

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION

Consolidated Financial Statements

December 31, 2019 and 2018

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Syracuse Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying basic financial statements of Syracuse Economic Development Corporation (SEDCO), a component unit of the City of Syracuse, New York as of December 31, 2019 and 2018, and for the years then ended, and the related notes to the financial statements, which collectively comprise the Syracuse Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Syracuse Economic Development Corporation as of December 31, 2019 and 2018 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Syracuse Economic Development Corporation's basic financial statements. The Consolidating Statement of Net Position and Consolidating Statement of Activities and Changes in Net Position on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Consolidating Statement of Net Position and Consolidating Statement of Activities and Changes in Net Position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Statement of Net Position and Consolidating Statement of Activities and Changes in Net Position is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020 on our consideration of 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* in considering Syracuse Economic Development Corporation's internal control over financial reporting and compliance.



Syracuse, New York
March 19, 2020

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2019

Management's discussion and analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of SEDCO's financial activity, and (c) identify changes in SEDCO's financial position for the year ended December 31, 2019. Please read it in conjunction with SEDCO's financial statements.

FINANCIAL HIGHLIGHTS

- The sale of the Deys project in 2009 resulted in a note receivable from the buyer totaling \$5,500,000. During 2019, interest payments of \$143,708 were received (no principal payments were due). The outstanding note receivable was \$4,790,185 as of December 31, 2019.
- SEDCO's total liabilities and total net position was \$90,621 and \$10,453,191, respectively, at the end of 2019.
- SEDCO's total net position increased by \$205,368 for the 2019 fiscal year. This was primarily due to both mortgage interest income of \$143,708 and loan interest income of \$101,628, offset by expenses of the Corporation totaling \$75,737.
- SEDCO approved four new direct loans totaling \$400,100 and one modified loan of \$33,305 for a total of \$433,405 of new/modified loans in fiscal year 2019. From all loans and notes outstanding, SEDCO received \$203,336 of principal payments and \$245,336 of interest payments on these loans.

OVERVIEW OF THE FINANCIAL STATEMENTS

SEDCO's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. As such, revenues are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid. See the note to the financial statements for a summary of SEDCO's significant accounting policies.

Following the MD&A are the basic financial statements and notes of SEDCO, which are essential to a full understanding of the data contained in the financial statements. SEDCO's basic financial statements are designed to provide readers with a broad overview of SEDCO's finances, in a manner similar to a private-sector business.

The **Statement of Net Position** presents information similar to a Balance Sheet. The statement is presented in the format where assets, minus liabilities, equal net position. Assets and liabilities are presented in order of liquidity, and are classified as current and non-current. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SEDCO is improving or deteriorating.

The **Statement of Activities and Changes in Net Position** presents information showing how SEDCO's net position changed during the year; revenues less expenses. The focus of the statement is the change in net position, which is similar to net income or loss for a business entity.

The **Statement of Cash Flows** reports net cash provided by or used by operating activities.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the information included in the financial statements.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2019

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

The entity-wide financial statements can be found on pages 8 through 10 of this report. The notes to the financial statements can be found on pages 11 through 16 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. SEDCO, like other component units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SEDCO treats its only fund, the operating fund, as a proprietary fund, as there are no reconciling items between the government-wide financial statements as presented, and as such, no fund financial statements are presented.

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 entity-wide financial statements, proprietary fund financial statements focus on current sources and uses of spendable resources, as well as in balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating SEDCO's near-term financing requirements. Because the focus of proprietary funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for proprietary funds with similar information presented for proprietary activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of SEDCO's near-term financing decisions.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of SEDCO's financial position. In the case of SEDCO, assets exceeded liabilities by \$10,453,191 as of December 31, 2019. A significant portion of the net position is with a mortgage note receivable from Dey's totaling \$4,790,185 and with other loans outstanding totaling \$4,430,740.

The majority of SEDCO's assets are from notes receivable with one developer for the Dey's building project totaling \$4,790,185. The terms of the original note have been modified to interest only payments as the building owners are currently renovating the building to convert underutilized commercial space into residential space. The interest only payments total \$143,708 each year and the principal of the note receivable of \$4,790,185 is due on January 1, 2025.

SEDCO provides low cost, fixed asset financing for commercial businesses operating in the City of Syracuse. Total loans outstanding was \$4,430,740 as of December 31, 2019. During fiscal year 2019, SEDCO issued new loans totaling \$433,405 throughout the City of Syracuse.

SEDCO's revenues are primarily from interest earnings on outstanding loans. Interest earnings totaled \$245,336 for the year ended December 31, 2019. Expenses totaling \$75,737 are primarily related SEDCO carrying out its mission of providing loans and providing other economic assistance throughout the City of Syracuse.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2019

The following are summarized versions of the government-wide financial statements for the three years ended December 31:

Statements of Net Position

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|----------------------|
| Cash and Cash equivalents | \$ 1,315,134 | \$ 1,305,261 | \$ 2,141,322 |
| Restricted cash | 7,753 | 7,753 | 7,753 |
| Loans and other receivables | 4,430,740 | 4,200,671 | 3,557,418 |
| Notes receivable | 4,790,185 | 4,790,185 | 4,790,185 |
| Total assets | <u>\$ 10,543,812</u> | <u>\$ 10,303,870</u> | <u>\$ 10,496,678</u> |
| Escrows and accounts payable | \$ 90,621 | \$ 56,047 | \$ 5,464 |
| Payable to Syracuse Urban Renewal Agency | - | - | 29,953 |
| Payable to City of Syracuse | - | - | 3,829,770 |
| Payable to SIDA | - | - | 4,790,185 |
| Total liabilities | <u>\$ 90,621</u> | <u>\$ 56,047</u> | <u>\$ 8,655,372</u> |
| Net Position | <u>\$ 10,453,191</u> | <u>\$ 10,247,823</u> | <u>\$ 1,841,306</u> |

Statements of Activities and Changes in Net Position

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------|----------------------|----------------------|---------------------|
| Revenue and other support: | | | |
| Grant income | \$ - | \$ 40,900 | \$ 10,225 |
| Interest income | 101,628 | 77,112 | 82,835 |
| Mortgage interest income | 143,708 | 143,708 | 144,956 |
| Miscellaneous income | - | 29,593 | - |
| Forgiveness of loan payables | - | 8,619,955 | - |
| All other income | 2,464 | 3,640 | 15,000 |
| Total revenue and other support | <u>247,800</u> | <u>8,914,908</u> | <u>253,016</u> |
| Expenses: | | | |
| Interest expense - SIDA | - | 83,830 | 144,956 |
| Loan settlement payment | - | 371,593 | - |
| Grow America Loan fund | - | - | 250,000 |
| Salaries and outside services | 29,929 | 14,554 | 19,815 |
| Development expenses | 7,400 | - | 20,636 |
| Loan losses, net | (33,305) | - | 14,332 |
| All other expenses | 38,408 | 38,774 | 21,967 |
| Total expenses | <u>42,432</u> | <u>508,751</u> | <u>471,706</u> |
| Change in net position | <u>205,368</u> | <u>8,406,157</u> | <u>(218,690)</u> |
| Net position - beginning of year | <u>10,247,823</u> | <u>1,841,666</u> | <u>2,060,356</u> |
| Net position - end of year | <u>\$ 10,453,191</u> | <u>\$ 10,247,823</u> | <u>\$ 1,841,666</u> |

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2019

REQUEST FOR INFORMATION

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

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidated Statements of Net Position

| | | December 31, | |
|-------------------------------------|--|---------------------|---------------|
| | | 2019 | 2018 |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | | \$ 1,315,134 | \$ 1,305,261 |
| Restricted cash | | 7,753 | 7,753 |
| Loans receivable | | 305,099 | 301,575 |
| Notes receivable | | - | 33,722 |
| Total current assets | | 1,627,986 | 1,648,311 |
| Loans receivable, net | | 4,125,641 | 3,899,096 |
| Notes receivable | | 4,790,185 | 4,756,463 |
| | | \$10,543,812 | \$ 10,303,870 |
| LIABILITIES AND NET POSITION | | | |
| Current Liabilities: | | | |
| Escrows and accounts payable | | \$ 90,621 | \$ 56,047 |
| Total current liabilities | | 90,621 | 56,047 |
| Net Position: | | | |
| Unrestricted | | 10,203,191 | 9,997,823 |
| Restricted - Grow America Fund | | 250,000 | 250,000 |
| Total Net Position | | 10,453,191 | 10,247,823 |
| | | \$10,543,812 | \$ 10,303,870 |

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidated Statements of Activities and Changes in Net Position

| | Year Ended December 31, | |
|-----------------------------------|--------------------------------|----------------------|
| | 2019 | 2018 |
| REVENUE | | |
| Grant and contribution revenue | \$ - | \$ 40,900 |
| Mortgage interest income | 143,708 | 143,708 |
| Interest income | 101,628 | 77,112 |
| Miscellaneous income | - | 29,593 |
| Other income | 2,464 | 3,640 |
| Forgiveness of loan payables | - | 8,619,955 |
| Total revenue | <u>247,800</u> | <u>8,914,908</u> |
| EXPENSES | | |
| Interest expense | - | 83,830 |
| Loan settlement payment | - | 371,593 |
| Professional fees | 23,158 | 33,401 |
| Development expenses | 7,400 | - |
| Salaries and outside services | 29,929 | 14,554 |
| Benefits expenses | 10,694 | 3,363 |
| Bad debts (recovery) | (33,305) | - |
| Other expenses | 4,556 | 2,010 |
| Total expenses | <u>42,432</u> | <u>508,751</u> |
| Change in net position | <u>205,368</u> | <u>8,406,157</u> |
| Net position at beginning of year | <u>10,247,823</u> | <u>1,841,666</u> |
| Net position at end of year | <u>\$ 10,453,191</u> | <u>\$ 10,247,823</u> |

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidated Statements of Cash Flows

| | Year Ended December 31, | |
|---|--------------------------------|---------------------|
| | 2019 | 2018 |
| Cash flows from operating activities | | |
| Inflows | | |
| Loan payments - interest | \$ 101,628 | \$ 77,112 |
| Loan payments - principal | 203,336 | 292,372 |
| Note payments - interest | 143,708 | 143,708 |
| Note payments - principal | - | - |
| Fees, grants and other income | 2,464 | 44,540 |
| Outflows | | |
| Services and employees | (41,163) | (2,745) |
| New loans issued | (400,100) | (935,625) |
| Loan settlement payment | - | (371,593) |
| SIDA outflows - interest | - | (83,830) |
| Net cash provided by (used in) operating activities | <u>9,873</u> | <u>(836,061)</u> |
| Cash at beginning of year | <u>1,313,014</u> | <u>2,149,075</u> |
| Cash at end of year | <u>\$ 1,322,887</u> | <u>\$ 1,313,014</u> |
| Reconciliation of change in net position to cash provided by operating activities | | |
| Change in net position | \$ 205,368 | \$ 8,406,157 |
| Forgiven payables | - | (8,649,548) |
| Changes in operating assets and liabilities: | | |
| Loans receivables | (230,069) | (643,253) |
| Accounts payable and commitment fees | 34,574 | 50,583 |
| Net cash provided by (used in) operating activities | <u>\$ 9,873</u> | <u>\$ (836,061)</u> |

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated 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. SEDCO 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 SEDCO 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. SEDCO is a proprietary fund, and, therefore, includes only business-type activities. There are no differences between a) net position and fund balances, and b) changes in net position and changes in fund balances, and, therefore, no reconciliation schedules of these items are included in this report.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of SEDCO and its wholly owned subsidiaries Deys Centennial Plaza, Inc. and Deys Centennial Plaza Limited Partnership. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Basis of Presentation

SEDCO is considered a governmental entity for accounting and financial reporting purposes. The financial statements 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.

Government-wide financial statements include the Statement of Net Position, the Statement of Activities and Changes in Net Position, and the Statement of Cash Flows. These statements report financial information for SEDCO as a whole. SEDCO has determined that all of its activities are business-type, which are predominantly financed with fees and loan repayments from external parties.

The Statement of Activities and Changes in Net Position 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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

1. Nature of the Organization and Significant Accounting Policies (continued)

Use of Estimates

The preparation of the 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.

Lending Activities

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 financial statements.

Grow America Fund

The National Development Council (NDC) is a national nonprofit established in 1969. NDC's work focuses on homes, jobs and community. The Grow America Fund is a national small business lending program administered by NDC. NDC operates as a community development lender to support the creation of jobs and the expansion of eligible small businesses in underserved communities, particularly minority and women-owned businesses. NDC loans are partially guaranteed by the U.S. Small Business Administration. SEDCO began participating in the Grow America Fund in 2017 with an initial contribution of \$250,000. SEDCO is required to contribute another \$250,000, as shown as restricted in the Statement of Net Position, after program loans in the Fund exceed \$1,000,000. As of December 31, 2019, \$660,000 of Grow America Fund program loans have been made with \$340,000 of lending capacity remaining. There were no contributions made by SEDCO in 2019.

Cash and Cash Equivalents

The corporation considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. At various times during the year, SEDCO's cash and cash equivalents balances exceeded the federally insured limits of \$250,000. At December 31, 2019 and 2018, SEDCO's uninsured cash and cash equivalents balances totaled approximately \$843,000 and \$1,000,000 respectively.

2. Loan Activities

SEDCO's major activities involve the loaning of funds through the Direct and Entrepreneur Loan Programs. For the years ended December 31, 2019 and 2018, SEDCO issued five new/modified direct loans totaling \$433,405 and eight new direct loans totaling \$935,625, respectively.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

3. Loans Receivable and Allowance for Doubtful Loans

SEDCO provides financial assistance to businesses and other local economic development entities in the City of Syracuse as a means of supporting business expansion and job creation. One form of financial assistance is loans. Since all the loans are to businesses and other entities within the City of Syracuse, all such loans are concentrated geographically in the City of Syracuse. The ability of the borrowers to honor their loans is dependent on the real estate and general economic conditions in the City of Syracuse and surrounding communities. Loans are reported at their outstanding unpaid principal balances, net of an allowance for loan losses. Interest income is not accrued for past due principal balances. Loan origination fees, if any, are received at closing. Interest rates range from 0% to 5% on loans.

The allowance for doubtful loans is management's estimate of losses inherent in the loan portfolio and is recorded as a reduction of loans. Management performs a monthly evaluation of the adequacy of the allowance. The allowance is based on past loan loss experience, past delinquency rates and subsequent recoveries. For the years ended December 31, 2019 and 2018, no allowance is deemed necessary.

Loans are concentrated solely in the City of Syracuse. SEDCO considers a concentration of loans that are equal to or greater than 5% of the total loans outstanding. A summary of such concentrations is as follows:

| Borrower | 2019 | | 2018 | |
|------------|--------------|------|--------------|------|
| A | \$ 2,258,358 | 55% | \$ 2,296,394 | 55% |
| B | 359,000 | 8% | 364,000 | 9% |
| C | 271,669 | 7% | 297,853 | 7% |
| All others | 1,541,713 | 30% | 1,242,424 | 30% |
| Total | \$ 4,430,740 | 100% | \$ 4,200,671 | 100% |

Borrower A – This borrower consists of three separate loans. Loan A is a \$908,099 loan with an annual interest rate of 5%. Beginning on November 1, 2014, equal monthly principal and interest payments are due over a 30 year period. Loan B is a \$600,000 loan with an annual interest rate of 1%. Beginning on May 1, 2015, monthly principal and interest payments of \$1,500 are required for 20 years with a balloon payment due in May 2035 for \$352,685. Loan C is \$1,000,000 with an annual interest rate of 0%. The loan began repayment on September 1, 2008 at an amount of \$833 per month over a 30-year period with a balloon payment of \$700,834 due August 2038. All three loans are secured by a mortgage on the borrower's property.

Borrower B – This loan was for \$400,000 and has an annual interest rate of 0%. Beginning on July 1, 2013 the borrower's monthly principal payment of \$417 is due for 14 years with a balloon payment of \$324,000 due in July 2027. The loan is secured by a mortgage on the borrower's property.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

3. Loans Receivable and Allowance for Doubtful Loans (continued)

Borrower C – This loan was for \$300,000 and has an annual interest rate of 3%. Beginning on December 1, 2018, equal monthly principal and interest payments of \$2,896 are due over a 10 year period. Provided the Borrower is in full compliance with all the terms and conditions of the loan, upon the Borrower's repayment of 50% of the outstanding principal due, SEDCO shall forgive payment of the remaining 50% of the outstanding principal balance. Under no circumstances shall forgiveness occur prior to the fifth anniversary year of the loan and not exceed \$150,000.

SEDCO also issues loans as in substance grants provided to borrowers which are generally only payable if terms and conditions of such loans are not adhered to. If the terms and conditions of such loans are adhered to, the principal and interest will generally be forgiven. These types of loans are not considered loans for purposes of the financial statements and are excluded from the \$4,430,740 and \$4,200,671 of loans outstanding as of December 31, 2019 and 2018, respectively.

A summary of such loans as of December 31 is as follows:

| Borrower | 2019 | | 2018 | |
|------------|--------------|------|--------------|------|
| A | \$ 715,590 | 66% | \$ 766,704 | 67% |
| B | 50,000 | 5% | 60,000 | 5% |
| All others | 316,181 | 29% | 320,181 | 28% |
| | \$ 1,081,771 | 100% | \$ 1,146,885 | 100% |

A summary of the activity of these loans for the year ended December 31 is as follows:

| 1/1/2019 | New | Reclassified | Deductions | 12/31/2019 |
|--------------|-----------|---------------|-------------|--------------|
| Beginning | Issuances | from Loans | | Ending |
| \$ 1,146,885 | \$ - | \$ - | \$ (65,114) | \$ 1,081,771 |

Borrower A – The loan was for \$1,022,274 and bears interest of 2.4%. Annual payments of principal and interest are due each February 28th for 20 years, beginning February 28, 2014. Payments are only required if the borrower has sufficient cash flow from the property based on terms and conditions of the loan. The amount of principal to forgive is \$51,114 each year. As of December 31, 2019, cumulative principal of \$306,684 has been forgiven in accordance with the terms and conditions of the loan.

Borrower B – The loan was for \$160,000 and bears interest of 12%. Provided there are no events of default of sale of the property associated with the property the loan is forgiven at a rate of \$10,000 a year for 16 years. As of December 31, 2019, cumulative principal of \$110,000 has been forgiven in accordance with the terms and conditions of the loan.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

4. Notes Receivable

SEDCO was the owner of Deys Centennial Plaza and established Deys Centennial Plaza Limited Partnership (DCPLP) to complete rehabilitation of the land and buildings.

In December 2009, the Deys Centennial Plaza Project was sold to developers. Two notes totaling \$5,500,000, both which bear interest at 3% were issued to the developers. For the years ended December 31, 2019 and 2018, SEDCO received \$143,708 and \$143,708 in interest income, respectively. The board of directors authorized interest only payments on both notes and deferring principal payments, until further action by the Board of Directors. The remaining terms of the notes continue to be in force.

The amount due on the notes is as follows:

| Year Ended | Principal | Interest | Total |
|------------|--------------------|-------------------|--------------------|
| 2020 | \$ - | \$ 143,708 | \$ 143,708 |
| 2021 | - | 143,708 | 143,708 |
| 2022 | - | 143,708 | 143,708 |
| 2023 | - | 143,708 | 143,708 |
| 2024 | - | 143,708 | 143,708 |
| 2025 | 4,790,185 | 143,708 | 4,933,893 |
| | <u>\$4,790,185</u> | <u>\$ 862,248</u> | <u>\$5,652,433</u> |

The loan is secured through a subordinate mortgage on the property and a guaranty from the borrower.

5. Escrow Payable

Escrow payable represents amounts held by SEDCO on behalf of borrowers. The payable is reduced as the money is released to pay authorized disbursements on behalf of the borrower. The payables were \$27,778 and \$33,430 as of December 31, 2019 and 2018, respectively.

6. Payable to Syracuse Industrial Development Agency

During July 2018, SEDCO dually executed an agreement with a related entity, Syracuse Industrial Development Agency (SIDA) to be released and forgiven from any obligation to repay SIDA the remaining balance on a \$5,500,000 loan payable related to an economic development project. The remaining principal of \$4,790,185 was forgiven and interest payments of \$83,830 were made on this loan to SIDA in 2018. Additionally, the fees paid to SIDA for SEDCO to execute this transaction totaled \$371,593.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

7. 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, 2019 and 2018. SEDCO has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. It is SEDCO's policy to recognize any interest and penalties in the provision for taxes. SEDCO's tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

Under provisions of the Internal Revenue Code, companies that are treated as partnerships (Deys Centennial Plaza and Deys Centennial Plaza Limited Partnership (Deys Entities)) are not subjected to income taxes, and any income or loss realized is taxed to the individual members. Accordingly, no provisions for federal income taxes appear in the financial statements.

8. Related Parties

SEDCO's offices and accounting personnel are furnished and paid by the primary government, the City of Syracuse, New York. The City of Syracuse allocates salaries and benefits for employees of the City that work on behalf of the Corporation. These salaries and benefits are included in salaries & outside services and benefits expense and totaled \$40,623 and \$17,917, respectively for the years ended December 31, 2019 and 2018. Amounts due to or from the City of Syracuse are ordinarily settled in the current fiscal year.

9. Subsequent Events

In preparing the financial statements, management of SEDCO has evaluated events and transactions for potential recognition or disclosure through March 19, 2020, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTAL INFORMATION

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidating Statement of Net Position
December 31, 2019

| ASSETS | Syracuse Economic Development Corporation | Dey's Centennial Plaza Limited | Dey's Centennial Plaza Inc. | Intercompany Eliminations | Consolidated Total |
|---|---|---|--------------------------------------|------------------------------|-----------------------|
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 1,197,842 | \$ 69,142 | \$ 48,150 | \$ - | \$ 1,315,134 |
| Restricted cash | 7,753 | - | - | - | 7,753 |
| Loans receivable | 305,099 | - | - | - | 305,099 |
| Notes receivable | - | - | - | - | - |
| Total current assets | <u>1,510,694</u> | <u>69,142</u> | <u>48,150</u> | <u>-</u> | <u>1,627,986</u> |
| Loans receivable, net | 4,125,641 | - | - | - | 4,125,641 |
| Notes receivable | 4,790,185 | 2,612,828 | 2,177,357 | (4,790,185) | 4,790,185 |
| | <u>\$ 10,426,520</u> | <u>\$ 2,681,970</u> | <u>\$ 2,225,507</u> | <u>\$ (4,790,185)</u> | <u>\$ 10,543,812</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Current Liabilities: | | | | | |
| Escrows and accounts payable | \$ 90,621 | \$ - | \$ - | \$ - | \$ 90,621 |
| (Receivable) / Payable to Syracuse Economic Development Corporation | (95,806) | 52,257 | 43,549 | - | - |
| Total current liabilities | <u>(5,185)</u> | <u>52,257</u> | <u>43,549</u> | <u>-</u> | <u>90,621</u> |
| Long-term liabilities: | | | | | |
| Payable to Syracuse Economic Development Corporation | - | 2,612,828 | 2,177,357 | (4,790,185) | - |
| Total long-term liabilities | <u>-</u> | <u>2,612,828</u> | <u>2,177,357</u> | <u>(4,790,185)</u> | <u>-</u> |
| Total liabilities | <u>(5,185)</u> | <u>2,665,085</u> | <u>2,220,906</u> | <u>(4,790,185)</u> | <u>90,621</u> |
| Net Position: | | | | | |
| Unrestricted | 10,181,705 | 16,885 | 4,601 | - | 10,203,191 |
| Restricted - Grow America Fund | 250,000 | - | - | - | 250,000 |
| Total Net Position | <u>10,431,705</u> | <u>16,885</u> | <u>4,601</u> | <u>-</u> | <u>10,453,191</u> |
| | <u>\$ 10,426,520</u> | <u>\$ 2,681,970</u> | <u>\$ 2,225,507</u> | <u>\$ (4,790,185)</u> | <u>\$ 10,543,812</u> |

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidating Statement of Activities and Changes in Net Position
For the Year Ended December 31, 2019

| | Syracuse Economic Development Corporation | Dey's Centennial Plaza Limited | Dey's Centennial Plaza Inc. | Intercompany Eliminations | Consolidated Total |
|-----------------------------------|---|---|--------------------------------------|------------------------------|-----------------------|
| REVENUE | | | | | |
| Mortgage interest income | \$ 143,708 | \$ 78,385 | \$ 65,323 | \$ (143,708) | \$ 143,708 |
| Interest income | 101,628 | - | - | - | 101,628 |
| Other income | 2,464 | - | - | - | 2,464 |
| Total revenue | <u>247,800</u> | <u>78,385</u> | <u>65,323</u> | <u>(143,708)</u> | <u>247,800</u> |
| EXPENSES | | | | | |
| Interest expense- SEDCO | - | 78,385 | 65,323 | (143,708) | - |
| Professional fees | 23,100 | 58 | - | - | 23,158 |
| Salaries and outside services | 29,929 | - | - | - | 29,929 |
| Development expenses | 7,400 | - | - | - | 7,400 |
| Benefits expenses | 10,694 | - | - | - | 10,694 |
| Bad debts (recovery) | (33,305) | - | - | - | (33,305) |
| Other expenses | 4,460 | 15 | 81 | - | 4,556 |
| Total expenses | <u>42,278</u> | <u>78,458</u> | <u>65,404</u> | <u>(143,708)</u> | <u>42,432</u> |
| Change in net position | 205,522 | (73) | (81) | - | 205,368 |
| Net position at beginning of year | 10,226,183 | 16,958 | 4,682 | - | 10,247,823 |
| Net position at end of year | <u>\$ 10,431,705</u> | <u>\$ 16,885</u> | <u>\$ 4,601</u> | <u>\$ -</u> | <u>\$ 10,453,191</u> |

The accompanying notes are an integral part of these financial statements