

**GREENPOINT MANUFACTURING AND  
DESIGN CENTER LOCAL DEVELOPMENT  
CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**DECEMBER 31, 2003 AND AUGUST 31, 2002**

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Greenpoint Manufacturing and Design Center  
Local Development Corporation and Subsidiaries

We have audited the accompanying consolidating statements of financial position of Greenpoint Manufacturing and Design Center Local Development Corporation (a not-for-profit corporation) and Subsidiaries as of December 31, 2003 and August 31, 2002, and the related consolidating statements of activities and cash flows for the sixteen month period and twelve month period, respectively, then ended. These consolidating financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidating financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Greenpoint Manufacturing and Design Center Local Development Corporation and Subsidiaries as of December 31, 2003 and August 31, 2002, and the changes in their consolidating net assets and their consolidating cash flows for the sixteen month period and twelve month period, respectively, then ended in conformity with U.S. generally accepted accounting principles.

*Lutz + Carr, LLP*

New York, New York  
February 23, 2004, except for Note 14, as  
to which the date is June 1, 2004

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**

	December 31, 2003					August 31, 2002				
	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entrees	2003 Consolidating Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entrees	2002 Consolidating Totals
<b>Assets</b>										
Current Assets										
Cash and cash equivalents (Notes 1c and 3)	\$ 579,537	\$ -	\$ 328,417	\$ -	\$ 907,954	\$ 1,380,107	\$ 4,247	\$ 15,873	\$ -	\$ 1,400,227
Certificate of deposit	-	-	216,870	-	216,870	-	-	213,607	-	213,607
Cash - restricted (Note 7)	200,000	-	-	-	200,000	60,000	-	-	-	60,000
Unconditional promises to give (Notes 1d and 4)										
Unrestricted	33,629	-	-	-	33,629	17,486	-	-	-	17,486
Restricted to future programs and periods	630,000	-	-	-	630,000	500,000	-	-	-	500,000
Accounts receivable	-	-	-	-	-	-	51,276	-	-	51,276
Rent and other miscellaneous receivables, net of allowance for doubtful accounts of \$19,600 in 2003	111,191	-	112,503	-	223,694	80,144	-	149,445	-	229,589
Assets held for sale, net of provision for loss (Note 13)	1,408,440	-	-	-	1,408,440	-	-	-	-	-
Inter-company receivables	-	-	4,791,093	(4,791,093)	-	135,000	-	5,812,883	(5,947,883)	-
Prepaid expenses and other current assets	123,275	-	6,658	-	129,933	164,697	-	111,715	-	276,412
<b>Total Current Assets</b>	<b>3,086,072</b>	<b>-</b>	<b>5,455,541</b>	<b>(4,791,093)</b>	<b>3,750,520</b>	<b>2,337,434</b>	<b>55,523</b>	<b>6,303,523</b>	<b>(5,947,883)</b>	<b>2,748,597</b>
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 5)	11,489,919	-	4,986,343	(2,499,530)	13,976,732	13,890,693	-	5,085,141	(2,604,651)	16,371,183
Construction in progress	345,402	-	273,160	-	618,562	467,669	-	251,260	-	718,929
Investment in Manhattan Ave. Holding Corp.	1,500,000	-	-	(1,500,000)	-	1,500,000	-	-	(1,500,000)	-
Investment in Brooklyn Waterfront Corporation	-	-	-	-	-	197,859	-	49,175	(247,034)	-
Security deposits	12,162	-	12,000	-	24,162	124,662	-	12,000	-	136,662
Obligation to satisfy contract requirements (Note 6)	-	-	221,195	(221,195)	-	-	-	221,195	(221,195)	-
<b>Total Assets</b>	<b>\$ 16,433,555</b>	<b>\$ -</b>	<b>\$10,948,239</b>	<b>\$ (9,011,818)</b>	<b>\$ 18,369,976</b>	<b>\$ 18,518,317</b>	<b>\$ 55,523</b>	<b>\$11,922,294</b>	<b>\$ (10,520,763)</b>	<b>\$ 19,975,371</b>

See notes to consolidating financial statements.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**

	December 31, 2003					August 31, 2002				
	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entrees	2003 Consolidating Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entrees	2002 Consolidating Totals
<b>Liabilities and Net Assets</b>										
Current Liabilities										
Loans payable (Note 7)	\$ 92,464	\$ -	\$ -	\$ -	\$ 92,464	\$ 59,831	\$ -	\$ -	\$ -	\$ 59,831
Mortgage payable (Note 8)	205,790	-	197,981	-	403,771	192,611	-	114,060	-	306,671
Accounts payable and accrued expenses	153,248	-	57,417	-	210,665	359,247	137,626	295,791	-	792,664
Accrued interest expense	-	-	-	-	-	3,802	-	-	-	3,802
Inter-company payable	4,791,093	-	-	(4,791,093)	-	5,812,883	-	135,000	(5,947,883)	-
Total Current Liabilities	<u>5,242,595</u>	<u>-</u>	<u>255,398</u>	<u>(4,791,093)</u>	<u>706,900</u>	<u>6,428,374</u>	<u>137,626</u>	<u>544,851</u>	<u>(5,947,883)</u>	<u>1,162,968</u>
Loans payable (Note 7)	1,374,480	-	-	-	1,374,480	1,412,400	-	-	-	1,412,400
Mortgages payable (Note 8)	6,718,093	-	9,291,681	-	16,009,774	7,040,197	-	9,592,921	-	16,633,118
Deferred revenue	-	-	-	-	-	5,408	-	-	-	5,408
Insurance recovery (Note 11)	-	-	-	-	-	-	-	277,063	-	277,063
Tenant security deposits	358,632	-	147,080	-	505,712	468,470	-	97,392	-	565,862
Obligation to MAHC sales contract (Note 6)	221,195	-	-	(221,195)	-	221,195	-	-	(221,195)	-
Total Liabilities	<u>13,914,995</u>	<u>-</u>	<u>9,694,159</u>	<u>(5,012,288)</u>	<u>18,596,866</u>	<u>15,576,044</u>	<u>137,626</u>	<u>10,512,227</u>	<u>(6,169,078)</u>	<u>20,056,819</u>
Commitments and Contingencies (Note 9)										
Net Assets										
Unrestricted (Deficit)	1,298,958	(299,856)	(245,920)	(2,199,674)	(1,446,492)	2,067,273	(329,137)	(89,933)	(2,604,651)	(956,448)
Temporarily restricted (Note 2)	1,219,602	-	-	-	1,219,602	875,000	-	-	-	875,000
Common stock, no par, 100% issued and outstanding	-	-	-	-	-	-	-	-	-	-
Additional paid-in-capital	-	299,856	1,500,000	(1,799,856)	-	-	247,034	1,500,000	(1,747,034)	-
Total Net Assets	<u>2,518,560</u>	<u>-</u>	<u>1,254,080</u>	<u>(3,999,530)</u>	<u>(226,890)</u>	<u>2,942,273</u>	<u>(82,103)</u>	<u>1,410,067</u>	<u>(4,351,685)</u>	<u>(81,448)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 16,433,555</u>	<u>\$ -</u>	<u>\$10,948,239</u>	<u>\$ (9,011,818)</u>	<u>\$ 18,369,976</u>	<u>\$ 18,518,317</u>	<u>\$ 55,523</u>	<u>\$11,922,294</u>	<u>\$ (10,520,763)</u>	<u>\$ 19,975,371</u>

See notes to consolidating financial statements.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES**

	Sixteen Month Period Ended December 31, 2003					Twelve Month Period Ended August 31, 2002						
	Greenpoint Manufacturing and Design Center Local Development Corporation		Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entries	2003 Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation		Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entries	2002 Consolidated Totals
	Unrestricted	Temporarily Restricted					Unrestricted	Temporarily Restricted				
<b>Changes in Net Assets</b>												
Revenue and Other Support												
Rental income (Note 9b)	\$ 2,271,320	\$ -	\$ -	\$ 1,971,226	\$ -	\$ 4,242,546	\$ 1,549,324	\$ -	\$ -	\$ 1,275,305	\$ -	\$ 2,824,629
Electric income (net of credits)	130,423	-	-	275,284	-	405,707	77,461	-	-	174,286	-	251,747
Administrative & consulting fees	750,000	-	-	-	(640,000)	110,000	206,574	-	-	-	(120,000)	86,574
Contributions	691,750	419,602	-	-	-	1,111,352	275,786	800,000	-	-	-	1,075,786
Interest income	38,018	-	-	3,395	-	41,413	47,206	-	-	5,353	-	52,559
Miscellaneous income	18,916	-	-	1,550	-	20,466	-	-	-	-	-	-
Net assets released from restrictions												
Satisfaction of time and program restrictions	75,000	(75,000)	-	-	-	-	888,649	(888,649)	-	-	-	-
<b>Total Revenue and Other Support</b>	<b>3,975,427</b>	<b>344,602</b>	<b>-</b>	<b>2,251,455</b>	<b>(640,000)</b>	<b>5,931,484</b>	<b>3,045,000</b>	<b>(88,649)</b>	<b>-</b>	<b>1,454,944</b>	<b>(120,000)</b>	<b>4,291,295</b>
Expenses												
Program Service												
Rental and project development	3,487,953	-	-	2,614,009	(745,121)	5,356,841	2,708,561	-	-	1,495,486	(225,121)	3,978,926
Supporting Services												
Management and general	488,858	-	-	-	-	488,858	652,378	-	-	-	-	652,378
Fundraising	200,181	-	-	-	-	200,181	117,724	-	-	-	-	117,724
Total Supporting Services	689,039	-	-	-	-	689,039	770,102	-	-	-	-	770,102
<b>Total Expenses</b>	<b>4,176,992</b>	<b>-</b>	<b>-</b>	<b>2,614,009</b>	<b>(745,121)</b>	<b>6,045,880</b>	<b>3,478,663</b>	<b>-</b>	<b>-</b>	<b>1,495,486</b>	<b>(225,121)</b>	<b>4,749,028</b>
Increase (decrease) in net assets, prior to items below	(201,565)	344,602	-	(362,554)	105,121	(114,396)	(433,663)	(88,649)	-	(40,542)	105,121	(457,733)
Litigation settlements (Note 10)	-	-	-	-	-	-	(1,100,000)	-	-	-	-	(1,100,000)
Insurance proceeds (Note 11)	-	-	-	256,544	-	256,544	-	-	-	-	-	-
Income from discontinued operations (Note 12)	(249,879)	-	29,281	(49,977)	299,856	29,281	(1,159,335)	-	275,294	(25,199)	-	(909,240)
Provision for loss on assets held for sale (Note 13)	(316,871)	-	-	-	-	(316,871)	-	-	-	-	-	-
Increase (decrease) in net assets	(768,315)	344,602	29,281	(155,987)	404,977	(145,442)	(2,692,998)	(88,649)	275,294	(65,741)	105,121	(2,466,973)
Net assets, beginning of year	2,067,273	875,000	(329,137)	(89,933)	(2,604,651)	(81,448)	4,760,271	963,649	(604,431)	(24,192)	(2,709,772)	2,385,525
<b>Net Assets, End of Year</b>	<b>\$ 1,298,958</b>	<b>\$ 1,219,602</b>	<b>\$ (299,856)</b>	<b>\$ (245,920)</b>	<b>\$ (2,199,674)</b>	<b>\$ (226,890)</b>	<b>\$ 2,067,273</b>	<b>\$ 875,000</b>	<b>\$ (329,137)</b>	<b>\$ (89,933)</b>	<b>\$ (2,604,651)</b>	<b>\$ (81,448)</b>

See notes to consolidating financial statements.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF CASH FLOWS**

**Sixteen Month Period Ended December 31, 2003**

**Twelve Month Period Ended August 31, 2002**

	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>Brooklyn Waterfront Corporation (d/b/a Spacecraft)</b>	<b>Manhattan Avenue Holding Corporation</b>	<b>Consolidated Entrees</b>	<b>2003 Consolidated Totals</b>	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>Brooklyn Waterfront Corporation (d/b/a Spacecraft)</b>	<b>Manhattan Avenue Holding Corporation</b>	<b>Consolidated Entrees</b>	<b>2002 Consolidated Totals</b>
<b>Cash Flows From Operating Activities</b>										
Change in net assets	\$ (423,713)	\$ 29,281	\$ (155,987)	\$ 404,977	\$ (145,442)	\$ (2,781,647)	\$ 275,294	\$ (65,741)	\$ 105,121	\$ (2,466,973)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:										
Depreciation and amortization	926,587	-	280,793	(105,121)	1,102,259	791,879	48,398	268,810	(105,121)	1,003,966
Allowance for doubtful accounts	19,600	-	-	-	19,600	-	-	-	-	-
Provision for loss on assets held for sale	316,871	-	-	-	316,871	-	-	-	-	-
Loss on sale of assets	-	-	-	-	-	-	188,998	-	-	188,998
(Increase) decrease in assets:										
Unconditional promises to give	(146,143)	-	-	-	(146,143)	665,514	-	-	-	665,514
Inventory	-	-	-	-	-	-	165,450	-	-	165,450
Accounts receivable	-	51,276	-	-	51,276	-	99,333	-	-	99,333
Rent and other miscellaneous receivables	(70,927)	-	36,943	-	(33,984)	(32,590)	-	(132,174)	-	(164,764)
Inter-company receivables	135,000	-	1,021,790	(1,156,790)	-	1,119,335	-	(5,349,621)	4,230,286	-
Prepaid expenses and other current assets	41,422	-	105,057	-	146,479	(66,165)	63,263	16,419	-	13,517
Security deposits	(7,500)	-	-	-	(7,500)	243	-	-	-	243
Increase (decrease) in liabilities:										
Accounts payable and accrued expenses	(205,999)	(137,626)	(238,374)	-	(581,999)	214,037	85,413	219,177	-	518,627
Accrued interest expense	(3,802)	-	-	-	(3,802)	(41,483)	-	-	-	(41,483)
Inter-company payable	(1,021,790)	-	(135,000)	1,156,790	-	5,374,821	(1,184,535)	40,000	(4,230,286)	-
Insurance recovery	-	-	(277,063)	-	(277,063)	-	-	277,063	-	277,063
Deferred revenue	(5,408)	-	-	-	(5,408)	5,408	-	-	-	5,408
Tenant Security deposits	21,129	-	49,688	-	70,817	3,852	-	956	-	4,808
Net Cash Provided (Used) By Operating Activities	<u>(424,673)</u>	<u>(57,069)</u>	<u>687,847</u>	<u>299,856</u>	<u>505,961</u>	<u>5,253,204</u>	<u>(258,386)</u>	<u>(4,725,111)</u>	<u>-</u>	<u>269,707</u>
<b>Cash Flows From Investing Activities</b>										
Purchase of buildings, equipment and renovations	(122,719)	-	(203,896)	-	(326,615)	(960,799)	-	(734,112)	-	(1,694,911)
Purchase of certificate of deposit	-	-	(3,263)	-	(3,263)	-	-	(213,607)	-	(213,607)
Notes issued	-	-	-	-	-	(3,753)	-	-	-	(3,753)
Repayment of notes	3,175	-	-	-	3,175	1,625	-	-	-	1,625
Investment in Brooklyn Waterfront Corporation	197,859	52,822	49,175	(299,856)	-	(197,859)	247,034	(49,175)	-	-
Net Cash Provided (Used) By Investing Activities	<u>78,315</u>	<u>52,822</u>	<u>(157,984)</u>	<u>(299,856)</u>	<u>(326,703)</u>	<u>(1,160,786)</u>	<u>247,034</u>	<u>(996,894)</u>	<u>-</u>	<u>(1,910,646)</u>
<b>Cash Flows From Financing Activities</b>										
Proceeds from loans and mortgages	125,000	-	-	-	125,000	5,961,250	-	5,164,257	-	11,125,507
Principal repayments of loans and mortgages payable	(439,212)	-	(217,319)	-	(656,531)	(8,423,954)	(3,995)	(14,152)	-	(8,442,101)
Net change in payments for obligation to satisfy contract	-	-	-	-	-	(325,480)	-	325,480	-	-
Net Cash Provided (Used) By Financing Activities	<u>(314,212)</u>	<u>-</u>	<u>(217,319)</u>	<u>-</u>	<u>(531,531)</u>	<u>(2,788,184)</u>	<u>(3,995)</u>	<u>5,475,585</u>	<u>-</u>	<u>2,683,406</u>
Net increase (decrease) in cash and cash equivalents	(660,570)	(4,247)	312,544	-	(352,273)	1,304,234	(15,347)	(246,420)	-	1,042,467
Cash, beginning of year	1,440,107	4,247	15,873	-	1,460,227	135,873	19,594	262,293	-	417,760
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 779,537</u>	<u>\$ -</u>	<u>\$ 328,417</u>	<u>\$ -</u>	<u>\$ 1,107,954</u>	<u>\$ 1,440,107</u>	<u>\$ 4,247</u>	<u>\$ 15,873</u>	<u>\$ -</u>	<u>\$ 1,460,227</u>
<b>Supplemental Disclosures of Cash Flow Information</b>										
Cash payments for:										
Interest	\$ 623,286	\$ -	\$ 696,046	\$ -	\$ 1,319,332	\$ 588,315	\$ 64	\$ 513,025	\$ -	\$ 1,101,404
Income taxes	\$ -	\$ -	\$ 3,743	\$ -	\$ 3,743	\$ -	\$ -	\$ 2,102	\$ -	\$ 2,102

See notes to consolidating financial statements.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Nature of Organization

Greenpoint Manufacturing and Design Center Local Development Corporation (GMDC) was formed to conduct activities which are exclusively charitable, scientific and educational, including the charitable and public purposes of relieving and reducing unemployment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs. In this way, GMDC helps attract and retain industry in New York by providing physical space for manufacturers and by advocating on behalf of manufacturing in New York.

b - Principles of Consolidation

The accompanying consolidating financial statements include the accounts of the parent company, Greenpoint Manufacturing and Design Center Local Development Corporation, and its subsidiaries, Brooklyn Waterfront Manufacturing Corporation (doing business as Spacecraft) (BWC) and Manhattan Avenue Holding Corporation (MAHC). All significant inter-company accounts and transactions have been eliminated in consolidation.

Effective September 1, 2002, Civic Builders, Inc. was successfully spun off as a separate entity devoted to the development of Charter Schools. Therefore, the assets, liabilities and activities for this entity have not been included in the 2003 financial statements and have been removed from the August 31, 2002 financial statements for comparability purposes.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior year's experience and management's analysis of specific promises made.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

e - Property and Equipment

Buildings, leasehold improvements, equipment and furniture are recorded at cost and are depreciated or amortized on the straight-line basis over their estimated useful lives, which range from three to twenty-five years, or the life of the lease, if applicable, whichever is shorter. Donated items are capitalized at the estimated fair value at the date of contribution and are depreciated over their estimated useful lives.

f - Financial Statement Presentation

The Organization presents its financial statements as required by Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

g - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results could differ from those estimates.

h - Tax Status

Greenpoint Manufacturing and Design Center Local Development Corporation is a not-for-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

Brooklyn Waterfront Manufacturing Corporation (d/b/a Spacecraft) and Manhattan Avenue Holding Corporation are for-profit corporations. The Corporations' income taxes are computed in accordance with Statement of Financial Accounting Standards No. 109.

i - Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the program and supporting services benefited.

j - Change in Fiscal Year

Commencing September 1, 2002, the Organization elected to change its fiscal year from August 31 to December 31. Accordingly, the statement of activities for December 31, 2003 reflects a sixteen month period.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 2 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for the following purposes:

	<u>December 31, 2003</u>	<u>August 31, 2002</u>
Future programs	\$1,189,602	\$800,000
Future periods	<u>30,000</u>	<u>75,000</u>
	<u>\$1,219,602</u>	<u>\$875,000</u>

**Note 3 - Concentration of Credit Risk**

The Organization has deposits in local financial institutions in excess of the \$100,000 Federal Deposit Insurance Corporation limit. As of December 31, 2003, the Organization's uninsured cash and certificate of deposit totaled approximately \$1,033,000, including approximately \$603,000 in money market accounts and a certificate of deposit.

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are due in less than one year. Uncollectible promises are expected to be insignificant.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 5 - Property and Equipment**

A summary of property and equipment at is as follows:

<b>December 31, 2003</b>						
	<b>Life</b>	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>Brooklyn Waterfront Corporation (d/b/a Spacecraft)</b>	<b>Manhattan Avenue Holding Corporation</b>	<b>Consolidating Entries</b>	<b>Consolidated Totals</b>
Land		\$ 524,475	\$ -	\$ 580,500	\$ -	\$ 1,104,975
Buildings	25 years	7,585,525	-	4,396,198	(2,920,014)	9,061,709
Furniture and Equipment	3-5 years	279,936	-	-	-	279,936
Leasehold Improvements	25 years	4,735,000	-	672,546	-	5,407,546
Loan Commitment Fee/Closing Costs	7 years	63,680	-	173,249	-	236,929
Leasing commissions	5 years	81,257	-	-	-	81,257
		<u>13,269,873</u>	<u>-</u>	<u>5,822,493</u>	<u>(2,920,014)</u>	<u>16,172,352</u>
Less: Accumulated depreciation and amortization		<u>1,779,954</u>	<u>-</u>	<u>836,150</u>	<u>(420,484)</u>	<u>2,195,620</u>
		<u>\$11,489,919</u>	<u>\$ -</u>	<u>\$4,986,343</u>	<u>\$(2,499,530)</u>	<u>\$13,976,732</u>
<b>August 31, 2002</b>						
	<b>Life</b>	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>Brooklyn Waterfront Corporation (d/b/a Spacecraft)</b>	<b>Manhattan Avenue Holding Corporation</b>	<b>Consolidating Entries</b>	<b>Consolidated Totals</b>
Land		\$ 524,475	\$ -	\$ 580,500	\$ -	\$ 1,104,975
Buildings	25 years	7,585,525	-	4,396,198	(2,920,014)	9,061,709
Furniture and Equipment	3-5 years	280,949	-	-	-	280,949
Leasehold Improvements	25 years	6,648,454	-	490,551	-	7,139,005
Loan Commitment Fee/Closing Costs	7 years	63,680	-	173,249	-	236,929
Leasing commissions	5 years	94,324	-	-	-	94,324
		<u>15,197,407</u>	<u>-</u>	<u>5,640,498</u>	<u>(2,920,014)</u>	<u>17,917,891</u>
Less: Accumulated depreciation and amortization		<u>1,306,714</u>	<u>-</u>	<u>555,357</u>	<u>(315,363)</u>	<u>1,546,708</u>
		<u>\$13,890,693</u>	<u>\$ -</u>	<u>\$5,085,141</u>	<u>\$(2,604,651)</u>	<u>\$16,371,183</u>

Depreciation and amortization expense for the sixteen month period ended December 31, 2003 and the twelve month period ended August 31, 2002 was \$1,102,259 and \$1,003,966, respectively.

At December 31, 2003, certain assets have been reclassified as assets held for sale on the statement of financial position (see Note 13).

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 6 - Obligation to Satisfy Contract Requirements**

As part of MAHC's acquisition of 1155 Manhattan Avenue from GMDC, GMDC is required to complete certain renovations to the building under the contract of sale with the City of New York.

**Note 7- Loans Payable**

Loans payable consisted of the following:

	<u>Greenpoint Manufacturing and Design Center Local Development Corporation</u>	<u>Brooklyn Waterfront Corporation (d/b/a Spacecraft)</u>	<u>Manhattan Avenue Holding Corporation</u>	<u>December 31, 2003 Total</u>	<u>August 31, 2002 Total</u>
Note payable, bearing interest at 2.5% per annum, requiring semi-annual principal payments ranging from \$25,000 to \$150,000 until September 30, 2005. Secured by a \$200,000 collateral account.	\$ 349,688	\$ -	\$ -	\$ 349,688	\$ 425,000
Note payable, consisting of a bridge loan of \$500,000 (repaid at maturity during November 2001), and a mini-permanent loan of \$500,000 to be paid in monthly installments of interest at 6% and principal of \$3,222 through April 2007, when the outstanding principal amount is due.	474,183	-	-	474,183	487,231
Loan payable (recoverable grant) totaling \$85,000. Loan is non-interest bearing, with a repayment of \$20,000 due November 15, 2004 and a \$25,000 repayment due October 14, 2006.	45,000	-	-	45,000	60,000
Loan payable, interest at 4% per annum due quarterly, beginning July 1, 2002 through the maturity date of May 10, 2005, when the principal is due to be paid in one installment.	500,000	-	-	500,000	500,000
Loan payable, to be paid in monthly installments of interest at 6% and principal of \$1,461, beginning December 1, 2003 through the maturity date of December 1, 2010.	<u>98,073</u>	<u>-</u>	<u>-</u>	<u>98,073</u>	<u>-</u>
Total Payable Amount	1,466,944	-	-	1,466,944	1,472,231
Less: Current portion	<u>92,464</u>	<u>-</u>	<u>-</u>	<u>92,464</u>	<u>59,831</u>
Long-Term Portion	<u>\$1,374,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,374,480</u>	<u>\$1,412,400</u>

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 7 - Loans Payable (continued)**

Principal payments due within the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$ 92,464
2005	823,537
2006	50,321
2007	455,050
2008	15,210

**Note 8 - Mortgages Payable**

Mortgages payable consisted of the following:

Mortgage loan for the property located at 132 Harrison Place, payable in monthly installments of \$15,021 applied first to interest at prime and the balance to principal, followed by a final payment of all outstanding principal plus accrued interest on March 1, 2007. The mortgage loan contains two renewal terms that can extend the term of the mortgage to February 1, 2017.

Mortgage loan, entered into February 1, 2002 in the amount of \$1,031,250 for the property located at 7 St. Nicholas Avenue. Monthly payments of interest only accruing at the prime rate to be paid until February 1, 2003. Thereafter, monthly installments of \$6,345 applied first to interest at prime and the balance to principal are due, followed by a final payment of all outstanding principal plus accrued interest on March 1, 2008. The mortgage loan contains two renewal terms that can extend the term of the mortgage to February 1, 2018.

Sub-total (carried forward)

<u>Greenpoint Manufacturing and Design Center Local Development Corporation</u>	<u>Brooklyn Waterfront Corporation (d/b/a Spacecraft)</u>	<u>Manhattan Avenue Holding Corporation</u>	<u>December 31, 2003 Total</u>	<u>August 31, 2002 Total</u>
\$2,086,933	\$ -	\$ -	\$2,086,933	\$2,136,870
<u>1,008,009</u>	<u>-</u>	<u>-</u>	<u>1,008,009</u>	<u>1,031,250</u>
<u>\$3,094,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,094,942</u>	<u>\$3,168,120</u>

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 8 - Mortgages Payable (continued)**

	<b>Greenpoint Manufacturing and Design Center Local Development Corporation</b>	<b>Brooklyn Waterfront Corporation (d/b/a Spacecraft)</b>	<b>Manhattan Avenue Holding Corporation</b>	<b>December 31, 2003 Total</b>	<b>August 31, 2002 Total</b>
Sub-total (brought forward)	\$3,094,942	\$ -	\$ -	\$ 3,094,942	\$ 3,168,120
Second mortgage payable, secured by the property located at 7 St. Nicholas Avenue (see Note 10a), due in monthly installments of principal of \$6,771 beginning July 2002 through May 2003. Thereafter, monthly principal payments of \$6,176 plus interest at the prime rate are due through the maturity date of April 30, 2010. The note is subordinate to the mortgage loan described above.	471,354	-	-	471,354	629,688
Mortgage loan, entered into February 11, 2002 in the amount of \$3,435,000 for the property located at 810 Humboldt. Monthly payments of interest only accruing at the prime rate to be paid until February 1, 2003. Thereafter, monthly installments of \$21,135 applied first to interest at prime and the balance to principal are due, followed by a final payment of all outstanding principal plus accrued interest on March 1, 2008. The mortgage loan contains two renewal terms that can extend the term of the mortgage to February 1, 2018.	3,357,587	-	-	3,357,587	3,435,000
Mortgage loan, entered into November 16, 2001 in the amount of \$9,708,750 for the property located at 1155 Manhattan Avenue. Monthly payments of interest only accruing at the prime rate to be paid until November 1, 2002. Thereafter, monthly installments of \$59,736 applied first to interest at prime and the balance to principal are due, followed by a final payment of all outstanding principal plus accrued interest on December 1, 2007. The mortgage loan contains two renewal terms that can extend the term of the mortgage to December 1, 2017.	<u>-</u>	<u>-</u>	<u>9,489,662</u>	<u>9,489,662</u>	<u>9,706,981</u>
Total mortgages payable	6,923,883	-	9,489,662	16,413,545	16,939,789
Less: Current portion	<u>205,790</u>	<u>-</u>	<u>197,981</u>	<u>403,771</u>	<u>306,671</u>
Long-Term Portion	<u>\$6,718,093</u>	<u>\$ -</u>	<u>\$9,291,681</u>	<u>\$16,009,774</u>	<u>\$16,633,118</u>

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 8 - Mortgages Payable (continued)**

Principal payments due within the next five years are estimated as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$403,771
2005	422,965
2006	443,283
2007	464,790
2008	487,558

Total interest expense on loans and mortgages for the sixteen month period ended December 31, 2003 and the twelve month period ended August 31, 2002 approximated \$1,319,000 and \$1,060,000, respectively.

**Note 9 - Commitments and Contingencies**

a - Government supported programs are subject to audit by the granting agency.

b - GMDC and MAHC receive rental income from tenants. The minimum annual rentals are as follows as of December 31, 2003:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$2,769,081
2005	2,760,997
2006	2,490,390
2007	2,423,420
2008	1,792,301

c - In May 2000, GMDC entered into a lease with New York City Industrial Development Agency (Agency) for the property located on Humboldt Street in Greenpoint. The lease provides for base rent of \$1, an acquisition cost of \$4,300,000, and that GMDC keep the Facility in good and safe operating order and condition as well as pay for all repairs, improvements, real estate taxes, insurance and any other necessary costs to maintain the premises. As of December 31, 2003, GMDC incurred approximately \$1,800,000 in construction costs for the Facility. The lease expires July 1, 2012.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 9 - Commitments and Contingencies (continued)**

- d - During the year ended August 31, 2001, GMDC received a \$1,000,000 recoverable grant. The grant's purpose was "to fund operations of GMDC related to the development of leasable manufacturing space". The grant is recoverable to the extent that GMDC has positive cash flow from the properties, after debt service. The repayment terms are based on percentages of the net cash flows, if any. If after 12 and half of years of receiving the grant, GMDC does not have positive cash flow; the grant is no longer recoverable. GMDC does not expect the properties to have positive cash flows and, accordingly, the \$1,000,000 is reflected as a contribution during the year ended August 31, 2001.

**Note 10 - Litigation Settlements**

- a - GMDC and BWC were defendants in an action brought by a BWC shareholder seeking unspecified damages and injunctive relief for alleged breach of contracts and violation of trademark rights and unfair competition based upon his alleged trademark rights in a furniture design. In May 2002, the parties signed a settlement agreement requiring GMDC to make an initial payment of \$400,000 and execute a \$650,000 second mortgage payable to the designer (see Note 8). The settlement agreement provided for a dismissal of the case and GMDC to become the beneficial owner of 100% of the shares of common stock of BWC (see Note 12).
- b - GMDC was a defendant in an action brought by a tenant seeking monetary damages for inventory destruction and personal injury arising out of the alleged presence of asbestos in the tenant's space. The parties signed a settlement agreement requiring GMDC to make a payment of \$50,000 for dismissal of the case. This amount has been included in the financial statements at August 31, 2002.

**Note 11 - Insurance Recovery**

On November 30, 2001, an explosion at MAHC's building caused damage to several tenant occupied facilities. As of December 31, 2003, MAHC has received \$256,544 of insurance proceeds in excess of related costs expended. The excess proceeds have been recorded as income in the statement of activities.

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATING NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**Note 12 - Discontinued Operations**

During the year ended August 31, 2002, management decided to discontinue the operations of BWC. Accordingly, GMDC's and MAHC's investments in and advances to BWC were written off.

**Note 13 - Assets Held for Sale**

On January 12, 2004, the Organization exercised its option to purchase the property located at 37 Greenpoint Avenue and immediately thereafter sold the property to an unaffiliated entity. The sale resulted in a loss of \$316,871, which has been included in the accompanying financial statements for the period ended December 31, 2003. At December 31, 2003, the assets held for sale of \$1,408,440 are primarily the net book value of leasehold improvements made to the property.

**Note 14 - Subsequent Event**

On June 1, 2004, MAHC merged with GMDC Two Inc., a new entity wholly owned by GMDC. GMDC Two Inc. intends to apply for tax exempt status under IRS Code Section 501(c)(4). This transaction will have no effect on GMDC or its subsidiaries.

## **ADDITIONAL INFORMATION**



**INDEPENDENT AUDITOR'S REPORT ON  
ADDITIONAL INFORMATION**

To the Board of Directors of  
Greenpoint Manufacturing and Design Center  
Local Development Corporation and Subsidiaries

Our report on our audits of the basic consolidating financial statements of Greenpoint Manufacturing and Design Center Local Development Corporation and subsidiaries for 2003 and 2002 appears on page 1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the sixteen month period ended December 31, 2003 with comparative totals for the twelve month period ended August 31, 2002 is presented for purposes of additional analysis and is not a required part of the basic consolidating financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidating financial statements taken as a whole.

*Lutz + Carr, LLP*

New York, New York  
February 23, 2004

**GREENPOINT MANUFACTURING AND DESIGN CENTER  
LOCAL DEVELOPMENT CORPORATION**

**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**

**SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2003 WITH COMPARATIVE  
TOTALS FOR THE TWELVE MONTH PERIOD ENDED AUGUST 31, 2002**

	Greenpoint Manufacturing and Design Center Local Development Corporation					Brooklyn Waterfront Corporation (d/b/a Spacecraft) Furniture Sales	Manhattan Avenue Holding Corporation Rental	Consolidating Entries	2003		Twelve Month Period Ended August, 31 2002		
	Program Service	Rental and Project Development	Supporting Services						Total Expenses	Consolidated Expenses	Consolidated Expenses	Total Expenses	Total Expenses
			Management and General	Fundraising	Total								
Salaries	\$ 651,444	\$ 81,431	\$ 81,431	\$ 162,862	\$ 814,306	\$ -	\$ 63,966	\$ -	\$ 878,272	\$ 722,902			
Payroll taxes and fringe benefits	172,043	21,506	21,506	43,012	215,055	-	22,030	-	237,085	184,017			
Professional fees	37,072	314,882	69,490	384,372	421,444	-	35,567	-	457,011	557,831			
Office expenses	29,381	3,673	3,673	7,346	36,727	-	1,155	-	37,882	89,068			
Postage and shipping	4,391	549	549	1,098	5,489	-	-	-	5,489	8,469			
Rent	489,695	-	-	-	489,695	-	-	-	489,695	319,736			
Advertising and marketing	3,004	-	-	-	3,004	-	-	-	3,004	1,366			
License and permits	5,763	-	-	-	5,763	-	2,506	-	8,269	1,225			
Dues and subscriptions	4,180	523	523	1,046	5,226	-	-	-	5,226	1,557			
Insurance	87,215	10,902	10,902	21,804	109,019	-	100,972	-	209,991	179,718			
Real estate taxes	171,035	-	-	-	171,035	-	147,903	-	318,938	185,694			
Utilities	167,737	-	-	-	167,737	-	289,297	-	457,034	318,097			
Phone and internet	34,482	4,308	4,308	8,616	43,098	-	-	-	43,098	2,063			
Repairs and Maintenance	55,750	-	-	-	55,750	-	231,255	-	287,005	115,027			
Penalties	-	12,882	-	12,882	12,882	-	1,050	-	13,932	6,480			
Equipment rental	-	-	-	-	-	-	-	-	-	5,449			
Uncollectible rent & electric	-	-	-	-	-	-	3,852	-	3,852	1,455			
Income taxes	-	-	-	-	-	-	3,292	-	3,292	6,442			
Filing fees	5,114	-	-	-	5,114	-	1,441	-	6,555	10,398			
Interest	623,286	-	-	-	623,286	-	696,046	-	1,319,332	1,059,857			
Depreciation	878,107	5,097	5,097	10,194	888,301	-	266,356	(105,121)	1,049,536	751,193			
Amortization	38,286	-	-	-	38,286	-	14,437	-	52,723	204,375			
Travel	3,098	388	388	776	3,874	-	-	-	3,874	2,001			
Security	8,351	-	-	-	8,351	-	73,693	-	82,044	-			
Bad debt	-	30,402	-	30,402	30,402	-	-	-	30,402	4,507			
Administrative fees	-	-	-	-	-	-	640,000	(640,000)	-	-			
Grants and gifts	-	-	-	-	-	-	-	-	-	500			
Miscellaneous	18,519	2,315	2,314	4,629	23,148	-	19,191	-	42,339	9,601			
<b>Total Expenses, 2003</b>	<b>\$ 3,487,953</b>	<b>\$ 488,858</b>	<b>\$ 200,181</b>	<b>\$ 689,039</b>	<b>\$4,176,992</b>	<b>\$ -</b>	<b>\$ 2,614,009</b>	<b>\$ (745,121)</b>	<b>\$ 6,045,880</b>				
<b>Total Expenses, 2002</b>	<b>\$ 2,708,561</b>	<b>\$ 652,378</b>	<b>\$ 117,724</b>	<b>\$ 770,102</b>	<b>\$3,478,663</b>	<b>\$ -</b>	<b>\$ 1,495,486</b>	<b>\$ (225,121)</b>		<b>\$ 4,749,028</b>			

See independent auditor's report on additional information.