

Lakefront Development Corporation

FINANCIAL STATEMENTS

December 31, 2010 and 2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Lakefront Development Corporation

We have audited the accompanying Statement of Financial Position of the Lakefront Development Corporation (LDC) as of December 31, 2010 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of LDC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative financial information has been derived from LDC's 2009 financial statements and in our report dated May 27, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LDC 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.

As discussed in Note 1 to the financial statements, a significant part of the LDC's revenue is dependent on a funding agreement from the Syracuse Industrial Development Agency (SIDA), and the loss of this funding would have a materially adverse effect on LDC. SIDA revenue accounted for approximately 97% of the revenues reported for the year ended December 31, 2010.

Syracuse, New York
March 22, 2011

LAKEFRONT DEVELOPMENT CORPORATION
Statement of Financial Position
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash	\$ 48,670	\$ 20,234
Restricted cash	5,768	5,768
Receivable - Syracuse Industrial Development Agency (see Note 2)	27,319	63,734
Prepaid expenses	2,171	2,171
Total current assets	<u>83,928</u>	<u>91,907</u>
Fixed Assets:		
Furniture and equipment, net of accumulated depreciation of \$19,546, and \$19,260, respectively)	<u>-</u>	<u>286</u>
Total Assets	<u>\$ 83,928</u>	<u>\$ 92,193</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 11,482	\$ 2,186
Accrued salaries	29,527	27,897
Advances from Syracuse Industrial Development Agency	38,714	38,714
Deferred revenue - contributions	5,768	5,768
Total current liabilities	<u>85,491</u>	<u>74,565</u>
Net Assets:		
Unrestricted		
Operating	(1,563)	17,342
Net fixed assets	<u>-</u>	<u>286</u>
Total unrestricted net assets	<u>(1,563)</u>	<u>17,628</u>
Total Liabilities and Net Assets	<u>\$ 83,928</u>	<u>\$ 92,193</u>

The accompanying notes are an integral part of these financial statements

LAKEFRONT DEVELOPMENT CORPORATION
Statement of Activities
Years Ended December 31, 2010 and 2009

	2010	2009
Changes in unrestricted net assets		
Support and revenue:		
Syracuse Industrial Development Agency	\$ 228,095	\$ 259,856
Events revenue	8,700	6,500
Interest	43	43
Total support and revenue	236,838	266,399
Expenses:		
Program Services	226,743	236,724
Supporting Services -		
Management and general	29,286	23,424
Total expenses	256,029	260,148
Change in net assets	(19,191)	6,251
Net assets - beginning of year	17,628	11,377
Net assets - end of year	\$ (1,563)	\$ 17,628

The accompanying notes are an integral part of these financial statements

LAKEFRONT DEVELOPMENT CORPORATION
Statement of Cash Flows
Years ended December 31, 2010 and 2009

Cash flows from operating activities:		
Change in net assets	\$ (19,191)	\$ 6,251
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	286	739
Change in assets/liabilities		
(Increase) in accounts receivable	36,415	(11,085)
(Increase) in prepaid expenses	-	(2,171)
Increase (decrease) in accounts payable and accrued salaries	<u>10,926</u>	<u>(16,282)</u>
Net cash provided by (used for) operating activities	28,436	(22,548)
Cash - beginning of year	<u>20,234</u>	<u>42,782</u>
Cash - end of year	<u><u>\$ 48,670</u></u>	<u><u>\$ 20,234</u></u>

The accompanying notes are an integral part of these financial statements

LAKEFRONT DEVELOPMENT CORPORATION
Statement of Functional Expenses
For the Year Ended December 31, 2010 with Summarized
Comparative Financial Information for December 31, 2009

	Program Services	Supporting Services	Total 2010	Total 2009
Expenses:				
Salaries	\$ 58,624	\$ 4,526	\$ 63,150	\$ 113,919
Payroll taxes and fringe benefits	67,713	2,821	70,534	27,917
Total personnel costs	126,337	7,347	133,684	141,836
Occupancy	5,760	240	6,000	6,000
Travel and training	1,661	70	1,731	1,837
Supplies	2,747	164	2,911	2,023
Marketing	586	23	609	-
Telephone and internet services	2,669	111	2,780	3,422
Legal fees	-	12,000	12,000	12,000
Accounting fees	-	4,990	4,990	3,000
Lawn care and grounds maintenance	58,175	-	58,175	50,031
Harbor utilities	16,680	-	16,680	16,581
Repairs and maintenance	11,842	-	11,842	20,508
Insurance - board liability	-	4,342	4,342	2,171
Total expenses before depreciation	226,457	29,286	255,744	259,409
Depreciation	286	-	286	739
Total expenses	<u>\$ 226,743</u>	<u>\$ 29,286</u>	<u>\$ 256,029</u>	<u>\$ 260,148</u>

The accompanying notes are an integral part of these financial statements

LAKEFRONT DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2010

1. Nature of activities and summary of significant accounting policies

Nature of Activities

The Lakefront Development Corporation (LDC) is a non-profit corporation formed by the City of Syracuse in conjunction with CenterState CEO (formerly named the Metropolitan Development Association) in March 1995. LDC is organized to promote and facilitate quality commercial, residential, recreational and tourism development within the City of Syracuse's lakefront area.

Governance

LDC has a board of directors which have the duties and powers to provide general management of the affairs, property and business of the corporation. The board is subject to the bylaws of the corporation. The board of directors consists of thirteen members whereby six members are appointed by CenterState CEO, six members are appointed by the Mayor of the City of Syracuse and one shall be jointly appointed by CenterState CEO and Mayor of the City of Syracuse to serve as the chairperson of the corporation.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United State of America.

Revenue

The Corporation's primary source of revenue is from a funding agreement with the Syracuse Industrial Development Agency (SIDA). For 2010, the maximum funding available was \$275,000, of which LDC expended \$228,095. From time to time the Corporation also enters into agreements with third party funding sources or obtains additional grant funding from SIDA.

Equipment

Equipment is recorded at cost and is depreciated using the straight-line method over estimated useful lives ranging from three to five years. Management has elected to capitalize equipment purchases in excess of \$200.

The Corporation is also using furniture and equipment, at no cost to LDC, which is owned by the City of Syracuse (City). The City's furniture and equipment is not reflected in the attached financial statements. It reverts back to the City upon dissolution of LDC, or at the discretion of the City.

Income taxes

LDC's received a tax determination in July 2003 that the entity is deemed tax-exempt under Section 501(c)(3) of the Internal Revenue Code. In addition, LDC is not deemed a private foundation within the meaning of Internal Revenue Code section 509(a). LDC has adopted the provisions of FASB ASC 740, *Income Taxes*, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. LDC does not believe its financial statements include any uncertain tax positions.

As of December 31, 2010, years ended after December 31, 2007 remain subject to examination by major tax jurisdictions.

LAKEFRONT DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2010

1. Nature of activities and summary of significant accounting policies (continued)

Personnel expenses

The former Executive Director and Executive Director's Assistant are employees of the Syracuse Urban Renewal Agency (SURA). All accrued salaries and salaried payable are payable to SURA, and are paid by LDC to SURA. Each of the employees is an employee of the City of Syracuse (City) and is eligible for benefits administered to the City's employees. They are also eligible for participation in the New York State Employee Retirement System.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

The cost of providing LDC's programs and activities includes allocations between program and management and general expenses and is summarized on a functional basis in the accompanying Statement of Activities. Management estimates form the basis for the cost allocations. Items not specifically designated as program or management and general expenses are allocated at management's discretion. For 2010, LDC allocated 96% of these expenses to program expenses and 4% to management and general expenses.

Deferred revenue

The amount of deferred revenue relates to monies contributed to LDC for the Community Cruise Partnership and Franklin Square beautification for which the intended purpose has not yet taken place. This amount is also noted as restricted cash.

Advances from SIDA

In 2004, SIDA provided \$45,000 in funding to be used by LDC as cash flow. At December 31, 2010, the remaining balance of this advance was \$38,714. Although there is no formal agreement between the parties related to this advance, and no terms or conditions were placed on use of the funds, if LDC were to cease operations, the remaining balance of this advance would be payable to SIDA.

LAKEFRONT DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2010

2. Related Parties

Syracuse Industrial Development Agency (SIDA)

As noted in Note 1, LDC's primary funding comes from an agreement with SIDA. These funding agreements cover LDC's basic operations within a limited geographical scope known as the Syracuse Lakefront.

For the year ended December 31, 2010 these grants represented approximately 97% of LDC's total revenue. The grants are funded by the City's receipts of payments of the Franklin Square Payment in Lieu of Tax (PILOT) Agreement with certain landowners in the Lakefront area. The City assigns the receipts to SIDA, which is not obligated to continue funding of LDC should there be a shortfall in receipts from the PILOT. This funding is done on a reimbursement basis, and is subject to the discretion of the agency's Chief Financial Officer and availability of funds.

In 2009, an agreement was signed for continued funding at a level not to exceed \$275,000 for both 2010 and 2011, subject to the availability of the PILOT monies.

Syracuse Urban Renewal Agency (SURA)

As noted in Note 1, the day to day operations of LDC are carried out by employees of SURA. All salaries paid to these employees by SURA are funded through payments from LDC to SURA.

Occupancy lease

As noted in Note 5, the offices of LDC are rented from a related party. The President of this company also serves a member of the Board of Directors for LDC.

3. Agreement – New York State Thruway Authority

LDC entered into an agreement with the New York State Thruway Authority (NYSTA) in December, 1997, which owns land located in the inner harbor portion of the lakefront development area. Under the agreement, LDC is responsible for selecting, with NYSTA concurrence, developers to finance, design, construct, lease, operate and maintain project components. LDC is also responsible for on-going maintenance in the lakefront development area. In order to carry out this on-going maintenance during 2010, LDC entered into a professional services contract with Custom Lawn-Scapes, Inc., contingent upon the existence of the funding agreement with SIDA. LDC has also entered into a similar contract for the 2011 fiscal year.

LAKEFRONT DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2010

4. Fixed assets

As of December 31, 2009 and 2008, the cost of fixed assets, consisting of furniture and equipment, is as follows:

	2010	2009
Office furniture and equipment, at cost	\$ 19,546	\$ 19,546
Less: Accumulated depreciation	(19,546)	(19,260)
Total	<u>\$ -</u>	<u>\$ 286</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$286 and \$739, respectively.

5. Lease of facilities and services

Since May 2003, LDC has rented office space from a related party. Although no formal written agreement is in place, LDC has a verbal month to month agreement in place, with rental payments of \$500 per month.

6. Legal Expenses

Legal representation for LDC is provided by independent legal counsel. Although no formal written agreement is in place, LDC has a verbal month to month agreement in place. During 2010, legal expenses were \$1,000 per month.

7. Prior-year summarized comparative financial information

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with LDC's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

8. Subsequent events

LDC has evaluated subsequent events through March 22, 2011, which is the date the financial statements were available to be issued.