GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

For the Year Ended
December 31, 2014

CONSOLIDATED
FINANCIAL STATEMENTS
AND SUPPLEMENTAL
SCHEDULES

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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Independent Auditor's Report

Board of Directors
Griffiss Local Development Corporation and Subsidiary

We have audited the accompanying consolidated financial statements of Griffiss Local Development Corporation (a nonprofit organization) and subsidiary, Cardinal Griffiss Realty, LLC, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the corporation's preparation and fair presentation of the consolidated 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 corporation'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Griffiss Local Development Corporation and subsidiary as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules, as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

D'Arcangelo + Co., LLP

March 26, 2015

Utica, New York

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash	$ 2,264,881	$ 3,558,296
Accounts Receivable, Net	244,663	66,400
Due from Related Organizations	23,854	36,000
Grants Receivable	698,840	456,501
Capital Lease Receivable - Current	51,431	0
Prepaid Expenditures - Current	79,763	106,213
Notes Receivable - Current	1,658,715	705,809
Total Current Assets	5,022,147	4,929,219
Property		
Land	583,233	583,233
Construction in Progress	0	383,976
Building and Site Improvements	36,221,544	35,225,319
Roadways and Improvements	5,203,440	5,203,440
Railways and Improvements	1,686,767	1,686,767
Utility Improvements	582,831	582,831
Signage	233,342	233,342
Office Equipment	418,010	410,737
Vehicles and Automotive Equipment	219,961	219,961
Total Property	45,149,128	44,529,606
Accumulated Depreciation	20,826,029	19,519,408
Net Property	24,323,099	25,010,198
Other Long-Term Assets		
Capital Lease Receivable	93,539	0
Prepaid Expenditures	149,852	174,827
Notes Receivable	6,622,200	8,280,915
Project Costs (Net of Accumulated Amortization)	4,201,759	5,663,332
Goodwill	132,000	132,000
Total Other Long-Term Assets	11,199,350	14,251,074
Total Assets	$ 40,544,596	$ 44,190,491

(Continued)

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

(Continued)

	2014	2013
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 82,979	$ 242,348
Due to Related Organization	25,404	93,365
Deferred Revenue	0	32,827
Deposits	23,200	19,700
Current Maturities of Long-Term Debt	1,108,123	1,222,084
Total Current Liabilities	1,239,706	1,610,324
Long-Term Liabilities		
Capital Improvement Reserve	212,777	212,777
Compensated Absences	35,308	28,656
Long-Term Debt	15,568,667	16,721,762
Total Long-Term Liabilities	15,816,752	16,963,195
Net Assets		
Member's Accumulated Deficit	(1,477,189)	(1,401,680)
Unrestricted	24,965,327	27,018,652
Total Net Assets	23,488,138	25,616,972
Total Liabilities and Net Assets	$ 40,544,596	$ 44,190,491

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenue, Gains and Support		
Building Lease Income	$ 2,709,716	$ 2,625,039
PILOT Termination	0	3,032,565
Other Lease Related Income	420,392	417,826
New York State Grants	898,491	456,501
Gain on Sale of Property	800	449,784
Interest Income	302,133	363,345
Payments In Lieu of Taxes	181,719	181,142
Reimbursements and Refunds	163,650	41,128
Other Income	344,911	342,786
Total Revenue, Gains and Support	5,021,812	7,910,116
Expenses		
Program Services		
Redevelopment and Leasing	6,924,071	6,484,327
Marketing and Promotion	26,064	21,662
Supporting Services		
Management and General	200,511	188,829
Total Expenses	7,150,646	6,694,818
Increase (Decrease) in Net Assets	(2,128,834)	1,215,298
Net Assets, Beginning of Year	25,616,972	24,401,674
Net Assets, End of Year	$ 23,488,138	$ 25,616,972

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From (Used By) Operating Activities		
Increase (Decrease) in Net Assets	$ (2,128,834)	$ 1,215,298
Adjustments for Noncash Transactions		
Depreciation and Amortization	2,768,193	2,828,460
Net (Gain) on Sale of Property	(800)	(449,784)
Loss on Capital Lease	397,500	0
PILOT Termination Settlement	0	(3,032,565)
(Increase) Decrease in Assets		
Accounts Receivable	(179,144)	(64,339)
Due from Related Organizations	12,146	(13,152)
Grants Receivable	(242,372)	(415,414)
Prepaid Expenditures	51,425	698
Increase (Decrease) in Liabilities		
Accounts Payable	(154,870)	(41,658)
Due to Related Organization	(71,579)	64,545
Deferred Revenue	(32,827)	32,827
Deposits	3,500	2,500
Compensated Absences	6,652	7,971
Net Cash Flows From Operating Activities	428,990	135,387
Cash Flows From (Used By) Investing Activities		
Proceeds on Sale of Property	800	449,784
Collections on Loans	705,809	1,409,192
Capital Improvement Reserve	0	44,778
Capital Expenditures	(1,331,558)	(2,128,457)
Principal Collections on Capital Lease	169,600	0
Net Cash (Used By) Investing Activities	(455,349)	(224,703)
Cash Flows From (Used by) Financing Activities		
Proceeds of Long-Term Debt	0	1,260,000
Payment of Long-Term Debt	(1,267,056)	(1,708,647)
Net Cash Flows (Used By) Financing Activities	(1,267,056)	(448,647)
Net (Decrease) in Cash	(1,293,415)	(537,963)
Cash, Beginning of Year	3,558,296	4,096,259
Cash, End of Year	$ 2,264,881	$ 3,558,296
Supplemental Cash Flow Disclosures		
Cash Paid During the Year For:		
Interest	$ 541,078	$ 618,856
Income Taxes	$ 0	$ 0
Non Cash Investing Transactions:		
Note Receivable for PILOT Termination Settlement	$ 0	$ 3,032,565
Capital Lease Receivable	$ 314,570	$ 0

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Griffiss Local Development Corporation (GLDC) is a nonprofit organization whose primary purpose is to redevelop the former Griffiss Air Force Base in Rome, New York, and, among other things, develop the Griffiss Business and Technology Park. To accomplish this objective, GLDC maintains contact with the U.S. Air Force, Department of Defense, related Federal agencies, and other agencies of State and local government, encourages community input for redevelopment plans, borrows funds and may buy, sell, improve, maintain, and lease former Base property. A significant portion of GLDC's activities are funded by revenues derived from the leasing and sale of property and related income. In addition, GLDC receives grants from New York State or its agencies. These grants are generally earmarked for capital improvements and economic development activities within the Griffiss Business and Technology Park.

Principles of Consolidation

The consolidated financial statements include the accounts of GLDC and its subsidiary, Cardinal Griffiss Realty, LLC (CGR). Intercompany transactions have been eliminated.

CGR was formed during 2010 with GLDC as the 99.99% owner. The primary purpose was to acquire certain property, construct a building, and to enter into a sublease agreement with Assured Information Security, Inc. Economic Development Growth Enterprises Corporation (EDGE) holds the non-controlling (.01%) interest in CGR.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These consolidated financial statements, presented on the accrual basis of accounting, have been prepared to focus on the corporation as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by reporting information regarding financial position and activities according to three classes: permanently restricted, temporarily restricted, or unrestricted. At December 31, 2014 and 2013, GLDC only maintained unrestricted net assets.

Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are carried at unpaid balances, less an allowance for uncollectible amounts. A provision has been established for accounts receivable which may ultimately prove to be uncollectible. The basis for the provision is an analysis of current accounts. The allowance for doubtful accounts was $20,663 at each of the years ended December 31, 2014 and 2013. Grants receivable and notes receivable have been deemed to be fully collectible, therefore, an allowance has not been established. Interest on outstanding notes receivable is recorded as income when collected.

Property and Depreciation

GLDC capitalizes certain expenditures for land, building and site improvements, roadways and improvements, railways and improvements, utility improvements, signage, and vehicles and automotive equipment located in the Griffiss Business and Technology Park. GLDC also capitalizes expenditures for office equipment which exceed $5,000. Expenditures for improvements to property used in the property rental program are capitalized and depreciated over the life of the lease. All other capitalized expenditures are depreciated over the useful life of the property and recorded at historical cost if purchased or fair value if contributed. Depreciation is recorded using the straight-line method as follows:

	Estimated Useful Lives
Building and Site Improvements, Roadways and Improvements, Railways and Improvements, and Utility Improvements	3-39 Years
Signage, Office Equipment, and Vehicles and Automotive Equipment	3-7 Years

CGR has recorded the total costs incurred for construction of a building. These costs included interest costs on related debt, which were capitalized prior to the building being placed in service. The building is being depreciated over 39 years, the estimated useful life, using the straight-line method of depreciation.

Depreciation expense amounted to $1,306,620 and $1,366,889 for the years ended December 31, 2014 and 2013, respectively.

Project Costs

GLDC has developed and financed a portion of the infrastructure and site improvements necessary to support the Family Dollar Services, Inc. Distribution Center (Family Dollar) that opened in 2006 at the Griffiss Business and Technology Park. GLDC was being reimbursed for these costs, which totaled $6,624,606 when the project was completed, through a Payment in Lieu of Tax (PILOT) agreement. The original agreement was for a 15 year period of time ending in 2022. The PILOT agreement, between Oneida County Industrial Development Agency (OCIDA) and Family Dollar, required Family Dollar to pay an annual PILOT amount directly to the OCIDA each year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each year, OCIDA then reimbursed GLDC in an amount equal to GLDC's annual debt service on the Family Dollar Project Cost and then pays each taxing jurisdiction their share of the PILOT payments in accordance with a separate allocation agreement. GLDC was amortizing the project costs over the same 15 year period of time as this PILOT. The impact of the project on GLDC is revenue/expenditure neutral.

Pursuant to a request from Family Dollar Services, Inc., the PILOT agreement and the accompanying allocation agreement were terminated as of December 31, 2012.

GLDC has converted this method of financing the project costs into a direct loan obligation (see note 6) that Family Dollar Services is obligated to satisfy with monthly payments of principal and interest over a 36 month period, beginning on January 1, 2013 and a balloon payment that will be due in full on December 31, 2015. As evidence of this direct loan obligation, a promissory note was executed by Family Dollar Services to GLDC. Family Dollar Services' parent company, Family Dollar Stores, Inc., has unconditionally guaranteed the payment of the aforesaid promissory note. As such, the useful life of the remaining unamortized project costs was reduced to match the same 36 month period as the direct loan obligation. In accordance with FASB ASC 350-30-35-9, the remaining carrying amount of the project costs are being amortized prospectively over that revised remaining useful life. The net balance of the project costs after amortization is $1,300,385 and $2,600,770 at December 31, 2014 and 2013, respectively. Amortization expense for each of the years ended December 31, 2014 and 2013 is $1,300,385.

GLDC has also developed and financed a portion of the infrastructure and site improvements necessary to support the Sovena USA Distribution Center (collectively the Sovena USA Project Costs) that opened in 2007 at the Griffiss Business and Technology Park. Sovena USA reimburses GLDC for these costs, which totaled $4,029,689 when the project was completed, through a PILOT. The agreement is for 25 years ending in 2032. The PILOT agreement, between Oneida County Industrial Development Agency (OCIDA) and Sovena USA required Sovena USA to pay an annual PILOT amount directly to the OCIDA each year.

Each year OCIDA reimburses GLDC in the amount equal to GLDC's annual debt service on the Sovena USA Project Cost, and then pays to each taxing jurisdiction their share of the remaining PILOT payments in accordance with a separate allocation agreement. GLDC amortizes these costs over the same 25 year period of time as the PILOT. The net balance of these costs after amortization is $2,901,374 and $3,062,562 at December 31, 2014 and 2013, respectively. Amortization expense for each of the years ended December 31, 2014 and 2013 is $161,188. The impact of the project on GLDC is revenue/expenditure neutral.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Intangible assets not subject to amortization consist of goodwill in the amount of $132,000 obtained through acquisition of a business during 2011. Goodwill is tested for impairment annually. No adjustments were made for impairment losses for each of the years ended December 31, 2014 and 2013.

Deferred Revenue

Income from rental property received in advance is deferred and recognized in the period to which it relates.

Advertising

GLDC expenses all advertising costs as incurred. For the years ended December 31, 2014 and 2013, amounts expensed to advertising and promotion totaled $9,481 and $15,213, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Certain costs have been allocated among the following program and supporting services as follows:

Redevelopment and Leasing - Includes all direct and indirect expenses necessary for the planning and implementation of the redevelopment of real estate within the Griffiss Business and Technology Park.

Marketing and Promotion - Includes all direct and indirect expenses attributable to the marketing and promotion of the Griffiss Business and Technology Park facilities.

Management and General - Includes all administrative expenses necessary to operate GLDC which are not specifically identifiable to program services.

NOTE 2 INCOME TAXES

GLDC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and utilizes December 31 as its year end. The Corporation has also been determined to be other than a private foundation, as it is an organization described in Section 509(a)(1) of the Internal Revenue Code. The Corporation's Federal and State information returns and business income tax returns (Form 990T) for years prior to 2011 are no longer subject to examination by the respective taxing authorities.

Cardinal Griffiss Realty, LLC is treated as a partnership for income tax purposes. Due to the members' (GLDC and EDGE) not-for-profit status, the LLC is considered a disregarded entity and is not subject to income taxes. Consequently, no provision for income taxes is required in the accompanying consolidated financial statements.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject GLDC and its subsidiary to a concentration of credit risk consist principally of cash. GLDC maintained bank accounts at four and three financial institutions which were in excess of Federal Deposit Insurance Corporation (FDIC) coverage limits at December 31, 2014 and 2013, respectively; however management considers this to be a normal business risk.

NOTE 4 PROPERTY/BUILDING LEASES

GLDC, through OCIDA, has entered into certain lease agreements with the United States Air Force (USAF) for various buildings located in the Griffiss Business and Technology Park. The terms of the lease with the USAF range from 1 to 40 years and there are no lease payments due to the USAF from GLDC for the property covered by these leases based on an agreement made between both parties. The USAF conveyed a portion of the property to OCIDA. GLDC leases back this property from OCIDA pursuant to various leases having a term of ten years. GLDC also has the right to sublease these parcels.

GLDC subleases the commercial space to several third parties under noncancelable operating leases. The terms of the leases range from 1 to 5 years with various renewal options with lease payments ranging from $12,000 to $345,545 annually over the terms of the leases. Total lease income received for the years ended December 31, 2014 and 2013, was $1,923,920 and $1,839,243 respectively.

The estimated future minimum lease payments to be received by GLDC over the next 5 years are as follows:

Year	Lease Income
2015	$ 1,914,458
2016	$ 1,111,934
2017	$ 569,607
2018	$ 559,901
2019	$ 232,306

CGR is sub-leasing a 46,305 square foot building constructed at 153 Brooks Road, Rome, NY to Assured Information Security, Inc. The lease, which is non-cancelable, is for an original term of 15 years and contains 2 options to renew the lease in 5-year increments.

Lease revenue for both of the years ended December 31, 2014 and 2013 was $785,796.

The estimated future minimum lease payments to be received by CGR over the next 5 years are as follows:

Year	Lease Income
2015	$ 785,796
2016	$ 796,809
2017	$ 851,874
2018	$ 851,874
2019	$ 851,874

NOTE 5 CAPITAL LEASE

During the year ended December 31, 2014, GLDC, as lessor, entered into a capital lease of equipment with Griffiss Institute, Inc. under a sales-type lease. The lease expires over the next six years. The components of the investment in the lease at December 31, 2014 is as follows:

	2014
Minimum Lease Payments Receivable	$ 149,822
Less: Unearned revenue	(4,852)
Net investment in capital lease	$ 144,970

Unearned revenue is amortized to lease revenue by the interest method using a constant periodic rate of 2.5% over the lease term.

The following is a schedule, by year, of total minimum lease payments receivable under direct financing leases as of December 31, 2014, excluding unearned revenue:

Year Ending December 31:	
2015	$ 51,431
2016	52,732
2017	40,774
2018	12
2019	12
2020	9
Total minimum lease payments receivable	$ 144,970

NOTE 6 NOTES RECEIVABLE

GLDC has an outstanding note receivable from GLDC Investment Fund, LLC in the amount of $6,622,200 at December 31, 2014 and 2013. The proceeds of the loan were used to make a qualified equity investment in the Enhanced Capital New Market Development Fund V, LLC (the CDE). The CDE in turn has made a low-income community investment in Cardinal Griffiss Realty, LLC. The transaction enables receipt of Federal New Markets Tax Credits, helps finance certain acquisition and construction costs in connection with the Assured Information Security Project, and assists in payment of transactional costs and expenses. The note is collateralized by a first priority security interest in the CDE. Currently, the borrower is making monthly interest-only payments at a rate of 2.39% per annum until October 5, 2017. Commencing on September 1, 2017, payment of principal and interest calculated based on full amortization of the loan will begin, until maturity on February 1, 2035.

NOTE 6 NOTES RECEIVABLE (Continued)

GLDC has entered into a direct loan obligation in the amount of $3,032,565 with Family Dollar Services, Inc. to reimburse certain project costs incurred in 2006. (see project costs section of note 1). Family Dollar Services is obligated to satisfy this obligation with monthly payments of principal and interest, at 6.59% per annum, in the amount of $70,201 over a 36 month period which began on January 1, 2013. A final balloon payment will be due at maturity on December 15, 2015. Family Dollar Services' parent company, Family Dollar Stores, Inc., has unconditionally guaranteed the payment of the aforesaid promissory note. The outstanding balance on the note at December 31, 2014 and 2013 was $1,658,715 and $2,364,524, respectively.

NOTE 7 LONG-TERM DEBT

At December 31, 2014 and 2013, long-term debt consisted of the following:

	2014	2013
GLDC		
Loan payable to EDGE due November 1, 2031 to assist in financing the Assured Information Security, Inc. project. The loan is secured by a second position lien pro-rata co-equal with Rome Industrial Development Corporation (RIDC) and Mohawk Valley Rehabilitation Corporation mortgage on a building and other property located at 725 Daedalian Drive, Rome, NY. The loan is currently being repaid by monthly interest-only payments of $1,667 until November 1, 2018. Beginning on December 1, 2018, monthly payments of $4,116, including interest at 4.00% per annum, will be made.	$ 500,000	$ 500,000
Loan payable to RIDC due November 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan is secured by a second position lien pro-rata co-equal with EDGE and Mohawk Valley Rehabilitation Corporation mortgage on a building and other property located at 725 Daedalian Drive, Rome, NY. It is currently being repaid by monthly payments of $555, including interest at 4.00% per annum.	62,675	66,737

NOTE 7 LONG-TERM DEBT (Continued)

	2014	2013
Loan payable to NBT Bank due May 1, 2016, which is being reduced by monthly payments of $53,735 including interest at 4.21% per annum. The note was collateralized by a first position in the proceeds of the Payment in Lieu of Tax/Tax Incentive Financing Agreement that pertains to the Family Dollar Distribution Center Project as described in Note 1. This agreement was terminated at December 31, 2012, however, the debt is now being repaid with the proceeds of a direct loan obligation as described in note 6.	881,901	1,475,233
Loan payable to Mohawk Valley Rehabilitation Corporation due April 1, 2016, which is being reduced by monthly payments of $1,147 including interest at 5.00% per annum. The monthly payments are based upon a 15-year amortization schedule with a balloon payment of $61,652 due on April 1, 2016. The note was collateralized by a third position in the proceeds of the Payment in Lieu of Tax/Tax Incentive Financing Agreement that pertains to the Family Dollar Distribution Center Project as described in Note 1. This agreement was terminated at December 31, 2012, however, the debt is now being repaid with the proceeds of a direct loan obligation as described in note 6.	74,564	84,329
Loan payable to M&T Bank due May 1, 2018, which is being repaid by monthly interest payments at 3.12% per annum, annual principal payments of $60,000 and a principal payment of $884,974 due on May 1, 2018. This note is collateralized by a first position in the proceeds of the Payment in Lieu of Tax/Tax Incentive Financing Agreements that pertain to the Sovena USA Project as described in Note 1.	1,064,974	1,124,974

NOTE 7 LONG-TERM DEBT (Continued)

	2014	2013
Loan payable to the New York State Department of Transportation (DOT). Funds were provided through the DOT Industrial Access Program for roadway improvements to support the Family Dollar project. The loan was interest free and was repayable over 5 years beginning in 2010, in accordance with a repayment schedule provided by the NYS Department of Transportation. The final payment was made during 2014.	0	198,000
Loan payable to MORECO due June 1, 2022, which is being reduced by monthly payments of $877 including interest at 5.00% per annum and a lump-sum principal payment of $82,674 due June 1, 2022. This note is collateralized by a third position in the proceeds of the Payment in Lieu of Tax/Tax Incentive Financing Agreements that pertain to the Sovena USA Project as described in Note 1.	122,196	126,492
Loan payable to Oneida Savings bank due April 10, 2020 for the expansion and improvement of a building at 725 Daedalian Drive, Rome, NY. The loan is secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. It is currently being repaid by monthly payments of $3,945, including interest at 4.5% per annum until October 10, 2018 at which time the annual interest rate may change.	230,682	267,486
Loan payable to Mohawk Valley Rehabilitation Corporation due November 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan is secured by a second position lien pro-rata co-equal with EDGE and RIDC mortgage on a building and other property located at 725 Daedalian Drive, Rome, NY. It is currently being repaid by monthly interest-only payments of $667 until November 1, 2018. Beginning on December 1, 2018, monthly payments of $2,438, including interest at 4.00% per annum, will be made.	200,000	200,000

NOTE 7 LONG-TERM DEBT (Continued)

	2014	2013
Loan payable to Oneida Savings Bank due September 1, 2020 for improvements to building 798 at 581 Phoenix Drive, Rome, NY. The loan is secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. The loan is currently being repaid by monthly payments of $8,250, including interest at 4.50% until October 1, 2018. The annual interest rate may change on this date to the rate of the U.S. Treasury Index plus 2.50%, subject to a minimum rate of 4.50%.	501,570	577,732
Loan payable to Oneida Savings Bank due September 1, 2026 to assist in financing the Assured Information Security, Inc. project. The loan is secured by an assignment of leases and mortgage in a building and other property located at 725 Daedalian Drive, Rome, NY. It is currently being repaid by monthly payments of $7,307, including interest at 4.50% per annum, until September 1, 2018. After that, the annual interest rate may change every 5 years, to a rate equal to the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of 5 years plus 2.50%, subject to a minimum rate of 4.50%.	800,115	850,553
Loan payable to NBT Bank due October 12, 2021 to finance improvements to Building 440. The loan is secured by a first priority mortgage and assignment of leases and rents covering the building. The loan is being repaid with monthly payments of $6,337, including interest at 4.14% per annum.	450,939	506,772
Loan payable to NBT Bank due October 12, 2021 to finance improvements to Building 780. The loan is secured by cash collateral and a third priority mortgage and assignment of leases and rents, covering Building 780. The loan is being repaid with monthly payments of $2,249, including interest at 4.14% per annum.	160,011	179,844

NOTE 7 LONG-TERM DEBT (Continued)

	2014	2013
Loan payable to T.J.L. Enterprises, Inc. due January 28, 2016, proceeds of which were used for the acquisition of a business. The loan is unsecured and is being repaid with monthly payments of $1,661, including interest at 4.0% per annum.	21,100	39,782
Loan payable to Oneida Savings Bank due October 10, 2028. The loan is secured by a first mortgage on property at 276 Brookley Road, Rome, NY, a first security interest in all fixtures, and an assignment of rents and leases on the building. The loan is currently being repaid with monthly payments of $5,006, including interest at 4.60% per annum, for ten years. For the last five years of the note, interest will be adjusted to the five year U.S Treasury plus 3.50% per annum, with a floor of 4.25% per annum.	613,912	644,962
Loan payable to Oneida Savings Bank due October 10, 2023 to finance improvements to a building. The loan is secured by a first mortgage on the property at 428 Phoenix Drive, Rome, NY, a first security interest in fixtures and an assignment of rents and leases on the building. The loan is being repaid in monthly payments of $6,426, including interest at 4.85% per annum.	553,080	602,064
Cardinal Griffiss Realty, LLC		
Loan payable to Enhanced Capital New Market Development Fund V, LLC due August 31, 2040 to finance the Assured Information Security, Inc. project for construction of a building. The loan is secured by an assignment of mortgage, leases, and rents covering the land, building, and improvements, as well as a security interest in the deposit accounts maintained. The loan is to be paid with interest-only payments at 1.86% per annum until September 29, 2017, when monthly payments of $40,114 will commence until maturity.	9,000,000	9,000,000

NOTE 7 LONG-TERM DEBT (Continued)

	2014	2013
Loan payable to Oneida Savings Bank due September 1, 2031, to provide additional financing for construction of a building. The loan is secured by an assignment of mortgage, leases, and rents covering the land, building, and improvements. Advances on the loan were applied up to the maximum principal balance of $1,585,416. The loan is currently being repaid with monthly payments of $10,193, including interest at 4.50% per annum. Beginning on October 1, 2018, an annual variable interest rate change may apply until maturity.	1,439,071	1,498,886
Total	16,676,790	17,943,846
Less Current Maturities of Long-Term Debt	1,108,123	1,222,084
Total Long-Term Debt	$ 15,568,667	$ 16,721,762

The following are maturities of long-term debt for the next five years and thereafter:

Years	CGR Amount	GLDC Amount	Total Amount
2015	$ 58,758	$ 1,049,365	$ 1,108,123
2016	61,457	690,346	751,803
2017	169,059	443,314	612,373
2018	385,502	1,294,381	1,679,883
2019	394,574	471,342	865,916
Thereafter	9,369,721	2,288,971	11,658,692
Total	$ 10,439,071	$ 6,237,719	$ 16,676,790

NOTE 8 MEMBER'S ACCUMULATED DEFICIT

The changes in GLDC's member accumulated deficit are as follows:

Balance at Beginning of Year	$ (1,401,680)
Net (Loss) of Cardinal Griffiss Realty, LLC	(75,509)
Balance at End of Year	$ (1,477,189)

NOTE 9 PENSION PLAN

GLDC contributes to a defined contribution pension plan for all of its employees. Employees are eligible for immediate membership in the plan but will not become fully vested until completion of 1 year of service. Contributions paid to the plan are based upon 10% of participants' compensation. The amount of contributions paid to the plan on behalf of the employees of GLDC for 2014 and 2013 amounted to $37,913 and $34,292, respectively. At December 31, 2014 and 2013, GLDC had unpaid contributions due to the plan in the amount of $3,731 and $2,428, respectively.

NOTE 10 RELATED PARTY TRANSACTIONS

Griffiss Utility Services Corporation (GUSC) and GLDC share one common board member. GUSC reimburses GLDC for various costs incurred for operational work, which totaled $150,089 and $157,167 respectively, for the years ended December 31, 2014 and 2013. At December 31, 2014 and 2013, GLDC had amounts due from Griffiss Utility Services Corporation (GUSC) of $23,854 and $21,906.

GLDC and CGR pay GUSC for steam and electric costs incurred by tenants of their leased properties. Utility expenses for the years ended December 31, 2014 and 2013 was $277,846 and $324,822, respectively. At December 31, 2014 and 2013, respectively, GLDC and CGR had amounts due to GUSC of $25,404 and $93,365.

Griffiss Park Landowners Association, Inc. (GPLA) and GLDC share one common board member. GLDC and CGR pay GPLA for common area maintenance (CAM) costs as collected per lease agreements with tenants, which totaled $93,534 and $95,073 for the years ended December 31, 2014 and 2013, respectively.

GPLA pays GLDC a monthly service fee for the common area maintenance work, which totaled $144,832 and $152,864 for the years ended December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, respectively, GLDC had amounts due from GPLA of $0 and $14,094.

NOTE 11 GRANT CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment principally by the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable program. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although GLDC expects such amounts, if any, to be immaterial.

GLDC received certain grants from Empire State Development Corporation (ESDC) for improvements to the 394 Hangar Road building at Griffiss International Airport (Project Nos. R299 and R300). The grants were awarded to GLDC and included certain job creation requirements associated with this facility that was included in the Grant Disbursement Agreements (GDAs) for this project. With the execution of the Amended and Restated Sublease between Premier Aviation Overhaul Center, Ltd (Premier) and 394 Hangar Road Corporation, ESDC agreed to modify the terms of the GDAs and incorporated the following Recapture Terms if the number of Premier's, and another subtenant located within Premier's facility, full-time permanent employment, as of each date set forth in Column A of the table below, is less than eighty-five percent (85%) of the employment goal in Column B. Upon demand by ESDC, GLDC would be obligated to repay to ESDC an amount of the remaining grant subject to recapture as shown in Column C-1 and C-2.

NOTE 11 GRANT CONTINGENCIES (Continued)

Employment Goals and Recapture Terms Empire State Development Corporation Grant Disbursement Agreements to GLDC			
A	**B**	**C-1**	**C-2**
Date	**Employment Goal**	**Recapture Amount R299 GDA**	**Recapture Amount R300 GDA**
December 31, 2011	51	$1,200,000	$600,000
December 31, 2012	66	$ 960,000	$480,000
December 31, 2013	81	$ 720,000	$360,000
December 31, 2014	81	$ 480,000	$240,000
December 31, 2015	195	$ 240,000	$120,000

For the years ended December 31, 2014 and 2013, Premier has satisfied the employment goals set forth above and, as a result, the potential recapture amounts for the R299 grant have been reduced to $720,000 and $480,000, respectively, and recapture amounts for the R300 grant have been reduced to $360,000 and $240,000, respectively. Assuming no defaults occur, both recapture obligations will terminate as of December 31, 2015.

NOTE 12 OTHER CONTINGENCIES

GLDC has an indemnification agreement with Gaetano Construction and certain of its subcontractors in connection with the CGR/AIS Project. The amount of any related contingency, if any, cannot be determined at this time.

GLDC has entered into various commercial agreements including loan agreements, real property sales agreements, leases (as either a tenant or a landlord), and other agreements pursuant to which it has agreed to indemnify the other party or parties. For the most part, the indemnities granted by GLDC cover premises liability-related matters, including environmental matters, and are considered by GLDC to be either commercially required or commercially reasonable under the circumstances of the transaction in question. With respect to most, but not all, of these indemnities, GLDC has arranged for liability insurance, including environmental liability insurance, in an amount it deems adequate (less applicable deductibles) to cover its potential exposure under such indemnities.

GLDC is one of the guarantors on a limited portion of the bank indebtedness incurred by Premier Aviation Overhaul Center, Ltd. in connection with the Premier Aviation Project. GLDC's maximum exposure on the guarantee is $312,500.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2015, the date on which the consolidated financial statements were available to be issued.

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2014

	GLDC	CGR	Combined Balance	Consolidation Elimination	Consolidated Balance
Assets					
Current Assets					
Cash	$ 1,837,730	$ 427,151	$ 2,264,881	$ 0	$ 2,264,881
Accounts Receivable, Net	244,663	0	244,663	0	244,663
Due from Related Organizations	24,735	0	24,735	(881)	23,854
Grants Receivable	698,840	0	698,840	0	698,840
Capital Lease Receivable - Current	51,431	0	51,431	0	51,431
Prepaid Expenditures - Current	78,648	1,115	79,763	0	79,763
Note Receivable - Current	1,658,715	0	1,658,715	0	1,658,715
Total Current Assets	4,594,762	428,266	5,023,028	(881)	5,022,147
Property					
Land	20,733	562,500	583,233	0	583,233
Building and Site Improvements	27,544,769	8,676,775	36,221,544	0	36,221,544
Roadways and Improvements	5,203,440	0	5,203,440	0	5,203,440
Railways and Improvements	1,686,767	0	1,686,767	0	1,686,767
Utility Improvements	582,831	0	582,831	0	582,831
Signage	225,946	7,396	233,342	0	233,342
Office Equipment	418,010	0	418,010	0	418,010
Vehicles and Automotive Equipment	219,961	0	219,961	0	219,961
Total Property	35,902,457	9,246,671	45,149,128	0	45,149,128
Accumulated Depreciation	20,123,012	703,017	20,826,029	0	20,826,029
Net Property	15,779,445	8,543,654	24,323,099	0	24,323,099
Other Long-Term Assets					
Investment in Subsidiary	1,587,800	0	1,587,800	(1,587,800)	0
Capital Lease Receivable	93,539	0	93,539	0	93,539
Prepaid Expenditures	149,852	0	149,852	0	149,852
Note Receivable	6,622,200	0	6,622,200	0	6,622,200
Project Costs (Net of Accumulated Amortization)	4,201,759	0	4,201,759	0	4,201,759
Goodwill	132,000	0	132,000	0	132,000
Total Other Long-Term Assets	12,787,150	0	12,787,150	(1,587,800)	11,199,350
Total Assets	$ 33,161,357	$ 8,971,920	$ 42,133,277	$ (1,588,681)	$ 40,544,596
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	$ 77,440	$ 5,539	$ 82,979	$ 0	$ 82,979
Due to Related Organization	21,786	4,499	26,285	(881)	25,404
Deposits	23,200	0	23,200	0	23,200
Current Maturities of Long-Term Debt	1,049,365	58,758	1,108,123	0	1,108,123
Total Current Liabilities	1,171,791	68,796	1,240,587	(881)	1,239,706
Long-Term Liabilities					
Capital Improvement Reserve	212,777	0	212,777	0	212,777
Compensated Absences	35,308	0	35,308	0	35,308
Long-Term Debt	5,188,354	10,380,313	15,568,667	0	15,568,667
Total Long-Term Liabilities	5,436,439	10,380,313	15,816,752	0	15,816,752
Net Assets (Deficit)					
Member's Accumulated Deficit	0	(1,477,189)	(1,477,189)	0	(1,477,189)
Unrestricted	26,553,127	0	26,553,127	(1,587,800)	24,965,327
Total Net Assets (Deficit)	26,553,127	(1,477,189)	25,075,938	(1,587,800)	23,488,138
Total Liabilities and Net Assets (Deficit)	$ 33,161,357	$ 8,971,920	$ 42,133,277	$ (1,588,681)	$ 40,544,596

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2014

	GLDC	CGR	Consolidated Balance	Consolidation Elimination	Final Balance
Revenue, Gains and Support					
Building Lease Income	$ 1,923,920	$ 785,796	$ 2,709,716	$ 0	$ 2,709,716
Other Lease Related Income	420,392	0	420,392	0	420,392
New York State Grants	898,491	0	898,491	0	898,491
Interest Income	302,115	18	302,133	0	302,133
Payments In Lieu of Taxes	181,719	0	181,719	0	181,719
Project Development Fees	105,853	0	105,853	(105,853)	0
Reimbursements and Refunds	173,150	0	173,150	(9,500)	163,650
Other Income	377,311	0	377,311	(32,400)	344,911
Gain on Sale of Property	800	0	800	0	800
Total Revenue, Gains and Support	4,383,751	785,814	5,169,565	(147,753)	5,021,812
Expenses					
Program Services					
Redevelopment and Leasing	6,210,501	861,323	7,071,824	(147,753)	6,924,071
Marketing and Promotion	26,064	0	26,064	0	26,064
Supporting Services					
Management and General	200,511	0	200,511	0	200,511
Total Expenses	6,437,076	861,323	7,298,399	(147,753)	7,150,646
(Decrease) in Net Assets	(2,053,325)	(75,509)	(2,128,834)	0	(2,128,834)
Net Assets (Deficit), Beginning of Year	28,606,452	(1,401,680)	27,204,772	(1,587,800)	25,616,972
Net Assets (Deficit), End of Year	$ 26,553,127	$ (1,477,189)	$ 25,075,938	$ (1,587,800)	$ 23,488,138

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2013

	GLDC	CGR	Combined Balance	Consolidation Elimination	Consolidated Balance
Assets					
Current Assets					
Cash	$ 3,219,981	$ 338,315	$ 3,558,296	$ 0	$ 3,558,296
Accounts Receivable, Net	66,400	0	66,400	0	66,400
Due from Related Organizations	36,000	0	36,000	0	36,000
Grants Receivable	456,501	0	456,501	0	456,501
Prepaid Expenditures - Current	104,900	1,313	106,213	0	106,213
Note Receivable - Current	705,809	0	705,809	0	705,809
Total Current Assets	4,589,591	339,628	4,929,219	0	4,929,219
Property					
Land	20,733	562,500	583,233	0	583,233
Construction in Progress	383,976	0	383,976	0	383,976
Building and Site Improvements	26,548,544	8,676,775	35,225,319	0	35,225,319
Roadways and Improvements	5,203,440	0	5,203,440	0	5,203,440
Railways and Improvements	1,686,767	0	1,686,767	0	1,686,767
Utility Improvements	582,831	0	582,831	0	582,831
Signage	225,946	7,396	233,342	0	233,342
Office Equipment	410,737	0	410,737	0	410,737
Vehicles and Automotive Equipment	219,961	0	219,961	0	219,961
Total Property	35,282,935	9,246,671	44,529,606	0	44,529,606
Accumulated Depreciation	19,039,366	480,042	19,519,408	0	19,519,408
Net Property	16,243,569	8,766,629	25,010,198	0	25,010,198
Other Long-Term Assets					
Investment in Subsidiary	1,587,800	0	1,587,800	(1,587,800)	0
Note Receivable	8,280,915	0	8,280,915	0	8,280,915
Prepaid Expenditures	174,827	0	174,827	0	174,827
Project Costs (Net of Accumulated Amortization)	5,663,332	0	5,663,332	0	5,663,332
Goodwill	132,000	0	132,000	0	132,000
Total Other Long-Term Assets	15,838,874	0	15,838,874	(1,587,800)	14,251,074
Total Assets	$ 36,672,034	$ 9,106,257	$ 45,778,291	$ (1,587,800)	$ 44,190,491
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	$ 237,250	$ 5,098	$ 242,348	$ 0	$ 242,348
Due to Related Organization	89,412	3,953	93,365	0	93,365
Deferred Revenue	32,827	0	32,827	0	32,827
Deposits	19,700	0	19,700	0	19,700
Current Maturities of Long-Term Debt	1,188,036	34,048	1,222,084	0	1,222,084
Total Current Liabilities	1,567,225	43,099	1,610,324	0	1,610,324
Long-Term Liabilities					
Capital Improvement Reserve	212,777	0	212,777	0	212,777
Compensated Absences	28,656	0	28,656	0	28,656
Long-Term Debt	6,256,924	10,464,838	16,721,762	0	16,721,762
Total Long-Term Liabilities	6,498,357	10,464,838	16,963,195	0	16,963,195
Net Assets (Deficit)					
Member's Accumulated Deficit	0	(1,401,680)	(1,401,680)	0	(1,401,680)
Unrestricted	28,606,452	0	28,606,452	(1,587,800)	27,018,652
Total Net Assets (Deficit)	28,606,452	(1,401,680)	27,204,772	(1,587,800)	25,616,972
Total Liabilities and Net Assets (Deficit)	$ 36,672,034	$ 9,106,257	$ 45,778,291	$ (1,587,800)	$ 44,190,491

GRIFFISS LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2013

	GLDC	CGR	Consolidated Balance	Consolidation Elimination	Final Balance
Revenue, Gains and Support					
Building Lease Income	$ 1,839,243	$ 785,796	$ 2,625,039	$ 0	$ 2,625,039
PILOT Termination	3,032,565	0	3,032,565	0	3,032,565
Other Lease Related Income	417,826	0	417,826	0	417,826
New York State Grants	456,501	0	456,501	0	456,501
Gain on Sale of Property	449,784	0	449,784	0	449,784
Interest Income	363,327	18	363,345	0	363,345
Payments In Lieu of Taxes	181,142	0	181,142	0	181,142
Project Development Fees	105,853	0	105,853	(105,853)	0
Reimbursements and Refunds	49,896	0	49,896	(8,768)	41,128
Other Income	375,186	0	375,186	(32,400)	342,786
Total Revenue , Gains and Support	7,271,323	785,814	8,057,137	(147,021)	7,910,116
Expenses					
Program Services					
Redevelopment and Leasing	5,742,771	888,577	6,631,348	(147,021)	6,484,327
Marketing and Promotion	21,662	0	21,662	0	21,662
Supporting Services					
Management and General	188,829	0	188,829	0	188,829
Total Expenses	5,953,262	888,577	6,841,839	(147,021)	6,694,818
Increase (Decrease) in Net Assets	1,318,061	(102,763)	1,215,298	0	1,215,298
Net Assets (Deficit), Beginning of Year	27,288,391	(1,298,917)	25,989,474	(1,587,800)	24,401,674
Net Assets (Deficit), End of Year	$ 28,606,452	$ (1,401,680)	$ 27,204,772	$ (1,587,800)	$ 25,616,972