GRIFFISS UTILITY
SERVICES CORPORATION
AND SUBSIDIARY

For the Year Ended
December 31, 2023

CONSOLIDATED
FINANCIAL STATEMENTS
AND CONSOLIDATING
SCHEDULES

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

TABLE OF CONTENTS

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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, 2023 and 2022, 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, 2023 and 2022, 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 consolidated 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 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 consolidated 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, no such opinion is expressed.
- 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 20, 2024

Utica, New York

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	$ 8,923,201	$ 6,453,492
Accounts Receivable, Net	881,794	1,361,892
Grants Receivable	0	172,339
Prepaid Expenses	62,874	89,848
Investments	14,084,518	12,656,482
Total Current Assets	23,952,387	20,734,053
Property		
Land, Buildings, and Improvements	37,309,336	37,309,336
Distribution Lines	22,050,363	21,700,462
Vehicles and Equipment	10,340,818	10,255,016
Fuel Tanks	1,406,546	1,406,546
Office Furnishings	48,200	48,200
Construction in Progress	98,465	45,001
Total Property	71,253,728	70,764,561
Accumulated Depreciation	(42,233,367)	(40,173,773)
Net Property	29,020,361	30,590,788
Other Assets		
Restricted Investments	7,967,204	8,411,765
Deposits Held with NYISO	1,114,388	1,061,228
Cash Surrender Value	737,752	677,176
Total Other Assets	9,819,344	10,150,169
Total Assets	$ 62,792,092	$ 61,475,010
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 588,397	$ 817,122
Current Portion of Long-Term Debt	407,798	677,983
Deposits	183,960	183,912
Total Current Liabilities	1,180,155	1,679,017
Noncurrent Liabilities		
Deferred Compensation	474,098	413,325
Deferred Tax Liability	3,727,272	3,517,254
Long-Term Debt, Net	7,559,406	7,733,782
Total Noncurrent Liabilities	11,760,776	11,664,361
Net Assets		
Net Assets without Donor Restrictions		
Parent Organization		
Board Designated Reserves	862,684	862,684
Undesignated	56,006,361	53,926,352
Subsidiary		
Accumulated Deficit	(7,017,884)	(6,657,404)
Total Net Assets	49,851,161	48,131,632
Total Liabilities and Net Assets	$ 62,792,092	$ 61,475,010

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, 2023 and 2022

	2023	2022
Revenues and Investment Income or Loss		
Steam Revenue Charges	$ 2,124,820	$ 2,356,992
Electricity Distribution Charges	7,685,381	9,795,256
Interest Income	345,553	76,920
Investment Income (Loss), Net	983,475	(510,579)
Other Income	48,138	54,579
Total Revenues and Investment Income or Loss	11,187,367	11,773,168
Expenses		
Program Services		
Steam Heating Services	3,486,958	3,592,414
Electricity Distribution Services	4,615,579	7,172,940
Supporting Services		
Management and General	1,153,783	1,085,094
Total Expenses	9,256,320	11,850,448
Increase (Decrease) in Net Assets Before Other Changes	1,931,047	(77,280)
Other Changes		
Capital Grants	0	10,101
(Provision for) Taxes	(211,518)	(211,718)
Increase (Decrease) in Net Assets	1,719,529	(278,897)
Net Assets, Beginning of Year	48,131,632	48,410,529
Net Assets, End of Year	$ 49,851,161	$ 48,131,632

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023
(With Comparative Totals For the Year Ended December 31, 2022)

	Program Services		Supporting Services	Total	
	Steam Heating Services	Electricity Distribution Services	Management and General	2023	2022
Salaries	$ 644,291	$ 433,899	$ 529,162	$ 1,607,352	$ 1,641,051
Employee Benefits	231,682	102,067	185,251	519,000	494,814
Payroll Taxes	49,770	29,667	36,420	115,857	118,838
Wood Chips	481,897	0	0	481,897	615,124
Natural Gas	122,415	0	0	122,415	79,044
Purchased Electricity	0	3,067,695	0	3,067,695	5,655,629
Electrical Surcharges	0	125,379	0	125,379	126,720
Professional Services	20,246	20,246	107,925	148,417	148,300
Information Technology	365	3,118	10,792	14,275	4,688
Occupancy	51,186	12,819	12,888	76,893	68,569
Contracted Services	97,912	3,374	49,387	150,673	96,144
Insurance	96,623	42,672	39,223	178,518	168,108
Office Expenses	14,572	26,621	63,521	104,714	61,392
Service Fees	0	0	15,000	15,000	15,000
Travel	12,502	26,730	30,318	69,550	57,544
Repairs and Maintenance	92,574	63,436	7,317	163,327	155,749
Environmental Expense	18,547	0	0	18,547	15,903
Depreciation	1,361,993	647,427	50,174	2,059,594	2,065,036
Interest Expense	144,926	0	0	144,926	154,497
Operating Supplies	12,188	3,111	300	15,599	30,283
Water Treatment	22,944	0	0	22,944	28,217
Other Expenses	10,325	7,318	16,105	33,748	49,798
Total Functional Expenses	$ 3,486,958	$ 4,615,579	$ 1,153,783	$ 9,256,320	$ 11,850,448

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services		Supporting Services	
	Steam Heating Services	Electricity Distribution Services	Management and General	Total
Salaries	$ 740,855	$ 401,147	$ 499,049	$ 1,641,051
Employee Benefits	213,521	100,041	181,252	494,814
Payroll Taxes	56,676	27,701	34,461	118,838
Wood Chips	615,124	0	0	615,124
Natural Gas	79,044	0	0	79,044
Purchased Electricity	0	5,655,629	0	5,655,629
Electrical Surcharges	0	126,720	0	126,720
Professional Services	20,816	20,816	106,668	148,300
Information Technology	1,421	0	3,267	4,688
Occupancy	33,381	1,050	34,138	68,569
Contracted Services	62,196	12,314	21,634	96,144
Insurance	89,177	39,408	39,523	168,108
Office Expenses	4,047	10,393	46,952	61,392
Service Fees	0	0	15,000	15,000
Travel	17,715	19,241	20,588	57,544
Repairs and Maintenance	53,501	95,061	7,187	155,749
Environmental Expense	15,572	0	331	15,903
Depreciation	1,357,370	656,402	51,264	2,065,036
Interest Expense	154,497	0	0	154,497
Operating Supplies	27,778	2,505	0	30,283
Water Treatment	28,217	0	0	28,217
Other Expenses	21,506	4,512	23,780	49,798
Total Functional Expenses	$ 3,592,414	$ 7,172,940	$ 1,085,094	$ 11,850,448

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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	$ 1,719,529	$ (278,897)
Adjustment for Noncash Transactions		
Depreciation	2,059,594	2,065,036
Unrealized and Realized (Gains) Losses on Investments	(470,844)	714,197
Deferred Taxes	210,018	210,194
Deferred Compensation	60,773	56,797
(Increase) Decrease in Assets		
Accounts Receivable	480,098	89,609
Grants Receivable	172,339	(8,800)
Prepaid Expenses	26,974	(34,705)
Deposits Held with NYISO	(53,160)	(15,884)
Cash Surrender Value	(60,576)	(58,545)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(228,725)	130,149
Deposits	48	(19,674)
Net Cash Provided by Operating Activities	3,916,068	2,849,477
Cash Flows from Investing Activities		
Reinvested Interest	(512,631)	(203,618)
Capital Expenditures	(489,167)	(110,402)
Net Cash (Used) by Investing Activities	(1,001,798)	(314,020)
Cash Flows from Financing Activities		
Payment of Long-Term Debt	(444,561)	(641,458)
Net Cash (Used) by Financing Activities	(444,561)	(641,458)
Net Increase in Cash and Cash Equivalents	2,469,709	1,893,999
Cash and Cash Equivalents, Beginning of Year	6,453,492	4,559,493
Cash and Cash Equivalents, End of Year	$ 8,923,201	$ 6,453,492

Supplemental Cash Flow Disclosures

	2023	2022
Cash Paid During the Year for:		
Interest	$ 145,368	$ 155,326
Income Taxes	$ 1,500	$ 1,500

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, 2023 and 2022.

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. GUSC received approximately 35.2% and 36.0% of these revenue sources from two customers for the years ended December 31, 2023 and 2022, respectively. GUSC is also sensitive to the market conditions of electric and 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)

Receivables

For the year ended December 31, 2022, a provision was established for receivables which may ultimately prove to be uncollectible. The basis for the provision was an analysis of current accounts. The allowance for doubtful accounts was $30,000 for the year ended December 31, 2022.

On January 1, 2023, GUSC adopted the Financial Accounting Standards Board Accounting Standards Update 2016-13 (ASU 2016-13), *Financial Instruments – Credit Losses (Topic 326) (CECL).* Accounts receivable primarily consists of amounts billed to customers for steam and electric energy charges. These receivables are now presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. GUSC separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, GUSC develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. At December 31, 2023, GUSC increased its historical loss rates for each aging category by 10% due to forecasted revenue budget increases, rising inflation and other economic indicators that may affect customers. As a result of the analysis, management determined no changes were necessary to the existing balance in implementing the new standard.

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023 under the CECL methodology:

Balance, December 31, 2022	$ 30,000
Impact of the adoption of the new credit loss standard	0
Provisions	0
Write-offs, net of recoveries	0
Balance, December 31, 2023	$ 30,000

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $737,752 and $677,176 at December 31, 2023 and 2022, 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.

The timing of revenue recognition, billings, and cash collections noted above results in billed accounts receivable. GUSC does not have unbilled receivables (contract assets) or deferred revenue (contract liabilities). Amounts are billed upon completion of the service, generally at the time of revenue recognition.

The beginning and ending receivable balances at December 31, were as follows:

	2023	2022	2021
Accounts Receivable			
Customer Accounts Receivable, Net	$ 881,794	$ 1,361,892	$ 1,442,701

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. Intercompany transactions are eliminated in the Statement of Activities.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Adoption of New Accounting Standard

On January 1, 2023, GUSC adopted the Financial Accounting Standards Board Accounting Standards Update 2016-13 (ASU 2016-13), *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This update requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

Adoption of ASU 2016-13 did not have a material financial effect on the consolidated financial statements. However, the additional disclosure requirements are included in the accounting policy in Note 1.

NOTE 2 LIQUIDITY AND AVAILABILITY OF FUNDS

At December 31, 2023, GUSC and its subsidiaries have $23,026,829 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 $8,923,201, receivables of $881,794, and investments of $14,084,518, less $862,684 set aside for board designated reserves (see Note 12). At December 31, 2022, GUSC and its subsidiaries had $19,781,521 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 $6,453,492, receivables of $1,534,231, and investments of $12,656,482, 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 and its subsidiaries have 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 $881,794 and $1,353,092 at December 31, 2023 and 2022, 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, 2023 and 2022 are comprised of the following:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Invested Cash	$ 217,489	$ 217,489	$ 213,417	$ 213,417
Certificates of Deposit	1,068,528	1,068,528	1,058,207	1,058,207
U.S. Government and Agency Debt Securities	0	0	253,583	256,024
Corporate Debt	21,063,767	20,765,705	20,307,529	19,540,599
Total Investments	$ 22,349,784	22,051,722	$ 21,832,736	21,068,247
Less: Restricted Investments		7,967,204		8,411,765
Total Unrestricted Investments		$ 14,084,518		$ 12,656,482

NOTE 4 INVESTMENTS (Continued)

The following summarizes net investment return for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and Dividends	$ 552,777	$ 242,763
Unrealized Gain (Loss)	466,427	(712,464)
Realized Gain (Loss)	4,417	(1,733)
Investment Fees	(40,146)	(39,145)
Investment Gain (Loss), Net	$ 983,475	$ (510,579)

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.

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, 2023 and 2022.

Invested Cash: Valued at cost which approximates fair value.

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

NOTE 5 FAIR VALUE MEASUREMENTS (Continued)

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, 2023 and 2022:

		2023 Fair Value Measurements at Reporting Date Using the Above Criteria		
Investments	Total	(Level 1)	(Level 2)	(Level 3)
Invested Cash	$ 217,489	$ 217,489	$ 0	$ 0
Certificates of Deposit	1,068,528	0	1,068,528	0
Corporate Debt	20,765,705	0	20,765,705	0
Total Investments	22,051,722	$ 217,489	$ 21,834,233	$ 0
Less: Restricted Investments	7,967,204			
Total Unrestricted Investments	$ 14,084,518			

		2022 Fair Value Measurements at Reporting Date Using the Above Criteria		
Investments	Total	(Level 1)	(Level 2)	(Level 3)
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			

NOTE 6 LONG-TERM DEBT

At December 31, 2023 and 2022, long-term debt consisted of the following:

	2023	2022
GUSC Energy		
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 $45,330, 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.	$ 7,967,204	$ 8,411,765
Less: Current Portion of Long-Term Debt	407,798	677,983
Total Long-Term Debt	$ 7,559,406	$ 7,733,782

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

Year	Amount
2023	$ 407,798
2024	414,992
2025	422,313
2026	429,763
2027	437,345
Thereafter	5,854,993
Total	$ 7,967,204

GUSC Energy's long-term debt agreements contain certain covenants, primarily a debt service ratio covenant. At each of the years ended December 31, 2023 and 2022, GUSC Energy was in compliance with the covenants.

Interest expense on the above debt for the years ended December 31, 2023 and 2022 was $144,926 and $154,497, 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, 2023 and 2022. The notes are unsecured and are required to be paid in interest-only monthly installments through December 31, 2025. 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:

	2023	2022
Balance, Beginning of Year	$ (6,657,404)	$ (6,061,031)
Net (Loss) of GUSC Energy Inc.	(360,480)	(596,373)
Balance, End of Year	$ (7,017,884)	$ (6,657,404)

NOTE 8 INCOME TAXES

Federal and state provision for taxes for GUSC Energy for the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Current Tax Expense		
New York State	$ 1,500	$ 1,524
Deferred Tax Expense		
Federal	162,725	162,861
New York State	47,293	47,333
Total Deferred Tax Expense	210,018	210,194
Total Provision for Taxes	$ 211,518	$ 211,718

The net deferred tax liability as of December 31, 2023 and 2022 is comprised of the following:

	2023	2022
Deferred Tax Asset		
Net Operating Loss Carryforward	$ 4,765,895	$ 4,512,564
Valuation Allowance	(4,765,895)	(4,512,564)
Deferred Tax Asset	0	0
Deferred Tax (Liability)		
Depreciation – Excess of Tax over Book	(3,727,272)	(3,517,254)
Net Deferred Tax (Liability)	$ (3,727,272)	$ (3,517,254)

The valuation allowance has experienced an increase of $253,331 and $321,139 for the years ended December 31, 2023 and 2022, respectively. Management has determined that the operating loss carryforward amounts will not be utilized prior to expiration.

As of December 31, 2023, 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.

NOTE 8 INCOME TAXES (Continued)

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
2042	1,114,350	1,112,850
2043	878,051	876,551
	$ 16,517,567	$ 16,493,403

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, 2023 and 2022 were $138,026 and $141,519, 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 2022, as authorized by the Board of Directors, to provide for an increased retirement benefit. GUSC recognized an expense of $60,773 and $56,797 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, GUSC remitted $125,379 and $126,720, 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, 2023:

	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 $1,744 and $5,336, respectively, for the years ended December 31, 2023 and 2022.

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, 2023 and 2022 were $316,639 and $349,066, respectively.

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2024, 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, 2023

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Assets					
Current Assets					
Cash and Cash Equivalents	$ 8,690,712	$ 232,489	$ 8,923,201	$ 0	$ 8,923,201
Accounts Receivable, Net	881,794	0	881,794	0	881,794
Due From Subsidiary	654,210	0	654,210	(654,210)	0
Prepaid Expenses	1,594,937	0	1,594,937	(1,532,063)	62,874
Investments	14,084,518	0	14,084,518	0	14,084,518
Total Current Assets	25,906,171	232,489	26,138,660	(2,186,273)	23,952,387
Property					
Land, Buildings, and Improvements	19,091,408	18,217,928	37,309,336	0	37,309,336
Distribution Lines	22,050,363	0	22,050,363	0	22,050,363
Vehicles and Equipment	10,332,943	7,875	10,340,818	0	10,340,818
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	98,465	0	98,465	0	98,465
Total Property	53,027,925	18,225,803	71,253,728	0	71,253,728
Accumulated Depreciation	(37,679,039)	(4,554,328)	(42,233,367)	0	(42,233,367)
Net Property	15,348,886	13,671,475	29,020,361	0	29,020,361
Other Assets					
Restricted Investments	7,967,204	0	7,967,204	0	7,967,204
Note Receivable - Subsidiary	6,000,000	0	6,000,000	(6,000,000)	0
Deposits Held with NYISO	1,114,388	0	1,114,388	0	1,114,388
Investment in Subsidiary	996,483	0	996,483	(996,483)	0
Cash Surrender Value	737,752	0	737,752	0	737,752
Total Other Assets	16,815,827	0	16,815,827	(6,996,483)	9,819,344
Total Assets	$ 58,070,884	$ 13,903,964	$ 71,974,848	$ (9,182,756)	$ 62,792,092
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable and Accrued Expenses	$ 543,781	$ 44,616	$ 588,397	$ 0	$ 588,397
Due to Parent	0	654,210	654,210	(654,210)	0
Current Portion of Long-Term Debt	0	407,798	407,798	0	407,798
Deferred Revenue	0	1,532,063	1,532,063	(1,532,063)	0
Deposits	183,960	0	183,960	0	183,960
Total Current Liabilities	727,741	2,638,687	3,366,428	(2,186,273)	1,180,155
Noncurrent Liabilities					
Deferred Compensation	474,098	0	474,098	0	474,098
Deferred Tax Liability	0	3,727,272	3,727,272	0	3,727,272
Long-Term Debt	0	13,559,406	13,559,406	(6,000,000)	7,559,406
Total Noncurrent Liabilities	474,098	17,286,678	17,760,776	(6,000,000)	11,760,776
Net Assets					
Net Assets without Donor Restrictions					
Board Designated Reserves	862,684	0	862,684	0	862,684
Undesignated	56,006,361	0	56,006,361	0	56,006,361
Paid-in-Capital	0	996,483	996,483	(996,483)	0
Accumulated Deficit	0	(7,017,884)	(7,017,884)	0	(7,017,884)
Total Net Assets	56,869,045	(6,021,401)	50,847,644	(996,483)	49,851,161
Total Liabilities and Net Assets	$ 58,070,884	$ 13,903,964	$ 71,974,848	$ (9,182,756)	$ 62,792,092

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2023

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Revenues and Investment Income					
Steam Revenue Charges	$ 2,124,820	$ 0	$ 2,124,820	$ 0	$ 2,124,820
Electricity Distribution Charges	7,829,231	0	7,829,231	(143,850)	7,685,381
Service Fees	0	2,471,507	2,471,507	(2,471,507)	0
Interest Income	525,553	0	525,553	(180,000)	345,553
Investment Income, Net	983,475	0	983,475	0	983,475
Administration Fees	120,000	0	120,000	(120,000)	0
Other Income	44,338	3,800	48,138	0	48,138
Total Revenues and Investment Income	11,627,417	2,475,307	14,102,724	(2,915,357)	11,187,367
Expenses					
Program Services					
Steam Heating Services	3,766,407	2,485,095	6,251,502	(2,764,544)	3,486,958
Electricity Distribution Services	4,646,392	0	4,646,392	(30,813)	4,615,579
Supporting Services					
Management and General	1,134,609	139,174	1,273,783	(120,000)	1,153,783
Total Expenses	9,547,408	2,624,269	12,171,677	(2,915,357)	9,256,320
Increase (Decrease) in Net Assets Before (Provision for) Taxes	2,080,009	(148,962)	1,931,047	0	1,931,047
(Provision for) Taxes	0	(211,518)	(211,518)	0	(211,518)
Increase (Decrease) in Net Assets	2,080,009	(360,480)	1,719,529	0	1,719,529
Net Assets (Deficit), Beginning of Year	54,789,036	(5,660,921)	49,128,115	(996,483)	48,131,632
Net Assets (Deficit), End of Year	$ 56,869,045	$ (6,021,401)	$ 50,847,644	$ (996,483)	$ 49,851,161

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2022

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Assets					
Current Assets					
Cash and Cash Equivalents	$ 6,270,514	$ 182,978	$ 6,453,492	$ 0	$ 6,453,492
Accounts Receivable, Net	1,353,092	8,800	1,361,892	0	1,361,892
Grants Receivable	172,339	0	172,339	0	172,339
Due From Subsidiary	533,523	0	533,523	(533,523)	0
Prepaid Expenses	1,517,574	0	1,517,574	(1,427,726)	89,848
Investments	12,656,482	0	12,656,482	0	12,656,482
Total Current Assets	22,503,524	191,778	22,695,302	(1,961,249)	20,734,053
Property					
Land, Buildings, and Improvements	19,091,408	18,217,928	37,309,336	0	37,309,336
Distribution Lines	21,700,462	0	21,700,462	0	21,700,462
Vehicles and Equipment	10,247,141	7,875	10,255,016	0	10,255,016
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	45,001	0	45,001	0	45,001
Total Property	52,538,758	18,225,803	70,764,561	0	70,764,561
Accumulated Depreciation	(36,075,681)	(4,098,092)	(40,173,773)	0	(40,173,773)
Net Property	16,463,077	14,127,711	30,590,788	0	30,590,788
Other Assets					
Restricted Investments	8,411,765	0	8,411,765	0	8,411,765
Note Receivable - Subsidiary	6,000,000	0	6,000,000	(6,000,000)	0
Deposits Held by NYISO	1,061,228	0	1,061,228	0	1,061,228
Investment in Subsidiary	996,483	0	996,483	(996,483)	0
Cash Surrender Value	677,176	0	677,176	0	677,176
Total Other Assets	17,146,652	0	17,146,652	(6,996,483)	10,150,169
Total Assets	$ 56,113,253	$ 14,319,489	$ 70,432,742	$ (8,957,732)	$ 61,475,010
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable and Accrued Expenses	$ 726,980	$ 90,142	$ 817,122	$ 0	$ 817,122
Due to Parent	0	533,523	533,523	(533,523)	0
Current Portion of Long-Term Debt	0	677,983	677,983	0	677,983
Deferred Revenue	0	1,427,726	1,427,726	(1,427,726)	0
Deposits	183,912	0	183,912	0	183,912
Total Current Liabilities	910,892	2,729,374	3,640,266	(1,961,249)	1,679,017
Noncurrent Liabilities					
Deferred Compensation	413,325	0	413,325	0	413,325
Deferred Tax Liability	0	3,517,254	3,517,254	0	3,517,254
Long-Term Debt	0	13,733,782	13,733,782	(6,000,000)	7,733,782
Total Noncurrent Liabilities	413,325	17,251,036	17,664,361	(6,000,000)	11,664,361
Net Assets					
Net Assets without Donor Restrictions					
Board Designated Reserves	862,684	0	862,684	0	862,684
Undesignated	53,926,352	0	53,926,352	0	53,926,352
Paid-in-Capital	0	996,483	996,483	(996,483)	0
Accumulated Deficit	0	(6,657,404)	(6,657,404)	0	(6,657,404)
Total Net Assets	54,789,036	(5,660,921)	49,128,115	(996,483)	48,131,632
Total Liabilities and Net Assets	$ 56,113,253	$ 14,319,489	$ 70,432,742	$ (8,957,732)	$ 61,475,010

See Independent Auditor's Report.

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2022

	GUSC	GUSC Energy Inc.	Combined Balance	Consolidation Elimination	Consolidated Balance
Revenues and Investment Loss					
Steam Revenue Charges	$ 2,356,992	$ 0	$ 2,356,992	$ 0	$ 2,356,992
Electricity Distribution Charges	9,922,132	0	9,922,132	(126,876)	9,795,256
Service Fees	0	2,440,694	2,440,694	(2,440,694)	0
Interest Income	256,920	0	256,920	(180,000)	76,920
Investment (Loss), Net	(510,579)	0	(510,579)	0	(510,579)
Administration Fees	120,000	0	120,000	(120,000)	0
Other Income	47,776	8,800	56,576	(1,997)	54,579
Total Revenues and Investment Loss	12,193,241	2,449,494	14,642,735	(2,869,567)	11,773,168
Expenses					
Program Services					
Steam Heating Services	3,654,113	2,687,868	6,341,981	(2,749,567)	3,592,414
Electricity Distribution Services	7,172,940	0	7,172,940	0	7,172,940
Supporting Services					
Management and General	1,058,813	146,281	1,205,094	(120,000)	1,085,094
Total Expenses	11,885,866	2,834,149	14,720,015	(2,869,567)	11,850,448
Increase (Decrease) in Net Assets Before Other Changes	307,375	(384,655)	(77,280)	0	(77,280)
Other Changes					
Capital Grants	10,101	0	10,101	0	10,101
(Provision for) Taxes	0	(211,718)	(211,718)	0	(211,718)
Increase (Decrease) in Net Assets	317,476	(596,373)	(278,897)	0	(278,897)
Net Assets (Deficit), Beginning of Year	54,471,560	(5,064,548)	49,407,012	(996,483)	48,410,529
Net Assets (Deficit), End of Year	$ 54,789,036	$ (5,660,921)	$ 49,128,115	$ (996,483)	$ 48,131,632