

GRIFFISS LOCAL  
DEVELOPMENT  
CORPORATION AND  
SUBSIDIARY

For the Year Ended  
December 31, 2010

CONSOLIDATED  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL  
SCHEDULES

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# GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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# D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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## Independent Auditor's Report

Board of Directors  
Griffiss Local Development Corporation and Subsidiary

We have audited the accompanying consolidated statement of financial position of Griffiss Local Development Corporation and Subsidiary as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. We have also audited the statement of financial position of Griffiss Local Development Corporation as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Griffiss Local Development Corporation and Subsidiary as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2009 financial statements present fairly, in all material respects, the financial position of Griffiss Local Development Corporation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*D'Arcangelo & Co., LLP*

March 21, 2011

Utica, New York

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****December 31, 2010**

(With Comparative Information about Griffiss Local Development Corporation as of December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 8,912,378	\$ 5,436,661
Grants Receivable	1,017,606	1,066,402
Accounts Receivable, Net	71,811	240,446
Notes Receivable from Related Organization - Current	120,671	115,107
Due from Related Organizations	250,063	464
Prepaid Expenditures	194,436	194,776
Total Current Assets	<u>10,566,965</u>	<u>7,053,856</u>
<b>Property</b>		
Land	583,233	20,733
Construction in Progress	2,358,736	1,008,493
Buildings and Site Improvements	24,738,955	22,051,048
Roadways and Improvements	5,203,440	5,203,440
Railways and Improvements	1,686,767	1,331,548
Utility Improvements	582,831	582,831
Signage	215,291	215,291
Office Equipment	188,906	186,976
Vehicles and Automotive Equipment	191,808	181,808
Total Property	<u>35,749,967</u>	<u>30,782,168</u>
Accumulated Depreciation	<u>15,433,256</u>	<u>14,271,290</u>
Net Property	<u>20,316,711</u>	<u>16,510,878</u>
<b>Other Long-Term Assets</b>		
Notes Receivable from Related Organization	856,885	977,556
Note Receivable	6,622,200	0
Project Costs (Net of Accumulated Amortization)	<u>8,356,289</u>	<u>8,971,980</u>
Total Other Long-Term Assets	<u>15,835,374</u>	<u>9,949,536</u>
<b>Total Assets</b>	<u>\$ 46,719,050</u>	<u>\$ 33,514,270</u>

**(Continued)**

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

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**December 31, 2010**

(With Comparative Information about Griffiss Local Development Corporation as of December 31, 2009)

(Continued)

	<u>2010</u>	<u>2009</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 864,093	\$ 1,961,782
Current Maturities of Debt	1,100,302	777,054
Refundable Advances	31,471	300,005
Deposits	7,500	7,500
Due to Related Organization	7,645	362,612
Total Current Liabilities	<u>2,011,011</u>	<u>3,408,953</u>
<b>Long-Term Liabilities</b>		
Capital Improvement Reserve	230,700	311,657
Compensated Absences	19,437	14,603
Long-Term Debt	<u>19,088,519</u>	<u>6,200,292</u>
Total Long-Term Liabilities	<u>19,338,656</u>	<u>6,526,552</u>
<b>Net Assets</b>		
Members' Accumulated Deficit	(912,903)	0
Unrestricted	<u>26,282,286</u>	<u>23,578,765</u>
Total Net Assets	<u>25,369,383</u>	<u>23,578,765</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 46,719,050</u>	<u>\$ 33,514,270</u>

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

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2010**

(With Comparative Information about Griffiss Local Development Corporation as of December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b>Revenue and Support</b>		
New York State Grants	\$ 1,798,253	\$ 2,414,636
Building Lease Income	1,726,888	1,584,899
Other Lease Related Income	362,375	405,399
Gain on Sale of Property	680,370	280,672
Payments In Lieu of Taxes	1,196,163	1,226,749
Project Development Fees	8,069	0
Reimbursements and Refunds	1,372,606	50,006
Interest Income	131,613	100,464
Other Income	233,888	184,245
Total Revenue and Support	<u>7,510,225</u>	<u>6,247,070</u>
<b>Expenses</b>		
Program Services		
Redevelopment and Leasing	5,467,061	5,398,975
Marketing and Promotion	23,377	46,085
Supporting Services		
Management and General	229,169	240,732
Total Expenses	<u>5,719,607</u>	<u>5,685,792</u>
<b>Increase in Net Assets</b>	1,790,618	561,278
<b>Net Assets, Beginning of Year</b>	<u>23,578,765</u>	<u>23,017,487</u>
<b>Net Assets, End of Year</b>	<u>\$ 25,369,383</u>	<u>\$ 23,578,765</u>

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

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2010**

(With Comparative Information about Griffiss Local Development Corporation as of December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from (Used By) Operating Activities</b>		
Increase in Net Assets	\$ 1,790,618	\$ 561,278
Adjustments for Noncash Transactions		
Depreciation and Amortization	1,799,165	1,753,723
(Gain) on Sale of Property	(680,370)	(280,672)
Change in Allowance for Uncollectibles	0	13,456
(Increase) Decrease in Assets		
Grants Receivable	48,796	21,919
Accounts Receivable	168,635	(168,100)
Due from Related Organizations	(249,599)	72,354
Prepaid Expenditures	340	(184)
Increase (Decrease) in Liabilities		
Accounts Payable	(1,097,689)	154,588
Refundable Advances	(268,534)	(88,723)
Deposits	0	(2,500)
Due to Related Organization	(354,967)	358,174
Compensated Absences	4,834	4,094
Net Cash Flows from Operating Activities	<u>1,161,229</u>	<u>2,399,407</u>
<b>Cash Flows from (Used By) Investing Activities</b>		
Proceeds on Sale of Property	140,862	280,672
Loans Granted	(6,622,200)	0
Collections on Loans	115,107	109,800
Capital Improvement Reserve	(80,957)	27,567
Capital Expenditures	<u>(4,449,799)</u>	<u>(2,775,953)</u>
Net Cash (Used By) Investing Activities	<u>(10,896,987)</u>	<u>(2,357,914)</u>
<b>Cash Flows from (Used by) Financing Activities</b>		
Proceeds of Line of Credit	1,500,000	0
Payment of Line of Credit	(1,500,000)	0
Proceeds of Long-Term Debt	14,089,506	268,455
Payment of Long-Term Debt	<u>(878,031)</u>	<u>(678,207)</u>
Net Cash Flows from (Used by) Financing Activities	<u>13,211,475</u>	<u>(409,752)</u>
<b>Net Increase (Decrease) in Cash</b>	3,475,717	(368,259)
<b>Cash, Beginning of Year</b>	<u>5,436,661</u>	<u>5,804,920</u>
<b>Cash, End of Year</b>	<u>\$ 8,912,378</u>	<u>\$ 5,436,661</u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash Paid During the Year For:		
Interest	<u>\$ 352,696</u>	<u>\$ 378,502</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 SUBSIDIARY

## 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, into a 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 along with revenues generated from interest income on deposits, other income, payments in lieu of taxes (PILOTs) and other related income. In addition, GLDC receives grants from New York State. 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 subsidiary, Cardinal Griffiss Realty, LLC (CGR). Intercompany transactions have been eliminated.

Cardinal Griffiss Realty, LLC 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 non-controlling (.01%) interest in CGR.

#### **Basis of Presentation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These consolidated financial statements, presented on the accrual basis of accounting, have been prepared to focus on the entity 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 three classes: permanently restricted, temporarily restricted, or unrestricted. At December 31, 2010 and 2009, GLDC only maintained unrestricted net assets.

#### **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.

# GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Receivables

Receivables are recorded at cost, less an allowance for uncollectibles. 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 for accounts receivables was \$16,606 at each of the years ended December 31, 2010 and 2009. Grants receivables have been deemed to be fully collectible, and an allowance has not been established.

#### Property and Depreciation

GLDC and its subsidiary capitalize certain expenditures for land, buildings 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 and its subsidiary also capitalize expenditures for office equipment which exceed \$500. 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 provided using the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Buildings and Site Improvements, Roadways and Improvements, Railways and Improvements, and Utility Improvements	3-20 Years
Signage, Office Equipment, and Vehicles and Automotive Equipment	5 Years

GLDC executed a service fee payment agreement with the City of Rome whereby certain roads, storm drainage systems, water, and sanitary sewers will be dedicated to the City of Rome. Upon such an occurrence, GLDC will transfer the cost basis of this infrastructure to the City of Rome.

#### Project Costs

GLDC has developed and financed a portion of the infrastructure and site improvements necessary to support the Family Dollar Distribution Center that opened in 2006 at the Griffiss Business and Technology Park. Family Dollar is reimbursing GLDC for these costs, which totaled \$6,624,606 at each of the years December 31, 2010 and 2009, through a Payment in Lieu of Tax (PILOT)/Tax Incentive Financing (TIF) agreement. The agreement is for a 15 year period of time ending in 2022. The PILOT/TIF agreement includes the Oneida County Industrial Development Agency

# GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(OCIDA), County of Oneida, City of Rome, Rome City School District as well as Family Dollar and GLDC. The PILOT/TIF agreement requires Family Dollar to pay the entire PILOT amount directly to OCIDA; the OCIDA reimburses GLDC and then pays each taxing jurisdiction their share of the PILOT payment. GLDC amortizes the project costs over the same 15 year period of time as the PILOT. The net balance of the project costs after amortization is \$4,810,162 and \$5,264,666 at December 31, 2010 and 2009, respectively. The impact of the project on GLDC is revenue/expenditure neutral.

GLDC has also developed and financed a portion of the infrastructure and site improvements necessary to support the Sovena USA Distribution Center that opened in 2007 at the Griffiss Business and Technology Park. Sovena USA reimburses GLDC for these costs, which totaled \$4,029,689 at each of the years ended December 31, 2010 and 2009, through a PILOT/TIF. The agreement is for 25 years ending in 2032. The PILOT/TIF agreement includes the Oneida County Industrial Development Agency (OCIDA), County of Oneida, City of Rome, Rome City School District as well as Sovena USA and GLDC. The PILOT/TIF agreement requires Sovena USA to pay the entire PILOT amount directly to OCIDA; the OCIDA reimburses GLDC and then pays each taxing jurisdiction their share of the PILOT payment. GLDC amortizes these costs over the same 25 year period of time as the PILOT. The net balance of these costs after amortization is \$3,546,127 and \$3,707,314 at December 31, 2010 and 2009, respectively. The impact of the project on GLDC is revenue/expenditure neutral.

#### **Advertising**

GLDC expenses all advertising costs as incurred. For the years ended December 31, 2010 and 2009, amounts expensed to advertising and promotion totaled \$21,501 and \$26,662, respectively.

#### **Refundable Advances**

Refundable advances consist of grant monies received in excess of related expenditures.

#### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Certain costs have been allocated among the following program and supporting services as follows:

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

Marketing and Promotion - Includes all direct and indirect expenses attributable to the marketing and promotion of the Griffiss Business and Technology Park facilities.

# GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### Reclassification

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

### 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. The Corporation's Federal and State informational returns for the years 2007 through 2009 remain subject to examination by the respective taxing authorities.

Cardinal Griffiss Realty, LLC is treated as a partnership for income tax purposes. Due to the members' (GLDC and EDGE) not-for-profit status, the 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.

### NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject GLDC and its subsidiary to a concentration of credit risk consist principally of cash. At December 31, 2010 and 2009 GLDC maintained bank accounts at three financial institutions which were in excess of Federal Deposit Insurance Corporation (FDIC) coverage limits; however management considers this to be a normal business risk.

### NOTE 4 BUILDING LEASES

GLDC, through OCIDA, has entered into certain lease agreements with the United States Air Force (USAF) for various buildings located in the Griffiss Business and Technology Park. The terms of the lease payments to the USAF range from 1 to 40 years and there are no lease payments due for the property based on an agreement made between both parties. The USAF conveyed a portion of the property to Oneida County Industrial Development Agency (OCIDA) during 2010 and 2009. GLDC leases back this property from OCIDA. The terms of the lease are \$1.00 annually for ten years. GLDC also has the right to sublease this property.

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 BUILDING LEASES (Continued)**

GLDC subleases the commercial space to several third parties under noncancelable operating leases. The terms of the leases range from 1 to 5 years with lease payments ranging from \$12,000 to \$475,780 annually over the terms of the leases. Total lease income received for the years ended December 31, 2010 and 2009, was \$1,726,888 and \$1,584,899, respectively.

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

<u>Year</u>	<u>Lease Income</u>
2011	\$ 1,749,700
2012	\$ 1,805,400
2013	\$ 1,654,300
2014	\$ 1,649,900
2015	\$ 1,649,900

**NOTE 5 NOTES RECEIVABLE**

GLDC has an outstanding note receivable from GLDC Investment Fund, LLC in the amount of \$6,622,200 at December 31, 2010. The proceeds of the loan were used to make a qualified equity investment in the Enhanced Capital New Market Development Fund V, LLC (the CDE). The CDE in turn has made a low-income community investment in Cardinal Griffiss Realty, LLC. The transaction enables receipt of Federal New Markets Tax Credits, helps finance certain acquisition and construction costs in connection with the Assured Information Security Project, and assists in payment of transactional costs and expenses. The note is collateralized by a first priority security interest in the CDE. Currently, the borrower is making monthly interest-only payments at a rate of 2.39% per annum until October 5, 2017. Commencing on September 1, 2017, payment of principal and interest calculated based on full amortization of the loan will begin until maturity on February 1, 2035.

At December 31, 2010 and 2009, GLDC had an outstanding note receivable of \$977,556 and \$1,092,663, respectively, to EDGE for the purpose of investing in 394 Hangar Road Corporation. The note is due January 1, 2018, and is being repaid by monthly payments of \$13,693 including interest at 4.73%.

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT**

At December 31, 2010 and 2009, long-term debt consisted of the following:

	<u>2010</u>	<u>2009</u>
<b><u>GLDC</u></b>		
<b><u>Related-Party Debt</u></b>		
Loan payable to Mohawk Valley EDGE for the Family Dollar Project. The loan is being repaid by monthly payments of \$3,954 including interest at 5.00% per annum, and includes a final balloon payment of \$209,523 due on April 1, 2016. The loan is collateralized by a subordinated position in the proceeds of the Payment in Lieu of Tax/Tax Incentive Financing Agreements that pertain to the Family Dollar Distribution Center Project as described in Note 1.	\$ 382,288	\$ 409,869
Loan payable to Mohawk Valley EDGE for the expansion and improvement of a building at 725 Daedalian Drive, Rome, NY. The loan is unsecured and is currently being repaid by monthly interest-only payments of \$592 until May 1, 2011. Beginning on June 1, 2011, monthly payments of \$1,961, including interest at 4.00% per annum, will be made.	177,646	0
Loan payable to Mohawk Valley EDGE for the expansion and improvement of a building at 725 Daedalian Drive, Rome, NY. The loan is unsecured and is currently being repaid by monthly interest-only payments of \$667 until May 1, 2011. Beginning on June 1, 2011, monthly payments of \$2,208, including interest at 4.00% per annum, will be made.	200,000	0
Loan payable to Mohawk Valley EDGE to assist in financing the Assured Information Security, Inc. project. The loan is secured by a second position lien pro-rata co-equal with RIDC 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 interest-only payments of \$1,667 until November 1, 2018. Beginning on December 1, 2018, monthly payments of \$4,116, including interest at 4.00% per annum, will be made.	500,000	0

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT (Continued)**

	<u>2010</u>	<u>2009</u>
<p>Loan payable to Rome Industrial Development Corporation 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 interest-only payments of \$250 until October 1, 2011. Beginning on November 1, 2011, monthly payments of \$555, including interest at 4.00% per annum, will be made.</p>	75,000	0
<u>Other Long-Term Debt</u>		
<p>Loan payable to M&amp;T Real Estate, Inc. due July 1, 2012 which is being reduced by monthly payments of \$7,998 including interest at 2.75% per annum. This note is collateralized by the first position in the leases of and first mortgage on building #776.</p>	148,180	239,078
<p>Loan payable to Rome Savings Bank due March 1, 2014, which is being reduced by monthly payments of \$8,804 including interest at 3.25% per annum. This note is collateralized by the leases of and mortgages on building #778.</p>	325,411	418,826
<p>Loan payable to NBT Bank due May 1, 2016, which is being reduced by monthly payments of \$54,734 including interest at 4.81% per annum. This 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 Family Dollar Distribution Center Project as described in Note 1.</p>	3,113,462	3,609,006
<p>Loan payable to Mohawk Valley Rehabilitation Corporation due April 1, 2016, which is being reduced by monthly payments of \$1,147 including interest at 5.00% per annum. The monthly payments are based upon a 15-year amortization schedule with a balloon payment of \$61,652 due on April 1, 2016. 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 Family Dollar Distribution Center Project as described in Note 1.</p>	110,864	118,884

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT (Continued)**

	<u>2010</u>	<u>2009</u>
<p>Loan payable to M&amp;T Bank due January 9, 2017, which is being repaid by monthly interest payments at 6.89% per annum, annual principal payments of \$60,000 and a principal payment of \$960,000 due on January 9, 2017. The annual interest rate will be adjusted on February 1, 2012 to the then current Federal Home Loan Bank five (5) year fixed interest rate plus 1.70%. This 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.</p>	1,320,000	1,380,000
<p>Loan payable to the New York State Department of Transportation (DOT). Funds provided through the DOT Industrial Access Program for roadway improvements to support the Family Dollar project. The loan is interest free and is repayable over 5 years beginning in 2010, in accordance with a repayment schedule provided by the NYS Department of Transportation.</p>	594,000	660,000
<p>Loan payable to MORECO due June 1, 2022, which is being reduced by monthly payments of \$877 including interest at 5.00% per annum and a 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.</p>	138,165	141,683
<p>Loan payable to Oneida Savings bank for the expansion and improvement of a building at 725 Daedalian Drive, Rome, NY. The loan is secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. It is currently being repaid by monthly payments of \$4,238, including interest at 6.10% per annum until April 10, 2015. The annual interest rate may change on this date based on the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of 5 years plus 2.75%. The minimum rate is 5.75%.</p>	361,219	0

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT (Continued)**

	<u>2010</u>	<u>2009</u>
<p>Loan payable to Mohawk Valley Rehabilitation Corporation 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. It is currently being repaid by monthly interest-only payments of \$667 until November 1, 2018. Beginning on December 1, 2018, monthly payments of \$2,438, including interest at 4.00% per annum, will be made.</p>	200,000	0
<p>Loan payable to Oneida Savings Bank for improvements to building 798 at 581 Phoenix Drive, Rome, NY. The loan is secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. It is being repaid by monthly payments of \$8,699, including interest at 6.10% until September 1, 2015. The annual interest rate may change on this date to the rate of the U.S. Treasury Index plus 2.50%, subject to a minimum rate of 4.50%.</p>	765,726	0
<p>Loan payable to Oneida Savings Bank to assist in financing the Assured Information Security, Inc. project. The loan is secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. It is currently being repaid by monthly interest-only payments of \$10,413 until September 1, 2011. Then, monthly payments of \$23,358, including interest at 5.95% per annum, will be made until September 1, 2016. After that, the annual interest rate may change every 5 years thereafter, to a rate equal to the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of 5 years plus 2.50%, subject to a minimum rate of 4.50%. GLDC is eligible for several grants, which upon receipt, have been Board directed to accelerate principal payments on this loan.</p>	2,776,860	0

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT (Continued)**

	<u>2010</u>	<u>2009</u>
<b><u>Cardinal Griffiss Realty, LLC</u></b>		
Loan payable to Enhanced Capital New Market Development Fund V, LLC to finance the Assured Information Security Project for construction of a building. The loan is secured by an assignment of mortgage, leases, and rents covering the land, building, and improvements, as well as a security interest in the deposit accounts maintained. The loan is to be paid with interest-only payments at 1.86% per annum until September 29, 2017. Beginning on that date, monthly payments of \$40,114 will commence until maturity.	9,000,000	0
Total	20,188,821	6,977,346
Less Current Maturities of Debt	<u>1,100,302</u>	<u>777,054</u>
Total Long-Term Debt	<u>\$19,088,519</u>	<u>\$ 6,200,292</u>

The following are maturities of long-term debt for each of the remaining years:

<u>Years</u>	<u>Amount</u>
2011	\$ 1,100,302
2012	1,208,333
2013	1,181,480
2014	1,213,450
2015	1,033,964
Thereafter	<u>14,451,292</u>
Total	<u>\$ 20,188,821</u>

**NOTE 7 MEMBERS' ACCUMULATED DEFICIT**

The changes in GLDC's member accumulated deficit are as follows:

Balance at Beginning of Year	\$ 0
Net (Loss) of Cardinal Griffiss Realty, LLC	<u>(912,903)</u>
Balance at End of Year	<u>\$ (912,903)</u>

**NOTE 8 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 2010 and 2009 amounted to \$22,534 and \$17,305, respectively. At December 31, 2010 and 2009, GLDC did not have any unpaid contributions due to the plan.

# GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 9 RELATED ORGANIZATIONS

GLDC has a staff services agreement with EDGE for professional staff, general administration, and overhead type services. GLDC paid \$458,913 and \$443,394 in service fees to EDGE for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, respectively, GLDC had amounts due from (due to) EDGE of \$44,659 and (\$267,009) for services provided by EDGE and 394 Hangar Road Corporation.

GLDC has several long-term loans payable to EDGE and Rome Industrial Development Corporation (RIDC) used to finance construction projects. See Note 6 for details.

GLDC leases various buildings from OCIDA for \$1.00 annually.

GLDC has an outstanding receivable from OCIDA at December 31, 2010 and 2009, for \$190,978 and \$0, respectively, for a PILOT payment collected by them. GLDC also has a receivable from Griffiss Park Landowner's Association (GPLA) of \$14,426 for reimbursement of administrative services at December 31, 2010 and a payable of (\$94,609) at December 31, 2009, for common area maintenance fees collected by GLDC on behalf of GPLA.

GLDC has a note receivable from EDGE used for investing in 394 Hangar Road Corporation. See Note 5 for details.

### NOTE 10 LINE OF CREDIT AND LOAN COMMITMENTS

GLDC has a \$1.5 million unsecured line of credit with one local financial institution at a current interest rate of 4.00%. GLDC did utilize the line of credit during 2010, but did not in 2009. GLDC did not have an outstanding balance at December 31, 2010 and 2009. The line of credit is in place until August 2011.

During 2010, Cardinal Griffiss Realty, LLC obtained an additional loan commitment of \$1,585,416 from a financial institution. As of December 31, 2010 no loan advances have been drawn or received from this loan commitment.

### NOTE 11 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 12 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2011, the date on which the consolidated financial statements were available to be issued.

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**December 31, 2010**

	<u>GLDC</u>	<u>CGR</u>	<u>Consolidated Balance</u>	<u>Consolidation Elimination</u>	<u>Final Balance</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 3,006,034	\$ 5,906,344	\$ 8,912,378	\$ 0	\$ 8,912,378
Grants Receivable	1,017,606	0	1,017,606	0	1,017,606
Accounts Receivable, Net	71,811	0	71,811	0	71,811
Note Receivable from Related Organization - Current	120,671	0	120,671	0	120,671
Due from Related Organizations	389,111	0	389,111	(139,048)	250,063
Prepaid Expenditures	194,436	0	194,436	0	194,436
Total Current Assets	<u>4,799,669</u>	<u>5,906,344</u>	<u>10,706,013</u>	<u>(139,048)</u>	<u>10,566,965</u>
<b>Property</b>					
Land	20,733	562,500	583,233	0	583,233
Construction in Progress	249,399	2,109,337	2,358,736	0	2,358,736
Buildings and Site Improvements	24,738,955	0	24,738,955	0	24,738,955
Roadways and Improvements	5,203,440	0	5,203,440	0	5,203,440
Railways and Improvements	1,686,767	0	1,686,767	0	1,686,767
Utility Improvements	582,831	0	582,831	0	582,831
Signage	215,291	0	215,291	0	215,291
Office Equipment	188,906	0	188,906	0	188,906
Vehicles and Automotive Equipment	191,808	0	191,808	0	191,808
Total Property	33,078,130	2,671,837	35,749,967	0	35,749,967
Accumulated Depreciation	15,433,256	0	15,433,256	0	15,433,256
Net Property	<u>17,644,874</u>	<u>2,671,837</u>	<u>20,316,711</u>	<u>0</u>	<u>20,316,711</u>
<b>Other Long-Term Assets</b>					
Investment in Subsidiaries	1,587,800	0	1,587,800	(1,587,800)	0
Notes Receivable from Related Organizations	856,885	0	856,885	0	856,885
Note Receivable	6,622,200	0	6,622,200	0	6,622,200
Project Costs (Net of Accumulated Amortization)	8,356,289	0	8,356,289	0	8,356,289
Total Other Long-Term Assets	<u>17,423,174</u>	<u>0</u>	<u>17,423,174</u>	<u>(1,587,800)</u>	<u>15,835,374</u>
<b>Total Assets</b>	<b><u>\$ 39,867,717</u></b>	<b><u>\$ 8,578,181</u></b>	<b><u>\$ 48,445,898</u></b>	<b><u>\$ (1,726,848)</u></b>	<b><u>\$ 46,719,050</u></b>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 376,188	\$ 487,905	\$ 864,093	\$ 0	\$ 864,093
Current Maturities of Debt	1,100,302	0	1,100,302	0	1,100,302
Refundable Advances	31,471	0	31,471	0	31,471
Deposits	7,500	0	7,500	0	7,500
Due to Related Organization	7,645	139,048	146,693	(139,048)	7,645
Total Current Liabilities	<u>1,523,106</u>	<u>626,953</u>	<u>2,150,059</u>	<u>(139,048)</u>	<u>2,011,011</u>
<b>Long-Term Liabilities</b>					
Capital Improvement Reserve	230,700	0	230,700	0	230,700
Compensated Absences	19,437	0	19,437	0	19,437
Long-Term Debt	10,088,519	9,000,000	19,088,519	0	19,088,519
Total Long-Term Liabilities	<u>10,338,656</u>	<u>9,000,000</u>	<u>19,338,656</u>	<u>0</u>	<u>19,338,656</u>
<b>Net Assets</b>					
Members' Accumulated Deficit	0	(1,048,772)	(1,048,772)	135,869	(912,903)
Unrestricted	28,005,955	0	28,005,955	(1,723,669)	26,282,286
Total Net Assets	<u>28,005,955</u>	<u>(1,048,772)</u>	<u>26,957,183</u>	<u>(1,587,800)</u>	<u>25,369,383</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 39,867,717</u></b>	<b><u>\$ 8,578,181</u></b>	<b><u>\$ 48,445,898</u></b>	<b><u>\$ (1,726,848)</u></b>	<b><u>\$ 46,719,050</u></b>

**GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY**

**CONSOLIDATING SCHEDULE OF ACTIVITIES**

**For the Year Ended December 31, 2010**

	<u>GLDC</u>	<u>CGR</u>	<u>Consolidated Balance</u>	<u>Consolidation Elimination</u>	<u>Final Balance</u>
<b>Revenue and Support</b>					
New York State Grants	\$ 1,798,253	\$ 0	\$ 1,798,253	\$ 0	\$ 1,798,253
Building Lease Income	1,726,888	0	1,726,888	0	1,726,888
Other Lease Related Income	362,375	0	362,375	0	362,375
Gain on Sale of Property	680,370	0	680,370	0	680,370
Payments In Lieu of Taxes	1,196,163	0	1,196,163	0	1,196,163
Project Development Fees	1,731,738	0	1,731,738	(1,723,669)	8,069
Reimbursements and Refunds	1,372,606	0	1,372,606	0	1,372,606
Interest Income	114,494	17,119	131,613	0	131,613
Other Income	233,288	600	233,888	0	233,888
Total Revenue and Support	<u>9,216,175</u>	<u>17,719</u>	<u>9,233,894</u>	<u>(1,723,669)</u>	<u>7,510,225</u>
<b>Expenses</b>					
Program Services					
Redevelopment and Leasing	4,536,439	2,654,291	7,190,730	(1,723,669)	5,467,061
Marketing and Promotion	23,377	0	23,377	0	23,377
Supporting Services					
Management and General	229,169	0	229,169	0	229,169
Total Expenses	<u>4,788,985</u>	<u>2,654,291</u>	<u>7,443,276</u>	<u>(1,723,669)</u>	<u>5,719,607</u>
<b>Increase (Decrease) in Net Assets</b>	4,427,190	(2,636,572)	1,790,618	0	1,790,618
<b>Net Assets, Beginning of Year</b>	23,578,765	0	23,578,765	0	23,578,765
<b>Capital Contribution</b>	<u>0</u>	<u>1,587,800</u>	<u>1,587,800</u>	<u>(1,587,800)</u>	<u>0</u>
<b>Net Assets, End of Year</b>	<u>\$ 28,005,955</u>	<u>\$ (1,048,772)</u>	<u>\$ 26,957,183</u>	<u>\$ (1,587,800)</u>	<u>\$ 25,369,383</u>