

**GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 INVESTMENTS**

Investments at December 31, 2022 and 2021 are comprised of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Invested Cash	\$ 213,417	\$ 213,417	\$ 124,119	\$ 124,119
Certificates of Deposit	1,058,207	1,058,207	1,301,873	1,303,693
U.S. Government and Agency				
Debt Securities	253,583	256,024	0	0
Corporate Debt	20,307,529	19,540,599	20,204,859	20,151,014
Total Investments	<u>\$ 21,832,736</u>	21,068,247	<u>\$ 21,630,851</u>	21,578,826
Less: Restricted Investments		8,411,765		9,053,223
Total Unrestricted Investments		<u>\$ 12,656,482</u>		<u>\$ 12,525,603</u>

The following summarizes net investment return for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and Dividends	\$ 242,763	\$ 124,614
Unrealized (Loss)	(712,464)	(141,174)
Realized Gain (Loss)	(1,733)	15,810
Investment Fees	(39,145)	(12,538)
Investment (Loss), Net	<u>\$ (510,579)</u>	<u>\$ (13,288)</u>

Restricted 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.

**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 to 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.

**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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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, 2022 and 2021.

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, 2022 and 2021:

<u>Investments</u>	<u>Total</u>	2022		
		Fair Value Measurements at Reporting		
		Date Using the Above Criteria		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Invested Cash	\$ 213,417	\$ 213,417	\$ 0	\$ 0
Certificates of Deposit	1,058,207	0	1,058,207	0
U.S. Government and Agency Debt Securities	256,024	0	256,024	0
Corporate Debt	19,540,599	0	19,540,599	0
Total Investments	21,068,247	\$ 213,417	\$ 20,854,830	\$ 0
Less: Restricted Investments	8,411,765			
Total Unrestricted Investments	\$ 12,656,482			

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

<u>Investments</u>	<u>Total</u>	2021 Fair Value Measurements at Reporting Date Using the <u>Above</u> Criteria		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
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	<u>\$ 12,525,603</u>			

**NOTE 6 LONG-TERM DEBT**

At December 31, 2022 and 2021, long-term debt consisted of the following:

	<u>2022</u>	<u>2021</u>
<u>GUSC Energy</u>		
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.	\$ 8,411,765	\$ 9,053,223
Less: Current Portion of Long-Term Debt	<u>677,983</u>	<u>664,547</u>
Total Long-Term Debt	<u>\$ 7,733,782</u>	<u>\$ 8,388,676</u>

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

<u>Year</u>	<u>Amount</u>
2023	\$ 677,983
2024	689,943
2025	702,115
2026	714,501
2027	727,105
Thereafter	<u>4,900,118</u>
Total	<u>\$ 8,411,765</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, 2022 and 2021, GUSC Energy was in compliance with the covenants.