0		784,950	749,935
Minor Equipment	54,486	0	0		54,486	79,827
Depreciation and Amortization	1,608,477	0	0		1,608,477	1,418,112
Interest Expense	450,624	0	0		450,624	433,766
Marketing and Advertising	7,063	2,345	0		9,408	12,841
Transportation Rebate	45,000	0	0		45,000	45,000
Other Expenses	4,182	0	7,503		11,685	7,059
Total Functional Expenses	\$ 5,025,442	\$ 20,397	\$ 416,429	\$	5,462,268	\$ 5,060,743

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services		Supporting Services	
	Redevelopment and Leasing	Marketing and Promotion	Management and General	Total
Salaries	\$ 445,500	\$ 0	\$ 18,711	\$ 464,211
Employee Benefits	150,855	0	7,110	157,965
Payroll Taxes	36,867	0	1,737	38,604
Professional Services	123,671	0	74,083	197,754
Information Technology	10,306	0	0	10,306
Outside Consultants	66,468	0	0	66,468
Occupancy	0	0	16,227	16,227
Contracted Services	117,250	0	0	117,250
Insurance	93,157	0	25,693	118,850
Office Expenses	0	0	28,406	28,406
Service Fees	277,638	16,850	226,672	521,160
Travel	64,846	0	0	64,846
Repairs and Maintenance	512,156	0	0	512,156
Lease Related Expenses	749,935	0	0	749,935
Minor Equipment	79,827	0	0	79,827
Depreciation and Amortization	1,418,112	0	0	1,418,112
Interest Expense	433,766	0	0	433,766
Marketing and Advertising	6,113	6,728	0	12,841
Transportation Rebate	45,000	0	0	45,000
Other Expenses	3,731	0	3,328	7,059
Total Functional Expenses	\$ 4,635,198	\$ 23,578	\$ 401,967	\$ 5,060,743

The Accompanying Notes are an Integral Part of These Financial Statements

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 822,549	\$ 856,842
Adjustments for Noncash Transactions		
Depreciation and Amortization	1,608,477	1,418,112
Net (Gain) on Sale of Property	(1,030,630)	(38,097)
Non-cash Interest	8,238	5,734
Equity Contribution from Noncontrolling Member	0	(350,000)
(Increase) Decrease in Assets		
Accounts Receivable	7,266	27,794
Due from Related Organizations	3,139	31,745
Grants Receivable	783,699	(361,706)
Prepaid and Other Assets	3,769	153,169
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	41,905	(581,930)
Retainage Payable	(314,866)	88,024
Due to Related Organization	440	(5,572)
Deferred Revenue	41,405	(51,220)
Compensated Absences	9,899	(7,154)
Net Cash Provided by Operating Activities	<u>1,985,290</u>	<u>1,185,741</u>
Cash Flows From Investing Activities		
Proceeds on Sale of Property	1,643,266	534,396
Use of Capital Improvement Reserve	(193,019)	0
Capital Expenditures	(594,311)	(5,237,269)
Lease Acquisition Costs	<u>(96,297)</u>	<u>(181,831)</u>
Net Cash Provided (Used) by Investing Activities	<u>759,639</u>	<u>(4,884,704)</u>
Cash Flows From by Financing Activities		
Net (Repayments) under Lines of Credit	(706,958)	(133,042)
Railroad Improvement Fund	6,000	6,000
Proceeds of Long-Term Debt	939,283	2,663,846
Payment of Long-Term Debt	(1,624,858)	(837,213)
Equity Contribution from Noncontrolling Member	0	350,000
Net Cash Provided (Used) by Financing Activities	<u>(1,386,533)</u>	<u>2,049,591</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,358,396	(1,649,372)
Cash and Cash Equivalents, Beginning of Year	<u>1,345,335</u>	<u>2,994,707</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,703,731</u>	<u>\$ 1,345,335</u>

Supplemental Cash Flow Disclosures

Cash Paid During the Year For:		
Interest (net of capitalized interest of \$53,257 in 2019)	<u>\$ 454,323</u>	<u>\$ 431,146</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Griffiss Local Development Corporation (GLDC) is a nonprofit organization whose primary purpose is to redevelop the former Griffiss Air Force Base in Rome, New York, and, among other things, develop the Griffiss Business and Technology Park. To accomplish this objective, GLDC maintains contact with the U.S. Air Force, Department of Defense, related Federal agencies, and other agencies of state and local government, encourages community input for redevelopment plans, borrows funds and may buy, sell, improve, maintain, and lease former base property. A significant portion of GLDC's activities are funded by revenues derived from the leasing and sale of property and related income. In addition, GLDC receives grants from New York State or its agencies. These grants are generally earmarked for capital improvements and economic development activities within the Griffiss Business and Technology Park.

Principles of Consolidation

The consolidated financial statements include the accounts of GLDC and its subsidiaries, Cardinal Griffiss Realty, LLC (CGR) and 99 Otis Street, LLC (99 Otis St.). Intercompany transactions have been eliminated.

CGR was formed during 2010 with GLDC as the 99.99% owner. The primary purpose was to acquire certain property, construct a building, and to enter into a sublease agreement with Assured Information Security, Inc. Economic Development Growth Enterprises Corporation (EDGE) holds the noncontrolling (.01%) interest in CGR.

99 Otis St. was formed during 2018 with the primary purpose of facilitating and supporting the corporate purposes of GLDC (55% member) and New York State Technology Enterprise Corporation (NYSTEC) (45% member), both New York State not-for-profit corporations, and in particular maintaining, owning, operating, developing, financing, and leasing one or more properties for the purposes of providing facilities for the provision of services to maintain, strengthen, and expand the uses and viability of the former Griffiss Air Force Base in the City of Rome, NY.

Basis of Presentation

These consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The focus is on the corporation as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by reporting information regarding financial position and activities according to two classes: net assets without donor restrictions or net assets with donor restrictions. At December 31, 2020 and 2019, GLDC only maintained net assets without donor restrictions.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, GLDC and its subsidiaries consider all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Receivables are carried at unpaid balances, less an allowance for uncollectible amounts. A provision has been established for accounts receivable which may ultimately prove to be uncollectible. The basis for the provision is an analysis of current accounts. The allowance for doubtful accounts is \$10,070 for each of the years ended December 31, 2020 and 2019. Grants receivable and amounts due from related organizations have been deemed to be fully collectible, therefore, an allowance has not been established.

Property and Depreciation

GLDC capitalizes certain expenditures for land, building and site improvements, roadways and improvements, railways and improvements, utility improvements, signage, and vehicles and automotive equipment located in the Griffiss Business and Technology Park. GLDC also capitalizes expenditures for office equipment which exceed \$5,000. Expenditures for improvements to property used in the property rental program are capitalized and depreciated over the life of the lease. All other capitalized expenditures are depreciated over the useful life of the property and recorded at historical cost if purchased or fair value if contributed. Depreciation is recorded using the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Building and Site Improvements, Roadways and Improvements, Railways and Improvements, and Utility Improvements	3-39 Years
Signage, Office Equipment, and Vehicles and Automotive Equipment	3-7 Years

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CGR has recorded the total costs incurred for construction of a building. These costs included interest costs on related debt, which were capitalized prior to the building being placed in service. The building is being depreciated over 39 years, the estimated useful life, using the straight-line method of depreciation.

99 Otis St. has also recorded the total costs incurred for construction of a building. These costs included interest costs on related debt, which were capitalized prior to the building being placed in service. The building is being depreciated over 39 years, the estimated useful life, using the straight-line method of depreciation.

Depreciation expense amounted to \$1,336,922 and \$1,160,825 for the years ended December 31, 2020 and 2019, respectively.

Interest expense capitalized was \$0 and \$53,257 for the years ended December 31, 2020 and 2019, respectively.

Project Costs

GLDC has developed and financed a portion of the infrastructure and site improvements necessary to support the Sovena USA Distribution Center (collectively the Sovena USA Project Costs) that opened in 2007 at the Griffiss Business and Technology Park. Sovena USA reimburses GLDC for these costs, which totaled \$4,029,689 when the project was completed, through a PILOT. The agreement is for 25 years ending in 2032. The PILOT agreement, between Oneida County Industrial Development Agency (OCIDA) and Sovena USA required Sovena USA to pay an annual PILOT amount directly to the OCIDA each year.

Each year OCIDA reimburses GLDC in the amount equal to GLDC's annual debt service on the Sovena USA Project Cost, and then pays to each taxing jurisdiction their share of the remaining PILOT payments in accordance with a separate allocation agreement. GLDC amortizes these costs over the same 25-year period of time as the PILOT. The net balance of these costs after amortization is \$1,934,246 and \$2,095,434 at December 31, 2020 and 2019, respectively. Amortization expense for each of the years ended December 31, 2020 and 2019 is \$161,188. The impact of the project on GLDC is revenue/expenditure neutral. Estimated amortization expense for each of the next five years is expected to be \$161,188.

Goodwill

Intangible assets not subject to amortization consist of goodwill in the amount of \$132,000 obtained through acquisition of a business during 2011. Goodwill is tested for impairment annually. No adjustments were made for impairment losses for each of the years ended December 31, 2020 and 2019.

Deferred Revenue

Income from rental property received in advance is deferred and recognized in the period to which it relates.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Improvement Reserve

GLDC has established a capital reserve fund which is funded with proceeds from the first sale of certain property within the Griffiss Business and Technology Park. Revenue from those sales are deferred in accordance with an agreement in place. Amounts in the reserve will be used to help defray the cost of certain future capital improvements to be made to premises and/or facilities located within the boundaries of the Business Park including capital improvements to the public infrastructure. Revenue will be recognized when these performance obligations have been met. Revenue recognized from the use of this reserve during the year ended December 31, 2020 was \$193,019.

Lease Acquisition Costs

Lease acquisition costs in the amount of \$547,728 and \$451,432 for 2020 and 2019, respectively, have been incurred as part of GLDC's and 99 Otis Street's activities as lessor. These costs have been capitalized and are being amortized over the original term of the related leases. The accumulated amortization on these costs is \$222,725 and \$112,359 at December 31, 2020 and 2019, respectively. Amortization expense for the years ended December 31, 2020 and 2019 is \$110,367 and \$96,099, respectively. Estimated amortization expense over the next 5 years is expected to be:

Year Ended December 31:

2021	\$ 102,277
2022	\$ 59,452
2023	\$ 51,757
2024	\$ 14,745
2025	\$ 14,745

Revenue Recognition

The following policies apply to major categories of revenue transactions with customers which include snowplowing, lawn maintenance, common area maintenance charges included in the lease agreements, payments in lieu of taxes, and sale of property:

- GLDC recognizes revenue based on a fixed monthly transaction price for snowplowing and lawn maintenance as they have satisfied a performance obligation by providing a service to the customer. Revenue is recognized as customers are billed monthly.
- GLDC recognizes revenue on a monthly basis for common area maintenance charges and payments in lieu of taxes based on agreements in place with customers.
- GLDC recognizes revenue from sales of property when full control of the property is transferred to the buyer at closing. Deposits may be required in advance and final payment or financing is due at closing. A gain or loss may be recognized for the difference between the consideration received and the asset's carrying amount, if applicable.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Agreement terms with customers generally do not include any obligations to perform future services.
- There is currently no concentration of credit risk related to customers.
- Historically, losses on accounts receivable have not been material relating to any of these revenue streams.

A portion of GLDC's revenue is derived from cost-reimbursable federal, state, and local grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when GLDC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. GLDC received a loan in the amount of \$129,786 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. GLDC applied for and has been notified that the full amount in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven and therefore loan forgiveness has been accounted for following the revenue recognition policy as described above and reflected as grant revenue in the accompanying statement of activities.

Advertising

All advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, amounts expensed to advertising and promotion totaled \$9,408 and \$12,841, respectively.

Expense Allocation

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation, payroll taxes, employee benefits and service fees, which are allocated on the basis of estimates of time and effort. Other expenses are directly classified among the following program and supporting services:

Redevelopment and Leasing - All expenses necessary for the planning and implementation of the redevelopment of real estate within the Griffiss Business and Technology Park.

Marketing and Promotion - All expenses attributable to the marketing and promotion of the Griffiss Business and Technology Park facilities.

Management and General - All administrative expenses necessary to operate GLDC which are not specifically identifiable to program services.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Changes in Accounting Standards

ASU No. 2016-02, Leases (Topic 842): This update is effective for years beginning after December 15, 2021. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis (present value); and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers.

Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

GLDC will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

NOTE 2 INCOME TAXES

GLDC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and utilizes December 31 as its year end. The Corporation has also been determined to be other than a private foundation, as it is an organization described in Section 509(a)(1) of the Internal Revenue Code. As such, no provision for income taxes is reflected in the financial statements.

Cardinal Griffiss Realty, LLC is considered a disregarded entity and is not subject to income taxes. Consequently, no provision for income taxes is required in the accompanying consolidated financial statements.

99 Otis Street, LLC is a New York State limited liability company and has elected to be treated as a partnership for income tax purposes. Any taxable income would flow through to the members. Consequently, no provision for income taxes is required in the accompanying consolidated financial statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 LIQUIDITY AND AVAILABILITY OF FUNDS

At December 31, 2020, GLDC and its subsidiaries have \$2,391,981 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$2,703,731, less amounts for the capital improvement reserve of \$412,936 and the railroad improvement fund of \$63,000, and receivables of \$164,186. At December 31, 2019, GLDC and its subsidiaries have \$1,805,481 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$1,345,335 less amounts for the capital improvement reserve of \$441,144 and the railroad improvement fund of \$57,000, and receivables of \$958,290. There are no other financial assets that are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet dates. For each year, the receivables are subject to time restrictions but are expected to be collected within one year.

GLDC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, GLDC invests cash in excess of daily requirements in various short-term investments including certificate of deposits and money market accounts. As more fully described in Note 6, GLDC also has a line of credit in the amount of \$1.5 million, of which the full amount is available on December 31, 2020, and which it could draw upon in the event of an unanticipated liquidity need.

NOTE 4 CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject GLDC and its subsidiaries to a concentration of credit risk consist principally of cash. GLDC maintained bank accounts at three financial institutions which were in excess of Federal Deposit Insurance Corporation (FDIC) coverage limits at December 31, 2020 and 2019; however management considers this to be a normal business risk.

NOTE 5 PROPERTY/BUILDING LEASES

The United States Air Force (USAF) conveyed various buildings and property located in the Griffiss Business and Technology Park to OCIDA. GLDC leases back this property from OCIDA pursuant to various leases having a term of ten years. GLDC also has the right to obtain the fee title to the leased property at any time for nominal consideration and to sublease these parcels.

GLDC subleases the commercial space to several third parties under noncancelable operating leases. The terms of the leases range from 1 to 15 years with various renewal options with lease payments ranging from \$6,000 to \$400,151 annually over the terms of the leases. Total lease income received for the years ended December 31, 2020 and 2019 was \$1,918,379 and \$1,951,603, respectively.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 PROPERTY/BUILDING LEASES (Continued)

The estimated future minimum sublease payments to be received by GLDC over the next 5 years are as follows:

<u>Year</u>	<u>Lease Income</u>
2021	\$ 1,878,667
2022	\$ 1,890,508
2023	\$ 1,895,166
2024	\$ 1,113,981
2025	\$ 140,224

CGR is sub-leasing space in a 46,305 square foot building constructed at 153 Brooks Road, Rome, NY to Assured Information Security, Inc. The operating lease, which is non-cancelable, is for an original term of 15 years and contains 2 options to renew the lease in 5-year increments.

During the year ended December 31, 2017, CGR commenced sub-leasing of additional space to the same company and in the same building. The original term of this additional sub-lease is through October 31, 2026 and contains 2 options to renew the lease in 5-year increments.

Lease revenue for the years ended December 31, 2020 and 2019 was \$1,047,269 for both years.

The estimated future minimum sublease payments to be received by CGR over the next 5 years are as follows:

<u>Year</u>	<u>Lease Income</u>
2021	\$ 1,047,269
2022	\$ 1,047,269
2023	\$ 1,047,269
2024	\$ 1,047,269
2025	\$ 1,047,269

CGR, as tenant, is concurrently leasing the same location from OCIDA, as landlord, for \$500 per year.

On October 1, 2019, 99 Otis St. commenced subleasing the second floor of a 32,110 square foot building at 99 Otis St, Rome, NY to NYSTEC. The operating lease, which is non-cancelable, is for an original term of 10 years and contains 2 options to renew the lease in 5-year increments.

On March 1, 2020, 99 Otis St. commenced subleasing the first floor of the same building to a tenant. This operating lease, which is non-cancelable, is for an original term of 7 years and 6 months and contains 2 options to renew the lease in 5-year increments.

Lease revenue for the years ended December 31, 2020 and 2019 was \$418,464 and \$71,604, respectively.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 PROPERTY/BUILDING LEASES (Continued)

The estimated future minimum sublease payments to be received by 99 Otis St. over the next 5 years are as follows:

<u>Year</u>	<u>Lease Income</u>
2021	\$ 519,115
2022	\$ 625,833
2023	\$ 632,565
2024	\$ 645,314
2025	\$ 666,992

99 Otis St., as tenant, is concurrently leasing the same location from OCIDA, as landlord, for \$750 per year.

NOTE 6 LINE OF CREDIT

GLDC has a \$1.5 million unsecured line of credit with M&T Bank at a variable interest rate which was 5.3125% at December 31, 2019. The line of credit had a balance of \$706,958 at December 31, 2019, and was paid off during 2020.

NOTE 7 CONSTRUCTION LOANS

On August 14, 2018, 99 Otis St. entered into a construction loan from M&T Bank for up to \$3 million to assist in financing the construction of a building on Otis Street located in Griffiss Business and Technology Park in Rome, NY. The loan was secured by a first lien mortgage on the fee simple estate to the premises located at 99 Otis Street, Rome, NY, a first position security interest in all fixtures, equipment and personal property affixed to, owned by 99 Otis St. and used in connection with or the operation of the premises, an assignment of leases and rents, and an assignment of contracts, plans and permits relating to the construction. In addition, the loan is further secured by a guaranty from GLDC and NYSTEC. 99 Otis St. was making monthly interest-only payments on the balance of the loan equal to the lender's prime rate, adjusted daily. The balance on the loan was \$2,463,846 at December 31, 2019, net of closing costs of \$39,303. This loan was converted to permanent financing on November 20, 2020 (See Note 8).

On August 14, 2020, Otis St. entered into second construction loan from M&T Bank for up to \$841,820 to assist in financing the construction of leasehold improvements for the buildout of space for a building on Otis Street located in Griffiss Business and Technology Park in Rome, NY. The loan is secured by a second lien mortgage on the fee simple estate to the premises located at 99 Otis Street, Rome, NY, a second position security interest in all fixtures, equipment and personal property affixed to, owned by 99 Otis St. and used in connection with or the operation of the premises, an assignment of leases and rents, and an assignment of contracts, plans and permits relating to the construction. In addition, the loan is further secured by a guaranty from GLDC and NYSTEC. 99 Otis St. is currently making monthly interest-only payments on the balance of the loan equal to the lender's prime rate (currently 3.25% at December 31, 2020), adjusted daily.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 CONSTRUCTION LOANS (Continued)

The loan will convert to permanent financing on the completion date up to the maximum. At that time, monthly principal and interest payments will begin at a fixed rate of interest to be determined. The balance on the loan is \$410,690 at December 31, 2020, net of closing costs of \$12,097.

NOTE 8 LONG-TERM DEBT

At December 31, 2020 and 2019, long-term debt consisted of the following:

	<u>2020</u>	<u>2019</u>
<u>GLDC</u>		
Loan payable to M&T Bank was originally due January 9, 2017, which is currently being repaid by monthly interest payments at 4.96% per annum and an annual principal payment of \$60,000. The loan was amended in January 2017 and the maturity date was extended for an additional 10-year term thru January 9, 2027. All other terms and conditions remain the same. A final lump sum principal payment will be due at maturity. The note is collateralized by a first position in the proceeds of the Payment in Lieu of Tax/Tax Incentive Financing Agreements that pertain to the Sovena USA Project as described in Note 1.	\$ 702,435	\$ 762,435
Loan payable to Mohawk Valley Rehabilitation Corporation due June 1, 2022, which is being reduced by monthly payments of \$877 including interest at 5.00% per annum and a lump sum principal payment of \$82,674 due June 1, 2022. This note is collateralized by a third position in the proceeds of the Payment in Lieu of Tax/Tax Incentive Financing Agreements that pertain to the Sovena USA Project as described in Note 1.	91,394	97,189
Loan payable to Community Bank due April 10, 2028 for the expansion and improvement of a building at 725 Daedalian Drive, Rome, NY. The loan was secured by an assignment of leases and mortgage in the building and other property. It was being repaid with monthly payments of \$824, including interest at 5.5%.The loan was paid in full during 2020.	0	65,695

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
Loan payable to EDGE due November 1, 2031 to assist in financing the Assured Information Security, Inc. project. The loan was secured by a second position lien pro-rata co-equal with Rome Industrial Development Corporation (RIDC) and Mohawk Valley Rehabilitation Corporation mortgage on a building and other property located at 725 Daedalian Drive, Rome, NY. Currently, monthly payments of \$2,058 are being made, including interest at 4.00% per annum.	216,801	232,481
Loan payable to RIDC due November 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan is secured by a second position lien pro-rata co-equal with EDGE and Mohawk Valley Rehabilitation Corporation mortgage on a building and other property located at 725 Daedalian Drive, Rome, NY. It is currently being repaid by monthly payments of \$555, including interest at 4.00% per annum.	34,584	39,745
Loan payable to Mohawk Valley Rehabilitation Corporation due November 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan is secured by a second position lien pro-rata co-equal with EDGE and RIDC mortgage on a building and other property located at 725 Daedalian Drive, Rome, NY. Currently, monthly payments of \$2,438 are being made, including interest at 4.00% per annum.	151,978	174,659
Loan payable to Community Bank due September 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan was secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. It was being repaid with monthly payments of \$7,531, including interest at 5.25% per annum. The loan was paid in full during 2020.	0	512,713
Loan payable to Community Bank due September 1, 2028 for improvements to building 798 at 581 Phoenix Drive, Rome, NY. The loan was secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. The loan was being repaid by by monthly payments of \$1,907 with interest at 5.25%. The loan was paid in full during 2020.	0	159,680

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
Loan payable to NBT Bank due October 12, 2021 to finance improvements to Building 440. The loan was secured by a first priority mortgage and assignment of leases and rents covering the building. The loan was being repaid with monthly payments of \$6,337, including interest at 4.14% per annum. The loan was paid in full during 2020.	0	134,123
Loan payable to NBT Bank due October 12, 2021 to finance improvements to Building 780. The loan was secured by cash collateral and a third priority mortgage and assignment of leases and rents, covering Building 780. The loan was being repaid with monthly payments of \$2,249, including interest at 4.14% per annum. The loan was paid in full during 2020.	0	47,592
Loan payable to Community Bank due October 10, 2028 used for renovations to a building located at 276 Brookley Road, Rome, NY. The loan is secured by a first mortgage on the property, a first security interest in all fixtures, and an assignment of rents and leases on the building. The loan is currently being repaid with monthly payments of \$5,006, including interest at 4.60% per annum, for ten years. For the last five years of the note, interest will be adjusted to the five-year U.S Treasury plus 3.50% per annum, with a floor of 4.25% per annum.	394,476	435,371
Loan payable to Community Bank due October 10, 2028 to finance improvements to a building located at 428 Phoenix Drive, Rome, NY. The loan is secured by a first mortgage on the property, a first security interest in fixtures and an assignment of rents and leases on the building. The loan is currently being repaid in monthly payments of \$3,581, including interest at 4.85% per annum.	278,425	307,128
Loan payable to NBT Bank due July 5, 2021 to finance purchase of certain equipment. The loan is secured by a security interest in the equipment itself. The loan is being repaid in monthly payments of \$1,744, including interest at 3.5% per annum until maturity.	11,990	32,097

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
Loan payable to First Source Federal Credit Union due February 14, 2022 to finance a company vehicle which is collateralized by a security interest in the vehicle itself. The loan is currently being repaid with monthly payments of \$533, including interest at 2.49% per annum, until maturity.	7,354	13,507
Loan payable to NBT Bank due May 1, 2028 to finance demolition and improvements to the former building 240 site and associated real property located in Griffiss Business and Technology Park in Rome, NY. The loan is currently being repaid with monthly payments of \$5,201, including a variable rate of interest, which is 2.16% and 3.74% on December 31, 2020 and 2019, respectively.	401,165	449,140
Loan payable to RIDC due August 7, 2024 to assist in financing construction of an access road near the former building 240 site. The loan is unsecured and it is currently being repaid by interest only monthly payments at 5% per annum for the first 2 years. Principal and interest payments of \$5,994 per month will commence in the third year until maturity.	200,000	200,000
Loan payable to Adirondack Bank due June 2, 2029 to finance renovations to building 778 and to pave the related parking areas located in Griffiss Business and Technology Park in Rome, NY. The loan is net of unamortized closing costs of \$25,592 and \$28,634 at December 31, 2020 and 2019. The loan is currently being repaid with monthly payments of \$9,082, including interest at 5.25% per annum.	720,362	784,523
Loan payable to Mohawk Valley Rehabilitation Corporation due December 29, 2025 which is used to provide working capital. The loan is unsecured and will be repaid with monthly principal payments only of \$3,333 for the first year to be followed by 48 monthly payments of \$3,502, including interest at 2.44% per annum.	200,000	0

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
<u>Cardinal Griffiss Realty, LLC</u>		
Loan payable to Community Bank due September 1, 2031, to provide additional financing for construction of a building in Griffiss Business and Technology Park in Rome, NY. The loan is secured by an assignment of mortgage, leases, and rents covering the land, building, and improvements. The loan is currently being repaid with monthly payments of \$10,667, including interest at 5.25% per annum.	1,049,826	1,120,673
Loan payable to Community Bank due June 15, 2027 to finance improvements to a building located in Griffiss Business and Technology Park in Rome, NY. The loan is net of unamortized closing costs of \$25,577 and \$29,537 at December 31, 2020 and 2019, respectively. The loan is secured by an assignment of mortgage, leases, and rents covering the land and building. It is further secured by a Guaranty from GLDC. The loan is currently being repaid with monthly payments of \$6,976, including interest at 5.18% per annum. The unpaid principal balance will be due at maturity.	434,433	488,288
<u>99 Otis St, LLC</u>		
Loan payable to EDGE due April 1, 2035 to assist in financing the construction of a building. The loan is net of closing costs of \$12,060 and \$12,621 at December 31, 2020 and 2019, respectively. It is secured by a mortgage interest in related land, building improvements, and equipment, as well as an assignment of leases and rents. It is further secured by a guaranty from GLDC and NYSTEC. Commencing on January 1, 2019 and for the following 16 months, monthly interest-only payments of \$1,750 were made. Beginning on May 1, 2020, monthly principal and interest payments of \$3,883 are being made, with interest at 4% per annum.	495,673	512,379

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
Loan payable to Mohawk Valley Economic Development District, Inc. due April 1, 2035 to assist in financing the construction of a building. The loan is net of closing costs of \$7,482 and \$7,830. It is secured by a mortgage interest in related land, building improvements, and equipment, as well as an assignment of leases and rents. It is further secured by a guaranty from GLDC and NYSTEC. Commencing on January 1, 2019 and for the following 16 months, monthly interest-only payments of \$1,250 were made. Beginning on May 1, 2020, monthly principal and interest payments of \$2,734 are being made, with interest at 4% per annum.	355,184	367,170
Loan payable to M&T Bank due November 20, 2030 to assist in financing the construction of a building on Otis Street located in Griffiss Business and Technology Park in Rome, NY. This was a replacement note for permanent financing of a construction loan as described in Note 7 and the security remains the same as in the original agreement. The loan is net of unamortized closing costs of \$38,975 at December 31, 2020. The loan is currently being repaid with monthly payments of \$15,058, including interest at 3.38% per annum.	<u>2,566,327</u>	<u>0</u>
Total	8,312,407	6,936,588
Less: Current Maturities of Long-Term Debt	<u>643,924</u>	<u>653,932</u>
Total Long-Term Debt	<u>\$ 7,668,483</u>	<u>\$ 6,282,656</u>

The following are maturities of long-term debt for the next five years and thereafter:

<u>Years</u>	<u>99 Otis St. Amount</u>	<u>CGR Amount</u>	<u>GLDC Amount</u>	<u>Total Amount</u>
2021	\$ 133,481	\$ 131,707	\$ 378,736	\$ 643,924
2022	138,585	139,005	494,081	771,671
2023	143,878	146,694	423,631	714,203
2024	149,144	154,760	416,069	719,973
2025	155,048	163,336	382,917	701,301
Thereafter	<u>2,697,048</u>	<u>748,757</u>	<u>1,315,530</u>	<u>4,761,335</u>
Total	<u>\$ 3,417,184</u>	<u>\$ 1,484,259</u>	<u>\$ 3,410,964</u>	<u>\$ 8,312,407</u>

Amortization of loan closing costs is reported in the statements of activities as interest expense.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

99 Otis St. capitalized interest cost as a component of the total costs for construction of a building incurred through 2019. The following is a summary of all interest costs incurred by GLDC and its subsidiaries during the years ended December 31, 2020 and 2019:

	2020	2019
Interest cost capitalized by 99 Otis St.	\$ 0	\$ 53,257
Interest cost expensed	<u>450,624</u>	<u>433,766</u>
Total interest cost incurred	\$ <u>450,624</u>	\$ <u>487,023</u>

As a result of the unwind of tax credit financing on September 7, 2017, GLDC was assigned a \$6,622,200 note due from CGR which matures on August 31, 2040. The note was originally a portion of the financing for the Assured Information Security, Inc. project for construction of a building. The loan is secured by an assignment of mortgage, leases, and rents covering the land, building, and improvements. CGR is making periodic payments with interest at 1.86% per annum until maturity. At December 31, 2020 and 2019, the balance of the loan is \$5,894,137 and \$6,197,853, respectively.

All intercompany loans have been eliminated through consolidation.

The Corporation's long-term debt agreements contain certain covenants, primarily a debt service ratio and working capital covenants. The Corporation is in compliance with all of the covenants at December 31, 2020 and 2019.

NOTE 9 MEMBER'S EQUITY

The change in GLDC's consolidated net assets without donor restrictions attributed to the controlling and noncontrolling interest in 99 Otis St. is as follows:

	Controlling Interest	Noncontrolling Interest	Total
Balance, January 1, 2019	\$ 1,476,122	\$ 1,198,645	\$ 2,674,767
(Deficit) of Revenue over			
Expenses	(27,739)	(22,695)	(50,434)
Capital Contributions	<u>444,000</u>	<u>350,000</u>	<u>794,000</u>
Balance, December 31, 2019	\$ <u>1,892,383</u>	\$ <u>1,525,950</u>	\$ <u>3,418,333</u>
Excess of Revenue over			
Expenses	<u>239,550</u>	<u>195,996</u>	<u>435,546</u>
Balance, December 31, 2020	\$ <u>2,131,933</u>	\$ <u>1,721,946</u>	\$ <u>3,853,879</u>

The change in GLDC's member equity attributed to Cardinal Griffiss Realty, LLC is as follows:

Balance, January 1, 2019	\$ 805,863
Excess of Revenue over Expenses	111,108
Member Distribution	<u>(159,000)</u>
Balance, December 31, 2019	\$ <u>757,971</u>
Excess of Revenue over Expenses	<u>181,655</u>
Balance, December 31, 2020	\$ <u>939,626</u>

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN

GLDC contributes to a defined contribution pension plan for all of its employees. Employees are eligible for immediate membership in the plan but will not become fully vested until completion of 1 year of service. Contributions paid to the plan are based upon 10% of participants' compensation. The amount of contributions paid to the plan on behalf of the employees of GLDC for 2020 and 2019 amounted to \$47,367 and \$41,482, respectively. At December 31, 2020 and 2019, GLDC had unpaid contributions due to the plan in the amount of \$1,586 and \$1,103, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

Griffiss Utility Services Corporation (GUSC) is a 509(a)(3) supporting organization of GLDC, which by definition is considered a related party. GUSC reimburses GLDC for various costs incurred for operational work, which totaled \$141,099 and \$150,964, respectively, for the years ended December 31, 2020 and 2019. At December 31, 2020 and 2019, GLDC had amounts due from Griffiss Utility Services Corporation (GUSC) of \$22,161 and \$25,300, respectively.

GLDC, CGR, and 99 Otis St. pay GUSC for steam and electric costs incurred for their leased properties. Utility expenses for the years ended December 31, 2020 and 2019 was \$317,806 and \$249,567, respectively. At December 31, 2020 and 2019, GLDC, CGR and 99 Otis St. had amounts due to GUSC of \$32,429 and \$31,989, respectively.

NOTE 12 GRANT CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment principally by the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable program. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although GLDC expects such amounts, if any, to be immaterial.

NOTE 13 OTHER CONTINGENCIES

GLDC has entered into various commercial agreements including loan agreements, real property sales agreements, leases (as either a tenant or a landlord), and other agreements pursuant to which it has agreed to indemnify the other party or parties. For the most part, the indemnities granted by GLDC cover premises liability-related matters, including environmental matters, and are considered by GLDC to be either commercially required or commercially reasonable under the circumstances of the transaction in question. With respect to most, but not all, of these indemnities, GLDC has arranged for liability insurance, including environmental liability insurance, in an amount it deems adequate (less applicable deductibles) to cover its potential exposure under such indemnities.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 CLASSIFICATION OF EXPENSES

The statement of activities presents expenses by functional classification with depreciation (and other changes) presented separately. The classification of expenses by function with depreciation included as a program service, which reconciles to the statement of functional expenses, is as follows:

	<u>2020</u>	<u>2019</u>
Program Services		
Redevelopment and Leasing	\$ 5,025,442	\$ 4,635,198
Marketing and Promotion	20,397	23,578
Supporting Services		
Management and General	416,429	401,967
Total Expenses	<u>\$ 5,462,268</u>	<u>\$ 5,060,743</u>

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2021, the date on which the consolidated financial statements were available to be issued.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2020

	GLDC	CGR	99 Otis St.	Combined Balance	Consolidation Elimination	Final Balance
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 2,079,086	\$ 286,855	\$ 337,790	\$ 2,703,731	\$ 0	\$ 2,703,731
Accounts Receivable, Net	36,565	260	5,200	42,025	0	42,025
Due from Related Organizations	25,596	0	0	25,596	(3,435)	22,161
Grants Receivable	100,000	0	100,000	200,000	(100,000)	100,000
Prepaid and Other Assets - Current	47,851	5,935	13,512	67,298	0	67,298
Total Current Assets	<u>2,289,098</u>	<u>293,050</u>	<u>456,502</u>	<u>3,038,650</u>	<u>(103,435)</u>	<u>2,935,215</u>
Property						
Land	2,827,214	562,500	125,000	3,514,714	0	3,514,714
Building and Site Improvements	24,108,359	9,470,577	7,298,774	40,877,710	0	40,877,710
Roadways and Improvements	5,203,440	0	0	5,203,440	0	5,203,440
Railways and Improvements	1,686,767	0	0	1,686,767	0	1,686,767
Utility Improvements	582,831	0	0	582,831	0	582,831
Signage	223,276	7,396	0	230,672	0	230,672
Furniture, Fixtures, and Equipment	687,037	125,000	0	812,037	0	812,037
Vehicles and Automotive Equipment	272,314	0	0	272,314	0	272,314
Total Property	35,591,238	10,165,473	7,423,774	53,180,485	0	53,180,485
Accumulated Depreciation	<u>(25,227,608)</u>	<u>(2,125,297)</u>	<u>(240,329)</u>	<u>(27,593,234)</u>	<u>0</u>	<u>(27,593,234)</u>
Net Property	<u>10,363,630</u>	<u>8,040,176</u>	<u>7,183,445</u>	<u>25,587,251</u>	<u>0</u>	<u>25,587,251</u>
Other Long-Term Assets						
Investment in Subsidiaries	3,212,800	0	0	3,212,800	(3,212,800)	0
Note Receivable from Related Organization	5,894,137	0	0	5,894,137	(5,894,137)	0
Lease Acquisition Costs, Net	226,705	0	98,298	325,003	0	325,003
Project Costs (Net of Accumulated Amortization)	1,934,246	0	0	1,934,246	0	1,934,246
Goodwill	132,000	0	0	132,000	0	132,000
Total Other Long-Term Assets	<u>11,399,888</u>	<u>0</u>	<u>98,298</u>	<u>11,498,186</u>	<u>(9,106,937)</u>	<u>2,391,249</u>
Total Assets	<u>\$ 24,052,616</u>	<u>\$ 8,333,226</u>	<u>\$ 7,738,245</u>	<u>\$ 40,124,087</u>	<u>\$ (9,210,372)</u>	<u>\$ 30,913,715</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable and Accrued Expenses	\$ 158,906	\$ 4,776	\$ 17,039	\$ 180,721	\$ 0	\$ 180,721
Due to Related Organization	123,879	10,428	1,557	135,864	(103,435)	32,429
Deferred Revenue	74,422	0	37,896	112,318	0	112,318
Current Maturities of Long-Term Debt	378,736	131,707	133,481	643,924	0	643,924
Total Current Liabilities	<u>735,943</u>	<u>146,911</u>	<u>189,973</u>	<u>1,072,827</u>	<u>(103,435)</u>	<u>969,392</u>
Long-Term Liabilities						
Capital Improvement Reserve	412,936	0	0	412,936	0	412,936
Railroad Improvement Fund	63,000	0	0	63,000	0	63,000
Compensated Absences	29,079	0	0	29,079	0	29,079
Construction Loans	0	0	410,690	410,690	0	410,690
Long-Term Debt	<u>3,032,228</u>	<u>7,246,689</u>	<u>3,283,703</u>	<u>13,562,620</u>	<u>(5,894,137)</u>	<u>7,668,483</u>
Total Long-Term Liabilities	<u>3,537,243</u>	<u>7,246,689</u>	<u>3,694,393</u>	<u>14,478,325</u>	<u>(5,894,137)</u>	<u>8,584,188</u>
Net Assets						
Members' Equity	0	939,626	3,853,879	4,793,505	(3,212,800)	1,580,705
Net Assets without Donor Restrictions	<u>19,779,430</u>	<u>0</u>	<u>0</u>	<u>19,779,430</u>	<u>0</u>	<u>19,779,430</u>
Total Net Assets	<u>19,779,430</u>	<u>939,626</u>	<u>3,853,879</u>	<u>24,572,935</u>	<u>(3,212,800)</u>	<u>21,360,135</u>
Total Liabilities and Net Assets	<u>\$ 24,052,616</u>	<u>\$ 8,333,226</u>	<u>\$ 7,738,245</u>	<u>\$ 40,124,087</u>	<u>\$ (9,210,372)</u>	<u>\$ 30,913,715</u>

See Independent Auditor's Report.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>GLDC</u>	<u>CGR</u>	<u>99 Otis St.</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Final Balance</u>
Revenue, Gains and Support						
Building Lease Income	\$ 1,918,379	\$ 1,047,269	\$ 418,464	\$ 3,384,112	\$ 0	\$ 3,384,112
Other Lease Related Income	353,180	20,819	8,795	382,794	0	382,794
Federal, New York State and Local Grants	630,786	0	500,000	1,130,786	(500,000)	630,786
Interest Income	83,809	159	14	83,982	(73,500)	10,482
Payments In Lieu of Taxes	181,719	0	0	181,719	0	181,719
Project Development Fees	105,853	0	0	105,853	(105,853)	0
Reimbursements and Refunds	61,150	0	66	61,216	0	61,216
Snowplowing and Lawn Maintenance	371,589	0	0	371,589	(53,770)	317,819
Other Income	309,461	0	0	309,461	(24,202)	285,259
Net Gain on Sales of Property	1,030,630	0	0	1,030,630	0	1,030,630
Total Revenue, Gains and Support	<u>5,046,556</u>	<u>1,068,247</u>	<u>927,339</u>	<u>7,042,142</u>	<u>(757,325)</u>	<u>6,284,817</u>
Expenses						
Program Services						
Redevelopment and Leasing	3,289,980	611,716	272,594	4,174,290	(757,325)	3,416,965
Marketing and Promotion	20,397	0	0	20,397	0	20,397
Supporting Services						
Management and General	<u>384,778</u>	<u>20,914</u>	<u>10,737</u>	<u>416,429</u>	<u>0</u>	<u>416,429</u>
Total Expenses	<u>3,695,155</u>	<u>632,630</u>	<u>283,331</u>	<u>4,611,116</u>	<u>(757,325)</u>	<u>3,853,791</u>
Increase in Net Assets Before Other Changes	1,351,401	435,617	644,008	2,431,026	0	2,431,026
Other Changes						
Depreciation and Amortization Expense	<u>(1,146,053)</u>	<u>(253,962)</u>	<u>(208,462)</u>	<u>(1,608,477)</u>	<u>0</u>	<u>(1,608,477)</u>
Increase in Net Assets	205,348	181,655	435,546	822,549	0	822,549
Net Assets, Beginning of Year	<u>19,574,082</u>	<u>757,971</u>	<u>3,418,333</u>	<u>23,750,386</u>	<u>(3,212,800)</u>	<u>20,537,586</u>
Net Assets, End of Year	<u>\$ 19,779,430</u>	<u>\$ 939,626</u>	<u>\$ 3,853,879</u>	<u>\$ 24,572,935</u>	<u>\$ (3,212,800)</u>	<u>\$ 21,360,135</u>

See Independent Auditor's Report.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2019

	GLDC	CGR	99 Otis St.	Combined Balance	Consolidation Elimination	Final Balance
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 1,013,447	\$ 281,664	\$ 50,224	\$ 1,345,335	\$ 0	\$ 1,345,335
Accounts Receivable, Net	43,038	0	6,253	49,291	0	49,291
Due from Related Organizations	26,069	0	0	26,069	(769)	25,300
Grants Receivable	883,699	0	0	883,699	0	883,699
Prepaid and Other Assets - Current	31,412	1,434	13,246	46,092	0	46,092
Total Current Assets	<u>1,997,665</u>	<u>283,098</u>	<u>69,723</u>	<u>2,350,486</u>	<u>(769)</u>	<u>2,349,717</u>
Property						
Land	3,275,038	562,500	125,000	3,962,538	0	3,962,538
Building and Site Improvements	24,015,366	9,470,577	6,888,084	40,374,027	0	40,374,027
Roadways and Improvements	5,203,440	0	0	5,203,440	0	5,203,440
Railways and Improvements	1,686,767	0	0	1,686,767	0	1,686,767
Utility Improvements	582,831	0	0	582,831	0	582,831
Signage	223,276	7,396	0	230,672	0	230,672
Furniture, Fixtures, and Equipment	638,790	125,000	0	763,790	0	763,790
Vehicles and Automotive Equipment	254,022	0	0	254,022	0	254,022
Total Property	35,879,530	10,165,473	7,013,084	53,058,087	0	53,058,087
Accumulated Depreciation	<u>(24,364,912)</u>	<u>(1,871,334)</u>	<u>(44,154)</u>	<u>(26,280,400)</u>	<u>0</u>	<u>(26,280,400)</u>
Net Property	<u>11,514,618</u>	<u>8,294,139</u>	<u>6,968,930</u>	<u>26,777,687</u>	<u>0</u>	<u>26,777,687</u>
Other Long-Term Assets						
Investment in Subsidiary	3,212,800	0	0	3,212,800	(3,212,800)	0
Note Receivable from Related Organization	6,197,853	0	0	6,197,853	(6,197,853)	0
Prepaid and Other Assets	24,975	0	0	24,975	0	24,975
Lease Acquisition Costs, Net	265,350	0	73,723	339,073	0	339,073
Project Costs, Net	2,095,434	0	0	2,095,434	0	2,095,434
Goodwill	132,000	0	0	132,000	0	132,000
Total Other Long-Term Assets	<u>11,928,412</u>	<u>0</u>	<u>73,723</u>	<u>12,002,135</u>	<u>(9,410,653)</u>	<u>2,591,482</u>
Total Assets	<u>\$ 25,440,695</u>	<u>\$ 8,577,237</u>	<u>\$ 7,112,376</u>	<u>\$ 41,130,308</u>	<u>\$ (9,411,422)</u>	<u>\$ 31,718,886</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable and Accrued Expenses	\$ 102,665	\$ 5,658	\$ 30,493	\$ 138,816	\$ 0	\$ 138,816
Retainage Payable	0	0	314,866	314,866	0	314,866
Due to Related Organization	20,675	6,794	5,289	32,758	(769)	31,989
Deferred Revenue	70,913	0	0	70,913	0	70,913
Line of Credit	706,958	0	0	706,958	0	706,958
Current Maturities of Long-Term Debt	<u>498,410</u>	<u>124,709</u>	<u>30,813</u>	<u>653,932</u>	<u>0</u>	<u>653,932</u>
Total Current Liabilities	<u>1,399,621</u>	<u>137,161</u>	<u>381,461</u>	<u>1,918,243</u>	<u>(769)</u>	<u>1,917,474</u>
Long-Term Liabilities						
Capital Improvement Reserve	441,144	0	0	441,144	0	441,144
Railroad Improvement Fund	57,000	0	0	57,000	0	57,000
Compensated Absences	19,180	0	0	19,180	0	19,180
Construction Loan	0	0	2,463,846	2,463,846	0	2,463,846
Long-Term Debt	<u>3,949,668</u>	<u>7,682,105</u>	<u>848,736</u>	<u>12,480,509</u>	<u>(6,197,853)</u>	<u>6,282,656</u>
Total Long-Term Liabilities	<u>4,466,992</u>	<u>7,682,105</u>	<u>3,312,582</u>	<u>15,461,679</u>	<u>(6,197,853)</u>	<u>9,263,826</u>
Net Assets						
Member's Equity (Deficit)	0	757,971	3,418,333	4,176,304	(3,212,800)	963,504
Net Assets without Donor Restrictions	<u>19,574,082</u>	<u>0</u>	<u>0</u>	<u>19,574,082</u>	<u>0</u>	<u>19,574,082</u>
Total Net Assets	<u>19,574,082</u>	<u>757,971</u>	<u>3,418,333</u>	<u>23,750,386</u>	<u>(3,212,800)</u>	<u>20,537,586</u>
Total Liabilities and Net Assets	<u>\$ 25,440,695</u>	<u>\$ 8,577,237</u>	<u>\$ 7,112,376</u>	<u>\$ 41,130,308</u>	<u>\$ (9,411,422)</u>	<u>\$ 31,718,886</u>

See Independent Auditor's Report.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>GLDC</u>	<u>CGR</u>	<u>99 Otis St.</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Final Balance</u>
Revenue, Gains and Support						
Building Lease Income	\$ 1,951,603	\$ 1,047,269	\$ 71,604	\$ 3,070,476	\$ 0	\$ 3,070,476
Other Lease Related Income	461,208	20,819	839	482,866	0	482,866
New York State and Local Grants	1,308,161	0	0	1,308,161	0	1,308,161
Interest Income	76,569	1,102	1,988	79,659	(73,500)	6,159
Payments In Lieu of Taxes	181,719	0	0	181,719	0	181,719
Project Development Fees	105,853	0	0	105,853	(105,853)	0
Reimbursements and Refunds	166,165	8,608	0	174,773	(94,180)	80,593
Snowplowing and Lawn Maintenance	354,642	0	0	354,642	(32,886)	321,756
Other Income	91,649	0	0	91,649	(13,891)	77,758
Net Gain on Sales of Property	38,097	0	0	38,097	0	38,097
Total Revenue, Gains and Support	<u>4,735,666</u>	<u>1,077,798</u>	<u>74,431</u>	<u>5,887,895</u>	<u>(320,310)</u>	<u>5,567,585</u>
Expenses						
Program Services						
Redevelopment and Leasing	2,757,883	701,523	77,990	3,537,396	(320,310)	3,217,086
Marketing and Promotion	23,578	0	0	23,578	0	23,578
Supporting Services						
Management and General	<u>379,069</u>	<u>20,177</u>	<u>2,721</u>	<u>401,967</u>	<u>0</u>	<u>401,967</u>
Total Expenses	<u>3,160,530</u>	<u>721,700</u>	<u>80,711</u>	<u>3,962,941</u>	<u>(320,310)</u>	<u>3,642,631</u>
Increase (Decrease) in Net Assets Before Other Changes	1,575,136	356,098	(6,280)	1,924,954	0	1,924,954
Other Changes						
Depreciation and Amortization Expense	<u>(1,128,968)</u>	<u>(244,990)</u>	<u>(44,154)</u>	<u>(1,418,112)</u>	<u>0</u>	<u>(1,418,112)</u>
Increase (Decrease) in Net Assets	446,168	111,108	(50,434)	506,842	0	506,842
Net Assets , Beginning of Year	19,127,914	805,863	2,674,767	22,608,544	(2,927,800)	19,680,744
Capital Contributions	0	0	794,000	794,000	(444,000)	350,000
Member Distributions	<u>0</u>	<u>(159,000)</u>	<u>0</u>	<u>(159,000)</u>	<u>159,000</u>	<u>0</u>
Net Assets, End of Year	<u>\$ 19,574,082</u>	<u>\$ 757,971</u>	<u>\$ 3,418,333</u>	<u>\$ 23,750,386</u>	<u>\$ (3,212,800)</u>	<u>\$ 20,537,586</u>

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