

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION

Consolidated Financial Statements

December 31, 2011 and 2010

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Table of Contents
December 31, 2011

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis for the Year Ended December 31, 2011	2
Basic Financial Statements –	
Consolidated Statements of Net Assets	5
Consolidated Statements of Activities	6
Consolidated Statements of Cash Flows.....	7
Notes to the Consolidated Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Syracuse Economic Development Corporation

We have audited the accompanying consolidated financial statements of the consolidated business-type activities and the operating fund of the Syracuse Economic Development Corporation (SEDCO), a component unit of the City of Syracuse, New York as of and for the year ended December 31, 2011, which collectively comprise SEDCO's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SEDCO'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 consolidated statements of net assets of the consolidated business-type activities and the operating fund of SEDCO as of December 31, 2011, and the respective consolidated changes in net assets, 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 May 4, 2012, on our consideration of the SEDCO'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 4 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.



Syracuse, New York
May 4, 2012

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis for the
Year Ended December 31, 2011 (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 SEDCO for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

FINANCIAL HIGHLIGHTS

- The sale of the Dey's project resulted in a mortgage receivable from the buyer totaling \$5,500,000. During 2011, 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.
- SEDCO's total liabilities exceeded its net assets by \$7,641,794 at the end of 2011. Total liabilities of \$20,082,820 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.
- SEDCO's total net assets increased by \$244,517 for the 2011 fiscal year.
- SEDCO issued nine new direct loans totaling approximately \$457,000 during the 2011 fiscal year.
- The loans receivable were evaluated during 2011 and the allowance for doubtful loans was decreased by approximately \$168,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SEDCO's basic financial statements. SEDCO'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 SEDCO's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of SEDCO'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 SEDCO is improving or deteriorating.

The Statement of Activities presents information showing how SEDCO'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 SEDCO's activities are considered to be governmental activities supported primarily by taxes.

The government-wide financial statements can be found on pages 5 and 6 of this report.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis for the
Year Ended December 31, 2011 (Unaudited)

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 only the government-wide financial statements are presented, 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 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 SEDCO'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 SEDCO'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 8 through 13 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of SEDCO's financial position. In the case of the Syracuse Economic Development Corporation, liabilities exceeded assets by \$7,641,794 as of December 31, 2011. Included in SEDCO's total liabilities of approximately \$20,100,000 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 following are summarized versions of the government-wide financial statements for 2011 and 2010:

Statement of Net Assets

	2011	2010
Cash and cash equivalents	\$ 2,235,508	\$ 2,439,348
Loans and other receivables	4,705,518	4,626,279
Notes receivable	5,500,000	5,500,000
Total assets	<u>\$ 12,441,026</u>	<u>\$ 12,565,627</u>
Due to SIDA	\$ 15,925,650	\$ 15,925,650
Payable to City of Syracuse	3,920,401	4,134,755
Other payables	236,769	391,533
Total liabilities	20,082,820	20,451,938
Net assets	<u>(7,641,794)</u>	<u>(7,886,311)</u>
Total liabilities and net assets	<u>\$ 12,441,026</u>	<u>\$ 12,565,627</u>

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis for the
Year Ended December 31, 2011 (Unaudited)

Statement of Activities

	2011	2010
Grant income	\$ 79,368	\$ 59,166
Interest income	134,021	103,735
Mortgage interest income	165,000	165,000
Contribution of Rebuild Syracuse, Inc.	73,331	-
All other income	177,165	16,019
Total income	628,885	343,920
Interest expense - SIDA	165,000	137,500
Capitalization expense	26,086	51,619
Development expenses	56,973	146,643
All other expenses	136,309	482,103
Total expenses	384,368	817,865
Change in net assets	244,517	(473,945)
Net assets - beginning of year	(7,886,311)	(7,412,366)
Net assets - end of year	\$ (7,641,794)	\$ (7,886,311)

DEBT TO SIDA

SEDCO 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. SEDCO 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 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.syracuse.ny.us/SEDCO_Home.aspx

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidated Statements of Net Deficit - Proprietary Fund

	December 31,	
	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,235,508	\$ 2,439,348
Accounts receivable	30,055	-
Loans receivable, net – current portion	395,786	739,440
Total current assets	<u>2,661,349</u>	<u>3,178,788</u>
Loans receivable, net – non-current portion	4,279,677	3,886,839
Notes receivable (Note 4)	5,500,000	5,500,000
Total assets	<u>\$ 12,441,026</u>	<u>\$ 12,565,627</u>
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Payable to departments of the City of Syracuse	\$ 103,252	\$ 326,548
Accounts payable and commitment fees	220,186	391,533
Deferred revenue	16,583	-
Payable to Syracuse Industrial Development Agency	570,112	429,636
Total current liabilities	<u>910,133</u>	<u>1,147,717</u>
Long-term liabilities:		
Payable to the City of Syracuse General Fund	3,817,149	3,808,207
Payable to Syracuse Industrial Development Agency	15,355,538	15,496,014
Total long-term liabilities	<u>19,172,687</u>	<u>19,304,221</u>
Total liabilities	<u>20,082,820</u>	<u>20,451,938</u>
Net assets:		
Unrestricted	(8,315,812)	(8,560,329)
Restricted for – Urban Development Action Grant	674,018	674,018
Total net deficit	<u>(7,641,794)</u>	<u>(7,886,311)</u>
Total liabilities and net deficit	<u>\$ 12,441,026</u>	<u>\$ 12,565,627</u>

The accompanying notes are an integral part of these financial statements.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidated Statements of Activities - Proprietary Fund

	Year Ended December 31,	
	2011	2010
REVENUE		
Grant and contribution revenue	\$ 79,368	\$ 59,166
Mortgage interest income	165,000	165,000
Interest income	134,021	103,735
Capitalization income	82,912	-
Contribution of Rebuild Syracuse, Inc.	73,331	-
Fee income	2,613	10,085
Bad debt recovery	89,097	-
Miscellaneous income	2,543	5,934
Total revenue	628,885	343,920
EXPENSES		
Interest expense - banks	8,942	-
Interest expense - SIDA	165,000	137,500
Tax refund - SIDA	-	253,992
Capitalization expense	26,086	51,619
Professional fees	24,905	24,093
Development expenses	56,973	146,643
Bank fees	39,480	-
Salaries and outside services	56,654	32,693
Taxes, insurance and utilities	5,991	29,973
Other expenses	337	141,352
Total expenses	384,368	817,865
Change in net assets	244,517	(473,945)
Net deficit at beginning of year	(7,886,311)	(7,412,366)
Net deficit at end of year	\$ (7,641,794)	\$ (7,886,311)

The accompanying notes are an integral part of these financial statements.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidated Statements of Cash Flows - Proprietary Fund

	Year Ended December 31,	
	2011	2010
Cash flows from operating activities		
Inflows-		
Interest received	\$ 66,521	\$ 103,735
Mortgage interest received	165,000	165,000
Fees, grants and other income	114,127	69,251
New York State tax refund	-	253,992
Principal loan repayments	506,492	467,136
Rents received	-	23,383
Outflows-		
Services and employees	(304,855)	(471,807)
New loans issued	(388,823)	(438,233)
Other outflows	(197,302)	-
Interest paid	(165,000)	(137,500)
Net cash (used in) provided by operating activities	<u>(203,840)</u>	<u>34,957</u>
Cash at beginning of year	<u>2,439,348</u>	<u>2,404,391</u>
Cash at end of year	<u>\$ 2,235,508</u>	<u>\$ 2,439,348</u>
Reconciliation of change in net assets to cash provided by operating activities:		
Change in net assets	\$ 244,517	\$ (473,945)
Decrease in allowance for doubtful accounts	(167,779)	-
Other assets	-	85,000
Changes in operating assets and liabilities:		
Rent and other receivables	(30,055)	23,184
New York State tax refund receivable	-	272,863
Loans receivable	118,595	28,903
Payable to departments of the City of Syracuse	(223,296)	35,954
Accounts payable and commitment fees	(171,347)	50,531
Deferred revenue	16,583	-
Payable to the City of Syracuse General Fund	8,942	12,467
Net cash (used in) provided by operating activities	<u>\$ (203,840)</u>	<u>\$ 34,957</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 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.

Principles of Consolidation

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

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 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 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 specifically associated with program expenses 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. SEDCO's only fund is a major proprietary fund. As such, there are no separate fund financial statements since the government-wide financial statements present information identical to the information that would be presented in the fund financial statements.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of SEDCO are prepared in accordance with generally accepted accounting principles (GAAP). SEDCO'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.

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

SEDCO 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.

SEDCO currently has only one fund, the Operating Fund, which is used to report all financial resources and transactions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

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.

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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

Cash and Cash Equivalents

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, 2011 and 2010, SEDCO's uninsured cash and cash equivalents balances totaled approximately \$1,758,000 and \$1,794,000, respectively.

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 (UDAG) 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, 2011, SEDCO issued nine new direct loans, totaling \$456,823. 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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

3. Loans Receivable and Allowance for Doubtful Loans

Loans receivable are recorded at cost. Interest earned on such loans is recognized on an accrual basis based on the terms and conditions of each loan. The allowance for doubtful loans is determined based on historical experience by the type of loan, local economic conditions and estimated future undiscounted cash flows. Loans receivable at December 31, 2011 and 2010, consist of the following:

	2011	2010
Current portion due:		
Direct loans	\$ 229,731	\$ 610,058
Urban Development Action Grant loans	166,055	108,787
Entrepreneur loans	-	20,595
Total current portion	395,786	739,440
Non-current portion due:		
Direct loans	4,205,652	3,768,298
Less allowance for doubtful loans	(24,345)	(202,172)
Urban Development Action Grant loans	98,370	320,713
Entrepreneur loans	10,048	-
Less allowance for doubtful loans	(10,048)	-
Total non-current portion	4,279,677	3,886,839
Total loans receivable	\$ 4,675,463	\$ 4,626,279

The allowance for uncollectible loans is estimated by management based on a review of potentially uncollectible loans. For the years ended December 31, 2011 and 2010, the allowance was estimated at \$34,393 and \$202,172, respectively. During 2011 and 2010, there were no uncollectible loans charged against the allowance, and no loans were written off directly to expense.

4. Note Receivable - 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.

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 a \$2,500,000 and \$3,000,000 mortgage, both which bear interest at 3%. The repayment terms stipulate that interest only will be paid during the construction period; SEDCO will receive \$165,000 per year during this period. At the end of the construction period the loan will be amortized over eleven years with annual payments totaling \$278,258 due to SEDCO. At the end of the eleven year period a balloon payment will be due SEDCO in the amount of \$4,026,145. Effective during January 2012, principal payments will begin being made on the loan. For the years ended December 31, 2011 and 2010, SEDCO received \$165,000 in interest income.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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, 2011 and 2010, the liability to SIDA was \$15,925,650. 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, 2011 and 2010, SEDCO disbursed \$165,000, to 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 these financial statements.

7. Loan Forgiveness

Since 1997, SEDCO has entered into loan/grant agreements with several developers. Under the agreements, the funds loaned by SEDCO will not be repaid (forgiven) 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 sixteen 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. The total amount of loans outstanding that have these arrangements totaled \$161,250 and \$158,750 at December 31, 2011 and 2010, respectively.

8. 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, 2011 and 2010. 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, 2011 and 2010, SEDCO has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. SEDCO's form 990's for fiscal years 2009 through 2011 are still open for IRS possible examination.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

8. Income Taxes (continued)

Under provisions of the Internal Revenue Code, companies that are treated as partnerships (Dey's Centennial Plaza and Dey's Centennial Plaza Limited Partnership (Dey's 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. In accordance with the disclosure provisions of the Financial Accounting Standards Board Accounting Standards Codification Sub-Topic 740-19, which addresses accounting for uncertainties in income taxes for the tax years ending in 2011 and 2010, the Dey's entities have no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

9. Related Parties

SEDCO's offices and accounting personnel are furnished and paid by the primary government, the City of Syracuse, New York. The fair value of these services has not been determined by the City and therefore no amounts have been recorded in the financial statement. As of December 31, 2011 and 2010, approximately \$3,900,000 and \$4,100,000 were owed to the primary government, respectively.

10. Contribution of Rebuild Syracuse, Inc.

During 2011, Rebuild Syracuse, Inc. (a non-profit organization) discontinued operations and transferred all remaining assets to SEDCO as the two organizations have a very similar mission. The transfer of the net assets to SEDCO from Rebuild Syracuse, Inc. resulted in revenue of \$73,331. Additionally, revenue of approximately \$50,000 and expenses of approximately \$54,000 attributable to Rebuild Syracuse, Inc. activities are included in the consolidated statement of activities for 2011.

11. Subsequent Events

In preparing the financial statements, management of SEDCO has evaluated events and transactions for potential recognition or disclosure through May 4, 2012, 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.

