

GRIFFISS LOCAL
DEVELOPMENT
CORPORATION AND
SUBSIDIARIES

For the Year Ended
December 31, 2021

CONSOLIDATED
FINANCIAL STATEMENTS
AND SUPPLEMENTAL
SCHEDULES

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

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D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

Independent Auditor's Report

Board of Directors

Griffiss Local Development Corporation and Subsidiaries

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Griffiss Local Development Corporation and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Griffiss Local Development Corporation and subsidiaries ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement

when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Griffiss Local Development Corporation and subsidiaries ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

D'Arcangelo + Co., LLP

March 25, 2022

Utica, New York

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 3,876,729	\$ 2,703,731
Accounts Receivable, Net	140,963	42,025
Due from Related Organization	20,803	22,161
Grants Receivable	0	100,000
Prepaid and Other Assets - Current	49,248	67,298
Participation Note Receivable - Current	583	0
Total Current Assets	<u>4,088,326</u>	<u>2,935,215</u>
Property		
Land	2,990,471	3,514,714
Building and Site Improvements	41,409,641	40,877,710
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	1,000,733	812,037
Vehicles and Automotive Equipment	272,314	272,314
Total Property	53,376,869	53,180,485
Accumulated Depreciation	<u>(29,001,302)</u>	<u>(27,593,234)</u>
Net Property	<u>24,375,567</u>	<u>25,587,251</u>
Other Long-Term Assets		
Participation Note Receivable	142,922	0
Lease Acquisition Costs, Net	342,291	325,003
Project Costs, Net	5,423,058	1,934,246
Goodwill	132,000	132,000
Total Other Long-Term Assets	<u>6,040,271</u>	<u>2,391,249</u>
Total Assets	<u>\$ 34,504,164</u>	<u>\$ 30,913,715</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, 2021 and 2020

(Continued)

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 161,987	\$ 180,721
Due to Related Organization	45,854	32,429
Deferred Revenue	189,612	112,318
Current Maturities of Long-Term Debt	<u>717,941</u>	<u>643,924</u>
Total Current Liabilities	<u>1,115,394</u>	<u>969,392</u>
Long-Term Liabilities		
Capital Improvement Reserve	415,974	412,936
Railroad Improvement Fund	69,000	63,000
Compensated Absences	35,667	29,079
Construction Loan	0	410,690
Long-Term Debt	<u>12,477,821</u>	<u>7,668,483</u>
Total Long-Term Liabilities	<u>12,998,462</u>	<u>8,584,188</u>
Net Assets		
Net Assets without Donor Restrictions		
Controlling Interests	18,677,671	19,638,189
Noncontrolling Interests	<u>1,712,637</u>	<u>1,721,946</u>
Total Net Assets	<u>20,390,308</u>	<u>21,360,135</u>
Total Liabilities and Net Assets	<u>\$ 34,504,164</u>	<u>\$ 30,913,715</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue, Gains and Support		
Building Lease Income	\$ 3,422,704	\$ 3,384,112
Other Lease Related Income	385,810	382,794
Federal, New York State and Local Grants	0	630,786
Snowplowing and Lawn Maintenance	317,926	317,819
Payments In Lieu of Taxes	181,719	181,719
Reimbursements and Refunds	43,400	61,216
Interest Income	1,244	10,482
Other Income	174,367	285,259
Net Gain on Sales of Property	<u>0</u>	<u>1,195,441</u>
Total Revenue, Gains and Support	<u>4,527,170</u>	<u>6,449,628</u>
Expenses		
Program Services		
Redevelopment and Leasing	3,181,674	3,588,440
Marketing and Promotion	54,460	27,460
Supporting Services		
Management and General	<u>471,481</u>	<u>402,702</u>
Total Expenses	<u>3,707,615</u>	<u>4,018,602</u>
Increase in Net Assets		
Before Other Changes	<u>819,555</u>	<u>2,431,026</u>
Other Changes		
Depreciation and Amortization Expense	(1,701,850)	(1,608,477)
Net (Loss) on Sales of Property	<u>(87,532)</u>	<u>0</u>
Total Other Changes	<u>(1,789,382)</u>	<u>(1,608,477)</u>
Increase (Decrease) in Net Assets	(969,827)	822,549
Net Assets, Beginning of Year	<u>21,360,135</u>	<u>20,537,586</u>
Net Assets, End of Year	<u>\$ 20,390,308</u>	<u>\$ 21,360,135</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, 2021

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

	Program Services		Supporting Services	Total	
	Redevelopment and Leasing	Marketing and Promotion	Management and General	2021	2020
Salaries	\$ 563,198	\$ 0	\$ 22,681	\$ 585,879	\$ 522,122
Employee Benefits	132,736	0	5,892	138,628	150,380
Payroll Taxes	46,509	0	2,064	48,573	41,279
Professional Services	103,300	0	83,437	186,737	202,983
Information Technology	26,727	0	299	27,026	4,800
Outside Consultants	82,067	0	0	82,067	66,633
Occupancy	16,697	0	1,716	18,413	16,502
Contracted Services	76,267	0	0	76,267	396,279
Insurance	105,390	0	11,928	117,318	160,420
Office Expenses	0	0	24,875	24,875	28,199
Service Fees	177,936	44,168	314,761	536,865	536,841
Travel	58,717	0	0	58,717	45,694
Repairs and Maintenance	440,319	0	0	440,319	490,317
Lease Related Expenses	814,646	0	0	814,646	784,950
Minor Equipment	47,099	0	0	47,099	54,486
Depreciation and Amortization	1,701,850	0	0	1,701,850	1,608,477
Interest Expense	431,698	0	0	431,698	450,624
Marketing and Advertising	0	10,292	0	10,292	9,408
Transportation Rebate	45,000	0	0	45,000	45,000
Other Expenses	13,368	0	3,828	17,196	11,685
Total Functional Expenses	\$ 4,883,524	\$ 54,460	\$ 471,481	\$ 5,409,465	\$ 5,627,079

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

	Program Services		Supporting Services	Total
	Redevelopment and Leasing	Marketing and Promotion	Management and General	
Salaries	\$ 499,219	\$ 0	\$ 22,903	\$ 522,122
Employee Benefits	143,237	0	7,143	150,380
Payroll Taxes	39,318	0	1,961	41,279
Professional Services	119,033	0	83,950	202,983
Information Technology	4,800	0	0	4,800
Outside Consultants	66,633	0	0	66,633
Occupancy	14,977	0	1,525	16,502
Contracted Services	396,279	0	0	396,279
Insurance	144,472	0	15,948	160,420
Office Expenses	0	0	28,199	28,199
Service Fees	285,609	18,052	233,180	536,841
Travel	45,694	0	0	45,694
Repairs and Maintenance	489,927	0	390	490,317
Lease Related Expenses	784,950	0	0	784,950
Minor Equipment	54,486	0	0	54,486
Depreciation and Amortization	1,608,477	0	0	1,608,477
Interest Expense	450,624	0	0	450,624
Marketing and Advertising	0	9,408	0	9,408
Transportation Rebate	45,000	0	0	45,000
Other Expenses	4,182	0	7,503	11,685
Total Functional Expenses	\$ 5,196,917	\$ 27,460	\$ 402,702	\$ 5,627,079

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (969,827)	\$ 822,549
Adjustments for Noncash Transactions		
Depreciation and Amortization	1,701,850	1,608,477
Net (Gain) Loss on Sale of Property	87,532	(1,195,441)
Non-cash Interest	59,002	8,238
(Increase) Decrease in Assets		
Accounts Receivable	(98,938)	7,266
Due from Related Organizations	1,358	3,139
Grants Receivable	100,000	783,699
Prepaid and Other Assets	18,050	3,769
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(18,734)	41,905
Retainage Payable	0	(314,866)
Due to Related Organization	13,425	440
Deferred Revenue	77,294	41,405
Compensated Absences	6,588	9,899
Net Cash Provided by Operating Activities	<u>977,600</u>	<u>1,820,479</u>
Cash Flows from Investing Activities		
Proceeds on Sale of Property	543,749	1,808,077
Use of Capital Improvement Reserve	(52,000)	(193,019)
Participation Loans Granted	(143,505)	0
Capital Expenditures	(772,627)	(594,311)
Project Expenditures	(3,650,000)	0
Lease Acquisition Costs	(149,882)	(96,297)
Net Cash Provided (Used) by Investing Activities	<u>(4,224,265)</u>	<u>924,450</u>
Cash Flows from Financing Activities		
Net (Repayments) under Lines of Credit	0	(706,958)
Railroad Improvement Fund	6,000	6,000
Proceeds of Long-Term Debt	5,258,891	939,283
Payment of Long-Term Debt	(845,228)	(1,624,858)
Net Cash Provided (Used) by Financing Activities	<u>4,419,663</u>	<u>(1,386,533)</u>
Net Increase in Cash and Cash Equivalents	1,172,998	1,358,396
Cash and Cash Equivalents, Beginning of Year	<u>2,703,731</u>	<u>1,345,335</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,876,729</u>	<u>\$ 2,703,731</u>

Supplemental Cash Flow Disclosures

Cash Paid During the Year For:

Interest	<u>\$ 431,698</u>	<u>\$ 454,323</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

Non Cash Financing Transactions:

GLDC Debt Refinancing (less closing costs)	<u>\$ 1,898,793</u>	<u>\$ 0</u>
CGR Debt Refinancing (non-cash portion less closing costs)	<u>\$ 1,425,250</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, 2021 and 2020, 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, 2021 and 2020. Grants receivable and amounts due from related organizations have been deemed to be fully collectible, therefore, an allowance has not been established.

Participation Note Receivable

The participation note receivable represents GLDC's participation in the financing provided by GLDC to Utica Industrial Development Corporation as part of a \$650,000 loan to assist Orgill, Inc. with site and infrastructure work (referred to in these notes as the Orgill Project). The note is carried at unpaid principal balances less an allowance for loan losses. GLDC records interest as it is received. Management will periodically evaluate the note for collectability. Past due status is determined based on contractual terms. Currently, the note has been deemed to be fully collectible, and 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.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 \$1,408,068 and \$1,336,922 for the years ended December 31, 2021 and 2020, respectively.

Project Costs

Sovena USA

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 \$1,773,058 and \$1,934,246 at December 31, 2021 and 2020, respectively. Amortization expense for each of the years ended December 31, 2021 and 2020 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.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Orgill, Inc.

During the year ended December 31, 2021, GLDC assisted in financing the costs related to the Orgill Project, as noted above, which is located in the Griffiss Business and Technology Park. GLDC's financing of the costs was funded by two related debt agreements (See Note 8). These costs are expected to be repaid by Orgill to OCIDA, which totaled \$3,650,000 at December 31, 2021, as part of a PILOT involving the County of Oneida, NY, Rome City School District, City of Rome, OCIDA, and GLDC. The agreement is collateralized by two letters of credit obtained by Orgill, Inc.

Each year, OCIDA is expected to reimburse GLDC in the amount equal to GLDC's annual debt service on the project, and then pays to each taxing jurisdiction their share of the remaining PILOT payments in accordance with a separate allocation agreement. GLDC will amortize these costs over the same 15-year period of time as the debt service portion of the allocation agreement, which begins in 2022. The impact of the project on GLDC is revenue/expenditure neutral.

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, 2021 and 2020.

Deferred Revenue

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

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, 2021 and 2020 was \$52,000 and \$193,019, respectively.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Acquisition Costs

Lease acquisition costs in the amount of \$697,609 and \$547,728 for 2021 and 2020, 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 \$355,318 and \$222,725 at December 31, 2021 and 2020, respectively. Amortization expense for the years ended December 31, 2021 and 2020 is \$132,594 and \$110,367, respectively. Estimated amortization expense over the next 5 years is expected to be:

Year Ended December 31:	
2022	\$ 98,858
2023	\$ 91,162
2024	\$ 54,150
2025	\$ 52,168
2026	\$ 32,845

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.
- 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.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. During 2020, 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, 2021 and 2020, amounts expensed to advertising and promotion totaled \$10,292 and \$9,408, 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, 2021, GLDC and its subsidiaries had \$3,569,020 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 \$3,876,729, less amounts for the capital improvement reserve of \$415,974 and the railroad improvement fund of \$69,000, and receivables of \$177,265. At December 31, 2020, GLDC and its subsidiaries had \$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. 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, 2021, 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 and notes receivable. GLDC maintained bank accounts at three financial institutions which were in excess of Federal Deposit Insurance Corporation (FDIC) coverage limits at December 31, 2021 and 2020; however management considers this to be a normal business risk.

Concentrations of credit risk with respect to notes receivable arise from the fact that all notes receivable pertain to companies operating in the local community and, therefore, may be adversely affected by changes in the local economy. GLDC requires collateral on all notes to the fullest extent possible.

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 \$394,920 annually over the terms of the leases. Total lease income received for the years ended December 31, 2021 and 2020 was \$1,790,296 and \$1,918,379, 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>
2022	\$ 2,027,081
2023	\$ 1,783,080
2024	\$ 1,110,101
2025	\$ 398,224
2026	\$ 141,404

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, 2021 and 2020 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>
2022	\$ 1,047,269
2023	\$ 1,047,269
2024	\$ 1,047,269
2025	\$ 1,047,269
2026	\$ 872,725

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, 2021 and 2020 was \$585,139 and \$418,464, 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>
2022	\$ 625,833
2023	\$ 632,565
2024	\$ 645,314
2025	\$ 669,957
2026	\$ 677,132

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. The line of credit was paid off during 2020 and had a zero balance at each of the years ended December 31, 2021 and 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. This loan was converted to permanent financing on November 20, 2020 (See Note 8).

On August 14, 2020, 99 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. was making monthly interest-only payments on the balance of the loan equal to the lender's prime rate (currently 3.25% at December 31, 2021), adjusted daily. The balance on the loan was \$410,690 at December 31, 2020, net of closing costs of \$12,097. This loan was converted to permanent financing on August 14, 2021 (See Note 8).

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT

At December 31, 2021 and 2020, long-term debt consisted of the following:

	<u>2021</u>	<u>2020</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.	\$ 642,435	\$ 702,435
Loan payable to Mohawk Valley Rehabilitation Corporation due June 1, 2022, which is being repaid by monthly payments of \$877, including interest at 5.00% per annum, and a lump sum principal payment of \$82,674 is 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.	85,303	91,394
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. The loan was being repaid with monthly payments of \$2,058, including interest at 4.00% per annum. The loan was consolidated and refinanced into a new loan during 2021.	0	216,801
Loan payable to RIDC due November 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan was 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. The loan was being repaid by monthly payments of \$555, including interest at 4.00% per annum. The loan was consolidated and refinanced into a new loan during 2021.	0	34,584

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2021</u>	<u>2020</u>
<p>Loan payable to Mohawk Valley Rehabilitation Corporation due November 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan was 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. It was being repaid by monthly payments of \$2,438, including interest at 4.00% per annum. The loan was consolidated and refinanced into a new loan during 2021.</p>	0	151,978
<p>Loan payable to Community Bank due October 10, 2028 used for renovations to a building located at 276 Brookley Road, Rome, NY. The loan was 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 was being repaid with monthly payments of \$5,006, including interest at 4.60% per annum. The loan was consolidated and refinanced into a new loan during 2021.</p>	0	394,476
<p>Loan payable to Community Bank due October 10, 2028 to finance improvements to a building located at 428 Phoenix Drive, Rome, NY. The loan was 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 was being repaid in monthly payments of \$3,581, including interest at 4.85% per annum. The loan was consolidated and refinanced into a new loan during 2021.</p>	0	278,425
<p>Loan payable to NBT Bank due July 5, 2021 to finance purchase of certain equipment. The loan was secured by a security interest in the equipment itself. The loan was being repaid in monthly payments of \$1,744, including interest at 3.5% per annum until maturity. The loan was paid in full during 2021.</p>	0	11,990
<p>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.</p>	1,063	7,354

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2021</u>	<u>2020</u>
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, 2021 and 2020, respectively.	139,817	401,165
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 was unsecured and was being repaid by interest only monthly payments at 5% per annum. The loan was consolidated and refinanced into a new loan during 2021.	0	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 was net of unamortized closing costs of \$25,592 at December 31, 2020. The loan was being repaid with monthly payments of \$9,082, including interest at 5.25% per annum. The loan was consolidated and refinanced into a new loan during 2021.	0	720,362
Loan payable to Mohawk Valley Rehabilitation Corporation due December 29, 2025 which was 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.	160,000	200,000
Loan payable to First Source Federal Credit Union due November 19, 2026 to finance the purchase of business equipment which is collateralized by a security interest in the equipment itself. The loan is currently being repaid with monthly payments of \$2,455, including interest at 2.5% per annum, until maturity.	136,176	0

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2021</u>	<u>2020</u>
<p>Participation Loan payable to Utica Industrial Development Corporation due November 8, 2031 to assist with financing the Orgill project. GLDC's share of the participation is \$143,500 and is recorded as a Note Receivable. (See Note 1). The loan is collateralized by a second in line security interest in a portion of the PILOT agreement, as defined by the debt service payments section of the PILOT allocation agreement. The loan is further secured by a letter of credit from Orgill guaranteeing payments on the PILOT. GLDC is currently making interest-only payments until November 8, 2022. After this, the loan will be repaid with monthly payments in the amount of \$4,808 until maturity, including interest at 4% per annum.</p>	650,000	0
<p>Loan payable to Adirondack Bank due November 8, 2031 to assist with financing the Orgill project. The loan is net of unamortized closing costs of \$22,639 at December 31, 2021. The loan is collateralized by a security interest in a portion of the PILOT agreement, as defined by the debt service payments section of the PILOT allocation agreement. The loan is further secured by a letter of credit from Orgill guaranteeing payments on the PILOT. GLDC is currently making interest-only payments until November 8, 2022. After this, the loan will be repaid with monthly payments in the amount of \$22,050 until maturity, including interest at 3.83% per annum.</p>	2,977,361	0
<p>Loan payable to Adirondack Bank due August 18, 2031 which was used to refinance the loans noted above. The loan is net of unamortized closing costs of \$48,554 at December 31, 2021. The loan is collateralized by a security interest in certain property located on Daedalian Drive and Brooks Road, including assignment of leases and rents, equipment, fixtures and personal property, and certain deposit accounts. The loan is currently being repaid with monthly payments in the amount of \$19,426 until maturity, including interest at 3.51% per annum.</p>	1,860,396	0

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2021</u>	<u>2020</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 was secured by an assignment of mortgage, leases, and rents covering the land, building, and improvements. The loan was being repaid with monthly payments of \$10,667, including interest at 5.25% per annum. The loan was consolidated and refinanced into a new loan during 2021.	0	1,049,826
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 was net of unamortized closing costs of \$25,577 at December 31, 2020. The loan was secured by an assignment of mortgage, leases, and rents covering the land and building. It was further secured by a Guaranty from GLDC. The loan was being repaid with monthly payments of \$6,976, including interest at 5.18% per annum. The loan was consolidated and refinanced into a new loan during 2021.	0	434,433
Loan payable to Adirondack Bank due September 18, 2031 which was used to refinance the loans noted above as well as a portion of the intercompany loan with GLDC noted below. The loan is net of unamortized closing costs of \$16,329 at December 31, 2021. The loan is collateralized by a security interest in certain property located on Brooks Road, including assignment of leases and rents, equipment, fixtures and personal property, and certain deposit accounts. The loan is currently being repaid with monthly payments in the amount of \$19,505 until maturity, including interest at 3.51% per annum.	2,664,469	0

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2021</u>	<u>2020</u>
<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 \$11,219 and \$12,060 at December 31, 2021 and 2020, 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. The loan is currently being repaid with monthly principal and interest payments of \$3,883, including interest at 4% per annum.	469,735	495,673
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 \$6,960 and \$7,482 at December 31, 2021 and 2020, 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. The loan is currently being repaid with monthly principal and interest payments of \$2,734, including interest at 4% per annum.	336,579	355,184
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 \$35,045 and \$38,975 at December 31, 2021 and 2020, respectively. The loan is currently being repaid with monthly payments of \$15,058, including interest at 3.38% per annum.	2,477,387	2,566,327

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (Continued)

	<u>2021</u>	<u>2020</u>
Loan payable to M&T Bank due August 14, 2036 to assist in financing leasehold improvements for the buildout of space to 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 \$11,795 at December 31, 2021. The loan is currently being repaid with monthly payments of \$4,516, including interest at 3.38% per annum.		
	<u>595,041</u>	<u>0</u>
Total	13,195,762	8,312,407
Less: Current Maturities of Long-Term Debt	<u>717,941</u>	<u>643,924</u>
Total Long-Term Debt	<u>\$ 12,477,821</u>	<u>\$ 7,668,483</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>
2022	\$ 169,207	\$ 139,261	\$ 409,473	\$ 717,941
2023	175,728	144,360	495,487	815,575
2024	182,214	149,405	510,733	842,352
2025	189,500	155,108	527,495	872,103
2026	196,780	160,780	499,442	857,002
Thereafter	<u>2,965,313</u>	<u>1,915,555</u>	<u>4,209,921</u>	<u>9,090,789</u>
Total	<u>\$ 3,878,742</u>	<u>\$ 2,664,469</u>	<u>\$ 6,652,551</u>	<u>\$ 13,195,762</u>

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

Interest expense on the above debt for the years ended December 31, 2021 and 2020 was \$431,698 and \$450,624, respectively.

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. A portion of the loan was paid off as a result of CGR refinancing activity in 2021. At December 31, 2021 and 2020, the balance of the loan is \$4,333,563 and \$5,894,137, respectively.

All intercompany loans have been eliminated through consolidation.

The Corporation's long-term debt agreements contain certain covenants, primarily various debt service coverage ratios with one financial institution. The Corporation was not in compliance for the year ended December 31, 2021, however, the financial institution has provided a waiver for this year. The Corporation was in compliance with all of the covenants at December 31, 2020.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance, January 1, 2020	\$ 1,892,383	\$ 1,525,950	\$ 3,418,333
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>
(Deficit) of Revenue over Expenses	<u>(11,377)</u>	<u>(9,309)</u>	<u>(20,686)</u>
Balance, December 31, 2021	\$ <u>2,120,556</u>	\$ <u>1,712,637</u>	\$ <u>3,833,193</u>

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

Balance, January 1, 2020	\$ 757,971
Excess of Revenue over Expenses	<u>181,655</u>
Balance, December 31, 2020	\$ <u>939,626</u>
Excess of Revenue over Expenses	<u>130,144</u>
Balance, December 31, 2021	\$ <u>1,069,770</u>

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 2021 and 2020 amounted to \$48,220 and \$47,367, respectively. At December 31, 2021 and 2020, GLDC had unpaid contributions due to the plan in the amount of \$1,953 and \$1,586, 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 \$126,441 and \$141,099, respectively, for the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, GLDC had amounts due from Griffiss Utility Services Corporation (GUSC) of \$20,803 and \$22,161, 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, 2021 and 2020 was \$349,539 and \$317,806, respectively. At December 31, 2021 and 2020, GLDC, CGR and 99 Otis St. had amounts due to GUSC of \$45,854 and \$32,429, respectively.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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>2021</u>	<u>2020</u>
Program Services		
Redevelopment and Leasing	\$ 4,883,524	\$ 5,196,917
Marketing and Promotion	54,460	27,460
Supporting Services		
Management and General	<u>471,481</u>	<u>402,702</u>
Total Expenses	<u>\$ 5,409,465</u>	<u>\$ 5,627,079</u>

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2022, 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, 2021

Assets	GLDC	CGR	99 Otis St.	Combined Balance	Consolidation Elimination	Final Balance
Current Assets						
Cash and Cash Equivalents	\$ 3,284,433	\$ 290,280	\$ 270,970	\$ 3,845,683	\$ 31,046	\$ 3,876,729
Accounts Receivable, Net	132,888	0	8,075	140,963	0	140,963
Due from Related Organizations	90,452	0	0	90,452	(69,649)	20,803
Prepaid and Other Assets - Current	18,389	11,244	24,801	54,434	(5,186)	49,248
Participation Note Receivable - Current	583	0	0	583	0	583
Total Current Assets	<u>3,526,745</u>	<u>301,524</u>	<u>303,846</u>	<u>4,132,115</u>	<u>(43,789)</u>	<u>4,088,326</u>
Property						
Land	2,302,971	562,500	125,000	2,990,471	0	2,990,471
Buildings and Site Improvements	24,139,832	9,507,031	7,762,778	41,409,641	0	41,409,641
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	875,733	125,000	0	1,000,733	0	1,000,733
Vehicles and Automotive Equipment	272,314	0	0	272,314	0	272,314
Total Property	35,287,164	10,201,927	7,887,778	53,376,869	0	53,376,869
Accumulated Depreciation	<u>(26,121,297)</u>	<u>(2,379,462)</u>	<u>(500,543)</u>	<u>(29,001,302)</u>	<u>0</u>	<u>(29,001,302)</u>
Net Property	<u>9,165,867</u>	<u>7,822,465</u>	<u>7,387,235</u>	<u>24,375,567</u>	<u>0</u>	<u>24,375,567</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	4,333,563	0	0	4,333,563	(4,333,563)	0
Participation Note Receivable	142,922	0	0	142,922	0	142,922
Lease Acquisition Costs, Net	230,886	0	111,405	342,291	0	342,291
Project Costs (Net of Accumulated Amortization)	5,423,058	0	0	5,423,058	0	5,423,058
Goodwill	132,000	0	0	132,000	0	132,000
Total Other Long-Term Assets	<u>13,475,229</u>	<u>0</u>	<u>111,405</u>	<u>13,586,634</u>	<u>(7,546,363)</u>	<u>6,040,271</u>
Total Assets	<u>\$ 26,167,841</u>	<u>\$ 8,123,989</u>	<u>\$ 7,802,486</u>	<u>\$ 42,094,316</u>	<u>\$ (7,590,152)</u>	<u>\$ 34,504,164</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable and Accrued Expenses	\$ 127,747	\$ 4,338	\$ 29,902	\$ 161,987	\$ 0	\$ 161,987
Due to Related Organization	29,346	51,849	8,448	89,643	(43,789)	45,854
Deferred Revenue	137,411	0	52,201	189,612	0	189,612
Current Maturities of Long-Term Debt	409,473	139,261	169,207	717,941	0	717,941
Total Current Liabilities	<u>703,977</u>	<u>195,448</u>	<u>259,758</u>	<u>1,159,183</u>	<u>(43,789)</u>	<u>1,115,394</u>
Long-Term Liabilities						
Capital Improvement Reserve	415,974	0	0	415,974	0	415,974
Railroad Improvement Fund	69,000	0	0	69,000	0	69,000
Compensated Absences	35,667	0	0	35,667	0	35,667
Long-Term Debt	<u>6,243,078</u>	<u>6,858,771</u>	<u>3,709,535</u>	<u>16,811,384</u>	<u>(4,333,563)</u>	<u>12,477,821</u>
Total Long-Term Liabilities	<u>6,763,719</u>	<u>6,858,771</u>	<u>3,709,535</u>	<u>17,332,025</u>	<u>(4,333,563)</u>	<u>12,998,462</u>
Net Assets						
Members' Equity	0	1,069,770	3,833,193	4,902,963	(3,212,800)	1,690,163
Net Assets without Donor Restrictions	<u>18,700,145</u>	<u>0</u>	<u>0</u>	<u>18,700,145</u>	<u>0</u>	<u>18,700,145</u>
Total Net Assets	<u>18,700,145</u>	<u>1,069,770</u>	<u>3,833,193</u>	<u>23,603,108</u>	<u>(3,212,800)</u>	<u>20,390,308</u>
Total Liabilities and Net Assets	<u>\$ 26,167,841</u>	<u>\$ 8,123,989</u>	<u>\$ 7,802,486</u>	<u>\$ 42,094,316</u>	<u>\$ (7,590,152)</u>	<u>\$ 34,504,164</u>

See Independent Auditor's Report.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2021

	<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	\$ 1,790,296	\$ 1,047,269	\$ 585,139	\$ 3,422,704	\$ 0	\$ 3,422,704
Other Lease Related Income	355,108	20,819	9,883	385,810	0	385,810
Interest Income	74,636	111	6	74,753	(73,509)	1,244
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	43,400	0	0	43,400	0	43,400
Snowplowing and Lawn Maintenance	370,967	0	0	370,967	(53,041)	317,926
Other Income	200,788	0	0	200,788	(26,421)	174,367
Total Revenue and Support	<u>3,122,767</u>	<u>1,068,199</u>	<u>595,028</u>	<u>4,785,994</u>	<u>(258,824)</u>	<u>4,527,170</u>
Expenses						
Program Services						
Redevelopment and Leasing	2,468,200	657,047	315,251	3,440,498	(258,824)	3,181,674
Marketing and Promotion	54,460	0	0	54,460	0	54,460
Supporting Services						
Management and General	428,144	26,843	16,494	471,481	0	471,481
Total Expenses	<u>2,950,804</u>	<u>683,890</u>	<u>331,745</u>	<u>3,966,439</u>	<u>(258,824)</u>	<u>3,707,615</u>
Increase in Net Assets Before Other Changes	<u>171,963</u>	<u>384,309</u>	<u>263,283</u>	<u>819,555</u>	<u>0</u>	<u>819,555</u>
Other Changes						
Depreciation and Amortization Expense	(1,163,716)	(254,165)	(283,969)	(1,701,850)	0	(1,701,850)
Net (Loss) on Sales of Property	(87,532)	0	0	(87,532)	0	(87,532)
Total Other Changes	<u>(1,251,248)</u>	<u>(254,165)</u>	<u>(283,969)</u>	<u>(1,789,382)</u>	<u>0</u>	<u>(1,789,382)</u>
Increase (Decrease) in Net Assets	(1,079,285)	130,144	(20,686)	(969,827)	0	(969,827)
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 18,700,145</u>	<u>\$ 1,069,770</u>	<u>\$ 3,833,193</u>	<u>\$ 23,603,108</u>	<u>\$ (3,212,800)</u>	<u>\$ 20,390,308</u>

See Independent Auditor's Report.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

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>
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 Subsidiary	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
Prepaid and Other Assets	0	0	0	0	0	0
Lease Acquisition Costs, Net	226,705	0	98,298	325,003	0	325,003
Project Costs, Net	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
Retainage Payable	0	0	0	0	0	0
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
Line of Credit	0	0	0	0	0	0
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 Loan	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						
Member's Equity (Deficit)	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
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	1,195,441	0	0	1,195,441	0	1,195,441
Total Revenue, Gains and Support	<u>5,211,367</u>	<u>1,068,247</u>	<u>927,339</u>	<u>7,206,953</u>	<u>(757,325)</u>	<u>6,449,628</u>
Expenses						
Program Services						
Redevelopment and Leasing	3,461,455	611,716	272,594	4,345,765	(757,325)	3,588,440
Marketing and Promotion	27,460	0	0	27,460	0	27,460
Supporting Services						
Management and General	371,051	20,914	10,737	402,702	0	402,702
Total Expenses	<u>3,859,966</u>	<u>632,630</u>	<u>283,331</u>	<u>4,775,927</u>	<u>(757,325)</u>	<u>4,018,602</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>	0	<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.