

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION

Consolidated Financial Statements

December 31, 2023 and 2022

Draft

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Syracuse Economic Development Corporation (SEDCO), a component unit of the City of Syracuse, New York as of and for the years ended December 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Syracuse Economic Development Corporation as of December 31, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Syracuse Economic Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Syracuse Economic Development Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Syracuse Economic Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Syracuse Economic Development Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles general accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for purpose of forming an opinion on the financial statements that collectively comprise the Syracuse Economic Development Corporation's basic financial statements. The Consolidating Statement of Net Position, Consolidating Statement of Activities and Changes in Net Position and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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, Changes in Net Position and Schedule of Expenditures of Federal Awards are 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, Changes in Net Position and Schedule of Expenditures of Federal Awards are 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 issued our report dated April 12, 2024 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 solely 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 the effectiveness of 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 the Syracuse Economic Development Corporation's internal control over financial reporting and compliance.



Syracuse, New York
April 12, 2024

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2023

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, 2023. Please read it in conjunction with SEDCO's financial statements.

FINANCIAL HIGHLIGHTS

- SEDCO's total liabilities and total net position was \$1,955,481 and \$14,427,428, respectively, at the end of 2023.
- SEDCO's total net position increased by \$1,064,523 for the 2023 fiscal year. This was primarily due to ARPA income of \$1,889,940 being recognized in 2023.
- SEDCO approved 25 new loans and disbursed \$1,889,940 in loans in 2023. From all loans and notes outstanding, SEDCO received \$195,678 of principal payments and \$215,332 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.

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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2023

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 \$14,427,428 as of December 31, 2023. A significant portion of the net position is with a mortgage note receivable from Dey's totaling \$4,290,185 and with other loans outstanding totaling \$7,276,626.

The majority of SEDCO's assets are from notes receivable with one developer for the Dey's building project totaling \$4,290,185. The terms of the original note have been modified to interest only payments in 2023 as the building owners are currently renovating the building to convert underutilized commercial space into residential space.

SEDCO provides low cost, fixed asset financing for commercial businesses operating in the City of Syracuse. Total loans outstanding was \$7,276,626 as of December 31, 2023. During fiscal year 2023, SEDCO disbursed new loans totaling \$1,889,940 throughout the City of Syracuse.

SEDCO's revenues are primarily from ARPA income and interest earnings on outstanding loans. ARPA revenue and interest earnings totaled \$1,889,940 and \$215,332, respectively for the year ended December 31, 2023. Expenses totaling \$1,074,749, included \$500,000 for an allowance for credit losses, \$312,973 for loans that have been written off due to the terms being satisfied throughout 2023 and \$34,000 of grants distributed for COVID relief. These expenses primarily relate to 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, 2023

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

Statements of Net Position

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|----------------------|----------------------|----------------------|
| Cash and Cash equivalents | \$ 1,026,398 | \$ 1,114,354 | \$ 1,369,251 |
| Restricted cash | 3,429,080 | 5,603,621 | 582,459 |
| Other receivable | 360,620 | 360,620 | 360,620 |
| Loans and other receivables | 7,276,626 | 5,722,472 | 6,146,330 |
| Notes receivable | 4,290,185 | 4,290,185 | 4,290,185 |
| Total assets | <u>\$ 16,382,909</u> | <u>\$ 17,091,252</u> | <u>\$ 12,748,845</u> |
| Escrows and accounts payable | \$ 717,622 | \$ 566,548 | \$ 197,075 |
| Deferred income | 1,237,859 | 3,161,799 | 1,879,066 |
| Total liabilities | <u>\$ 1,955,481</u> | <u>\$ 3,728,347</u> | <u>\$ 2,076,141</u> |
| Net Position | <u>\$ 14,427,428</u> | <u>\$ 13,362,905</u> | <u>\$ 10,672,704</u> |

Statements of Activities and Changes in Net Position

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| Revenue and other support: | | | |
| Grant income | \$ 34,000 | \$ 28,200 | \$ 320,501 |
| ARPA income | 1,889,940 | 2,689,067 | - |
| Interest income | 215,332 | 115,266 | 104,530 |
| Mortgage interest income | - | 42,900 | 95,806 |
| All other income | - | 20 | - |
| Total revenue and other support | <u>2,139,272</u> | <u>2,875,453</u> | <u>520,837</u> |
| Expenses: | | | |
| Salaries and outside services | 138,296 | 80,757 | 28,075 |
| Grant program - Covid 19 | 34,000 | 28,200 | 320,501 |
| Development expenses | - | - | 970 |
| Allowance for credit losses | 500,000 | - | - |
| Loan / grant conversion | 312,973 | - | - |
| All other expenses | 89,480 | 76,295 | 45,831 |
| Total expenses | <u>1,074,749</u> | <u>185,252</u> | <u>395,377</u> |
| Change in net position | <u>1,064,523</u> | <u>2,690,201</u> | <u>125,460</u> |
| Net position - beginning of year | <u>13,362,905</u> | <u>10,672,704</u> | <u>10,547,244</u> |
| Net position - end of year | <u>\$ 14,427,428</u> | <u>\$ 13,362,905</u> | <u>\$ 10,672,704</u> |

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2023

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, | |
|--|--|---------------|---------------|
| | | 2023 | 2022 |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | | \$ 1,026,398 | \$ 1,114,354 |
| Restricted cash | | 3,429,080 | 5,603,621 |
| Other receivable | | 360,620 | 360,620 |
| Loans receivable | | 1,441,936 | 818,772 |
| Total current assets | | 6,258,034 | 7,897,367 |
| Loans receivable, net | | 5,834,690 | 4,903,700 |
| Notes receivable | | 4,290,185 | 4,290,185 |
| | | \$ 16,382,909 | \$ 17,091,252 |
| LIABILITIES AND NET POSITION | | | |
| Current Liabilities: | | | |
| Escrows and accounts payable | | \$ 717,622 | \$ 566,548 |
| Deferred income - CDBG Covid 19 grant | | 16,866 | 50,866 |
| Deferred income - American Rescue Plan Act agreement | | 1,220,993 | 3,110,933 |
| Total current liabilities | | 1,955,481 | 3,728,347 |
| Net Position: | | | |
| Unrestricted | | 8,573,807 | 7,509,284 |
| Restricted - Grow America Fund | | 250,000 | 250,000 |
| Restricted - American Rescue Plan Act Funds | | 5,603,621 | 5,603,621 |
| Total Net Position | | 14,427,428 | 13,362,905 |
| | | \$ 16,382,909 | \$ 17,091,252 |

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, | |
|-----------------------------------|--------------------------------|----------------------|
| | 2023 | 2022 |
| REVENUE | | |
| Grant and contribution revenue | \$ 34,000 | \$ 28,200 |
| ARPA income | 1,889,940 | 2,689,067 |
| Mortgage interest income | - | 42,900 |
| Interest income | 215,332 | 115,266 |
| Other income | - | 20 |
| Total revenue | <u>2,139,272</u> | <u>2,875,453</u> |
| EXPENSES | | |
| Professional fees | 28,544 | 32,492 |
| Grant program - Covid 19 | 34,000 | 28,200 |
| Salaries and outside services | 138,296 | 80,757 |
| Benefits expenses | 50,854 | 32,936 |
| Other expenses | 10,082 | 10,867 |
| Allowance for credit losses | 500,000 | - |
| Loan / grant conversion | 312,973 | - |
| Total expenses | <u>1,074,749</u> | <u>185,252</u> |
| Change in net position | <u>1,064,523</u> | <u>2,690,201</u> |
| Net position at beginning of year | <u>13,362,905</u> | <u>10,672,704</u> |
| Net position at end of year | <u>\$ 14,427,428</u> | <u>\$ 13,362,905</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, | |
|---|--------------------------------|---------------------|
| | 2023 | 2022 |
| Cash flows from operating activities | | |
| Inflows | | |
| Loan payments - interest | \$ 215,332 | \$ 115,266 |
| Loan payments - principal | 195,678 | 1,908,426 |
| Note payments - interest | - | 42,900 |
| Proceeds from American Rescue Plan Act agreement | - | 4,000,000 |
| Outflows | | |
| Services and employees | (187,811) | (135,585) |
| Loans issued | (2,485,696) | (1,164,742) |
| Net cash provided by (used in) operating activities | <u>(2,262,497)</u> | <u>4,766,265</u> |
| Cash at beginning of year | <u>6,717,975</u> | <u>1,951,710</u> |
| Cash at end of year | <u>\$ 4,455,478</u> | <u>\$ 6,717,975</u> |
| Reconciliation of change in net position to cash provided by operating activities | | |
| Change in net position | \$ 1,064,523 | \$ 2,690,201 |
| Allowance for credit losses | 500,000 | - |
| Deferred income | (1,923,940) | 1,282,733 |
| Changes in operating assets and liabilities: | | |
| Loans receivables | (2,054,154) | 423,858 |
| Accounts payable and commitment fees | 151,074 | 369,473 |
| Net cash provided by (used in) operating activities | <u>\$ (2,262,497)</u> | <u>\$ 4,766,265</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. A total of \$975,000, as of December 31, 2023 and 2022, of Grow America Fund program loans have been made with \$25,000 of lending capacity remaining. There were no contributions made by SEDCO in 2023 or 2022.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

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, 2023 and 2022, SEDCO's uninsured cash and cash equivalents balances totaled approximately \$3,771,300 and \$5,990,200 respectively. Restricted cash represents monies restricted for agreements and other specified purposes in accordance with the terms and conditions of such agreements and contracts.

2. Loan Activities

SEDCO's major activities involve the loaning of funds for commercial businesses in the City of Syracuse, New York. For the years ended December 31, 2023 and 2022, SEDCO issued new loans totaling \$2,562,805 and \$1,164,742, respectively.

3. Loans Receivable and Allowance for Credit Losses

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 credit 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 credit losses 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 year ended December 31, 2023 an allowance for credit losses of \$500,000 was recorded. For the year ended December 31, 2022, no allowance was 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 | 2023 | | 2022 | |
|------------|---------------------|-------------|---------------------|-------------|
| | Amount | Percentage | Amount | Percentage |
| A | \$ 2,135,961 | 27% | \$ 2,168,192 | 38% |
| B | 268,000 | 3% | 268,000 | 5% |
| C | - | 0% | 188,240 | 3% |
| D | 650,000 | 8% | - | 0% |
| All others | 4,722,665 | 61% | 3,098,040 | 54% |
| Total | <u>\$ 7,776,626</u> | <u>100%</u> | <u>\$ 5,722,472</u> | <u>100%</u> |

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

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 \$268,000 and has an annual interest rate of 1.5%. The total amount of the loan is due on the earlier of ten days after the Borrower's receipt of the grant funds from the New York State as part of the Restore New York program through the City of Syracuse, or February 1, 2023. The borrower failed to make principal payment in accordance with the agreement. The Organization is currently working with the borrower to receive payment.

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. For the year ended December 31, 2023, the terms of the loan have been met and the \$150,000 was written off.

Borrower D – This loan was for \$650,000 and has an annual interest rate of 3%. The total amount of the loan is due on the earlier of ten days after the Borrower's receipt of the grant funds from the Dormitory Authority of the State of New York, or May 1, 2024.

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 \$7,776,626 and \$5,722,472 of loans outstanding as of December 31, 2023 and 2022, respectively.

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

| Borrower/Grantee | 2023 | | 2022 | |
|------------------|------------|------|------------|------|
| A | \$ 511,134 | 65% | \$ 562,248 | 67% |
| B | 10,000 | 1% | 20,000 | 2% |
| All others | 262,181 | 33% | 262,181 | 31% |
| | \$ 783,315 | 100% | \$ 844,429 | 100% |

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

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

| 1/1/2023 | New | Reclassified from | Deductions | 12/31/2023 |
|------------------|------------------|----------------------|-------------|---------------|
| <u>Beginning</u> | <u>Issuances</u> | <u>Loans</u> | <u></u> | <u>Ending</u> |
| \$ 844,429 | \$ - | \$ - | \$ (61,114) | \$ 783,315 |

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, 2023, cumulative principal of \$511,140 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, 2023, cumulative principal of \$150,000 has been forgiven in accordance with the terms and conditions of the loan.

All others - These grants are only repayable from the grantee if the grant conditions established by SEDCO are not adhered to during the course of the grant period.

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, 2023 and 2022 SEDCO did not receive interest income and no principal payments were made on the note.

In September 2021, the notes receivables were restructured into one note in the amount of \$4,290,185 and reissued by SEDCO. The terms of the note were restructured as follows:

- a) Interest only payments of \$3,575 commencing November 1, 2021, and continuing on the first day of each consecutive month through April 1, 2023
- b) On or before April 1, 2023, the borrower shall make a principal payment in the amount of \$500,000
- c) Interest only payments of \$3,159 commencing May 1, 2023, and continuing on the first day of each consecutive month through October 1, 2031
- d) At maturity or the earlier acceleration of the note, the borrower shall pay the entire principal balance plus all accrued and unpaid interest and fee.

The borrower failed to make principal and interest payments in accordance with the restructured terms. The Organization is currently working with the borrower to receive payment.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

4. Notes Receivable (continued)

The amount due on the notes is as follows:

| Year Ended | Principal | Interest | Total |
|------------|---------------------|-------------------|---------------------|
| 2024 | \$ 500,000 | \$ 37,902 | \$ 537,902 |
| 2025 | - | 37,902 | 37,902 |
| 2026 | - | 37,902 | 37,902 |
| 2027 | - | 37,902 | 37,902 |
| 2028 | - | 37,902 | 37,902 |
| Thereafter | 3,790,185 | 107,389 | 3,897,574 |
| | <u>\$ 4,290,185</u> | <u>\$ 296,899</u> | <u>\$ 4,587,084</u> |

The loan is secured through a subordinate mortgage on the property and guarantees from the borrowers.

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 \$622,865 and \$545,756 as of December 31, 2023 and 2022, respectively.

6. Grants and Deferred Income

SEDCO periodically receives monies from the City of Syracuse (the "City") for certain grant programs administered by SEDCO. These grants contain eligibility requirements for which SEDCO must meet. Monies received in advance of meeting these eligibility requirements are recorded as deferred revenue in these financial statements.

1) Community Development Block Grant (CDBG) Entitlement Program

This program is authorized under Title I of the Housing and Community Development Act (HCDA) of 1974, as amended. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided an emergency supplemental appropriation of CDBG funding for states, entitlement communities, and insular areas. This appropriation, referred to as CDBG-CV program funds, to distinguish it from the annual formula CDBG program, is to be used similarly as annual formula grants, but specifically to prevent, prepare for, and respond to the coronavirus. SEDCO received grants totaling \$500,000 from the City pertaining to the CDBG-CV program funds. As of December 31, 2023 SEDCO's cumulative eligible and allowable costs totaled \$483,134. As of December 31, 2023 and 2022, SEDCO incurred eligible and allowable costs of \$34,000 and \$22,800, respectively. The grant expenditures are subject to various federal regulations as required by the Department of Housing and Urban Development, under CFDA 14.218.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

6. Grants and Deferred Income (continued)

2) Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

A purpose of the CSLFRF was to provide direct payments to eligible entities to respond the public health emergency, COVID-19 or its negative economic impacts, including providing assistance to households, small businesses, nonprofits, and impacted industries. In accordance with U.S. Treasury regulations, SEDCO must obligate the funds by December 31, 2024 and expend such funds by December 31, 2026. Any funds not obligated or expended for eligible uses by these dates would require SEDCO to return the monies to the U.S. Treasury. These funds are subject to various federal regulations as required by the U.S. Treasury Department, under CFDA 21.027.

SEDCO received the following grants from the City, subject to CSLFRF regulations:

- A) A grant not to exceed \$2,000,000 to be used by SEDCO to provide a bridge loan to the Landmark Theatre in the City. The total loan was \$1,698,225 to the Landmark which was repaid to SEDCO in 2022.
- B) A grant totaling \$4,000,000 to be used by SEDCO to establish a series of loan programs designed to provide direct assistance to small business and economic development purposes. The program loans will vary from \$5,000 to \$200,000, with funds being used for purposes including working capital and adaptive business operations due to shifting marketing conditions, as well as real estate development, commercial district revitalization, and job creation opportunities. SEDCO's loan programs are as follows: (1) Microenterprise loans (up to \$5,000), (2) Small business loans (up to \$25,000) and (3) Community impact loans (up to \$200,000).

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, 2023 and 2022. 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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated 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 \$189,150 and \$113,693, respectively for the years ended December 31, 2023 and 2022. 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 April 12, 2024, 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, 2023

| 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 | \$ 718,268 | \$ 178,713 | \$ 129,417 | \$ - | \$ 1,026,398 |
| Restricted cash | 3,429,080 | - | - | - | 3,429,080 |
| Other receivable | 360,620 | - | - | - | 360,620 |
| Loans receivable | 1,441,936 | - | - | - | 1,441,936 |
| Total current assets | <u>5,949,904</u> | <u>178,713</u> | <u>129,417</u> | <u>-</u> | <u>6,258,034</u> |
| Loans receivable, net | 5,834,690 | - | - | - | 5,834,690 |
| Notes receivable | 4,290,185 | - | - | - | 4,290,185 |
| | <u>\$ 16,074,779</u> | <u>\$ 178,713</u> | <u>\$ 129,417</u> | <u>\$ -</u> | <u>\$ 16,382,909</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Current Liabilities: | | | | | |
| Escrows and accounts payable | \$ 717,622 | \$ - | \$ - | \$ - | \$ 717,622 |
| Deferred income - CDBG Covid 19 grant | 16,866 | - | - | - | 16,866 |
| Deferred income - American Rescue Plan Act agreement | 1,220,993 | - | - | - | 1,220,993 |
| (Receivable) / Payable to Syracuse Economic Development Corporation | (287,416) | 162,239 | 125,177 | - | - |
| Total current liabilities | <u>1,668,065</u> | <u>162,239</u> | <u>125,177</u> | <u>-</u> | <u>1,955,481</u> |
| Total liabilities | <u>1,668,065</u> | <u>162,239</u> | <u>125,177</u> | <u>-</u> | <u>1,955,481</u> |
| Net Position: | | | | | |
| Unrestricted | 8,553,093 | 16,474 | 4,240 | - | 8,573,807 |
| Restricted - Grow America Fund | 250,000 | - | - | - | 250,000 |
| Restricted - American Rescue Plan Act Funds | 5,603,621 | - | - | - | 5,603,621 |
| Total Net Position | <u>14,406,714</u> | <u>16,474</u> | <u>4,240</u> | <u>-</u> | <u>14,427,428</u> |
| | <u>\$ 16,074,779</u> | <u>\$ 178,713</u> | <u>\$ 129,417</u> | <u>\$ -</u> | <u>\$ 16,382,909</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, 2023

| | Syracuse Economic Development Corporation | Dey's Centennial Plaza Limited | Dey's Centennial Plaza Inc. | Intercompany Eliminations | Consolidated Total |
|-----------------------------------|---|---|--------------------------------------|------------------------------|-----------------------|
| REVENUE | | | | | |
| Interest income | \$ 215,332 | \$ - | \$ - | \$ - | \$ 215,332 |
| Grant income | 34,000 | - | - | - | 34,000 |
| ARPA income | 1,889,940 | - | - | - | 1,889,940 |
| Other income | - | - | - | - | - |
| Total revenue | <u>2,139,272</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,139,272</u> |
| EXPENSES | | | | | |
| Interest expense- SEDCO | - | - | - | - | - |
| Professional fees | 28,494 | 50 | - | - | 28,544 |
| Salaries and outside services | 138,296 | - | - | - | 138,296 |
| Grant program - Covid 19 | 34,000 | - | - | - | 34,000 |
| Benefits expenses | 50,854 | - | - | - | 50,854 |
| Other expenses | 9,938 | 72 | 72 | - | 10,082 |
| Allowance for credit losses | 500,000 | - | - | - | 500,000 |
| Loan / grant conversion | 312,973 | - | - | - | 312,973 |
| Total expenses | <u>1,074,555</u> | <u>122</u> | <u>72</u> | <u>-</u> | <u>1,074,749</u> |
| Change in net position | 1,064,717 | (122) | (72) | - | 1,064,523 |
| Net position at beginning of year | 13,341,997 | 16,596 | 4,312 | - | 13,362,905 |
| Net position at end of year | <u>\$ 14,406,714</u> | <u>\$ 16,474</u> | <u>\$ 4,240</u> | <u>\$ -</u> | <u>\$ 14,427,428</u> |

The accompanying notes are an integral part of these financial statements

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

| <u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| U.S. Department of Housing and Urban Development | | | |
| Passed through City of Syracuse: | | | |
| <u>Entitlement Grants Cluster</u> | | | |
| Community Development Block Grants/Entitlement Grants (CDBG-CV) | 14.218 | CDBG-CV3 | <u>\$ 34,000</u> |
| U.S. Department of the Treasury | | | |
| Passed through City of Syracuse: | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Not applicable | <u>1,889,940</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,923,940</u> |

The accompanying notes are an integral part of these financial statements