



To: SEDCO Board of Directors
From: Eric Ennis
Date: April 3, 2018
Re: SEDCO Board of Directors Meeting Agenda – April 5, 2018

The City of Syracuse Economic Development Corporation (SEDCO) Board of Directors Meeting on **Thursday, April 5, 2018 at 8:30 AM** in the **Syracuse Innovation Lab 'iLab'** 233 East Washington Street, Syracuse, NY 13202.

I. Call Meeting to Order – Honora Spillane

II. Roll Call –

III. Proof of Notice – 1

IV. Minutes – 2

Review and vote on the minutes from the March 1, 2018 Board meeting

V. New Business –

The Cookie Connection – Eric Ennis – 3

Loan request for commercial leasehold improvements and new equipment for The Cookie Connection bakery, which is seeking to relocate into a larger space at 738-50 Spencer Street.

Attachment:

1. *Memo to Board*

Dey's Plaza LLC Interest Only Extension – Eric Ennis – 4

Discussion and consideration of an interest-only period extension for an additional 6 months for the Dey's centennial Plaza Building at 401 South Salina Street.

Attachment:

1. *Request letter from Dey's Plaza LLC*
2. *2018 Building Financials*

2017 Financial Audit Review – Eric Ennis & Michael Lisson – 5

Review and discussion of the 2017 Financial Audit.

Attachment:

1. *SEDCO 2017 Financial Audit Report*

Loan Portfolio Review and 2017 Report – Eric Ennis – 6

Review of existing loan portfolio and examine loan status, delinquencies, etc.

Attachment:

1. *2017 Loan Report & Project Impact*

Legal Services Review – Eric Ennis – 7

Report on the proposals solicited for contracted legal services for the organization.

VII. Adjournment



PLEASE POST PLEASE POST PLEASE POST

THE SYRACUSE ECONOMIC DEVELOPMENT CORPORATION

BOARD OF DIRECTORS MEETING SCHEDULED

FOR

THURSDAY APRIL 5, 2018

AT

8:30 AM

IN

**Syracuse iLab
Room 215 City Hall
233 E. Washington St
Syracuse, NY 13202**

FOR MORE INFORMATION PLEASE CALL 473-3275



Minutes
Syracuse Economic Development Corporation
Board of Directors Meeting
Thursday March 1, 2018 8:30 A.M.
City Hall Rm. 215 Innovation Lab Room
233 East Washington St
Syracuse, NY 13202

Board Members Present: Honora Spillane, Steve Gross, Ben Bunting, Michael Quigley, Sheena Solomon, Richard Driscoll, Nick Petragnani, David Bottar, David Mankiewicz, Hon. Michael Greene.

Board Members Excused: None.

Staff Present: Eric Ennis, Meghan Ryan, Esq., John Vavonese, John Black, Esq.

I. Call Meeting to Order

Mr. Driscoll called the meeting to order at 8:35 A.M.

II. Roll call

Ms. Spillane acknowledged all Board Members were present.

III. Proof of Notice

Ms. Spillane made note acknowledging proof of notice was out in a timely manner.

IV. Minutes

Approval of minutes from November 17, 2017 Board of Directors meeting.

Ms. Spillane asked for a motion to approve the minutes from the November 17, 2017 Board of Directors meeting.

Mr. Greene made the motion. Steve Gross seconded the motion. **ALL BOARD MEMBERS PRESENT UNANIMOUSLY APPROVED THE MINUTES FROM THE NOVEMBER 17, 2017 BOARD OF DIRECTORS MEETING.**

V. New Business

Alibrandi Entreprises, Inc.

Mr. Ennis explained the loan request is from the owner of Niko's Restaurant who acquired the business a number of years ago. He is seeking to conduct leasehold improvements on the interior of the restaurant, and replace the existing booth seating, have new flooring, and also replace the windows on the storefront and remove a second entrance from Water Street. He will also have a new entrance to restaurant off of Erie Boulevard. Mr. Alibrandi is also planning to purchase furniture and equipment. Based upon the time of the SEDCO meeting, the owner was not able to provide cost estimates for the new furniture, but the total project cost is estimated to be \$50,000.

Mr. Ennis noted the owner is making the improvements since Downtown Syracuse and Hanover Square is becoming more of a residential neighborhood. The restaurant expects to begin opening on Sundays after the renovation is complete. The proposal today is for a ten year term, after talking with the loan committee prior to the board meeting. The restaurant has a lease through 2024, with an option to extend its lease through 2029.

Mr. Gross stated the total project cost is \$50,000, and the loan committee recommended offering the \$35,000 loan amount with a contingency that he must reach the \$50,000 expenses threshold. If the borrower does not spend that total amount, the loan would be reduced prior to the full disbursement.

Mr. Ennis noted the first disbursement would only be \$4,000 to provide funds for the design costs from the architect.

Mr. Petragnani inquired about the personal assets of the owner and the ability to repay.

Mr. Gross noted the monthly rent is reasonable with a long term lease, and does not have concerns about repayment.

Mr. Mankiewicz asked if the Landmark Preservation Board has reviewed the request for the exterior enhancements to the storefront.

Mr. Ennis said the applicant has not yet gone before the LPB at this time, but would follow up with Kate Auwaerter to have this review completed.

Ms. Spillane said the design plans must be created in order to go before the LPB, and therefore should be considered when making a contingency on approval. She asked if the board was comfortable with a longer term of 10 years as requested.

Mr. Pertagnani made a motion to approve the request of \$35,000 from Alibrandi Enterprises, Inc. with a 10 year term at 3% interest, with a contingency that costs must exceed \$50,000, or the loan amount will be reduced by the different. The initial disbursement will not exceed \$4,000 to cover the architectural design expense. The remaining disbursement shall be issued once building permit approval has been issued.

Mr. Gross seconded the motion.

BOARD MEMBERS APPROVED THE LOAN WITH A VOTE OF 9-1, WITH A NO VOTE FROM DAVID MANKIEWICZ, FOR TO THE LOAN REQUEST FOR THE RENOVATION OF NIKO'S RESTAURANT AT 135 EAST WATER STREET.

Meeting Calendar

Mr. Ennis presented the 2018 meeting calendar for SEDCO Board Meetings, and would transition to the first Thursday of each month. Meetings would be held at 8:30 AM as usual and in the newly named 'Innovation Lab' as a former Syra Stat room. An amendment was made of having July 12 instead of July 5 due to the 4th of July holiday the prior week.

Mr. Petragnani made a motion to approve the 2018 meeting calendar with the July revision. Mr. Mankiewicz seconded the motion.

BOARD MEMBERS UNANIMOUSLY APPROVED THE 2018 SEDCO MEETING CALENDAR SCHEDULE.

Loan Programming / Portfolio Updates

Mr. Ennis noted that SEDCO staff is seeking to release a request for proposals for legal services to solicit proposals from area law firms for the consideration of SEDCO retaining outside counsel. This would replace corporation counsel as part of the loan process and regarding SEDCO matters.

Mr. Petragnani asked if SEDCO charges attorney fees as part of the current loan process.

Mr. Ennis noted this idea that has been discussed and further exploration will occur in 2018.

Mr. Ennis also noted that each month the board will receive a loan report to show the status of loans and what the remaining balance of repayment on principal, interest, etc.

Mr. Driscoll supported the idea and said he felt this would allow the board to better understand the standing of each loan in SEDCO's portfolio.

Dey's Plaza LLC

Ms. Spillane noted Dey's Plaza LLC is planning to come before the board to request an extension of interest only payments for an additional six months beyond the original agreement by the board that started on 10/1/17. The six month period is ending and the board must decide to vote on whether to approve interest only through September of 2018. Ms. Spillane asked if there were any particular questions or information the principals of the borrower should submit prior to review.

Mr. Ennis noted the search for a commercial tenant since Bank of New York Mellon's departure has not produced any results to date, and the building owners are seeking to move ahead with the residential conversion into 23 apartments. Dey's Plaza LLC is still seeking lenders to perform the permanent financing.

Ms. Solomon asked whether the building owners have been current on their repayment.

Mr. Petragnani confirmed the Community Preservation Corporation still plans to provide construction financing for the project.

Mr. Ennis said Bob Doucette and Rich Devito plan to attend the meeting next month to provide an update on the project and field any questions from the board.

V. Adjournment

Ms. Spillane said if there is no further discussions can I have a motion to adjourn the meeting.

Mr. Gross made the motion. Mr. Petragnani seconded the motion. **ALL BOARD MEMBERS PRESENT UNANIMOUSLY APPROVED TO ADJOURN THE MEETING AT 9:15 A.M.**



April 3, 2018

Memorandum To: SEDCO Board of Directors
From: Eric Ennis
Re: The Cookie Connection
Bakery Relocation Project
SEDCO Direct Loan Request - \$27,500.00

Background:

The Cookie Connection is a gluten free bakery that was founded in 2011 and is located in the Park Avenue neighborhood on Syracuse’s west side. The co-owners, Kathy Sniezak and Betty Johnson, are seeking a direct loan from SEDCO to provide capital for the relocation of their business to a larger storefront and bakery location at 738-50 Spencer Street, located in Syracuse’s Lakefront Neighborhood. The total project for the relocation is estimated at \$47,000 and includes a larger space (approximately 4,500 square feet) and allow for more production space to increase their product output and better serve customer preferences. This is a significant increase from the 1,500 square feet they are leasing now.

The business has been performing well in recent years, with continued growth and new clientele offering their products on shelves, including Wegmans. The business has a new opportunity to sell their product with G&C foods, located in Van Buren, which would significantly increase their production and output. The bakery cannot sign on with such a contract in their current space, however. With continued output and growth, the owners will be seeking to hire additional staff to assist with baking capacity.

The location at 738-50 Spencer Street is available immediately and the owners have negotiated a five-year lease with the owner / landlord that will begin in May. Under the terms of the lease, the owner will contribute up to \$6,000 to assist with HVAC and ductwork expenses to complete the buildout of the space.

Loan Request:

The Cookie Connection is seeking a SEDCO direct loan in the amount of \$27,500 to cover the cost of equipment, ventilation and ductwork, to directly assist with the relocation. The applicant will provide a minimum of \$13,500 and the landlord has committed \$6,000 for the HVAC system per the lease agreement.

Sources & Uses:

USES	
Item	Cost
HVAC	\$ 12,800.00
Plumbing	\$ 15,800.00
Exhaust System & Installation	\$ 11,211.00
Roof flashing and	\$ 2,089.00
Moving Expenses	\$ 3,500.00
Legal Fees	\$ 500.00
Architectural Fees	\$ 1,100.00
Total	\$ 47,000.00

SOURCES	
Item	Cost
SEDCO Loan	\$ 27,500.00
Owner Equity	\$ 13,500.00
Property Owner / Landlord	\$ 6,000.00
Total	\$ 47,000.00

Borrower:

The business is showing to be profitable based upon review of financials since 2015. Kathy Sniezak and Betty Johnson each own 50% of the S corporation. In 2016, the business took in a gross sales figure of \$139,886, and retained \$2,807 in ordinary business income after all expenses, wages, and cost of goods sold. 2017 was a stronger year for the company, as gross sales increased to 156,811 and retained \$14,599 in ordinary business income. The lease agreement at 738-50 Spencer Street will provide them access to a larger space and build upon further growth in 2018. The lease rate for the Spencer Street location begins at \$1,900, while a SEDCO Loan would be approximately \$500 per month. Based upon review of the business financials with monthly intake and sales, these amounts appears to be manageable for the repayment. The personal financials for both co-owners also appears to be strong, and each has an average credit score of over 800.

Recommendation:

Staff is recommending that the SEDCO Board consider the applicant for their full request of \$27,500 for a term of five years at 3% interest to coincide with the building lease period. The business is profitable, and shows significant potential to increase their sales and overall output by approving the capital necessary to relocate and expand. The applicant is willing to provide a personal guarantee and SEDCO can issue a UCC-1 filing on the existing kitchen baking equipment to collateralize the loan. The project would involve SEDCO in the expansion and growth of a 7-year old business that is achieving success.

The Loan Committee members reviewed then loan and were supportive of the request – requiring the pursuit of a UCC filing on the existing equipment, and personal guarantees from the owners. Staff is obtaining further information about the personal assets of the business owners, but the Loan Committee felt the request fits well with SEDCO’s mission and use its ability to assist this growing business.

**DEY'S PLAZA
108 W. Jefferson Street
Syracuse, New York 13202**

March 24, 2018

**Ms. Honora Spillane
SEDCO President
City Hall Commons
33 Washington Street
Syracuse, NY 13202**

Re: Second Mortgage Loan – Dey's Plaza

Dear Ms. Spillane:

As you are aware Paramount Realty has been working on the stabilization of the Dey's Plaza property since the departure of the Bank of New York. We designated Pyramid Leasing as the exclusive broker. They have put forth their best efforts but have been unable to secure any tenants to fill the vacancies left by BONY. Their exclusive has now come to an end. Pathfinder has allowed us to pay interest only for a period of one year. SEDCO also allowed us to pay interest only for 6 months and that period is now coming to an end. We have had recent discussions with Pathfinder and CPC they are willing to provide financing for a conversion of one floor to apartments, leaving one floor of office space. We are working on that plan.

The purpose of this letter is to request that SEDCO extend the period of interest only an additional six months to aid in our efforts to stabilize this important downtown property. Thank you for your consideration.



**Robert Doucette
Member LLC**



**Richard DeVito
Member LLC**

Deys Master & Plaza Combined			
Income & Expense 2018			
	<u>Jan</u>	<u>Feb</u>	<u>2018</u>
			<u>Total</u>
Income			
Rental Income - Commercial	31,723.59	31,723.59	63,447.18
Rental Income - Apartments	88,945.00	87,195.00	176,140.00
Late Fees (Writeoffs)	25.00	5.00	30.00
CAM Charges	-	-	-
Electric Reimbursement	2,658.40	2,500.00	5,158.40
Parking Income-Tenant & Mgmt Co.	10,412.00	9,730.00	20,142.00
Total Income	133,763.99	131,153.59	264,917.58
Building Expenses			
Property Taxes	30,735.97	30,735.97	61,471.94
Garage Operations-Exp/(inc)	3,232.78	3,698.96	6,931.74
Insurance	4,539.83	3,500.00	8,039.83
Security	8,454.40	7,445.34	15,899.74
Water & Sewer	1,207.77	1,264.86	2,472.63
Utilities - Gas	8,546.86	5,882.81	14,429.67
Utilities - Electric	5,291.72	5,100.00	10,391.72
Total Building Expenses	62,009.33	57,627.94	119,637.27
Building Maintenance			
Elevator Maintenance	1,930.00	1,931.85	3,861.85
Fire Protection	814.24	6,048.00	6,862.24
General Maintenance	1,742.69	2,701.99	4,444.68
General Labor	9,331.23	6,963.37	16,294.60
HVAC Maintenance	6,357.18	189.00	6,546.18
Janitorial Service	4,112.64	4,112.64	8,225.28
Janitorial Supplies	540.00	540.00	1,080.00
Pest Control	340.20	354.24	694.44
Snow/Window Maintenance	-	-	-
Telephone(security,elev)	342.73	341.55	684.28
Trash	1,013.03	1,013.03	2,026.06
Total Building Maintenance	26,523.94	24,195.67	50,719.61
Management Expenses			
NYS Taxes	-	-	-
Accounting-Bookkeeping/Tax	990.00	853.00	1,843.00
Advertising & Marketing	-	53.88	53.88
Bank Fees & Supplies	53.24	87.24	140.48
Leasing Commissions, Credit Cks.	-	252.00	252.00
Management Fee	5,350.00	5,246.00	10,596.00
Total Management Expenses	6,393.24	6,492.12	12,885.36
Total Expense	94,926.51	88,315.73	183,242.24
Net Ordinary Income	38,837.48	42,837.86	81,675.34
Interest Income	5.03	4.54	9.57
Interest Expense - SEDCO	(11,975.66)	(11,975.66)	(23,951.32)
Interest Expense - Pathfinder Mortg	(22,745.63)	(22,745.63)	(45,491.26)
Interest Expense - Path. Const Loan	(11,366.46)	(11,240.01)	(22,606.47)
Net Income	(7,245.24)	(3,118.90)	(10,364.14)
Net Income-YTD	(7,245.24)	(10,364.14)	
Add Back Deprec/Amortization			-
Principal Paid Path Mortgage	-	-	-
Principal on Path Const Loan	-	-	-
Principal paid Sedco	-	-	-
Principal paid Sedco	-	-	-
Cash Flow (Net Income less Principal)	(7,245.24)	(3,118.90)	(10,364.14)

Syracuse Economic Development Corporation

Mike Lisson, CPA, Partner
April 5, 2018

Grossman St. Amour Certified Public Accountants PLLC
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Audit Reports

- Auditor's Opinion
 - Financial statements present fairly the financial position in accordance with GAAP
 - Unmodified ("clean") audit opinion (pages 1-3)
- The audit was conducted in accordance with U.S. GAGAS
- Audited Statements of Net Position and Statements of Activities & Changes in Net Position and Statements of Cash Flows (pages 8-10)
 - Financial statements are the responsibility of management
 - Auditor's responsibility is to express an opinion on the financial statements

Required Communications

- ▶ Our responsibility in relation to the financial statement audit
 - Form & express an opinion on management's financial statement
- ▶ Planned scope and timing of the audit
 - Engagement letter
- ▶ Compliance with all ethics requirements regarding independence
 - Appropriate safeguards applied to eliminate / reduce identified threats to independence, which are primarily related to non-audit services provided which include the preparation of the financial statements, the recording of audit adjustments, and the preparation of the IRS Form 990 and NYS Form Char 500
- ▶ Qualitative aspects of the entity's significant accounting practices
 - ▶ Significant accounting policies
 - ▶ Significant accounting estimates
 - ▶ Loan losses – 8 loans, totaling \$214,092 written off in current year (Prior year reserve of \$199,760, net impact to statement of activities was \$14,332)
 - ▶ Financial statement disclosures
 - ▶ Grow America Fund - \$250,000
- ▶ Significant difficulties encountered during the audit
 - None noted

Statements of Net Position

(page 8)

	2017	2016
Cash and Cash equivalents	\$ 2,141,322	\$ 2,121,445
Restricted cash	7,753	7,753
Loans and other receivables	3,557,418	3,793,873
Notes receivable	4,790,185	4,889,850
Total assets	<u>\$ 10,496,678</u>	<u>\$ 10,812,921</u>
Due to SIDA	\$ 4,790,185	\$ 4,889,850
Payable to City of Syracuse	3,829,770	3,829,770
Payable to Syracuse Urban Renewal Agency	29,593	29,593
Escrows and accounts payable	5,464	3,352
Total liabilities	<u>\$ 8,655,012</u>	<u>\$ 8,752,565</u>
Net Position	<u>\$ 1,841,666</u>	<u>\$ 2,060,356</u>

Required Communications

- ▶ Uncorrected and corrected misstatements
 - Minor entry of \$5,464 recorded for payables
- ▶ Disagreements with management
 - None
- ▶ Representations requested from management
 - Separate letter
- ▶ Management's consultations with other accountants
 - None that we are aware of
- ▶ Other significant matters, findings or issues
 - Closing process for books and records, system limitations

Statements of Net Position - Changes

- ▶ Gross loans receivable have **decreased \$236,455** due to ordinary loan payments of \$444,198 and new loans of \$300,300.
- ▶ Reserve for loan losses decreased to **\$0 from \$199,760**. Eight approved write-offs reduced the reserve.
- ▶ Notes receivable have **decreased \$99,665** due to principal payments for 9 months on these two notes. Notes have been temporarily modified for interest only, as such, the expected principal of \$133,387 was not received (shortfall of \$33,722).

Statements of Activities and Changes in Net Position (page 9)

	2017	2016
Revenue and other support:		
Grant Revenue	\$ 10,225	\$ 31,000
Interest income	82,835	87,046
Mortgage interest income	144,956	148,809
All other income	15,000	10,000
Total revenue and other support	<u>253,016</u>	<u>276,855</u>
Expenses:		
Interest expense - SIDA	144,956	148,809
Grow America Loan fund	250,000	-
Capitalization expense	-	9,631
Salaries and outside services	19,815	32,616
Development expenses	20,636	56,269
Loan losses, net	14,332	133,175
All other expenses	21,967	20,141
Total expenses	<u>471,706</u>	<u>400,641</u>
Change in net position	<u>(218,690)</u>	<u>(123,786)</u>
Net position - beginning of year	<u>2,060,356</u>	<u>2,184,142</u>
Net position - end of year	<u>\$ 1,841,666</u>	<u>\$ 2,060,356</u>

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Statements of Cash Flows

- ▶ Inflows
 - \$230,776 Strathmore Huntley Group
 - \$50,000 Near Westside bridge loan
 - \$50,000 Vibrant Syracuse Spaces
- ▶ Outflows
 - ▶ \$250,000 Grow America Loan fund
 - ▶ New forgiving loans of **\$68,000**
 - Peppino's
 - ▶ New loans of **\$300,300**
 - \$50,000 Vibrant Syracuse Spaces
 - \$50,000 Acropolis Property Management
 - \$64,000 Freedom of Espresso
 - \$47,800 Salon Amare

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Statements of Activities and Changes in Net Position - Changes

- ▶ Total revenues **decreased \$23,839** primarily due to less interest income on ordinary outstanding loans and due to less mortgage interest income on the outstanding note receivables.
- ▶ Total expenses **increased \$71,065** primarily due to the funding of the Grow America Fund for \$250,000 offset by a decrease of the loan loss reserve of \$131,157. Loans deemed uncollectable were written off in 2017 (\$14,332 impact on expenses in current year as remainder of write-offs were applied against the reserve established in the prior year).

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Statements of Cash Flows (page 10)

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities		
Inflows-		
Loan payments - interest	\$ 82,835	\$ 87,046
Loan payments - principal	444,198	225,808
Note payments - interest	144,956	148,809
Note payments - principal	99,665	129,450
Fees, grants and other income	171,450	41,000
Outflows-		
Services and employees	(60,306)	(231,291)
Grow America Loan fund	(250,000)	-
New loans issued	(300,300)	(183,875)
New forgiving loans issued	(68,000)	(50,000)
SIDA outflows - interest	(144,956)	(148,809)
SIDA outflows - principal	(99,665)	(129,450)
Net cash (used) provided by operating activities	<u>19,877</u>	<u>(111,312)</u>
Cash at beginning of year	<u>2,129,198</u>	<u>2,240,510</u>
Cash at end of year	<u>\$ 2,149,075</u>	<u>\$ 2,129,198</u>

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SYRACUSE ECONOMIC DEVELOPMENT CORPORATION

Consolidated Financial Statements

December 31, 2017 and 2016

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis for the Year Ended December 31, 2017	4-7
Basic Financial Statements –	
Consolidated Statements of Net Position	8
Consolidated Statements of Activities and Changes in Net Position	9
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements	11-18
Supplemental Information:	
Consolidating Statement of Net Position.....	19
Consolidating Statement of Activities and Changes in Net Position.....	20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Syracuse Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying basic financial statements of Syracuse Economic Development Corporation (SEDCO), a component unit of the City of Syracuse, New York as of December 31, 2017 and 2016, and for the years then ended, and the related notes to the financial statements, which collectively comprise the Syracuse Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Syracuse Economic Development Corporation as of December 31, 2017 and 2016 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The consolidating statement of Net Position and consolidating statement of Activities and Changes in Net Position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statement of Net Position and consolidating statement of Activities and Changes in Net Position is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2018 on our consideration of Syracuse Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Syracuse Economic Development Corporation's internal control over financial reporting and compliance.

Syracuse, New York
April 5, 2018

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2017

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, 2017. 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 Deys project in 2009 resulted in a note receivable from the buyer totaling \$5,500,000. During 2017 principal and interest payments of \$99,665 and \$144,956, respectively were received. The outstanding note receivable was \$4,790,185 as of December 31, 2017.
- SEDCO's total net position was \$1,841,666 at the end of 2017. Total liabilities of \$8,655,012 included \$4,790,185 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 position decreased by \$218,690 for the 2017 fiscal year. This was primarily due to funding the Grow America Loan fund of \$250,000.
- SEDCO approved eight new direct loans totaling \$300,300 and two deferred loans totaling \$68,000 during the 2017 fiscal year. From all loans and notes outstanding, SEDCO received \$543,863 of principal payments and \$223,391 of interest payments on these loans.

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.

Entity-wide financial statements – The entity-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 Position presents information on all of SEDCO's assets and liabilities, with the difference between the two reported as net position. 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 Net Position presents information showing how SEDCO's net position changed during the fiscal year. All changes in net position are reported when the underlying event given 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).

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2017

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

The entity-wide financial statements can be found on page 8 of this report.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SEDCO, like other component units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SEDCO treats its only fund, the operating fund, as a proprietary fund, as there are no reconciling items between the government-wide financial statements as presented, and as such, no fund financial statements are presented.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements. The notes to the financial statements can be found on pages 11 through 18 of this report.

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 \$1,841,666 as of December 31, 2017. Included in SEDCO's total liabilities of \$8,655,012 is an amount due to its sister agency, the Syracuse Industrial Development Agency (SIDA), of \$4,790,185.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2017

The following are summarized versions of the government-wide financial statements:

Statement of Net Position

	<u>2017</u>	<u>2016</u>
Cash and Cash equivalents	\$ 2,141,322	\$ 2,121,445
Restricted cash	7,753	7,753
Loans and other receivables	3,557,418	3,793,873
Notes receivable	4,790,185	4,889,850
Total assets	<u>\$ 10,496,678</u>	<u>\$ 10,812,921</u>
Due to SIDA	\$ 4,790,185	\$ 4,889,850
Payable to City of Syracuse	3,829,770	3,829,770
Payable to Syracuse Urban Renewal Agency	29,593	29,593
Escrows and accounts payable	5,464	3,352
Total liabilities	<u>\$ 8,655,012</u>	<u>\$ 8,752,565</u>
Net Position	<u>\$ 1,841,666</u>	<u>\$ 2,060,356</u>

Statement of Activities and Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenue and other support:		
Grant Revenue	\$ 10,225	\$ 31,000
Interest income	82,835	87,046
Mortgage interest income	144,956	148,809
All other income	15,000	10,000
Total revenue and other support	<u>253,016</u>	<u>276,855</u>
Expenses:		
Interest expense - SIDA	144,956	148,809
Grow America Loan fund	250,000	-
Capitalization expense	-	9,631
Salaries and outside services	19,815	32,616
Development expenses	20,636	56,269
Loan losses, net	14,332	133,175
All other expenses	21,967	20,141
Total expenses	<u>471,706</u>	<u>400,641</u>
Change in net position	<u>(218,690)</u>	<u>(123,786)</u>
Net position - beginning of year	<u>2,060,356</u>	<u>2,184,142</u>
Net position - end of year	<u>\$ 1,841,666</u>	<u>\$ 2,060,356</u>

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Management's Discussion and Analysis - unaudited
For the Year Ended December 31, 2017

DEBT TO SIDA

SEDCO has debt of \$4,790,185 payable to the Syracuse Industrial Development Agency (SIDA). This amount payable to SIDA is the direct result of a past economic development project that SEDCO undertook. The project was sold to a 3rd party which resulted in notes receivable totaling \$5,500,000. This entire notes receivable amount is pledged to SIDA and as payments are received, such payments are subsequently made to SIDA.

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,	
	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,141,322	\$ 2,121,445
Restricted cash	7,753	7,753
Loans receivable	180,046	150,875
Notes receivable	137,445	133,387
Total current assets	<u>2,466,566</u>	<u>2,413,460</u>
Loans receivable, net	3,377,372	3,642,998
Notes receivable (Note 4)	4,652,740	4,756,463
	<u>\$ 10,496,678</u>	<u>\$ 10,812,921</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Escrows and accounts payable	\$ 5,464	\$ 3,352
Payable to Syracuse Urban Renewal Agency	29,593	29,593
Payable to Syracuse Industrial Development Agency	137,445	133,387
Total current liabilities	<u>172,502</u>	<u>166,332</u>
Long-term liabilities:		
Payable to the City of Syracuse General Fund	3,829,770	3,829,770
Payable to Syracuse Industrial Development Agency	4,652,740	4,756,463
Total long-term liabilities	<u>8,482,510</u>	<u>8,586,233</u>
Total liabilities	<u>8,655,012</u>	<u>8,752,565</u>
Net Position:		
Unrestricted	1,591,666	2,060,356
Restricted	250,000	-
Total Net Position	<u>1,841,666</u>	<u>2,060,356</u>
	<u>\$ 10,496,678</u>	<u>\$ 10,812,921</u>

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,	
	2017	2016
REVENUE		
Grant and contribution revenue	\$ 10,225	\$ 31,000
Mortgage interest income	144,956	148,809
Interest income	82,835	87,046
Capitalization income	-	10,000
Other income	15,000	-
Total revenue	<u>253,016</u>	<u>276,855</u>
EXPENSES		
Interest expense- SIDA	144,956	148,809
Grow America Loan fund	250,000	-
Capitalization expense	-	9,631
Professional fees	18,428	16,755
Development expenses	20,636	56,269
Salaries and outside services	19,815	32,616
Taxes, insurance and utilities	1,537	1,538
Loan losses, net	14,332	133,175
Other expenses	2,002	1,848
Total expenses	<u>471,706</u>	<u>400,641</u>
Change in net position	<u>(218,690)</u>	<u>(123,786)</u>
Net position at beginning of year	<u>2,060,356</u>	<u>2,184,142</u>
Net position at end of year	<u>\$ 1,841,666</u>	<u>\$ 2,060,356</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,	
	2017	2016
Cash flows from operating activities		
Inflows-		
Loan payments - interest	\$ 82,835	\$ 87,046
Loan payments - principal	444,198	225,808
Note payments - interest	144,956	148,809
Note payments - principal	99,665	129,450
Fees, grants and other income	171,450	41,000
Outflows-		
Services and employees	(60,306)	(231,291)
Grow America Loan fund	(250,000)	-
New loans issued	(300,300)	(183,875)
New forgiving loans issued	(68,000)	(50,000)
SIDA outflows - interest	(144,956)	(148,809)
SIDA outflows - principal	(99,665)	(129,450)
Net cash (used) provided by operating activities	<u>19,877</u>	<u>(111,312)</u>
Cash at beginning of year	<u>2,129,198</u>	<u>2,240,510</u>
Cash at end of year	<u>\$ 2,149,075</u>	<u>\$ 2,129,198</u>
Reconciliation of change in net position to cash provided by operating activities:		
Change in net position	\$ (218,690)	\$ (67,690)
Allowance for loan losses	14,332	77,079
Forgiving loans	78,225	-
Changes in operating assets and liabilities:		
Loans receivables	143,898	(8,067)
Notes receivables	99,665	129,450
Accounts payable and commitment fees	2,112	(112,634)
Payable to Syracuse Industrial Development Agency	(99,665)	(129,450)
Net cash (used) provided by operating activities	<u>\$ 19,877</u>	<u>\$ (111,312)</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 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

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 – The government-wide financial statements include the statement of Net Position and the Statement of Activities and Changes in Net Position. 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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

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. PILOT revenue and other revenue sources not specifically associated with program expenses are reported as general revenues.

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.

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, 2017 and 2016, SEDCO's uninsured cash and cash equivalents balances totaled approximately \$1,900,000 and \$2,013,000 respectively.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

2. Loan Activities

SEDCO's major activities involve the loaning of funds through the Direct and Entrepreneur Loan Programs. For the year ended December 31, 2017, SEDCO issued eight new direct loans, totaling \$300,300.

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.

3. Loans Receivable and Allowance for Doubtful Loans

SEDCO provides financial assistance to businesses and other local economic development entities in the City of Syracuse as a means of supporting business expansion and job creation. One form of financial assistance is the form of loans. Since all the loans are to businesses and other entities within the City of Syracuse, all such loans are concentrated geographically in the City of Syracuse. The ability of the borrowers to honor their loans is dependent on the real estate and general economic conditions in the City of Syracuse and surrounding communities. Loans are reported at their outstanding unpaid principal balances, net of an allowance for loan losses. Interest income is not accrued for past due principal balances. Loan origination fees, if any, are received at closing. Interest rates range from 0% to 3% on loans.

The allowance for doubtful loans is management's estimate of losses inherent in the loan portfolio and is recorded as a reduction of loans. Management performs a monthly evaluation of the adequacy of the allowance. The allowance is based on past loan loss experience, past delinquency rates and subsequent recoveries. For the years ended December 31, 2017 and 2016, the allowance was estimated at \$0 and \$199,760, respectively.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

Loans receivable at December 31st consist of the following:

Loans Receivable and Allowance for Doubtful Loans

	2017	2016
Current portion due:		
Direct loans	\$ 180,046	\$ 150,875
Total current portion	180,046	150,875
Non-current portion due:		
Direct loans	3,377,372	3,842,758
Less allowance for doubtful loans	-	(199,760)
Total non-current portion	3,377,372	3,642,998
Total loans receivable	\$ 3,557,418	\$ 3,793,873

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	2017		2016	
A	\$ 2,343,494	65.8%	\$ 2,369,698	61.5%
B	369,000	10.4%	374,000	9.7%
C	94,399	2.7%	328,937	8.5%
All others	750,526	21.1%	777,334	20.2%
Total	\$ 3,557,419	100.0%	\$ 3,849,969	100.0%

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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

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

Borrower B – This loan was for \$400,000 and has an annual interest rate of 0%. Beginning on July 1, 2013 the borrower's monthly principal payment of \$83 is due for 14 years with a balloon payment of \$324,000 due in July 2027. The borrower was behind on payments of \$6,460 as of December 31, 2014 but has subsequently brought the loan current in early 2015. The loan is secured by a mortgage on the borrower's property.

Borrower C – These are two loans for \$100,000 and \$230,776. The loans have an annual interest rate of 3%. The \$100,000 loan is payable over 20 years, with monthly principal and interest payments of \$555.

SEDCO also issues loans which are only payable if terms and conditions of such loans are not adhered to. These loans generally allow the borrower to not repay the loan if the terms and conditions are adhered to throughout the term of the loan. If the terms and conditions of such loans are adhered to, the principal and interest will generally be forgiven. These loans are in substance grants provided to the borrowers as repayment is only necessary if the terms and conditions of the loan is not adhered to. These types of loans are not considered loans for purposes of the financial statements and are excluded from the \$3,557,419 of loans outstanding as of December 31, 2017.

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

Borrower	2017		2016	
A	\$ 817,818	74.7%	\$ 868,932	79.4%
B	70,000	6.4%	80,000	7.3%
All others	206,256	18.9%	66,000	6.0%
	<u>\$ 1,094,074</u>	<u>100.0%</u>	<u>\$ 1,014,932</u>	<u>92.8%</u>

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

1/1/2017	New	Reclassified	Deductions	12/31/2017
Beginning	Issuances	from		Ending
		Loans		
<u>\$ 1,014,932</u>	<u>\$ 68,000</u>	<u>\$ 78,225</u>	<u>\$ (67,083)</u>	<u>\$ 1,094,074</u>

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, 2017, cumulative principal of \$204,456 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, 2017, cumulative principal of \$90,000 has been forgiven in accordance with the terms and conditions of the loan.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

4. Note Receivable

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.

In December 2009, the Dey's Centennial Plaza Project was sold to developers. Two notes totaling \$5,500,000, both which bear interest at 3% were issued to the developers. The loans will be paid over eleven years with annual payments totaling \$278,258 and a balloon payment of \$4,026,145 at the end of the eleventh year. For the years ended December 31, 2017 and 2016, SEDCO received \$144,956 and \$148,809 in interest income, respectively.

The notes were modified effective October 1, 2017 requiring only interest payments on both notes through September 30, 2018 and deferring principal payments to October 1, 2018. The remaining terms of the notes continue to be in force.

The amount due on the notes is as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	33,722	143,869	177,591
2019	137,445	140,815	278,260
2020	141,625	136,634	278,259
2021	145,933	132,326	278,259
2022	150,372	127,888	278,260
2023	154,945	123,314	278,259
2024	159,658	118,601	278,259
2025	3,866,485	122,998	3,989,483
	<u>\$4,790,185</u>	<u>\$1,046,445</u>	<u>\$5,836,630</u>

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

5. Escrow Payable

Escrow payable represents amounts held by SEDCO on behalf of borrowers. The payable is reduced as the money is released to pay authorized disbursements on behalf of the borrower. The payables were \$0 and \$1,969 as of December 31, 2017 and 2016, respectively.

6. Payable to Syracuse Industrial Development Agency

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. The note receivable from Dey's Centennial Plaza has been pledged by SEDCO to SIDA therefore all principal and interest collected on this note is remitted to SIDA on a monthly basis. The principal due SEDCO is \$4,790,185 and \$4,889,850 as of December 31, 2017 and 2016, respectively.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements

7. 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 original amount of \$2,650,000 and is reported as an asset of SIDA. The outstanding principal of the bond is \$0 as of December 31, 2017. These obligations were fully paid during the year ended December 31, 2017.

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 expired on December 1, 2017, called 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. The lease was amended and extended for a one year period ending December 1, 2018 whereby the rent payments equal the required maintenance and other operating costs of the parking facility.

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

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, 2017 and 2016. 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 2014 through 2016 are still open for IRS possible examination.

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.

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Notes to the Consolidated 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. In addition, the City has provided monies from various sources as start up monies for the revolving loan funds that SEDCO maintains. As of December 31, 2017 and 2016, \$3,829,770 and was owed to the primary government.

SEDCO's salaries and benefits are processed by an agency of the City of Syracuse, the Syracuse Urban Renewal Agency (SURA). SURA is a public benefit corporation of the City of Syracuse. SEDCO reimburses SURA for these salary and benefits on a monthly basis. The liability due SURA is \$29,593 and \$29,593, as of December 31, 2017 and 2016, respectively for these services.

10. Subsequent Events

In preparing the financial statements, management of SEDCO has evaluated events and transactions for potential recognition or disclosure through April 6, 2018, the date the financial statements were available to be issued. On January 22, 2018, the Common Council of the City of Syracuse approved a resolution that terminated the lease agreement (as described in Note 7) between SEDCO and the City of Syracuse. Other than the previously described event, there were no additional events or transactions that were discovered during the evaluation that required further disclosure.

SUPPLEMENTAL INFORMATION

SYRACUSE ECONOMIC DEVELOPMENT CORPORATION
Consolidating Statement of Net Position
December 31, 2017

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	\$ 2,116,329	\$ 20,145	\$ 4,848	\$ -	\$ 2,141,322
Restricted cash	7,753	-	-	-	7,753
Loans receivable	180,046	-	-	-	180,046
Notes receivable	137,445	74,970	62,475	(137,445)	137,445
Total current assets	<u>2,441,573</u>	<u>95,115</u>	<u>67,323</u>	<u>(137,445)</u>	<u>2,466,566</u>
Loans receivable, net	3,377,372	-	-	-	3,377,372
Notes receivable (Note 4)	4,652,740	2,537,858	2,114,882	(4,652,740)	4,652,740
	<u>\$ 10,471,685</u>	<u>\$ 2,632,973</u>	<u>\$ 2,182,205</u>	<u>\$ (4,790,185)</u>	<u>\$ 10,496,678</u>
LIABILITIES AND NET POSITION					
Current Liabilities:					
Escrows and accounts payable	\$ 5,464	\$ -	\$ -	\$ -	\$ 5,464
Payable to Syracuse Urban Renewal Agency	29,593	-	-	-	29,593
Payable to Syracuse Industrial Development Agency	137,445	-	-	-	137,445
Payable to Syracuse Economic Development Corporation	-	74,970	62,475	(137,445)	-
Total current liabilities	<u>172,502</u>	<u>74,970</u>	<u>62,475</u>	<u>(137,445)</u>	<u>172,502</u>
Long-term liabilities:					
Payable to the City of Syracuse General Fund	3,829,770	-	-	-	3,829,770
Payable to Syracuse Industrial Development Agency	4,652,740	-	-	-	4,652,740
Payable to Syracuse Economic Development Corporation	-	2,537,858	2,114,882	(4,652,740)	-
Total long-term liabilities	<u>8,482,510</u>	<u>2,537,858</u>	<u>2,114,882</u>	<u>(4,652,740)</u>	<u>8,482,510</u>
Total liabilities	<u>8,655,012</u>	<u>2,612,828</u>	<u>2,177,357</u>	<u>(4,790,185)</u>	<u>8,655,012</u>
Net Position:					
Unrestricted	1,566,673	20,145	4,848	-	1,591,666
Restricted	250,000	-	-	-	250,000
Total Net Position	<u>1,816,673</u>	<u>20,145</u>	<u>4,848</u>	<u>-</u>	<u>1,841,666</u>
	<u>\$ 10,471,685</u>	<u>\$ 2,632,973</u>	<u>\$ 2,182,205</u>	<u>\$ (4,790,185)</u>	<u>\$ 10,496,678</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, 2017

	Syracuse Economic Development Corporation	Dey's Centennial Plaza Limited	Dey's Centennial Plaza Inc.	Intercompany Eliminations	Consolidated Total
REVENUE					
Grant and contribution revenue	\$ 10,225	\$ -	\$ -	\$ -	\$ 10,225
Mortgage interest income	144,956	79,067	65,889	(144,956)	144,956
Interest income	82,835	-	-	-	82,835
Capitalization income	-	-	-	-	-
Other income	15,000	-	-	-	15,000
Total revenue	<u>253,016</u>	<u>79,067</u>	<u>65,889</u>	<u>(144,956)</u>	<u>253,016</u>
EXPENSES					
Interest expense- SIDA	144,956	-	-	-	144,956
Interest expense- SEDCO	-	79,067	65,889	(144,956)	-
Capitalization expense	-	-	-	-	-
Grow America Loan Fund	250,000	-	-	-	250,000
Professional fees	15,236	3,192	-	-	18,428
Development expenses	20,636	-	-	-	20,636
Salaries and outside services	19,815	-	-	-	19,815
Taxes, insurance and utilities	1,537	-	-	-	1,537
Loan losses, net	14,332	-	-	-	14,332
Other expenses	1,911	-	91	-	2,002
Total expenses	<u>468,423</u>	<u>82,259</u>	<u>65,980</u>	<u>(144,956)</u>	<u>471,706</u>
Change in net position	(215,407)	(3,192)	(91)	-	(218,690)
Net position at beginning of year	<u>2,032,080</u>	<u>23,337</u>	<u>4,939</u>	<u>-</u>	<u>2,060,356</u>
Net position at end of year	<u>\$ 1,816,673</u>	<u>\$ 20,145</u>	<u>\$ 4,848</u>	<u>\$ -</u>	<u>\$ 1,841,666</u>

The accompanying notes are an integral part of these financial statements

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Syracuse Economic Development Corporation
Syracuse, New York

We have audited the basic financial statements of the Syracuse Economic Development Corporation (SEDCO) as of and for the years ended December 31, 2017 and 2016 and have issued our report thereon dated April 5, 2018. We conducted our audits 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.

Internal Control over Financial Reporting

Management of SEDCO is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered SEDCO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SEDCO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SEDCO's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SEDCO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, audit committees, others within the entity, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Syracuse, New York
April 5, 2018

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Syracuse Economic Development Corporation
Syracuse, New York

We have examined the Syracuse Economic Development Corporation (SEDCO) compliance with the New York State Public Authorities Law section 2925 applicable to SEDCO's investments for the year ended December 31, 2016. Management is responsible for SEDCO's compliance with those requirements. Our responsibility is to express an opinion on SEDCO's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about SEDCO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of SEDCO's compliance with specified requirements.

In our opinion, SEDCO complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2017.

This report is intended solely for the information and use of management, the audit committee and Board of Directors, others within SEDCO, and for compliance with the New York State Public Authorities Law and is not intended to be and should not be used by anyone other than these specified parties.

Syracuse, New York
April 5, 2018

SEDCO Loan Report | 2017 Loan Projects & Impact

SEDCO Borrower	Project Address	Loan Approval Date	Approved Loan Amount	Period / Term	Interest Rate	Loan Type	Total Development Cost	Total Project Sq. Feet	Description
Providence Services of Syracuse	1201 East Fayette Street	2/23/2017	\$ 15,000.00	60 months	3.00%	Direct	\$ 32,500.00	-	Fund a ride-to-work transit program for refugees and low income populations
Gwen Owusu-Anane	500-12 South Avenue	2/23/2017	\$ 11,000.00	60 months	0.00%	Direct	\$ 68,486.37	6,346	Renovation a mixed-use building on South Ave corridor, part of the Syracuse Main Street Program
Gwen Owusu-Anane		2/23/2017	\$ 37,500.00	60 months	0.00%	Deferred	\$ -		
713-715 N. Salina LLC	713-15 North Salina Street	5/4/2017	\$ 25,000.00	12 months	3.00%	Bridge	\$ 476,287.00	1,835	Renovation of a 3-story mixed use building in the historic Little Italy District. Bridge a National Grid Main Street grant
Vibrant Syracuse Spaces	200-06 South Geddes Street	2/23/2017	\$ 50,000.00	10 months	3.00%	Bridge	\$ 55,525.00	1,000	Bridge loan for NYS Main Street funds to buildout a photography studio space of the Gear Factory
Acropolis Property Management	247-59 West Fayette Street	7/18/2017	\$ 50,000.00	60 months	3.00%	Direct	\$ 148,848.00	2,200	Leasehold improvements of a historic building in Armory Square
Freedom of Espresso	317-21 South Franklin & Walton Streets	7/18/2017	\$ 64,000.00	84 months	3.00%	Direct	\$ 80,013.63	1,180	Leasehold improvements of a longtime café tenant in Armory Square
Salon Amare, LLC	451 South Warren Street	11/15/2017	\$ 47,800.00	60 months	3.00%	Direct	\$ 72,800.00	2,200	Leasehold improvements of a salon in a previously vacan storefront in Downtown
Peppino's Pizzeria	1849-51 Grant Boulevard	12/1/2016	\$ 50,000.00	60 months	0.00%	Deferred	\$ 73,690.00	4,741	Renovation of storefront on Grant Blvd corridor, part of the Syracuse Main Street Program
Peppino's Office	1841 Grant Boulevard	12/1/2016	\$ 18,000.00	60 months	0.00%	Deferred	\$ 26,348.00	1,269	Renovation of a mixed use building, part of the Syracuse Main Street Program
Total			\$ 368,300.00				\$ 1,034,498.00	79,547	

SEDCO Loan Portfolio Summary Report

Revision Date: 4/2/18

Account Number	Description	2/28/2018	New Issuances	Principal Payments	3/31/2018	Delinquency
1322-00000-000	INCUBATOR CENTER ASSOCIATES	60,000.00	0.00	0.00	60,000.00	
1463-00000-000	WILLOW STREET LOFTS, LLC	369,000.06	0.00	0.00	369,000.06	
1471-00000-000	RHS HOLDINGS LLC	31,719.00	0.00	295.50	31,423.50	
1486-00000-000	JEFFERSON CLINTON COMMONS, (B)	568,327.04	0.00	947.49	567,379.55	
1487-00000-000	JEFFERSON CLINTON COMMONS (A)	860,713.29	0.00	1,288.56	859,424.73	
1489-00000-000	123 EAST WATER STREET LLC	19,288.75	0.00	117.76	19,170.99	
1490-00000-000	JEFFERSON CLINTON COMMONS (C)	900,000.00	0.00	0.00	900,000.00	
1493-00000-000	BALLE 31 INC.	120,075.74	0.00	577.89	119,497.85	
1511-00000-000	PEOPLE'S COMMUNITY DEV CORP	6,163.73	0.00	1,166.69	4,997.04	
1518-00000-000	NEW AFRICA OF SYRACUSE INC	28,222.34	0.00	444.44	27,777.90	779.88
1520-00000-000	NEW AFRICA OF SYRACUSE (II)	31,527.47	0.00	422.97	31,104.50	1,020.92
1522-00000-000	NEAR WESTSIDE INITIATIVE	72,537.68	0.00	1,019.75	71,517.93	
1523-00000-000	BLUE DOT REALTY	817,818.00	0.00	51,114.00	766,704.00	
1525-00000-000	STRATHMORE HUNTLEY GROUP	94,080.53	0.00	639.60	93,440.93	
1526-00000-000	DOMINICK'S MARKET INC	15,995.53	0.00	140.92	15,854.61	
1527-00000-000	COMER CATERING	25,214.50	0.00	0.00	25,214.50	1,949.84
1530-00000-000	RJB PROPERTIES (CDBG MAIN ST)	40,000.00	0.00	0.00	40,000.00	
1531-00000-000	SWALLOW'S RESTAURANT	12,000.00	0.00	0.00	12,000.00	
1532-00000-001	JERK HUT MATCH LOAN	7,350.00	0.00	350.00	7,000.00	
1532-00000-002	JERK HUT (CDBG MAIN ST)	45,296.39	0.00	0.00	45,296.39	
1534-00000-000	NEAR WESTSIDE INIT UNIT 4	91,898.78	0.00	922.82	90,975.96	
1535-00000-000	511-513 N STATE ST	10,000.00	0.00	0.00	10,000.00	
1537-00000-000	CERIO I (CDBG MAIN ST)	22,960.00	0.00	0.00	22,960.00	
1539-00000-000	CERIO II (CDBG MAIN ST)	8,000.00	0.00	0.00	8,000.00	
1540-00000-001	B&B LOUNGE MATCH LOAN	10,000.00	0.00	0.00	10,000.00	
1540-00000-002	B&B LOUNGE (CDBG MAIN ST)	42,900.00	0.00	0.00	42,900.00	
1541-00000-001	PEPPINOS OFFICE (CDBG MAIN ST)	18,000.00	0.00	0.00	18,000.00	
1542-00000-001	PEPPINOS STORE (CDBG MAIN ST)	50,000.00	0.00	0.00	50,000.00	
1544-00000-000	PROVIDENCE SERVICES	12,653.44	0.00	237.90	12,415.54	
1545-00000-001	500 SOUTH AVE MATCH LOAN	10,450.01	0.00	0.00	10,450.01	
1545-00000-002	500 SOUTH AVE (CDBG MAIN ST)	37,500.00	0.00	0.00	37,500.00	
1546-00000-000	713-715 NORTH SALINA LLC	25,000.00	0.00	0.00	25,000.00	
1547-00000-000	FREEDOM OF ESPRESSO	61,247.10	0.00	0.00	61,247.10	2,706.10
1548-00000-000	ACROPOLIS PROPERTY MGMT	46,113.47	0.00	783.15	45,330.32	
1549-00000-000	SALON AMARE	47,060.60	0.00	741.25	46,319.35	
1550-00000-000	499 SYRACUSE CITY CENTRE	100,000.00	0.00	1,546.87	98,453.13	
		4,719,113.45	0.00	62,757.56	4,656,355.89	6,456.74
					60,000.00	
					Less SEDCO Loan Guarantees	
					766,704.00	
				Total	3,829,651.89	