

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

December 31, 2010 and 2009

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Syracuse Economic Development Corporation

We have audited the accompanying financial statements of the consolidated business-type activities and the operating fund of the Syracuse Economic Development Corporation, a component unit of the City of Syracuse, New York as of and for the year ended December 31, 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the consolidated business-type activities and the operating fund of Syracuse Economic Development Corporation as of December 31, 2010, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

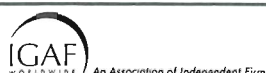
In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2011, on our consideration of the Syracuse Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Green & Seifter CPAs

Syracuse, New York
April 8, 2011

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS



SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis for the
Year Ended December 31, 2010 (Unaudited)

As management of the Syracuse Economic Development Corporation (SEDCO), we offer readers of this Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

FINANCIAL HIGHLIGHTS

- *Near the end of 2009, the Syracuse Economic Development Corporation sold the Dey's Centennial Plaza project for approximately \$6,700,000. The sale resulted in a loss of approximately \$10,500,000, which was reported as a loss in the ordinary course of business in 2009 financial statements. The sale of the project greatly changes the financial results of SEDCO as there is no longer any related rental income or rental related expenses associated with the project. Rental revenues decreased \$1,316,362 over the prior year while rental related expenses decreased \$1,054,243 over the prior year. The financial activity in 2010 was primarily a result of the wind down of the rental related activities, as such, no significant activity is expected in future years related to the project.*
- *The sale of the Dey's project resulted in a mortgage receivable from the buyer totaling \$5,500,000. During 2010, the mortgagee was current on their interest-only payments to SEDCO which totaled \$165,000. The mortgagee will begin to make principal and interest payments when the terms of the agreement are met for such payments. The notes to the financial statements contain more information concerning the mortgage receivable.*
- *The Corporation's total liabilities exceeded its net assets by approximately \$7,886,311 at the end of 2010. Total liabilities of \$20,451,398 included \$15,925,650 payable to SEDCO's sister agency the Syracuse Industrial Development Agency (SIDA), which is also a component unit of the City of Syracuse.*
- *The Corporation's total net assets decreased by \$473,945 for the 2010 fiscal year.*
- *The Corporation issued eight new direct loans—totaling approximately \$280,000 —during the 2010 fiscal year.*

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – *The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.*

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis for the
Year Ended December 31, 2010 (Unaudited)

The Statement of Net Assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The Statement of Activities presents information showing how the Corporation's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., accrued interest).

Both of the government-wide financial statements report only business-type (proprietary) activities, since none of the Corporation's activities are considered to be governmental activities supported primarily by taxes.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Fund financial statements – *A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other component units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Corporation treats its only fund—the Operating Fund—as a proprietary fund.*

Proprietary funds – *Proprietary funds are used to account for essentially the same functions reported as proprietary activities in the government-wide financial statements. However, unlike the government-wide financial statements, proprietary fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Corporation's near-term financing requirements.*

Because the focus of proprietary funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for proprietary funds with similar information presented for proprietary activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation's near-term financing decisions.

Notes to the Financial Statements – *The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.*

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis for the
Year Ended December 31, 2010 (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Corporation's financial position. In the case of the Syracuse Economic Development Corporation, liabilities exceeded assets by \$7,886,311 as of December 31, 2010. Included in the Corporation's total liabilities of \$20,400,000 is an amount due to its sister agency, the Syracuse Industrial Development Agency (SIDA), of \$15,925,650. At the time of this report, it was not known how much of this liability will actually be paid by SEDCO to SIDA. The future repayment of SEDCO's debts will likely limit its ability to participate in future economic development projects.

The Corporation's only fund (Operating) is treated as a proprietary (business-type) fund. The following are summarized versions of the government-wide financial statements for 2010 and 2009:

Statement of Net Assets

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,439,348	\$ 2,404,391
Loans and other receivables	4,626,279	4,951,229
Receivable - Dey's Plaza, LLC	5,500,000	5,500,000
Dey's Centennial Plaza Project	-	85,000
Total assets	<u>\$ 12,565,627</u>	<u>\$ 12,940,620</u>
Due to SIDA	\$ 15,925,650	\$ 15,925,650
Payable to City of Syracuse	4,134,755	4,086,334
Other payables	391,533	341,002
Total liabilities	<u>20,451,938</u>	<u>20,352,986</u>
Net assets	<u>(7,886,311)</u>	<u>(7,412,366)</u>
Total liabilities and net assets	<u>\$ 12,565,627</u>	<u>\$ 12,940,620</u>

Statement of Activities

	<u>2010</u>	<u>2009</u>
Rent income	\$ 199	\$ 1,316,561
Grant income	59,166	300,000
Interest income	103,735	81,856
Mortgage interest income	165,000	-
All other income	15,820	354,283
Total income	<u>\$ 343,920</u>	<u>\$ 2,052,700</u>
Interest expense	\$ -	\$ 113,238
Interest expense - SIDA	137,500	-
Capitalization expense	51,619	159,677
Depreciation and amortization	-	430,499
Development expenses	146,643	222,731
All other expenses	482,103	959,408
Loss on sale of Dey's plaza project	-	10,455,549
Total expenses	<u>\$ 817,865</u>	<u>\$ 12,341,102</u>
Change in net assets	(473,945)	(10,288,402)
Net assets - beginning of year	<u>(7,412,366)</u>	<u>2,876,036</u>
Net assets - end of year	<u>\$ (7,886,311)</u>	<u>\$ (7,412,366)</u>

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis for the
Year Ended December 31, 2010 (Unaudited)

DEBT TO SIDA

The Corporation has debt of approximately \$15,930,000 payable to the Syracuse Industrial Development Agency (SIDA) under the federal HUD-108 loan program. The HUD-108 loans have been guaranteed by a pledge of future community development block grant allocations to the City of Syracuse. The Corporation intends to repay these debts from a) current cash and accounts receivable, b) future income, and, if necessary, c) an annual allocation from community development block grant funds.

REQUEST FOR INFORMATION

This financial report is designed to provide readers with a general overview of the Corporation's finances. If you have questions about this report or need additional information, contact the Corporation's board at the Syracuse Economic Development Corporation, 201 East Washington Street, Room 605, Syracuse, NY 13202-1432. You may also obtain information via the Corporation's web site located on the City of Syracuse, New York website at: http://www.syracuse.ny.us/SEDCO_Home.aspx

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Government-wide Statement of Net Assets
December 31, 2010 and 2009

ASSETS

	December 31,	
	2010	2009
Current assets:		
Cash and cash equivalents	\$ 2,439,348	\$ 2,404,391
Rent and other receivables	-	23,184
New York State tax refund receivable	-	272,863
Loans receivable, net – current portion	739,440	345,913
Total current assets	3,178,788	3,046,351
Loans receivable – non-current portion	3,886,839	4,309,269
Notes receivable – Dey’s Plaza, LLC	5,500,000	5,500,000
Other assets	-	85,000
Total assets	\$ 12,565,627	\$ 12,940,620

LIABILITIES AND NET ASSETS

Current liabilities:		
Payable to departments of the City of Syracuse	\$ 326,548	\$ 290,594
Accounts payable and commitment fees	391,533	341,002
Payable to Syracuse Industrial Development Agency	429,636	429,636
Total current liabilities	1,147,717	1,061,232
Long-term liabilities:		
Payable to the City of Syracuse General Fund	3,808,207	3,795,740
Payable to Syracuse Industrial Development Agency	15,496,014	15,496,014
Total long-term liabilities	19,304,221	19,291,754
Total liabilities	20,451,938	20,352,986
Net assets:		
Unrestricted	(8,560,329)	(8,086,384)
Restricted for –		
Urban Development Action Grant	674,018	674,018
Total net assets	(7,886,311)	(7,412,366)
Total liabilities and net assets	\$ 12,565,627	\$ 12,940,620

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Government-wide Statement of Activities
For the Year Ended December 31, 2010, with Comparative Summarized
Financial Information for the Year Ended December 31, 2009

	<u>Expenses</u>	<u>Fees, Interest Income and Rent</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>	
				<u>2010</u>	<u>2009</u>
Governmental activities:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:					
Rental of real property	424,374	199	-	(424,175)	(162,056)
Economic development	393,491	264,917	59,166	(69,408)	30,837
Loss on sale of Dey's project	-	-	-	-	(10,455,549)
Total	<u>\$ 817,865</u>	<u>\$ 265,116</u>	<u>\$ 59,166</u>	<u>(493,583)</u>	<u>(10,586,768)</u>
General revenues:					
Interest on bank accounts				13,903	17,683
Other income				<u>5,735</u>	<u>280,683</u>
Total general revenues				<u>19,638</u>	<u>298,366</u>
Change in net assets				(473,945)	(10,288,402)
Net assets - beginning of year				<u>(7,412,366)</u>	<u>2,876,036</u>
Net assets - end of year				<u>\$ (7,886,311)</u>	<u>\$ (7,412,366)</u>

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2010 and 2009

	Operating Fund	
	2010	2009
Revenue:		
Grant and contribution revenue	\$ 59,166	\$ 300,000
Interest income	103,735	81,856
Mortgage interest income	165,000	-
Fee income	10,085	73,600
Rental income	199	1,316,561
Miscellaneous income	5,735	280,683
Total revenue	<u>343,920</u>	<u>2,052,700</u>
Expenses:		
Interest expense - banks	\$ -	\$ 113,238
Interest expense - SIDA	137,500	-
Tax refund - SIDA	253,992	-
Capitalization expense	51,619	159,677
Professional and legal fees	24,093	14,985
Development expenses	146,643	222,731
Maintenance and repairs	2,768	266,525
Salaries and outside services	32,693	209,363
Parking permits	-	83,181
Taxes, insurance and utilities	29,973	254,438
Depreciation and amortization	-	430,499
Other expenses	138,584	130,916
Loss on the sale of Dey's Centennial project	-	10,455,549
Total expenses	<u>817,865</u>	<u>12,341,102</u>
Change in fund balance	(473,945)	(10,288,402)
Fund balance - beginning of year	<u>(7,412,366)</u>	<u>2,876,036</u>
Fund balance - end of year	<u>\$ (7,886,311)</u>	<u>\$ (7,412,366)</u>

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Statement of Cash Flows – Direct method
For the Year Ended December 31, 2010 and 2009

	Operating Fund	
	2010	2009
Cash flows from operating activities		
Inflows-		
Interest received	\$ 103,735	\$ 81,035
Mortgage interest received	165,000	-
Fees and grants	69,251	381,420
New York State tax refund	253,992	-
Principal loan repayments	467,136	413,826
Rents received	23,383	1,326,535
Outflows-		
Services and employees	(471,807)	(1,159,479)
New loans issued	(438,233)	(312,693)
Interest paid	(137,500)	(113,238)
Net cash provided by operating activities*	<u>34,957</u>	<u>617,406</u>
Cash flows from investing activities		
Sale of Dey's Centennial Plaza project	-	1,200,000
Dey's Centennial Plaza project closing costs	-	(470,632)
Net cash provided by investing activities	<u>-</u>	<u>729,368</u>
Cash flows from financing activities		
Debt repayment - bank loan	-	(1,263,842)
Net cash (used for) financing activities	<u>-</u>	<u>(1,263,842)</u>
Net increase (decrease) in cash	34,957	82,932
Cash - beginning of year	<u>2,404,391</u>	<u>2,321,459</u>
Cash - end of year	<u>\$ 2,439,348</u>	<u>\$ 2,404,391</u>
*Reconciliation of change in net assets to cash provided by operating activities:		
Change in net assets	\$ (473,945)	\$(10,288,402)
Depreciation and amortization	-	430,499
Other assets	85,000	-
Changes in operating assets and liabilities:		
Rent and other receivables	23,184	9,974
New York State tax refund receivable	272,863	(272,863)
Decrease in land and land improvements	-	15,955,549
Loans receivable	28,903	(6,419,127)
Payable to departments of the City of Syracuse	35,954	132,523
Accounts payable and commitment fees	50,531	302,211
Payable to Syracuse Industrial Development Agency	-	739,888
Payable to the City of Syracuse General Fund	12,467	27,154
Net cash provided by operating activities	<u>\$ 34,957</u>	<u>\$ 617,406</u>

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

1. Nature of the organization and significant accounting policies

Nature of the organization

The Syracuse Economic Development Corporation (SEDCO) is a not-for-profit corporation established in 1979 to assist the City of Syracuse (City), New York in its efforts to foster joint public/private development ventures in the City. The Corporation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that SEDCO is not a private foundation. SEDCO is treated as a component unit by the City of Syracuse and is integral to the overall economic development plans of the City.

The basic financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. All of the Corporation's funds are proprietary funds, and, therefore, include only business-type activities. There are no material differences between a) net assets and fund balances, and b) changes in net assets and changes in fund balances, and, therefore, no reconciliation schedules of these items are included in this report.

Basis of presentation

Government-wide financial statements – The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Corporation as a whole. Individual funds are not presented in the government-wide financial statements. The Corporation has determined that all of its activities are business-type, which are predominantly or entirely financed with fees and loan repayments from external parties.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services and grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. PILOT revenue, and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements – The fund financial statements include the Statement of Revenues, Expenditures, and Changes in Fund Balance, and a Statement of Cash Flows. The Corporation's only fund—the Operating Fund—is treated as a major (proprietary) fund. No Statement of Net Assets – Proprietary Fund is presented since it would be identical to the Corporation's Government-Wide Statement of Net Assets presented on page 7.

Measurement focus, basis of accounting, and financial statement presentation

The financial statements of the Corporation are prepared in accordance with generally accepted accounting principles (GAAP). The Corporation's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

1. Nature of the organization and significant accounting policies (continued)

The government-wide statements use the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. PILOT revenues are recognized in the year for which they are due while grants are recognized when grantor eligibility requirements are met.

Proprietary fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Fund types and major funds

The Corporation reports all its activities as proprietary funds, since all of its activities are financed in whole, or in substantial part, by fees, loan repayments, and grants.

The Corporation currently has only one fund—the Operating Fund—which is used to report all financial resources and transactions.

Significant accounting policies

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.

The financial statements have been prepared using the accrual basis of accounting. SEDCO follows the policy of capitalizing all fixed assets with an estimated useful life in excess of one year.

SEDCO considers its lending activities, described in Note 2, as operating activities for purposes of the Statement of Cash Flows. SEDCO considers itself to be a single function agency, with all of its expenses incurred for economic development loaning activities. Management and general and fundraising expenses are immaterial and are not segregated in the attached financial statements.

Depreciation of Dey's Centennial Plaza project was calculated using depreciation conventions allowed by the Internal Revenue Service. These depreciation methods result in substantially the same depreciation as would result if depreciation was calculated over the estimated useful life of the building.

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. At various times during the year, SEDCO's cash and cash equivalents balances exceeded the Federally insured limits. At December 31, 2010 and 2009, SEDCO's uninsured cash and cash equivalents balances totaled approximately \$1,794,000 and \$1,915,000, respectively.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

2. Loan activities

SEDCO's major activities involve the loaning of funds through the Direct and Entrepreneur Loan Programs and the Urban Development Action Grant Program. The Entrepreneur Loan Program is funded from the annual entitlement grant of the City of Syracuse's Department of Community Development. For the year ended December 31, 2010, SEDCO issued nine new direct loans (totaling \$449,500), and no new Entrepreneur loans. SEDCO uses the allowance method to report loans of doubtful collectability.

The Urban Development Action Grant (UDAG) program represents those dollars received by the City of Syracuse from the Department of Housing and Urban Development (HUD), which were passed through (loaned) to SEDCO for the purpose of furnishing loans—secured by subordinated mortgages—to major development projects. These loans are secured by land, buildings, equipment and other assets of the projects. These UDAG funds are payable back to the City of Syracuse with all UDAG-related revenue (interest, fees, etc.) being recorded by SEDCO as income with a corresponding expense also payable to the City. The authority for spending any UDAG loan repayments (principal repayments and interest income) is, therefore, subject to the City's approval and must comply with the federal regulations applicable to "miscellaneous income." According to HUD regulations, once the repayments have been spent or re-loaned in accordance with the "miscellaneous income" provisions, any subsequent use is entirely unrestricted.

The agreement between the City and SEDCO provides that in the event a project owner defaults on a UDAG loan, the City will reduce SEDCO's obligation for repayment of the amount in default. SEDCO, therefore, reduces the payable to the City with a corresponding reduction in receivable from the project owner. SEDCO recognizes no losses due to UDAG loan defaults.

SEDCO also acts as loan facilitator for several programs which do not result in assets or liabilities for SEDCO.

3. Loans receivable

Loans receivable at December 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Current portion due:		
Direct loans	\$ 610,058	\$ 258,735
Urban Development Action Grant loans	108,787	66,000
Entrepreneur loans	<u>20,595</u>	<u>21,178</u>
Total current portion	<u>739,440</u>	<u>345,913</u>
Non-current portion due:		
Direct loans	3,768,298	3,974,850
Urban Development Action Grant loans	320,684	334,419
Entrepreneur loans	<u>-</u>	<u>-</u>
Total non-current portion	<u>4,088,982</u>	<u>4,309,269</u>
Total loans receivable	<u>\$ 4,828,422</u>	<u>\$ 4,655,182</u>

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements

4. Dey's Centennial Plaza project

SEDCO was the owner of Dey's Centennial Plaza and established Dey's Centennial Plaza Limited Partnership (DCPLP) to complete rehabilitation of the land and buildings. The purpose of the project was to create class A office and retail space at a prestigious and highly recognized landmark location, thereby contributing to the revitalization of the downtown Syracuse area. DCPLP leased a portion of the premises, with occupancy commencing early in 1996. Leases generally covered five to ten year periods and some leases contained renewal options. The leases generated approximately \$1,317,000 in rent income for 2009.

In December 2009, the Dey's Centennial Plaza project was sold to developers for approximately \$6,700,000. Of this amount, \$1,200,000 was used to pay off a bank mortgage on the property. The balance of the proceeds will be paid to SEDCO via two mortgages, which bear interest at 3% and will be amortized over thirty years, with balloon principal payments at the end of the 11th year of the amortization period. The loans will be amortized on a yearly basis as follows:

	<u>\$3,000,000</u> <u>Mortgage</u>	<u>\$2,500,000</u> <u>Mortgage</u>	<u>Total</u>
Construction period			
Interest only	\$ 90,000	\$ 75,000	\$ 165,000
Next 11 years			
Principal and interest	\$ 151,777	\$ 126,481	\$ 278,258
Balloon payments			
Principal only	\$ 2,196,079	\$ 1,830,066	\$ 4,026,145

The sale of the Dey's Centennial Plaza project (including all land, building, improvements, etc.) generated a substantial loss for 2009. The loss may be summarized as follows:

Invested in the Dey's Centennial Plaza project	\$ 22,246,276
Accumulated depreciation and amortization	<u>(6,221,247)</u>
Net book value at time of sale	16,025,029
Mortgage proceeds	<u>5,500,000</u>
	10,525,029
All other	<u>(69,480)</u>
Loss on sale	<u><u>\$ 10,455,549</u></u>

The loss has been treated as a loss in the ordinary course of business, and has been reported under expenses on the Government-wide Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Proprietary (Operating) Fund.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
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5. Payable to Syracuse Industrial Development Agency (SIDA)

SEDCO in previous years borrowed monies for the Dey's Centennial project from a related party, the Syracuse Industrial Development Agency (SIDA), which like SEDCO, is a component unit of the City of Syracuse, New York. Although the project was sold in 2009, the borrowed monies are required to be paid back to SIDA. As of December 31, 2010 and 2009, this liability to SIDA was \$15,925,650 for both years. The note to SIDA does not bear interest.

It is expected that SEDCO, as it receives principal and interest from the Dey's mortgage notes will subsequently disburse this to SIDA on a regular basis. The loan balance with SIDA will be reduced as principal payments on the mortgage notes are received. For the year ending December 31, 2010, SEDCO disbursed \$137,500 of interest received (shown as interest expense – SIDA).

6. Parking facility lease and sublease

On October 1, 1992, SEDCO entered into a lease/sublease arrangement to operate a below grade parking facility in the City of Syracuse (City). The parking facility was financed by revenue bonds issued by (SIDA) in the amount of \$2,650,000 and is reported as an asset of SIDA.

As of October 1, 1992, SIDA leased the parking facility to SEDCO, which subleased the facility to the City. The lease and sublease agreements are coordinated, share many common provisions and result in rental payments being made by the City, through SEDCO, to SIDA. The lease and sublease, which expire on December 1, 2017, call for rent payments to be made by the City to SIDA in an amount sufficient to pay the interest and principal due on the bonds and to maintain various bond reserve funds at required levels. SEDCO's obligations under the lease are payable solely from the revenues derived from the sublease.

SEDCO has not recognized any revenue or expense associated with this lease/sublease arrangement in the attached financial statements.

7. Potential revenues

Since 1997, SEDCO has entered into loan/grant agreements with several developers. Under the agreements, the funds loaned by SEDCO will not be repaid unless there is an event of default or sale of the property during the term of the note. The notes bear interest at varying rates and have terms ranging from five to ten years. Since these notes will not be repaid unless the developers sell, rent, convey or otherwise fail to operate their business during the period of the note, SEDCO has reported these loan/grants as part of development expenses. If SEDCO receives any repayments on these notes/grants, such funds will be recorded as income at the time of receipt.

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8. Allowance for uncollectible loans

The allowance for uncollectible loans is estimated by management based on a review of potentially uncollectible loans. For the years ended December 31, 2010 and 2009, the allowance was estimated at \$202,172. During 2010, and 2009, there were no uncollectible loans charged against the allowance, and no loans were written off directly to expense.

9. 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 the Corporation's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

10. Income Taxes

SEDCO is a not-for-profit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation under Section 509(a) of the Code. SEDCO also believes none of its activities are subject to unrelated business income tax; therefore no provision for such income tax has been made in the financial statements for the years ended December 31, 2010 and 2009.

In accordance with the disclosure provisions of FASB ASC sub-topic 740-19 which addresses accounting for uncertainties in income taxes, as of and for the years ended December 31, 2010 and 2009, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Corporation's form 990's for fiscal years 2009 through 2010 are still open for IRS possible examination.

11. Subsequent Events

In preparing the financial statements, management of the Company has evaluated events and transactions for potential recognition or disclosure through April 8, 2011, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.