

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

**CONSOLIDATING FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2004 AND 2003

**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, 2004 and 2003, and the related consolidating statements of activities and cash flows for the twelve month period and sixteen 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, 2004 and 2003, and the changes in their consolidating net assets and their consolidating cash flows for the twelve month period and sixteen month period, respectively, then ended in conformity with U.S. generally accepted accounting principles.

Lutz + Carr, LLP

New York, New York
February 23, 2005

GREENPOINT MANUFACTURING AND DESIGN CENTER
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2004 AND 2003

	2004				2003				
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entrees	2004 Consolidating Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entrees	2003 Consolidating Totals
Assets									
Current Assets									
Cash and cash equivalents (Notes 1c and 3)	\$ 1,552,309	\$ 25,179	\$ -	\$ 1,577,488	\$ 579,537	\$ -	\$ 328,417	\$ -	\$ 907,954
Certificate of deposit - restricted (Note 6)	-	218,178	-	218,178	-	-	216,870	-	216,870
Cash - restricted (Note 7)	200,000	-	-	200,000	200,000	-	-	-	200,000
Unconditional promises to give (Notes 1d and 4)									
Unrestricted	-	-	-	-	33,629	-	-	-	33,629
Restricted to future programs and periods	550,000	-	-	550,000	630,000	-	-	-	630,000
Rent and other miscellaneous receivables (Note 1e)	81,557	104,082	-	185,639	111,191	-	112,503	-	223,694
Assets held for sale, net of provision for loss (Note 13)	-	-	-	-	1,408,440	-	-	-	1,408,440
Inter-company receivables	-	3,423,006	(3,423,006)	-	-	-	4,791,093	(4,791,093)	-
Prepaid expenses and other current assets	122,265	63,338	-	185,603	123,275	-	6,658	-	129,933
Total Current Assets	<u>2,506,131</u>	<u>3,833,783</u>	<u>(3,423,006)</u>	<u>2,916,908</u>	<u>3,086,072</u>	<u>-</u>	<u>5,455,541</u>	<u>(4,791,093)</u>	<u>3,750,520</u>
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 5)	11,587,451	5,093,867	(2,394,409)	14,286,909	11,489,919	-	4,986,343	(2,499,530)	13,976,732
Construction in progress	122,656	258,624	-	381,280	345,402	-	273,160	-	618,562
Investment in Manhattan Ave. Holding Corp.	-	-	-	-	1,500,000	-	-	(1,500,000)	-
Security deposits	14,017	12,000	-	26,017	12,162	-	12,000	-	24,162
Obligation to satisfy contract requirements (Note 6)	-	221,195	(221,195)	-	-	-	221,195	(221,195)	-
Total Assets	<u>\$14,230,255</u>	<u>\$9,419,469</u>	<u>\$(6,038,610)</u>	<u>\$17,611,114</u>	<u>\$ 16,433,555</u>	<u>\$ -</u>	<u>\$10,948,239</u>	<u>\$ (9,011,818)</u>	<u>\$ 18,369,976</u>

See notes to consolidating financial statements.

GREENPOINT MANUFACTURING AND DESIGN CENTER
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2004 AND 2003

	2004				2003				
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entrees	2004 Consolidating Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entrees	2003 Consolidating Totals
Liabilities and Net Assets									
Current Liabilities									
Loans payable (Note 7)	\$ 810,828	\$ -	\$ -	\$ 810,828	\$ 92,464	\$ -	\$ -	\$ -	\$ 92,464
Mortgages payable (Note 8)	188,562	209,190	-	397,752	205,790	-	197,981	-	403,771
Accounts payable and accrued expenses	252,372	161,723	-	414,095	153,248	-	57,417	-	210,665
Inter-company payable	3,423,006	-	(3,423,006)	-	4,791,093	-	-	(4,791,093)	-
Total Current Liabilities	4,674,768	370,913	(3,423,006)	1,622,675	5,242,595	-	255,398	(4,791,093)	706,900
Loans payable (Note 7)	502,550	-	-	502,550	1,374,480	-	-	-	1,374,480
Mortgages payable (Note 8)	6,454,076	9,082,201	-	15,536,277	6,718,093	-	9,291,681	-	16,009,774
Tenant security deposits	306,635	151,479	-	458,114	358,632	-	147,080	-	505,712
Obligation to MAHC sales contract (Note 6)	221,195	-	(221,195)	-	221,195	-	-	(221,195)	-
Total Liabilities	12,159,224	9,604,593	(3,644,201)	18,119,616	13,914,995	-	9,694,159	(5,012,288)	18,596,866
Commitments and Contingencies (Note 9)									
Net Assets									
Unrestricted (Deficit)	1,352,142	(185,124)	(2,394,409)	(1,227,391)	1,298,958	(299,856)	(245,920)	(2,199,674)	(1,446,492)
Temporarily restricted (Note 2)	718,889	-	-	718,889	1,219,602	-	-	-	1,219,602
Additional paid-in-capital	-	-	-	-	-	299,856	1,500,000	(1,799,856)	-
Total Net Assets	2,071,031	(185,124)	(2,394,409)	(508,502)	2,518,560	-	1,254,080	(3,999,530)	(226,890)
Total Liabilities and Net Assets	\$14,230,255	\$9,419,469	\$(6,038,610)	\$17,611,114	\$ 16,433,555	\$ -	\$10,948,239	\$ (9,011,818)	\$ 18,369,976

See notes to consolidating financial statements.

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

CONSOLIDATING STATEMENTS OF ACTIVITIES

	Twelve Month Period Ended December 31, 2004					Sixteen Month Period Ended December 31, 2003					
	Greenpoint Manufacturing and Design Center Local Development Corporation		GMDC Two Corporation	Consolidating Entries	2004 Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation		Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entries	2003 Consolidated Totals
	Unrestricted	Temporarily Restricted				Unrestricted	Temporarily Restricted				
Changes in Net Assets											
Revenue and Other Support											
Rental income (Note 9b)	\$1,207,076	\$ -	\$1,724,291	\$ -	\$2,931,367	\$2,271,320	\$ -	\$ -	\$ 1,967,374	\$ -	\$ 4,238,694
Electric income (net of credits)	31,441	-	228,755	-	260,196	130,423	-	-	275,284	-	405,707
Administrative & consulting fees	420,000	-	-	(420,000)	-	750,000	-	-	-	(640,000)	110,000
Contributions	86,612	-	-	-	86,612	691,750	419,602	-	-	-	1,111,352
Interest income	77,036	-	1,308	-	78,344	38,018	-	-	3,395	-	41,413
Miscellaneous income	20,772	-	10,345	-	31,117	18,916	-	-	1,550	-	20,466
Net assets released from restrictions											
Satisfaction of time and program restrictions	500,713	(500,713)	-	-	-	75,000	(75,000)	-	-	-	-
Total Revenue and Other Support	2,343,650	(500,713)	1,964,699	(420,000)	3,387,636	3,975,427	344,602	-	2,247,603	(640,000)	5,927,632
Expenses											
Program Service											
Rental and project development	1,964,594	-	1,903,903	(525,121)	3,343,376	3,487,953	-	-	2,610,157	(745,121)	5,352,989
Supporting Services											
Management and general	229,983	-	-	-	229,983	488,858	-	-	-	-	488,858
Fundraising	156,673	-	-	-	156,673	200,181	-	-	-	-	200,181
Total Supporting Services	386,656	-	-	-	386,656	689,039	-	-	-	-	689,039
Total Expenses	2,351,250	-	1,903,903	(525,121)	3,730,032	4,176,992	-	-	2,610,157	(745,121)	6,042,028
Increase (decrease) in net assets, prior to items below	(7,600)	(500,713)	60,796	105,121	(342,396)	(201,565)	344,602	-	(362,554)	105,121	(114,396)
Gain on extinguishment of debt (Note 10)	60,784	-	-	-	60,784	-	-	-	-	-	-
Insurance proceeds (Note 11)	-	-	-	-	-	-	-	-	256,544	-	256,544
Income from discontinued operations (Note 12)	-	-	-	-	-	(249,879)	-	29,281	(49,977)	299,856	29,281
Provision for loss on assets held for sale (Note 13)	-	-	-	-	-	(316,871)	-	-	-	-	(316,871)
Increase (decrease) in net assets	53,184	(500,713)	60,796	105,121	(281,612)	(768,315)	344,602	29,281	(155,987)	404,977	(145,442)
Net assets, beginning of year	1,298,958	1,219,602	(245,920)	(2,499,530)	(226,890)	2,067,273	875,000	(329,137)	(89,933)	(2,604,651)	(81,448)
Net Assets, End of Year	\$1,352,142	\$ 718,889	\$ (185,124)	\$(2,394,409)	\$ (508,502)	\$1,298,958	\$1,219,602	\$ (299,856)	\$ (245,920)	\$ (2,199,674)	\$ (226,890)

See notes to consolidating financial statements.

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

CONSOLIDATING STATEMENTS OF CASH FLOWS

	Twelve Month Period Ended December 31, 2004				Sixteen Month Period Ended December 31, 2003				
	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidated Entrees	2004 Consolidated Totals	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidated Entrees	2003 Consolidated Totals
Cash Flows From Operating Activities									
Change in net assets	\$ (447,529)	\$ 60,796	\$ 105,121	\$ (281,612)	\$ (423,713)	\$ 29,281	\$ (155,987)	\$ 404,977	\$ (145,442)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:									
Gain on extinguishment of debt	(60,784)	-	-	(60,784)	-	-	-	-	-
Depreciation and amortization	564,338	220,131	(105,121)	679,348	926,587	-	280,793	(105,121)	1,102,259
Allowance for doubtful accounts	9,250	33,275	-	42,525	19,600	-	-	-	19,600
Provision for loss on assets held for sale	-	-	-	-	316,871	-	-	-	316,871
Effect of organization restructure	1,500,000	(1,500,000)	-	-	-	-	-	-	-
Assets held for sale	1,408,440	-	-	1,408,440	-	-	-	-	-
(Increase) decrease in assets:									
Unconditional promises to give	113,629	-	-	113,629	(146,143)	-	-	-	(146,143)
Accounts receivable	-	-	-	-	-	51,276	-	-	51,276
Rent and other miscellaneous receivables	20,384	(24,854)	-	(4,470)	(70,927)	-	36,943	-	(33,984)
Inter-company receivables	-	1,368,087	(1,368,087)	-	135,000	-	1,021,790	(1,156,790)	-
Prepaid expenses and other current assets	1,010	(56,680)	-	(55,670)	41,422	-	105,057	-	146,479
Security deposits	(1,855)	-	-	(1,855)	(7,500)	-	-	-	(7,500)
Increase (decrease) in liabilities:									
Accounts payable and accrued expenses	99,124	104,306	-	203,430	(205,999)	(137,626)	(238,374)	-	(581,999)
Accrued interest expense	-	-	-	-	(3,802)	-	-	-	(3,802)
Inter-company payable	(1,368,087)	-	1,368,087	-	(1,021,790)	-	(135,000)	1,156,790	-
Insurance recovery	-	-	-	-	-	-	(277,063)	-	(277,063)
Deferred revenue	-	-	-	-	(5,408)	-	-	-	(5,408)
Tenant Security deposits	(51,997)	4,399	-	(47,598)	21,129	-	49,688	-	70,817
Net Cash Provided (Used) By Operating Activities	<u>1,785,923</u>	<u>209,460</u>	<u>-</u>	<u>1,995,383</u>	<u>(424,673)</u>	<u>(57,069)</u>	<u>687,847</u>	<u>299,856</u>	<u>505,961</u>
Cash Flows From Investing Activities									
Purchase of buildings, equipment and renovations	(439,124)	(313,119)	-	(752,243)	(122,719)	-	(203,896)	-	(326,615)
Purchase of certificate of deposit	-	(1,308)	-	(1,308)	-	-	(3,263)	-	(3,263)
Repayment of notes	-	-	-	-	3,175	-	-	-	3,175
Investment in Brooklyn Waterfront Corporation	-	-	-	-	197,859	52,822	49,175	(299,856)	-
Net Cash Provided (Used) By Investing Activities	<u>(439,124)</u>	<u>(314,427)</u>	<u>-</u>	<u>(753,551)</u>	<u>78,315</u>	<u>52,822</u>	<u>(157,984)</u>	<u>(299,856)</u>	<u>(326,703)</u>
Cash Flows From Financing Activities									
Proceeds from loans and mortgages	359,501	-	-	359,501	125,000	-	-	-	125,000
Principal repayments of loans and mortgages payable	(733,528)	(198,271)	-	(931,799)	(439,212)	-	(217,319)	-	(656,531)
Net Cash Used By Financing Activities	<u>(374,027)</u>	<u>(198,271)</u>	<u>-</u>	<u>(572,298)</u>	<u>(314,212)</u>	<u>-</u>	<u>(217,319)</u>	<u>-</u>	<u>(531,531)</u>
Net increase (decrease) in cash and cash equivalents	972,772	(303,238)	-	669,534	(660,570)	(4,247)	312,544	-	(352,273)
Cash, beginning of year	779,537	328,417	-	1,107,954	1,440,107	4,247	15,873	-	1,460,227
Cash and Cash Equivalents, End of Year	<u>\$ 1,752,309</u>	<u>\$ 25,179</u>	<u>\$ -</u>	<u>\$ 1,777,488</u>	<u>\$ 779,537</u>	<u>\$ -</u>	<u>\$ 328,417</u>	<u>\$ -</u>	<u>\$ 1,107,954</u>
Supplemental Disclosures of Cash Flow Information									
Cash payments for:									
Interest	\$ 456,299	\$ 518,562	\$ -	\$ 974,861	\$ 623,286	\$ -	\$ 696,046	\$ -	\$ 1,319,332
Income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,743	\$ -	\$ 3,743

See notes to consolidating financial statements.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 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 and 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 GMDC Two Corporation (formerly Manhattan Avenue Holding Corporation (MAHC)). All significant inter-company accounts and transactions have been eliminated in consolidation.

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.

e - Rent Receivable

Rent receivable includes basic rent, electric and advances due from tenants. An allowance for uncollectible rent of \$42,525 has been established at December 31, 2004 based on management's knowledge and experience. The rent receivable balance at December 31, 2004 includes approximately \$109,000 of fourth quarter 2004 electric charges that were not billed to tenants until after December 31.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

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

f - 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.

g - 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.

h - 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.

i - 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.

On June 1, 2004, MAHC merged with GMDC Two Corporation, a new entity wholly owned by GMDC. GMDC Two intends to apply for tax exempt status under IRS code Section 501(c)(4). GMDC Two has amended its certificate of incorporation accordingly.

j - 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.

k - 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**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at December 31:

	2004	2003
Future programs	\$718,889	\$1,189,602
Future periods	-	30,000
	\$718,889	\$1,219,602

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, 2004, the Organization's uninsured cash and certificate of deposit totaled approximately \$1,660,000, including approximately \$1,303,000 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**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Note 5 - Property and Equipment

A summary of property and equipment at December 31 is as follows:

2004						
	Life	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	Consolidating Entries	Consolidated Totals	
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	3-25 years	607,041	-	-	607,041	
Leasehold Improvements	25 years	4,735,000	1,000,201	-	5,735,201	
Loan Commitment Fee/Closing Costs	7 years	65,180	173,249	-	238,429	
Leasing commissions	5 years	81,257	-	-	81,257	
Deferred leasing costs	13 years	<u>333,265</u>	<u>-</u>	<u>-</u>	<u>333,265</u>	
		13,931,743	6,150,148	(2,920,014)	17,161,877	
Less: Accumulated depreciation and amortization		<u>2,344,292</u>	<u>1,056,281</u>	<u>(525,605)</u>	<u>2,874,968</u>	
		<u>\$11,587,451</u>	<u>\$5,093,867</u>	<u>\$(2,394,409)</u>	<u>\$14,286,909</u>	
2003						
	Life	Greenpoint Manufacturing and Design Center Local Development Corporation	Brooklyn Waterfront Corporation (d/b/a Spacecraft)	Manhattan Avenue Holding Corporation	Consolidating Entries	Consolidated Totals
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
		13,269,873	-	5,822,493	(2,920,014)	16,172,352
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>

Depreciation and amortization expense for the twelve month period ended December 31, 2004 and the sixteen month period ended December 31, 2003 was \$679,348 and \$1,102,259, respectively.

At December 31, 2003, certain assets were 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**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 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. In addition, as part of MAHC's mortgage on the 1155 Manhattan Avenue property (see Note 8), MAHC was required to maintain a certificate of deposit that would be used by the mortgagee to complete renovations to the property in the event that MAHC was unable to meet its obligations.

Note 7- Loans Payable

Loans payable at December 31 consisted of the following:

	<u>Greenpoint Manufacturing and Design Center Local Development Corporation</u>	<u>GMDC Two Corporation</u>	<u>2004 Total</u>	<u>2003 Total</u>
Note payable, bearing interest at 2.5% per annum, requiring semi-annual principal payments of \$150,000 until September 30, 2005. Secured by a \$200,000 collateral account.	\$ 299,688	\$ -	\$ 299,688	\$ 349,688
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.	463,690	-	463,690	474,183
Loan payable (recoverable grant) totaling up to \$75,000. Loan is non-interest bearing, with a repayment of \$25,000 due during 2006 and a \$25,000 repayment during 2007.	50,000	-	50,000	45,000
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. GMDC repaid outstanding loan balance in December 2004.	-	-	-	98,073
Total Payable Amount	1,313,378	-	1,313,378	1,466,944
Less: Current portion	<u>810,828</u>	<u>-</u>	<u>810,828</u>	<u>92,464</u>
Long-Term Portion	<u>\$ 502,550</u>	<u>\$ -</u>	<u>\$ 502,550</u>	<u>\$1,374,480</u>

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Note 7 - Loans Payable (continued)

Principal payments are due as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$810,828
2006	36,827
2007	465,723

Note 8 - Mortgages Payable

Mortgages payable at December 31 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 6.75% per annum 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 5.52% per annum 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>GMDC Two Corporation</u>	<u>2004 Total</u>	<u>2003 Total</u>
\$2,045,576	\$ -	\$2,045,576	\$2,086,933
<u>986,920</u>	<u>-</u>	<u>986,920</u>	<u>1,008,009</u>
<u>3,032,496</u>	<u>-</u>	<u>3,032,496</u>	<u>3,094,942</u>

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Note 8 - Mortgages Payable (continued)

	Greenpoint Manufacturing and Design Center Local Development Corporation	GMDC Two Corporation	2004 Total	2003 Total
Sub-total (brought forward)	\$3,032,496	\$ -	\$3,032,496	\$ 3,094,942
Second mortgage payable, (amended and restated on September 24, 2004) (see Note 10) in the amount of \$334,501 secured by the property located at 7 St. Nicholas Avenue, due in monthly installments of \$5,484 applied first to interest at a rate of 5.62% and the balance to principal, followed by a final payment of outstanding principal and accrued interest on October 1, 2010.	322,801	-	322,801	471,354
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 5.52% per annum 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.	3,287,341	-	3,287,341	3,357,587
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 5.52% per annum 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>9,291,391</u>	<u>9,291,391</u>	<u>9,489,662</u>
Total mortgages payable	6,642,638	9,291,391	15,934,029	16,413,545
Less: Current portion	<u>188,562</u>	<u>209,190</u>	<u>397,752</u>	<u>403,771</u>
Long-Term Portion	<u>\$6,454,076</u>	<u>\$9,082,201</u>	<u>\$15,536,277</u>	<u>\$16,009,774</u>

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Note 8 - Mortgages Payable (continued)

Principal payments due within the next five years, assuming available extensions are exercised, are estimated as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$397,752
2006	420,890
2007	445,379
2008	471,481
2009	498,738

Total interest expense on loans and mortgages for the twelve month period ended December 31, 2004 and the sixteen month period ended December 31, 2003 approximated \$975,000 and \$1,319,000, respectively.

Note 9 - Commitments and Contingencies

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

b - GMDC and GMDC Two Corporation receive rental income from tenants. The minimum annual rentals for the subsequent five years are as follows as of December 31, 2004:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$2,918,888
2006	2,558,146
2007	2,377,385
2008	1,775,256
2009	1,610,151

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, 2004, 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**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 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 was reflected as a contribution during the year ended August 31, 2001.

Note 10 - Gain on Extinguishment of Debt

During May 2002, GMDC and a BWC shareholder agreed to a litigation settlement that required GMDC to execute a second mortgage and to make an initial payment to the shareholder. On September 24, 2004, GMDC and the former shareholder agreed to a settlement modification agreement in which the former shareholder agreed to accept a final settlement payment in full satisfaction of the outstanding amount due. The original second mortgage was assigned to a financial institution and amended, modified and restated in a principal amount of \$334,501, which was equal to the final settlement payment (see Note 8). The closing of the settlement modification agreement resulted in a gain of \$60,784 on the extinguishment of the original debt.

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 had received \$256,544 of insurance proceeds in excess of related costs expended. The excess proceeds were recorded as income in the statement of activities.

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.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

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 was recorded 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 were primarily the net book value of leasehold improvements made to the property.

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 2004 and 2003 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 consolidating Schedule of Functional Expenses for the twelve month period ended December 31, 2004 with comparative totals for the sixteen month period ended December 31, 2003 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 consolidating 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, 2005

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

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

**TWELVE MONTH PERIOD ENDED DECEMBER 31, 2004 WITH COMPARATIVE
TOTALS FOR THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

	Greenpoint Manufacturing and Design Center Local Development Corporation						GMDC Two Corporation	Consolidating Entries	2004	*Sixteen Month Period Ended December 31, 2003
	Program Service	Supporting Services			Total Expenses	Total Consolidated Expenses			Total Consolidated Expenses	
	Rental and Project Development	Management and General	Fundraising	Total						
Salaries	\$ 403,515	\$ 76,341	\$ 65,435	\$ 141,776	\$ 545,291	\$ 94,291	\$ -	\$ 639,582	\$ 878,272	
Payroll taxes and fringe benefits	101,904	19,279	16,525	35,804	137,708	17,758	-	155,466	237,085	
Repairs and Maintenance	22,936	-	-	-	22,936	71,980	-	94,916	287,005	
Professional fees	116,292	101,259	50,418	151,677	267,969	44,956	-	312,925	427,346	
Trash removal	1,226	-	-	-	1,226	9,435	-	10,661	17,915	
Security	3,804	-	-	-	3,804	57,344	-	61,148	82,044	
Building licenses and permits	3,400	-	-	-	3,400	5,478	-	8,878	8,176	
Building filing fees	465	-	-	-	465	1,238	-	1,703	1,687	
Building related penalties	-	-	-	-	-	-	-	-	13,210	
Insurance	66,680	12,615	10,813	23,428	90,108	111,435	-	201,543	209,991	
Utilities	66,483	-	-	-	66,483	210,755	-	277,238	457,033	
Phone and internet	13,563	2,566	2,199	4,765	18,328	903	-	19,231	44,258	
Bad debt	-	-	-	-	-	-	-	-	30,402	
Interest	456,299	-	-	-	456,299	518,562	-	974,861	1,319,332	
Rent	-	-	-	-	-	-	-	-	489,695	
Real estate taxes	97,253	-	-	-	97,253	118,846	-	216,099	318,938	
Office expenses	52,453	9,923	8,506	18,429	70,882	298	-	71,180	106,889	
Income taxes	-	-	-	-	-	493	-	493	3,292	
Administrative fees	-	-	-	-	-	420,000	(420,000)	-	-	
Depreciation	518,252	3,240	2,777	6,017	524,269	209,303	(105,121)	628,451	1,049,536	
Amortization	40,069	-	-	-	40,069	10,828	-	50,897	52,723	
Miscellaneous	-	4,760	-	4,760	4,760	-	-	4,760	7,199	
Total Expenses, 2004	\$ 1,964,594	\$ 229,983	\$ 156,673	\$ 386,656	\$2,351,250	\$1,903,903	\$ (525,121)	\$3,730,032		
Total Expenses, 2003	\$ 3,487,953	\$ 488,858	\$ 200,181	\$ 689,039	\$4,176,992	\$2,610,157	\$ (745,121)		\$ 6,042,028	

* 2003 amounts have been adjusted to conform with 2004 presentation.

See independent auditor's report on additional information.