

GRIFFISS UTILITY  
SERVICES CORPORATION  
AND SUBSIDIARY

For the Year Ended  
December 31, 2020

CONSOLIDATED  
FINANCIAL STATEMENTS  
AND CONSOLIDATING  
SCHEDULES

# GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-18
CONSOLIDATING SCHEDULES	
Consolidating Schedule of Financial Position - December 31, 2020	19
Consolidating Schedule of Activities - For the Year Ended December 31, 2020	20
Consolidating Schedule of Financial Position - December 31, 2019	21
Consolidating Schedule of Activities - For the Year Ended December 31, 2019	22

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**Independent Auditor's Report**

To the Board of Directors of  
Griffiss Utility Services Corporation and Subsidiary

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Griffiss Utility Services Corporation (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated 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 Utility Services Corporation and Subsidiary as of December 31, 2020 and 2019, 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules, as listed in the table of contents, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*D'Arcangelo + Co., LLP*

March 24, 2021

Utica, New York

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 7,663,412	\$ 5,416,726
Accounts Receivable, Net	1,053,537	804,416
Grants Receivable	172,339	172,339
Prepaid Expenses	148,861	182,608
Investments	<u>10,163,562</u>	<u>11,046,488</u>
Total Current Assets	<u>19,201,711</u>	<u>17,622,577</u>
<b>Property</b>		
Land, Buildings, and Improvements	36,808,403	36,808,403
Distribution Lines	21,700,462	21,124,821
Vehicles and Equipment	10,140,378	9,962,951
Fuel Tanks	1,406,546	1,406,546
Office Furnishings	48,200	48,200
Construction in Progress	<u>438,666</u>	<u>725,667</u>
Total Property	70,542,655	70,076,588
Accumulated Depreciation	<u>35,852,916</u>	<u>33,489,530</u>
Net Property	<u>34,689,739</u>	<u>36,587,058</u>
<b>Other Assets</b>		
Restricted Cash, Cash Equivalents and Investments	6,733,691	7,081,882
Deposits Held with NYISO	1,045,223	1,041,436
Cash Surrender Value	<u>564,054</u>	<u>506,082</u>
Total Other Assets	<u>8,342,968</u>	<u>8,629,400</u>
<b>Total Assets</b>	<u>\$ 62,234,418</u>	<u>\$ 62,839,035</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 471,404	\$ 542,039
Current Portion of Long-Term Debt	543,448	486,697
Deposits	<u>83,367</u>	<u>82,334</u>
Total Current Liabilities	<u>1,098,219</u>	<u>1,111,070</u>
<b>Noncurrent Liabilities</b>		
Deferred Compensation	319,308	233,703
Deferred Tax Liability	3,096,647	2,885,963
Long-Term Debt, Net	<u>9,076,110</u>	<u>9,630,277</u>
Total Noncurrent Liabilities	<u>12,492,065</u>	<u>12,749,943</u>
<b>Net Assets</b>		
Net Assets without Donor Restrictions		
Parent Organization		
Board Designated Reserves	862,684	862,684
Undesignated	53,777,693	53,863,134
Subsidiary		
Accumulated Deficit	<u>(5,996,243)</u>	<u>(5,747,796)</u>
Total Net Assets	<u>48,644,134</u>	<u>48,978,022</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 62,234,418</u>	<u>\$ 62,839,035</u>

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

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenues and Investment Income</b>		
Steam Revenue Charges	\$ 1,925,082	\$ 2,473,345
Electricity Distribution Charges	6,417,790	6,843,971
Interest Income	37,212	186,616
Investment Income, Net	248,116	352,827
Other Income	<u>142,964</u>	<u>56,720</u>
Total Revenues and Investment Income	<u>8,771,164</u>	<u>9,913,479</u>
<b>Expenses</b>		
Program Services		
Steam Heating Services	3,618,503	4,227,800
Electricity Distribution Services	4,361,931	4,224,340
Supporting Services		
Management and General	<u>914,052</u>	<u>894,351</u>
Total Expenses	<u>8,894,486</u>	<u>9,346,491</u>
<b>Increase (Decrease) in Net Assets Before Other Changes</b>	(123,322)	566,988
<b>Other Changes</b>		
Capital Grants	0	115,637
(Provision for) Taxes	<u>(210,566)</u>	<u>(257,333)</u>
<b>Increase (Decrease) in Net Assets</b>	(333,888)	425,292
<b>Net Assets, Beginning of Year</b>	<u>48,978,022</u>	<u>48,552,730</u>
<b>Net Assets, End of Year</b>	<u>\$ 48,644,134</u>	<u>\$ 48,978,022</u>

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

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2020  
(With Comparative Totals For the Year Ended December 31, 2019)**

	Program Services		Supporting Services	Total	
	Steam Heating Services	Electricity Distribution Services	Management and General	2020	2019
Salaries	\$ 626,668	\$ 391,674	\$ 397,773	\$ 1,416,115	\$ 1,532,667
Employee Benefits	194,596	103,085	190,295	487,976	417,355
Payroll Taxes	53,672	26,381	26,791	106,844	117,512
Wood Chips	179,130	0	0	179,130	542,681
Natural Gas	254,309	0	0	254,309	180,828
Purchased Electricity	0	2,684,004	0	2,684,004	2,860,392
Electrical Surcharges	0	119,629	0	119,629	123,715
Professional Services	6,228	6,228	85,443	97,899	87,952
Information Technology	102	150	26,298	26,550	6,585
Occupancy	29,146	1,678	11,575	42,399	62,240
Contracted Services	32,974	6,313	28,160	67,447	105,210
Insurance	82,157	37,613	37,669	157,439	178,783
Office Expenses	2,736	4,400	43,585	50,721	32,869
Service Fees	0	0	15,000	15,000	15,000
Travel	7,372	12,895	20,702	40,969	45,527
Repairs and Maintenance	51,728	303,026	15,425	370,179	225,797
Environmental Expense	18,799	0	0	18,799	20,193
Depreciation	1,688,990	652,171	22,225	2,363,386	2,346,402
Interest Expense	338,117	0	0	338,117	368,777
Operating Supplies	8,970	708	61	9,739	20,748
Water Treatment	25,120	0	0	25,120	29,283
Bad Debt Provision	0	0	(40,000)	(40,000)	(50,000)
Dues and Subscriptions	389	0	15,644	16,033	16,473
Other Expenses	17,300	11,976	17,406	46,682	59,502
<b>Total Functional Expenses</b>	<b>\$ 3,618,503</b>	<b>\$ 4,361,931</b>	<b>\$ 914,052</b>	<b>\$ 8,894,486</b>	<b>\$ 9,346,491</b>

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

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2019**

	Program Services		Supporting Services	Total
	Steam Heating Services	Electricity Distribution Services	Management and General	
Salaries	\$ 778,732	\$ 315,588	\$ 438,347	\$ 1,532,667
Employee Benefits	194,122	86,712	136,521	417,355
Payroll Taxes	66,393	21,398	29,721	117,512
Wood Chips	542,681	0	0	542,681
Natural Gas	180,828	0	0	180,828
Purchased Electricity	0	2,860,392	0	2,860,392
Electrical Surcharges	0	123,715	0	123,715
Professional Services	5,383	5,383	77,186	87,952
Information Technology	191	1,658	4,736	6,585
Occupancy	40,278	12,937	9,025	62,240
Contracted Services	43,418	11,370	50,422	105,210
Insurance	97,427	36,644	44,712	178,783
Office Expenses	2,295	57	30,517	32,869
Service Fees	0	0	15,000	15,000
Travel	10,754	10,480	24,293	45,527
Repairs and Maintenance	119,314	94,907	11,576	225,797
Environmental Expense	20,193	0	0	20,193
Depreciation	1,689,448	627,908	29,046	2,346,402
Interest Expense	368,777	0	0	368,777
Operating Supplies	20,186	555	7	20,748
Water Treatment	29,283	0	0	29,283
Bad Debt Expense	0	0	(50,000)	(50,000)
Dues and Subscriptions	0	0	16,473	16,473
Other Expenses	18,097	14,636	26,769	59,502
<b>Total Functional Expenses</b>	<b>\$ 4,227,800</b>	<b>\$ 4,224,340</b>	<b>\$ 894,351</b>	<b>\$ 9,346,491</b>

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



**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ (333,888)	\$ 425,292
Adjustment for Noncash Transactions		
Depreciation	2,363,386	2,346,402
Change in Allowance for Doubtful Accounts	(40,000)	(50,000)
Unrealized and Realized (Gains) on Investments	(45,399)	(76,838)
Deferred Taxes	210,684	255,833
Deferred Compensation	85,605	37,193
(Increase) Decrease in Assets		
Accounts Receivable	(209,121)	71,456
Grants Receivable	0	76,363
Prepaid Expenses	33,747	(118,947)
Deposits Held with NYISO	(3,787)	(21,222)
Cash Surrender Value	(57,972)	(50,426)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(70,635)	(67,079)
Deposits	<u>1,033</u>	<u>41</u>
Net Cash Provided by Operating Activities	<u>1,933,653</u>	<u>2,828,068</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Investments	0	(2,513,450)
Reinvested Interest	(202,717)	(275,989)
Proceeds from Sales of Investments	1,055,013	256,282
Capital Expenditures	<u>(466,067)</u>	<u>(518,981)</u>
Net Cash Provided (Used) by Investing Activities	<u>386,229</u>	<u>(3,052,138)</u>
<b>Cash Flows from Financing Activities</b>		
Payment of Long-Term Debt	<u>(497,416)</u>	<u>(450,992)</u>
Net Cash (Used) by Financing Activities	<u>(497,416)</u>	<u>(450,992)</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Cash Equivalents</b>	1,822,466	(675,062)
<b>Cash, Cash Equivalents, Restricted Cash and Cash Equivalents, Beginning of Year</b>	<u>8,926,037</u>	<u>9,601,099</u>
<b>Cash, Cash Equivalents, Restricted Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,748,503</u>	<u>\$ 8,926,037</u>
<b>Supplemental Cash Flow Disclosures</b>		
<b>Cash Paid During the Year for:</b>		
Interest	<u>\$ 338,117</u>	<u>\$ 368,777</u>
Income Taxes	<u>\$ 1,500</u>	<u>\$ 1,551</u>

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

# GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Operations**

Griffiss Utility Services Corporation (GUSC) is a nonprofit organization whose primary purpose is to support Griffiss Local Development Corporation's (GLDC) mission efforts of stimulating economic growth at the Griffiss Business and Technology Park located in Rome, New York. To accomplish this objective, GUSC operates and maintains the utility systems. The activities of GUSC are funded primarily through revenue from the distribution of steam heat and electricity.

GUSC Energy Inc (GUSC Energy) was formed during 2011, with GUSC as the sole shareholder, for the primary purpose of constructing and operating an open-loop biomass fueled combined heat and power facility in the Griffiss Business and Technology Park. The common stock has no par value, and there are 200 shares authorized of which 1 share is issued and outstanding to GUSC.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of GUSC and its wholly-owned subsidiary, GUSC Energy. All intercompany transactions have been eliminated.

#### **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 Organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by reporting information regarding financial position and activities according to two classes of net assets: net assets with donor restrictions or net assets without donor restrictions. However, the Organization only maintained net assets without donor restrictions at December 31, 2020 and 2019.

#### **Use of Estimates**

The preparation of 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.

#### **Concentration of Revenue**

GUSC's primary source of revenue is from the supply of steam heat and distribution of electricity to businesses in the Griffiss Business and Technology Park. In addition, GUSC received approximately 11.3% and 10.4% of these revenue sources from one customer for the years ended December 31, 2020 and 2019, respectively. GUSC is also sensitive to the market conditions of fuel prices. The effect, if any, on the consolidated financial statements is not considered material as any price increases or decreases are passed on to the customers.

#### **Cash and Cash Equivalents**

For purposes of the consolidated statements of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as money market funds, with an original maturity of three months or less when purchased.

# GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table provides a reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents reported between the consolidated statements of financial position and the consolidated statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 7,663,412	\$ 5,416,726
Restricted Cash, Cash Equivalents, and Restricted Investments	6,733,691	7,081,882
Less: Restricted Investments	<u>(3,648,600)</u>	<u>(3,572,571)</u>
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statements of Cash Flows	<u>\$ 10,748,503</u>	<u>\$ 8,926,037</u>

Restricted cash, cash equivalents and investments, as listed above, are included in other assets on the consolidated statements of financial position and represent amounts pledged as collateral for long-term financing arrangements as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off.

#### Accounts and Grants Receivable

Accounts receivable are carried at cost, less an allowance for doubtful accounts. A provision has been established for receivables which may ultimately prove to be uncollectible. The basis for the provision is an analysis of current accounts. The allowance for doubtful accounts was \$60,000 and \$100,000 for the years ended December 31, 2020 and 2019, respectively.

Grants receivable are carried at cost and have been deemed to be fully collectible, therefore, an allowance has not been established.

#### Property

All expenditures for property and equipment exceeding \$2,500 are capitalized and depreciated over the useful life of the property and recorded at historical cost if purchased or fair market value if donated. Depreciation is provided using the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Buildings and Improvements	40 Years
Fuel Tanks	15 Years
Distribution Lines	20 Years
Vehicles and Equipment	2-10 Years
Office Furnishings	5-10 Years

#### Investment Valuation and Income Recognition

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net investment income (loss) in the consolidated statements of activities includes gains and losses on investments bought and sold as well as held during the year.

# GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Deposits Held with NYISO**

The New York Independent System Operator (NYISO) is the organization responsible for managing New York's electric grid and its competitive wholesale electric marketplace. Per NYISO policy, GUSC maintains a deposit with the NYISO to allow the Organization to purchase power instantaneously in the wholesale marketplace. The amount of the deposit requirement can vary and is based on peak potential financial exposure to NYISO.

#### **Cash Surrender Value on Life Insurance**

GUSC is the owner of a life insurance policy on one key employee with basic coverage totaling \$600,000 and has a cash surrender value of \$564,054 and \$506,082 at December 31, 2020 and 2019, respectively. The cash surrender value of this policy has been included in other assets in these consolidated financial statements.

#### **Revenue Recognition**

Sale of steam and electric energy to customers occur continuously throughout the year and GUSC recognizes revenue on a monthly basis based on delivery reported for the prior month. Revenues recognized are net of any sales tax, surcharges, discounts and credits that apply.

GUSC recognizes administrative fee revenues on a monthly basis based on a fixed amount in an annual contract in place with GUSC Energy. GUSC provides administrative and staff support for GUSC Energy.

Certain GUSC capital projects are eligible for cost-reimbursable state grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Grant revenues are recognized when GUSC has incurred expenditures in compliance with specific contract or grant provisions.

GUSC Energy recognizes service revenues based on a long-term contract with GUSC. GUSC Energy delivers steam and electric to GUSC for resale to customers, as well as maintaining and operating the steam plant facility and the biomass fueled combined heat and power facility. Revenues are recognized monthly based primarily on a fixed contract price which is calculated annually. Revenues may also include variable costs and reimbursements which are also calculated monthly, as applicable, based on performance obligations for the prior month.

Agreement terms with customers generally do not include any obligations to perform future services. See Note 3 for concentrations of credit risk.

#### **Expense Allocation**

The costs of operations of the steam plant and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort, and insurance and legal expenses, which have been allocated equally amongst the three categories.

# GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other expenses are directly classified among the following program and supporting services:

Steam Heating Services – Includes all direct and indirect expenses necessary to generate and distribute steam and maintain the existing steam plant facilities.

Electricity Distribution Services – Includes all direct and indirect expenses necessary to distribute electricity and maintain the existing facilities.

Management and General – Includes all administrative expenses necessary to operate GUSC which are not specifically identifiable to direct program services.

#### Income Taxes

GUSC 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)(3) of the Internal Revenue Code.

GUSC's wholly owned subsidiary, GUSC Energy, is a taxable entity and is, therefore, subject to federal and state income taxes. GUSC Energy has an effective income tax rate that is different from the expected statutory rate due to the use of accelerated depreciation methods and nondeductible expenses for income tax purposes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

### NOTE 2 LIQUIDITY AND AVAILABILITY OF FUNDS

At December 31, 2020, GUSC and its subsidiaries have \$18,190,166 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$7,663,412, receivables of \$1,225,876, and investments of \$10,163,562, less \$862,684 set aside for board designated reserves (see Note 12). At December 31, 2019, GUSC and its subsidiaries had \$16,577,285 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$5,416,726, receivables of \$976,755, and investments of \$11,046,488, less \$862,684 set aside for board designated reserves (see Note 12). None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The receivables are subject to time restrictions but are expected to be collected within one year.

GUSC has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1.5 million. GUSC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, GUSC invests cash in excess of daily requirements in various short-term investments including certificates of deposit accounts, money market accounts, and U.S. Treasury notes.

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject GUSC to concentrations of credit risk consist principally of cash in financial institutions. From time to time throughout the year, cash balances can exceed Federal Deposit Insurance Corporation (FDIC) coverage. Management believes that it is not exposed to any significant risk with respect to these accounts.

Financial instruments which also potentially subject GUSC to concentrations of credit risk include net accounts receivable of \$1,053,537 and \$804,416 at December 31, 2020 and 2019, respectively. These receivables are generated from revenue from steam distribution and electricity to occupants of the Griffiss Business and Technology Park to which GUSC has extended credit. Management routinely assesses these accounts and generally requires no collateral from them.

Also, GUSC invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risk. Although this risk exists, GUSC believes this risk is minimal as they only invest in low risk securities such as U.S. Treasury bills and certificates of deposit.

**NOTE 4 INVESTMENTS**

Investments at December 31, 2020 and 2019 are comprised of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Invested Cash	\$ 3,322,910	\$ 3,322,910	\$ 32,772	\$ 32,772
Certificates of Deposit	5,783,921	5,808,543	10,803,494	10,803,494
U.S. Government and Agency				
Debt Securities	4,618,770	4,680,709	3,754,191	3,782,793
Total Investments	\$ 13,725,601	13,812,162	\$ 14,590,457	14,619,059
Less: Restricted Investments		3,648,600		3,572,571
Total Unrestricted Investments		\$ 10,163,562		\$ 11,046,488

The following summarizes net investment return for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and Dividends	\$ 214,432	\$ 288,441
Unrealized Gain	42,410	76,838
Realized Gain	2,989	0
Investment Fees	(11,715)	(12,452)
Investment Income, Net	\$ 248,116	\$ 352,827

**NOTE 5 FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board authoritative guidance on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority unobservable inputs (Level 3 measurements).

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that GUSC has the ability to access.

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 FAIR VALUE MEASUREMENTS (Continued)**

**Level 2:** Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Invested Cash: Valued at cost which approximates fair value.

Certificates of Deposit: Valued at amortized cost which approximates fair value.

U.S. Government and Agency Debt Securities: Securities traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the year are valued at the average of the last reported bid and asked prices or using a market pricing model.

All assets have been valued using a market approach, unless otherwise noted.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although GUSC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level, within the fair value hierarchy, GUSC's assets measured at fair value on a recurring basis as of December 31, 2020 and 2019:

<u>Investments</u>	<u>Total</u>	2020		
		Fair Value Measurements at Reporting		
		Date Using the Above Criteria		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Invested Cash	\$ 3,322,910	\$ 3,322,910	\$ 0	\$ 0
Certificates of Deposit	5,808,543	0	5,808,543	0
U.S. Government and Agency Debt Securities	<u>4,680,709</u>	<u>0</u>	<u>4,680,709</u>	<u>0</u>
Total Investments	13,812,162	\$ <u>3,322,910</u>	\$ <u>10,489,252</u>	\$ <u>0</u>
Less: Restricted CD's	<u>3,648,600</u>			
Total Unrestricted Investments	\$ <u>10,163,562</u>			

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 FAIR VALUE MEASUREMENTS (Continued)**

<u>Investments</u>	<u>Total</u>	2019		
		Fair Value Measurements at Reporting Date Using the Above Criteria		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Invested Cash	\$ 32,772	\$ 32,772	\$ 0	\$ 0
Certificates of Deposit	10,803,494	0	10,803,494	0
U.S. Government and Agency Debt Securities	<u>3,782,793</u>	<u>0</u>	<u>3,782,793</u>	<u>0</u>
Total Investments	14,619,059	<u>\$ 32,772</u>	<u>\$ 14,586,287</u>	<u>\$ 0</u>
Less: Restricted Investments	<u>3,572,571</u>			
Total Unrestricted Investments	<u>\$ 11,046,488</u>			

**NOTE 6 LONG-TERM DEBT**

At December 31, 2020 and 2019, long-term debt consisted of the following:

	<u>2020</u>	<u>2019</u>
<u>GUSC Energy</u>		
Term loan payable to Community Bank which is secured by all of GUSC Energy's assets as well as a portion of GUSC's deposit accounts (see restricted cash in Note 1). The loan is further guaranteed by GUSC. The term of the loan is for 10 years with interest currently fixed at 2.95% through the maturity date. The loan is currently being repaid with monthly principal and interest payments fixed at \$68,314 with a final balloon payment due at maturity on November 11, 2026.	\$ 9,619,558	\$ 10,116,974
Less: Current Portion of Long-Term Debt	<u>543,448</u>	<u>486,697</u>
Total Long-Term Debt	<u>\$ 9,076,110</u>	<u>\$ 9,630,277</u>

The following are maturities of the above debt for the next five years and thereafter:

<u>Year</u>	<u>Amount</u>
2021	\$ 543,448
2022	559,698
2023	576,435
2024	593,671
2025	611,423
Thereafter	<u>6,734,883</u>
Total	<u>\$ 9,619,558</u>

GUSC Energy's long-term debt agreements contain certain covenants, primarily a debt service ratio covenant. At each of the years ended December 31, 2020 and 2019, GUSC Energy was in compliance with the covenants.

Interest expense on the above debt for the years ended December 31, 2020 and 2019 was \$338,117 and \$368,777, respectively.



**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 LONG-TERM DEBT (Continued)**

Intercompany

GUSC has issued several notes receivable from GUSC Energy to assist with costs to construct the open-loop biomass power facility. The principal balance on the notes is \$6,000,000 for each of the years ended December 31, 2020 and 2019. The notes are unsecured and were required to be paid in interest-only monthly installments through December 31, 2020 at which time the principal portion of the notes were required to be paid in full. During 2020, the maturity date of the notes was extended to December 31, 2025 and will continue to be interest-only until then. The current interest rate is fixed at 3.00%. The intercompany loan is eliminated in the consolidation of the financial statements.

**NOTE 7 SUBSIDIARY ACCUMULATED DEFICIT**

The changes in the accumulated deficit of GUSC Energy are as follows:

	<u>2020</u>	<u>2019</u>
Balance, Beginning of Year	\$ (5,747,796)	\$ (5,023,990)
Net (Loss) of GUSC Energy Inc.	<u>(248,447)</u>	<u>(723,806)</u>
Balance, End of Year	\$ <u>(5,996,243)</u>	\$ <u>(5,747,796)</u>

**NOTE 8 INCOME TAXES**

Federal and state provision for taxes for GUSC Energy for the years ended December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Current Tax Expense		
New York State	\$ 1,500	\$ 1,500
New York State Credits	<u>(1,618)</u>	<u>0</u>
Total Current Tax Expense (Refund)	<u>(118)</u>	<u>1,500</u>
Deferred Tax Expense		
Federal	163,241	198,223
New York State	<u>47,443</u>	<u>57,610</u>
Total Deferred Tax Expense	<u>210,684</u>	<u>255,833</u>
Total Provision for Taxes	\$ <u>210,566</u>	\$ <u>257,333</u>

The net deferred tax liability as of December 31, 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Deferred Tax Asset		
Net Operating Loss Carryforward	\$ 4,022,779	\$ 3,801,433
Valuation Allowance	<u>(4,022,779)</u>	<u>(3,801,433)</u>
Deferred Tax Asset	<u>0</u>	<u>0</u>
Deferred Tax (Liability)		
Depreciation – Excess of Tax over Book	<u>(3,096,647)</u>	<u>(2,885,963)</u>
Net Deferred Tax (Liability)	\$ <u>(3,096,647)</u>	\$ <u>(2,885,963)</u>

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 INCOME TAXES (Continued)**

The valuation allowance has experienced an increase of \$221,346 and \$390,780 for the years ended December 31, 2020 and 2019, respectively. Management has determined that the operating loss carryforward amounts will not be utilized prior to expiration.

As of December 31, 2020, GUSC Energy had net operating loss carryovers that may offset future taxable income. Due to a New York State corporate tax law change in 2015 modifying the deduction and carryover rules, a net operating loss conversion subtraction (NOLCS) replaced net operating loss deductions for losses which originated prior to January 1, 2015, subject to limitations. These prior losses are pooled and may be carried forward for 20 years, expiring in 2035.

If not utilized, all carryovers will expire as follows:

	Federal Net Operating Loss	New York State Net Operating Loss
	<u>          </u>	<u>          </u>
2031	\$ 61,710	\$ 0
2032	223,285	0
2033	772,544	0
2034	1,010,117	0
2035 (NOLCS Pool)	0	2,063,156
2035	3,420,260	3,418,760
2036	2,307,401	2,305,901
2037	1,942,120	1,942,120
2038	2,080,121	2,078,621
2039	1,355,000	1,346,019
2040	<u>769,280</u>	<u>767,780</u>
	<u>\$ 13,941,838</u>	<u>\$ 13,922,357</u>

**NOTE 9 PENSION PLAN**

GUSC and GUSC Energy contribute to a 401(k) profit-sharing plan for all employees. Employees were eligible for membership in the plan after six months of service and attaining age 21. During 2018, the plan was amended to allow employees to be eligible at age 18. Contributions paid to the plan are based upon 5% of participants' annual compensation and a 100% match of elective deferrals up to 5% of the participant's annual compensation. The combined amount of contributions paid to the plan on behalf of the employees for the years ended December 31, 2020 and 2019 were \$127,246 and \$144,533, respectively.

**NOTE 10 DEFERRED COMPENSATION ARRANGEMENT**

GUSC entered into an unfunded, nonqualified deferred compensation plan with a key employee. The agreement provides for postretirement benefits, contingent on certain conditions, payable upon the employee's retirement on his normal retirement date. GUSC is accruing the present value of the estimated future benefit payments over the period from the date of the agreement to the retirement date. The plan was amended during 2020, as authorized by the Board of Directors, to provide for an increased retirement benefit. GUSC recognized an expense of \$85,605 and \$37,193 for the years ended December 31, 2020 and 2019, respectively, related to this agreement.

# GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 11 COMMITMENTS

Under a written agreement signed in 2005 in exchange for the title to the electrical distribution system, GUSC is required to remit to GLDC a percentage of future revenues generated from the electrical distribution system based upon usage. These payments are required to be made quarterly until December 31, 2046. During the years ended December 31, 2020 and 2019, GUSC remitted \$119,629 and \$123,715, respectively, to GLDC for its share of revenue from the electrical distribution system.

### NOTE 12 BOARD DESIGNATED RESERVES

The board has designated certain reservations of net assets without donor restrictions for future use. The following is a summary of the activity in each reserve during the year ended December 31, 2020:

	Beginning Balance	Ending Balance
Reserve for Capital Projects	\$ 250,000	\$ 250,000
Reserve for Storm Restoration	450,000	450,000
Reserve for Energy Savings Program	<u>162,684</u>	<u>162,684</u>
Total Board Designated Reserves	<u>\$ 862,684</u>	<u>\$ 862,684</u>

### NOTE 13 UNCERTAINTIES, CONTINGENCIES, AND RISKS

#### U.S. Department of the Treasury

During 2014, the U.S. Department of the Treasury awarded GUSC Energy a section 1603 payment for specified energy property in lieu of tax credits in the amount of \$316,609 for construction of the biomass power facility. The award contains recapture provisions when certain conditions are not met. To retain the full payment, the property must continue to qualify as specified energy property and not be disposed of to a disqualified person, as described in the program guidance, for five years from the date the property is placed in service. The repayment provision is phased out 20% each year and expired in 2019. In 2016, an additional amount of \$456,860 was awarded to the Corporation and booked as revenue.

#### Empire State Development Corporation

During 2014, Empire State Development Corporation awarded GUSC Energy a capital project grant for \$1,500,000 for construction of the biomass power facility. The award contains recapture provisions when certain conditions are not met. Grant funds will be subject to a pro rata recapture if the property at the project location is sold within five years of disbursement of funds. The recapture amount is based on the time that has elapsed between when the grant funds were disbursed and when the transfer occurred, decreasing 20% each year until expiration at the end of the fifth calendar year after the disbursement is made, which was December 31, 2019.

#### 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 amount of expenditures which may be disallowed by the grantor cannot be determined at this time although GUSC expects such amounts, if any, to be immaterial.

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 14 RELATED PARTY TRANSACTIONS**

GUSC is a 509(a)(3) supporting organization of GLDC, which by definition is considered a related party. In addition to the surcharge agreement under Note 11, GUSC reimburses GLDC for various costs incurred for operational work, which totaled \$8,745 and \$26,481, respectively, for the years ended December 31, 2020 and 2019.

GLDC and its subsidiaries, Cardinal Griffiss Realty, LLC and 99 Otis St. LLC, pay GUSC for steam and electric costs incurred by tenants of their leased properties. Utility revenues for these customers for the years ended December 31, 2020 and 2019 were \$307,070 and \$247,692, respectively.

**NOTE 15 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 24, 2021, the date on which the consolidated financial statements were available to be issued.

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**December 31, 2020**

	<u>GUSC</u>	<u>GUSC Energy Inc.</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 7,576,057	\$ 87,355	\$ 7,663,412	\$ 0	\$ 7,663,412
Accounts Receivable, Net	1,053,044	493	1,053,537	0	1,053,537
Grants Receivable	172,339	0	172,339	0	172,339
Due From Subsidiary	584,163	0	584,163	(584,163)	0
Prepaid Expenses	947,290	19,124	966,414	(817,553)	148,861
Investments	<u>10,163,562</u>	<u>0</u>	<u>10,163,562</u>	<u>0</u>	<u>10,163,562</u>
Total Current Assets	<u>20,496,455</u>	<u>106,972</u>	<u>20,603,427</u>	<u>(1,401,716)</u>	<u>19,201,711</u>
<b>Property</b>					
Land, Buildings, and Improvements	18,590,475	18,217,928	36,808,403	0	36,808,403
Distribution Lines	21,700,462	0	21,700,462	0	21,700,462
Vehicles and Equipment	10,132,503	7,875	10,140,378	0	10,140,378
Fuel Tanks	1,406,546	0	1,406,546	0	1,406,546
Office Furnishings	48,200	0	48,200	0	48,200
Construction in Progress	<u>438,666</u>	<u>0</u>	<u>438,666</u>	<u>0</u>	<u>438,666</u>
Total Property	52,316,852	18,225,803	70,542,655	0	70,542,655
Accumulated Depreciation	<u>32,667,296</u>	<u>3,185,620</u>	<u>35,852,916</u>	<u>0</u>	<u>35,852,916</u>
Net Property	<u>19,649,556</u>	<u>15,040,183</u>	<u>34,689,739</u>	<u>0</u>	<u>34,689,739</u>
<b>Other Assets</b>					
Restricted Cash, Cash Equivalents and Investments	6,733,691	0	6,733,691	0	6,733,691
Note Receivable - Subsidiary	6,000,000	0	6,000,000	(6,000,000)	0
Deposits Held with NYISO	1,045,223	0	1,045,223	0	1,045,223
Investment in Subsidiary	996,483	0	996,483	(996,483)	0
Cash Surrender Value	<u>564,054</u>	<u>0</u>	<u>564,054</u>	<u>0</u>	<u>564,054</u>
Total Other Assets	<u>15,339,451</u>	<u>0</u>	<u>15,339,451</u>	<u>(6,996,483)</u>	<u>8,342,968</u>
<b>Total Assets</b>	<u>\$ 55,485,462</u>	<u>\$ 15,147,155</u>	<u>\$ 70,632,617</u>	<u>\$ (8,398,199)</u>	<u>\$ 62,234,418</u>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts Payable and Accrued Expenses	\$ 442,410	\$ 28,994	\$ 471,404	\$ 0	\$ 471,404
Due to Parent	0	584,163	584,163	(584,163)	0
Current Portion of Long-Term Debt	0	543,448	543,448	0	543,448
Deferred Revenue	0	817,553	817,553	(817,553)	0
Deposits	<u>83,367</u>	<u>0</u>	<u>83,367</u>	<u>0</u>	<u>83,367</u>
Total Current Liabilities	<u>525,777</u>	<u>1,974,158</u>	<u>2,499,935</u>	<u>(1,401,716)</u>	<u>1,098,219</u>
<b>Noncurrent Liabilities</b>					
Deferred Compensation	319,308	0	319,308	0	319,308
Deferred Tax Liability	0	3,096,647	3,096,647	0	3,096,647
Long-Term Debt	<u>0</u>	<u>15,076,110</u>	<u>15,076,110</u>	<u>(6,000,000)</u>	<u>9,076,110</u>
Total Noncurrent Liabilities	<u>319,308</u>	<u>18,172,757</u>	<u>18,492,065</u>	<u>(6,000,000)</u>	<u>12,492,065</u>
<b>Net Assets</b>					
Net Assets without Donor Restrictions					
Board Designated Reserves	862,684	0	862,684	0	862,684
Undesignated	53,777,693	0	53,777,693	0	53,777,693
Paid-in-Capital	0	996,483	996,483	(996,483)	0
Accumulated Deficit	<u>0</u>	<u>(5,996,243)</u>	<u>(5,996,243)</u>	<u>0</u>	<u>(5,996,243)</u>
Total Net Assets	<u>54,640,377</u>	<u>(4,999,760)</u>	<u>49,640,617</u>	<u>(996,483)</u>	<u>48,644,134</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 55,485,462</u>	<u>\$ 15,147,155</u>	<u>\$ 70,632,617</u>	<u>\$ (8,398,199)</u>	<u>\$ 62,234,418</u>

See Independent Auditor's Report.

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATING SCHEDULE OF ACTIVITIES**

**For the Year Ended December 31, 2020**

	<u>GUSC</u>	<u>GUSC Energy Inc.</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
<b>Revenues and Investment Income</b>					
Steam Revenue Charges	\$ 1,925,082	\$ 0	\$ 1,925,082	\$ 0	\$ 1,925,082
Electricity Distribution Charges	6,518,817	0	6,518,817	(101,027)	6,417,790
Service Fees	0	2,440,694	2,440,694	(2,440,694)	0
Interest Income	217,212	0	217,212	(180,000)	37,212
Investment Income, Net	248,116	0	248,116	0	248,116
Administration Fees	120,000	0	120,000	(120,000)	0
Other Income	<u>138,164</u>	<u>4,800</u>	<u>142,964</u>	<u>0</u>	<u>142,964</u>
Total Revenues and Investment Income	<u>9,167,391</u>	<u>2,445,494</u>	<u>11,612,885</u>	<u>(2,841,721)</u>	<u>8,771,164</u>
<b>Expenses</b>					
Program Services					
Steam Heating Services	4,012,591	2,327,633	6,340,224	(2,721,721)	3,618,503
Electricity Distribution Services	4,361,931	0	4,361,931	0	4,361,931
Supporting Services					
Management and General	<u>878,310</u>	<u>155,742</u>	<u>1,034,052</u>	<u>(120,000)</u>	<u>914,052</u>
Total Expenses	<u>9,252,832</u>	<u>2,483,375</u>	<u>11,736,207</u>	<u>(2,841,721)</u>	<u>8,894,486</u>
<b>(Decrease) in Net Assets Before (Provision for) Taxes</b>	(85,441)	(37,881)	(123,322)	0	(123,322)
(Provision for) Taxes	<u>0</u>	<u>(210,566)</u>	<u>(210,566)</u>	<u>0</u>	<u>(210,566)</u>
<b>(Decrease) in Net Assets</b>	(85,441)	(248,447)	(333,888)	0	(333,888)
<b>Net Assets (Deficit), Beginning of Year</b>	<u>54,725,818</u>	<u>(4,751,313)</u>	<u>49,974,505</u>	<u>(996,483)</u>	<u>48,978,022</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ 54,640,377</u>	<u>\$ (4,999,760)</u>	<u>\$ 49,640,617</u>	<u>\$ (996,483)</u>	<u>\$ 48,644,134</u>

See Independent Auditor's Report.

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

December 31, 2019

	<u>GUSC</u>	<u>GUSC Energy Inc.</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 5,395,908	\$ 20,818	\$ 5,416,726	\$ 0	\$ 5,416,726
Accounts Receivable, Net	804,416	0	804,416	0	804,416
Grants Receivable	172,339	0	172,339	0	172,339
Due From Related Party	415,199	0	415,199	(415,199)	0
Prepaid Expenses	974,437	25,724	1,000,161	(817,553)	182,608
Investments	<u>11,046,488</u>	<u>0</u>	<u>11,046,488</u>	<u>0</u>	<u>11,046,488</u>
Total Current Assets	<u>18,808,787</u>	<u>46,542</u>	<u>18,855,329</u>	<u>(1,232,752)</u>	<u>17,622,577</u>
<b>Property</b>					
Land, Buildings, and Improvements	18,590,475	18,217,928	36,808,403	0	36,808,403
Distribution Lines	21,124,821	0	21,124,821	0	21,124,821
Vehicles and Equipment	9,955,076	7,875	9,962,951	0	9,962,951
Fuel Tanks	1,406,546	0	1,406,546	0	1,406,546
Office Furnishings	48,200	0	48,200	0	48,200
Construction in Progress	<u>725,667</u>	<u>0</u>	<u>725,667</u>	<u>0</u>	<u>725,667</u>
Total Property	51,850,785	18,225,803	70,076,588	0	70,076,588
Accumulated Depreciation	<u>30,760,146</u>	<u>2,729,384</u>	<u>33,489,530</u>	<u>0</u>	<u>33,489,530</u>
Net Property	<u>21,090,639</u>	<u>15,496,419</u>	<u>36,587,058</u>	<u>0</u>	<u>36,587,058</u>
<b>Other Assets</b>					
Restricted Cash, Cash Equivalents and Investments	7,081,882	0	7,081,882	0	7,081,882
Note Receivable - Subsidiary	6,000,000	0	6,000,000	(6,000,000)	0
Deposits Held by NYISO	1,041,436	0	1,041,436	0	1,041,436
Investment in Subsidiary	996,483	0	996,483	(996,483)	0
Cash Surrender Value	<u>506,082</u>	<u>0</u>	<u>506,082</u>	<u>0</u>	<u>506,082</u>
Total Other Assets	<u>15,625,883</u>	<u>0</u>	<u>15,625,883</u>	<u>(6,996,483)</u>	<u>8,629,400</u>
<b>Total Assets</b>	<u>\$ 55,525,309</u>	<u>\$ 15,542,961</u>	<u>\$ 71,068,270</u>	<u>\$ (8,229,235)</u>	<u>\$ 62,839,035</u>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts Payable and Accrued Expenses	\$ 483,454	\$ 58,585	\$ 542,039	\$ 0	\$ 542,039
Due to Parent	0	415,199	415,199	(415,199)	0
Current Portion of Long-Term Debt	0	486,697	486,697	0	486,697
Deferred Revenue	0	817,553	817,553	(817,553)	0
Deposits	<u>82,334</u>	<u>0</u>	<u>82,334</u>	<u>0</u>	<u>82,334</u>
Total Current Liabilities	<u>565,788</u>	<u>1,778,034</u>	<u>2,343,822</u>	<u>(1,232,752)</u>	<u>1,111,070</u>
<b>Noncurrent Liabilities</b>					
Deferred Compensation	233,703	0	233,703	0	233,703
Deferred Tax Liability	0	2,885,963	2,885,963	0	2,885,963
Long-Term Debt	<u>0</u>	<u>15,630,277</u>	<u>15,630,277</u>	<u>(6,000,000)</u>	<u>9,630,277</u>
Total Noncurrent Liabilities	<u>233,703</u>	<u>18,516,240</u>	<u>18,749,943</u>	<u>(6,000,000)</u>	<u>12,749,943</u>
<b>Net Assets</b>					
Net Assets without Donor Restrictions					
Board Designated Reserves	862,684	0	862,684	0	862,684
Undesignated	53,863,134	0	53,863,134	0	53,863,134
Paid-in-Capital	0	996,483	996,483	(996,483)	0
Accumulated Deficit	<u>0</u>	<u>(5,747,796)</u>	<u>(5,747,796)</u>	<u>0</u>	<u>(5,747,796)</u>
Total Net Assets	<u>54,725,818</u>	<u>(4,751,313)</u>	<u>49,974,505</u>	<u>(996,483)</u>	<u>48,978,022</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 55,525,309</u>	<u>\$ 15,542,961</u>	<u>\$ 71,068,270</u>	<u>\$ (8,229,235)</u>	<u>\$ 62,839,035</u>

See Independent Auditor's Report.

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**CONSOLIDATING SCHEDULE OF ACTIVITIES**

**For the Year Ended December 31, 2019**

	<u>GUSC</u>	<u>GUSC Energy Inc.</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
<b>Revenues and Investment Income</b>					
Steam Revenue Charges	\$ 2,473,345	\$ 0	\$ 2,473,345	\$ 0	\$ 2,473,345
Electricity Distribution Charges	6,913,863	0	6,913,863	(69,892)	6,843,971
Service Fees	0	2,417,493	2,417,493	(2,417,493)	0
Interest Income	366,616	0	366,616	(180,000)	186,616
Investment Income, Net	352,827	0	352,827	0	352,827
Administration Fees	120,000	0	120,000	(120,000)	0
Other Income	<u>45,020</u>	<u>11,700</u>	<u>56,720</u>	<u>0</u>	<u>56,720</u>
Total Revenues and Investment Income	<u>10,271,671</u>	<u>2,429,193</u>	<u>12,700,864</u>	<u>(2,787,385)</u>	<u>9,913,479</u>
<b>Expenses</b>					
Program Services					
Steam Heating Services	4,123,710	2,758,784	6,882,494	(2,654,694)	4,227,800
Electricity Distribution Services	4,237,031	0	4,237,031	(12,691)	4,224,340
Supporting Services					
Management and General	<u>877,469</u>	<u>136,882</u>	<u>1,014,351</u>	<u>(120,000)</u>	<u>894,351</u>
Total Expenses	<u>9,238,210</u>	<u>2,895,666</u>	<u>12,133,876</u>	<u>(2,787,385)</u>	<u>9,346,491</u>
<b>Increase (Decrease) in Net Assets</b>					
<b>Before Other Changes</b>	1,033,461	(466,473)	566,988	0	566,988
<b>Other Changes</b>					
Capital Grants	115,637	0	115,637	0	115,637
(Provision for) Taxes	<u>0</u>	<u>(257,333)</u>	<u>(257,333)</u>	<u>0</u>	<u>(257,333)</u>
<b>Increase (Decrease) in Net Assets</b>	1,149,098	(723,806)	425,292	0	425,292
<b>Net Assets (Deficit), Beginning of Year</b>	<u>53,576,720</u>	<u>(4,027,507)</u>	<u>49,549,213</u>	<u>(996,483)</u>	<u>48,552,730</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ 54,725,818</u>	<u>\$ (4,751,313)</u>	<u>\$ 49,974,505</u>	<u>\$ (996,483)</u>	<u>\$ 48,978,022</u>

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