GRIFFISS UTILITY
SERVICES CORPORATION
AND SUBSIDIARY

For the Year Ended
December 31, 2021

CONSOLIDATED
FINANCIAL STATEMENTS
AND CONSOLIDATING
SCHEDULES

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

TABLE OF CONTENTS

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Griffiss Utility Services Corporation and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Griffiss Utility Services Corporation and Subsidiary to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Griffiss Utility Services Corporation and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Consolidating Information

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

D'Arcangelo + Co., LLP

March 25, 2022

Utica, New York

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	$ 4,559,493	$ 7,663,412
Accounts Receivable, Net	1,442,701	1,053,537
Grants Receivable	172,339	172,339
Prepaid Expenses	55,143	148,861
Investments	12,525,603	10,163,562
Total Current Assets	18,755,279	19,201,711
Property		
Land, Buildings, and Improvements	37,304,928	36,808,403
Distribution Lines	21,700,462	21,700,462
Vehicles and Equipment	10,227,195	10,140,378
Fuel Tanks	1,406,546	1,406,546
Office Furnishings	48,200	48,200
Construction in Progress	3,913	438,666
Total Property	70,691,244	70,542,655
Accumulated Depreciation	(38,145,822)	(35,852,916)
Net Property	32,545,422	34,689,739
Other Assets		
Restricted Cash, Cash Equivalents and Investments	9,053,223	6,733,691
Deposits Held with NYISO	1,045,344	1,045,223
Cash Surrender Value	618,631	564,054
Total Other Assets	10,717,198	8,342,968
Total Assets	$ 62,017,899	$ 62,234,418
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 686,973	$ 471,404
Current Portion of Long-Term Debt	664,547	543,448
Deposits	203,586	83,367
Total Current Liabilities	1,555,106	1,098,219
Noncurrent Liabilities		
Deferred Compensation	356,528	319,308
Deferred Tax Liability	3,307,060	3,096,647
Long-Term Debt, Net	8,388,676	9,076,110
Total Noncurrent Liabilities	12,052,264	12,492,065
Net Assets		
Net Assets without Donor Restrictions		
Parent Organization		
Board Designated Reserves	862,684	862,684
Undesignated	53,608,876	53,777,693
Subsidiary		
Accumulated Deficit	(6,061,031)	(5,996,243)
Total Net Assets	48,410,529	48,644,134
Total Liabilities and Net Assets	$ 62,017,899	$ 62,234,418

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, 2021 and 2020

	2021	2020
Revenues and Investment Income (Loss)		
Steam Revenue Charges	$ 2,161,964	$ 1,925,082
Electricity Distribution Charges	7,671,395	6,417,790
Interest Income	12,282	37,212
Investment Income (Loss), Net	(13,288)	248,116
Other Income	58,473	142,964
Total Revenues and Investment Income (Loss)	9,890,826	8,771,164
Expenses		
Program Services		
Steam Heating Services	3,544,162	3,618,503
Electricity Distribution Services	5,420,896	4,361,931
Supporting Services		
Management and General	947,460	914,052
Total Expenses	9,912,518	8,894,486
(Decrease) in Net Assets Before (Provision for) Taxes	(21,692)	(123,322)
(Provision for) Taxes	(211,913)	(210,566)
(Decrease) in Net Assets	(233,605)	(333,888)
Net Assets, Beginning of Year	48,644,134	48,978,022
Net Assets, End of Year	$ 48,410,529	$ 48,644,134

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, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	Program Services		Supporting Services	Total	
	Steam Heating Services	Electricity Distribution Services	Management and General	2021	2020
Salaries	$ 573,526	$ 415,681	$ 469,634	$ 1,458,841	$ 1,416,115
Employee Benefits	178,457	98,731	148,768	425,956	487,976
Payroll Taxes	49,797	28,706	32,432	110,935	106,844
Wood Chips	138,590	0	0	138,590	179,130
Natural Gas	422,273	0	0	422,273	254,309
Purchased Electricity	0	3,752,812	0	3,752,812	2,684,004
Electrical Surcharges	0	123,324	0	123,324	119,629
Professional Services	6,410	6,410	81,738	94,558	97,899
Information Technology	354	2,160	17,210	19,724	26,550
Occupancy	39,222	12,192	15,025	66,439	67,519
Contracted Services	60,980	14,748	27,694	103,422	67,447
Insurance	84,159	37,719	42,567	164,445	157,439
Office Expenses	2,605	10,815	56,776	70,196	62,898
Service Fees	0	0	15,000	15,000	15,000
Travel	8,687	19,033	14,821	42,541	40,969
Repairs and Maintenance	32,183	229,764	4,095	266,042	370,179
Environmental Expense	16,939	0	0	16,939	18,799
Depreciation	1,640,373	654,216	27,406	2,321,995	2,363,386
Interest Expense	246,469	0	0	246,469	338,117
Operating Supplies	16,086	716	93	16,895	9,739
Water Treatment	13,264	0	0	13,264	0
Bad Debt Provision	0	0	(30,000)	(30,000)	(40,000)
Dues and Subscriptions	0	0	17,263	17,263	16,033
Other Expenses	13,788	13,869	6,938	34,595	34,505
Total Functional Expenses	$ 3,544,162	$ 5,420,896	$ 947,460	$ 9,912,518	$ 8,894,486

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services		Supporting Services	
	Steam Heating Services	Electricity Distribution Services	Management and General	Total
Salaries	$ 626,668	$ 391,674	$ 397,773	$ 1,416,115
Employee Benefits	194,596	103,085	190,295	487,976
Payroll Taxes	53,672	26,381	26,791	106,844
Wood Chips	179,130	0	0	179,130
Natural Gas	254,309	0	0	254,309
Purchased Electricity	0	2,684,004	0	2,684,004
Electrical Surcharges	0	119,629	0	119,629
Professional Services	6,228	6,228	85,443	97,899
Information Technology	102	150	26,298	26,550
Occupancy	54,266	1,678	11,575	67,519
Contracted Services	32,974	6,313	28,160	67,447
Insurance	82,157	37,613	37,669	157,439
Office Expenses	14,913	4,400	43,585	62,898
Service Fees	0	0	15,000	15,000
Travel	7,372	12,895	20,702	40,969
Repairs and Maintenance	51,728	303,026	15,425	370,179
Environmental Expense	18,799	0	0	18,799
Depreciation	1,688,990	652,171	22,225	2,363,386
Interest Expense	338,117	0	0	338,117
Operating Supplies	8,970	708	61	9,739
Bad Debt Provision	0	0	(40,000)	(40,000)
Dues and Subscriptions	389	0	15,644	16,033
Other Expenses	5,123	11,976	17,406	34,505
Total Functional Expenses	$ 3,618,503	$ 4,361,931	$ 914,052	$ 8,894,486

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	$ (233,605)	$ (333,888)
Adjustment for Noncash Transactions		
Depreciation	2,321,995	2,363,386
Change in Allowance for Doubtful Accounts	(30,000)	(40,000)
Unrealized and Realized (Gains) Losses on Investments	125,364	(45,399)
Deferred Taxes	210,413	210,684
Deferred Compensation	37,220	85,605
(Increase) Decrease in Assets		
Accounts Receivable	(359,164)	(209,121)
Prepaid Expenses	93,718	33,747
Deposits Held with NYISO	(121)	(3,787)
Cash Surrender Value	(54,577)	(57,972)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	215,569	(70,635)
Deposits	120,219	1,033
Net Cash Provided by Operating Activities	2,447,031	1,933,653
Cash Flows from Investing Activities		
Purchases of Investments	(12,650,000)	0
Reinvested Interest	(112,077)	(202,717)
Proceeds from Sales of Investments	4,870,049	1,055,013
Capital Expenditures	(177,678)	(466,067)
Net Cash Provided (Used) by Investing Activities	(8,069,706)	386,229
Cash Flows from Financing Activities		
Payment of Long-Term Debt	(566,335)	(497,416)
Net Cash (Used) by Financing Activities	(566,335)	(497,416)
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Cash Equivalents	(6,189,010)	1,822,466
Cash, Cash Equivalents, Restricted Cash and Cash Equivalents, Beginning of Year	10,748,503	8,926,037
Cash, Cash Equivalents, Restricted Cash and Cash Equivalents, End of Year	$ 4,559,493	$ 10,748,503

Supplemental Cash Flow Disclosures

	2021	2020
Cash Paid During the Year for:		
Interest	$ 253,433	$ 338,117
Income Taxes	$ 1,007	$ 1,500
Non Cash Financing Transaction:		
Refinancing of Long Term Debt	$ 9,219,729	$ 0

The Accompanying Notes are an Integral Part of These 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, 2021 and 2020.

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 9.2% and 11.3% of these revenue sources from one customer for the years ended December 31, 2021 and 2020, 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.

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:

	2021	2020
Cash and Cash Equivalents	$ 4,559,493	$ 7,663,412
Restricted Cash, Cash Equivalents, and Restricted Investments	9,053,223	6,733,691
Less: Restricted Investments	(9,053,223)	(3,648,600)
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statements of Cash Flows	$ 4,559,493	$ 10,748,503

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 $30,000 and $60,000 for the years ended December 31, 2021 and 2020, 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:

	Estimated Useful Lives
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.

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 peek 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 $618,631 and $564,054 at December 31, 2021 and 2020, 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 occurs 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.

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, 2021, GUSC and its subsidiaries have $17,837,452 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 $4,559,493, receivables of $1,615,040, and investments of $12,525,603, less $862,684 set aside for board designated reserves (see Note 12). At December 31, 2020, GUSC and its subsidiaries had $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). 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.

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 $1,442,701 and $1,053,537 at December 31, 2021 and 2020, 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, management believes this risk is minimal.

NOTE 4 INVESTMENTS

Investments at December 31, 2021 and 2020 are comprised of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Invested Cash	$ 124,119	$ 124,119	$ 3,322,910	$ 3,322,910
Certificates of Deposit	1,301,873	1,303,693	5,783,921	5,808,543
U.S. Government and Agency Debt Securities	0	0	4,618,770	4,680,709
Corporate Debt	20,204,859	20,151,014	0	0
Total Investments	$ 21,630,851	21,578,826	$ 13,725,601	13,812,162
Less: Restricted Investments		9,053,223		3,648,600
Total Unrestricted Investments		$ 12,525,603		$ 10,163,562

The following summarizes net investment return for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and Dividends	$ 124,614	$ 214,432
Unrealized Gain (Loss)	(141,174)	42,410
Realized Gain	15,810	2,989
Investment Fees	(12,538)	(11,715)
Investment Income (Loss), Net	$ (13,288)	$ 248,116

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.

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, 2021 and 2020.

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.

Corporate Debt: Certain corporate debt securities are valued at the closing price reported in the market in which it is traded. Securities for which no sale was reported on that date are valued at the last reported bid price.

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, 2021 and 2020:

		2021 Fair Value Measurements at Reporting Date Using the Above Criteria		
Investments	Total	(Level 1)	(Level 2)	(Level 3)
Invested Cash	$ 124,119	$ 124,119	$ 0	$ 0
Certificates of Deposit	1,303,693	0	1,303,693	0
Corporate Debt	20,151,014	0	20,151,014	0
Total Investments	21,578,826	$ 124,119	$ 21,454,707	$ 0
Less: Restricted Investments	9,053,223			
Total Unrestricted Investments	$ 12,525,603			

NOTE 5 FAIR VALUE MEASUREMENTS (Continued)

		2020 Fair Value Measurements at Reporting Date Using the Above Criteria		
Investments	Total	(Level 1)	(Level 2)	(Level 3)
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	4,680,709	0	4,680,709	0
Total Investments	13,812,162	$ 3,322,910	$ 10,489,252	$ 0
Less: Restricted CD's	3,648,600			
Total Unrestricted Investments	$ 10,163,562			

NOTE 6 LONG-TERM DEBT

At December 31, 2021 and 2020, long-term debt consisted of the following:

	2021	2020
GUSC Energy		
Term loan payable to Community Bank due November 11, 2026. The loan was secured by all of GUSC Energy's assets as well as a portion of GUSC's deposit accounts (see restricted cash and investments in Note 1). The loan was further guaranteed by GUSC. The term of the loan was for 10 years with interest currently fixed at 2.95% through the maturity date. The loan was being repaid with monthly principal and interest payments fixed at $68,314 with a final balloon payment due at maturity. This loan was refinanced on September 14, 2021.	$ 0	$ 9,619,558
Refinancing loan payable to Community Bank and due November 11, 2031. The loan is secured by the original 2012 mortgage on property at 655 Ellsworth Road in Rome, NY, as well the original 2012 assignment of leases and rents on the property, all inventory and equipment, and the rights, title, and interest in one certain investment account with UBS Financial Service, Inc. The loan is also further guaranteed by GUSC. In addition, GUSC is required to maintain 100% of the existing debt balance in this same investment account (See restricted investments in Note 1). The loan term is 122 months and is currently being repaid with monthly principal and interest payments of $68,314, with interest currently fixed at 1.75%. The interest will be redetermined by the lender after the first 62 months. A final balloon payment is due at maturity.	9,053,223	0
	9,053,223	9,619,558
Less: Current Portion of Long-Term Debt	664,547	543,448
Total Long-Term Debt	$ 8,388,676	$ 9,076,110

NOTE 6 LONG-TERM DEBT (Continued)

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

Year	Amount
2022	$ 664,547
2023	676,434
2024	688,160
2025	700,845
2026	713,382
Thereafter	5,609,855
Total	$ 9,053,223

GUSC Energy's long-term debt agreements contain certain covenants, primarily a debt service ratio covenant. At each of the years ended December 31, 2021 and 2020, GUSC Energy was in compliance with the covenants.

Interest expense on the above debt for the years ended December 31, 2021 and 2020 was $246,469 and $338,117, respectively.

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, 2021 and 2020. 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:

	2021	2020
Balance, Beginning of Year	$ (5,996,243)	$ (5,747,796)
Net (Loss) of GUSC Energy Inc.	(64,788)	(248,447)
Balance, End of Year	$ (6,061,031)	$ (5,996,243)

NOTE 8 INCOME TAXES

Federal and state provision for taxes for GUSC Energy for the years ended December 31, 2021 and 2020 consisted of the following:

	2021	2020
Current Tax Expense		
New York State	$ 1,500	$ 1,500
New York State Credits	0	(1,618)
Total Current Tax Expense (Refund)	1,500	(118)

NOTE 8 INCOME TAXES (Continued)

Deferred Tax Expense		
Federal	163,031	163,241
New York State	47,382	47,443
Total Deferred Tax Expense	210,413	210,684
Total Provision for Taxes	$ 211,913	$ 210,566

The net deferred tax liability as of December 31, 2021 and 2020 is comprised of the following:

	2021	2020
Deferred Tax Asset		
Net Operating Loss Carryforward	$ 4,191,025	$ 4,022,779
Valuation Allowance	(4,191,025)	(4,022,779)
Deferred Tax Asset	0	0
Deferred Tax (Liability)		
Depreciation – Excess of Tax over Book	(3,307,060)	(3,096,647)
Net Deferred Tax (Liability)	$ (3,307,060)	$ (3,096,647)

The valuation allowance has experienced an increase of $168,246 and $221,346 for the years ended December 31, 2021 and 2020, respectively. Management has determined that the operating loss carryforward amounts will not be utilized prior to expiration.

As of December 31, 2021, 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
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	769,280	767,780
2041	583,328	581,645
	$ 14,525,166	$ 14,504,002

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, 2021 and 2020 were $106,721 and $106,351, 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 and again in 2021, as authorized by the Board of Directors, to provide for an increased retirement benefit. GUSC recognized an expense of $37,220 and $85,605 for the years ended December 31, 2021 and 2020, respectively, related to this agreement.

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, 2021 and 2020, GUSC remitted $123,324 and $119,629, 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, 2021:

	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	162,684	162,684
Total Board Designated Reserves	$ 862,684	$ 862,684

NOTE 13 UNCERTAINTIES, CONTINGENCIES, AND RISKS

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.

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 $4,693 and $8,745, respectively, for the years ended December 31, 2021 and 2020.

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, 2021 and 2020 were $337,688 and $307,070, respectively.

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2022, 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, 2021

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Assets					
Current Assets					
Cash and Cash Equivalents	$ 4,378,531	$ 180,962	$ 4,559,493	$ 0	$ 4,559,493
Accounts Receivable, Net	1,442,701	0	1,442,701	0	1,442,701
Grants Receivable	172,339	0	172,339	0	172,339
Due From Subsidiary	566,445	0	566,445	(566,445)	0
Prepaid Expenses	872,696	0	872,696	(817,553)	55,143
Investments	12,525,603	0	12,525,603	0	12,525,603
Total Current Assets	19,958,315	180,962	20,139,277	(1,383,998)	18,755,279
Property					
Land, Buildings, and Improvements	19,087,000	18,217,928	37,304,928	0	37,304,928
Distribution Lines	21,700,462	0	21,700,462	0	21,700,462
Vehicles and Equipment	10,219,320	7,875	10,227,195	0	10,227,195
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	3,913	0	3,913	0	3,913
Total Property	52,465,441	18,225,803	70,691,244	0	70,691,244
Accumulated Depreciation	(34,503,966)	(3,641,856)	(38,145,822)	0	(38,145,822)
Net Property	17,961,475	14,583,947	32,545,422	0	32,545,422
Other Assets					
Restricted Investments	9,053,223	0	9,053,223	0	9,053,223
Note Receivable - Subsidiary	6,000,000	0	6,000,000	(6,000,000)	0
Deposits Held with NYISO	1,045,344	0	1,045,344	0	1,045,344
Investment in Subsidiary	996,483	0	996,483	(996,483)	0
Cash Surrender Value	618,631	0	618,631	0	618,631
Total Other Assets	17,713,681	0	17,713,681	(6,996,483)	10,717,198
Total Assets	$ 55,633,471	$ 14,764,909	$ 70,398,380	$ (8,380,481)	$ 62,017,899
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable and Accrued Expenses	$ 601,797	$ 85,176	$ 686,973	$ 0	$ 686,973
Due to Parent	0	566,445	566,445	(566,445)	0
Current Portion of Long-Term Debt	0	664,547	664,547	0	664,547
Deferred Revenue	0	817,553	817,553	(817,553)	0
Deposits	203,586	0	203,586	0	203,586
Total Current Liabilities	805,383	2,133,721	2,939,104	(1,383,998)	1,555,106
Noncurrent Liabilities					
Deferred Compensation	356,528	0	356,528	0	356,528
Deferred Tax Liability	0	3,307,060	3,307,060	0	3,307,060
Long-Term Debt	0	14,388,676	14,388,676	(6,000,000)	8,388,676
Total Noncurrent Liabilities	356,528	17,695,736	18,052,264	(6,000,000)	12,052,264
Net Assets					
Net Assets without Donor Restrictions					
Board Designated Reserves	862,684	0	862,684	0	862,684
Undesignated	53,608,876	0	53,608,876	0	53,608,876
Paid-in-Capital	0	996,483	996,483	(996,483)	0
Accumulated Deficit	0	(6,061,031)	(6,061,031)	0	(6,061,031)
Total Net Assets	54,471,560	(5,064,548)	49,407,012	(996,483)	48,410,529
Total Liabilities and Net Assets	$ 55,633,471	$ 14,764,909	$ 70,398,380	$ (8,380,481)	$ 62,017,899

See Independent Auditor's Report.

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2021

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Revenues and Investment Income					
Steam Revenue Charges	$ 2,161,964	$ 0	$ 2,161,964	$ 0	$ 2,161,964
Electricity Distribution Charges	7,802,743	0	7,802,743	(131,348)	7,671,395
Service Fees	0	2,440,694	2,440,694	(2,440,694)	0
Interest Income	192,282	0	192,282	(180,000)	12,282
Investment Income (Loss), Net	(13,288)	0	(13,288)	0	(13,288)
Administration Fees	120,000	0	120,000	(120,000)	0
Other Income	77,457	0	77,457	(18,984)	58,473
Total Revenues and Investment Income	10,341,158	2,440,694	12,781,852	(2,891,026)	9,890,826
Expenses					
Program Services					
Steam Heating Services	4,172,693	2,142,495	6,315,188	(2,771,026)	3,544,162
Electricity Distribution Services	5,420,896	0	5,420,896	0	5,420,896
Supporting Services					
Management and General	916,386	151,074	1,067,460	(120,000)	947,460
Total Expenses	10,509,975	2,293,569	12,803,544	(2,891,026)	9,912,518
Increase (Decrease) in Net Assets Before (Provision for) Taxes	(168,817)	147,125	(21,692)	0	(21,692)
(Provision for) Taxes	0	(211,913)	(211,913)	0	(211,913)
(Decrease) in Net Assets	(168,817)	(64,788)	(233,605)	0	(233,605)
Net Assets (Deficit), Beginning of Year	54,640,377	(4,999,760)	49,640,617	(996,483)	48,644,134
Net Assets (Deficit), End of Year	$ 54,471,560	$ (5,064,548)	$ 49,407,012	$ (996,483)	$ 48,410,529

See Independent Auditor's Report.

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2020

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Assets					
Current Assets					
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 Related Party	584,163	0	584,163	(584,163)	0
Prepaid Expenses	947,290	19,124	966,414	(817,553)	148,861
Investments	10,163,562	0	10,163,562	0	10,163,562
Total Current Assets	20,496,455	106,972	20,603,427	(1,401,716)	19,201,711
Property					
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	438,666	0	438,666	0	438,666
Total Property	52,316,852	18,225,803	70,542,655	0	70,542,655
Accumulated Depreciation	(32,667,296)	(3,185,620)	(35,852,916)	0	(35,852,916)
Net Property	19,649,556	15,040,183	34,689,739	0	34,689,739
Other Assets					
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 by 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	564,054	0	564,054	0	564,054
Total Other Assets	15,339,451	0	15,339,451	(6,996,483)	8,342,968
Total Assets	$ 55,485,462	$ 15,147,155	$ 70,632,617	$ (8,398,199)	$ 62,234,418
Liabilities and Net Assets					
Current Liabilities					
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	83,367	0	83,367	0	83,367
Total Current Liabilities	525,777	1,974,158	2,499,935	(1,401,716)	1,098,219
Noncurrent Liabilities					
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	0	15,076,110	15,076,110	(6,000,000)	9,076,110
Total Noncurrent Liabilities	319,308	18,172,757	18,492,065	(6,000,000)	12,492,065
Net Assets					
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	0	(5,996,243)	(5,996,243)	0	(5,996,243)
Total Net Assets	54,640,377	(4,999,760)	49,640,617	(996,483)	48,644,134
Total Liabilities and Net Assets	$ 55,485,462	$ 15,147,155	$ 70,632,617	$ (8,398,199)	$ 62,234,418

See Independent Auditor's Report.

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2020

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Revenues and Investment Income					
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	138,164	4,800	142,964	0	142,964
Total Revenues and Investment Income	9,167,391	2,445,494	11,612,885	(2,841,721)	8,771,164
Expenses					
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	878,310	155,742	1,034,052	(120,000)	914,052
Total Expenses	9,252,832	2,483,375	11,736,207	(2,841,721)	8,894,486
(Decrease) in Net Assets					
Before (Provision for) Taxes	(85,441)	(37,881)	(123,322)	0	(123,322)
(Provision for) Taxes	0	(210,566)	(210,566)	0	(210,566)
(Decrease) in Net Assets	(85,441)	(248,447)	(333,888)	0	(333,888)
Net Assets (Deficit), Beginning of Year	54,725,818	(4,751,313)	49,974,505	(996,483)	48,978,022
Net Assets (Deficit), End of Year	$ 54,640,377	$ (4,999,760)	$ 49,640,617	$ (996,483)	$ 48,644,134

See Independent Auditor's Report.