

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

**CONSOLIDATING FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2005 AND 2004

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

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Consolidating Statements of Financial Position | 2-3 |
| Consolidating Statements of Activities | 4 |
| Consolidating Statements of Cash Flows | 5 |
| Notes to Consolidating Financial Statements | 6-14 |
| Additional Information | |
| Independent Auditor's Report on Additional Information | 16 |
| Consolidating Schedule of Functional Expenses | 17 |



INDEPENDENT AUDITOR'S REPORT

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

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 subsidiary as of December 31, 2005 and 2004, and the related consolidating statements of activities and cash flows for the years 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 auditing standards generally accepted in the United States of America. 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 individual and consolidated financial positions of Greenpoint Manufacturing and Design Center Local Development Corporation and subsidiary as of December 31, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
February 23, 2006, except for Notes 11(a) and
11(b), as to which the dates are May 10, 2006
and May 31, 2006, respectively

GREENPOINT MANUFACTURING AND DESIGN CENTER
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

| | 2005 | | | | 2004 | | | |
|---|---|----------------------------|--------------------------|------------------------|---|----------------------------|--------------------------|------------------------|
| | Greenpoint Manufacturing and Design Center Local Development Corporation | GMDC Two Corporation | Consolidating Entrees | Consolidated Totals | Greenpoint Manufacturing and Design Center Local Development Corporation | GMDC Two Corporation | Consolidating Entrees | Consolidated Totals |
| Assets | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and cash equivalents (Notes 1c and 3) | \$ 819,950 | \$ 217,802 | \$ - | \$ 1,037,752 | \$ 1,552,309 | \$ 25,179 | \$ - | \$ 1,577,488 |
| Certificate of deposit - restricted (Note 6) | - | 219,878 | - | 219,878 | - | 218,178 | - | 218,178 |
| Cash - restricted (Note 7) | - | - | - | - | 200,000 | - | - | 200,000 |
| Unconditional promises to give (Notes 1d and 4) | | | | | | | | |
| Restricted to future programs and periods | 500,000 | - | - | 500,000 | 550,000 | - | - | 550,000 |
| Rent and other miscellaneous receivables (Note 1e) | 60,778 | 166,151 | - | 226,929 | 81,557 | 104,082 | - | 185,639 |
| Inter-company receivables | - | 3,077,020 | (3,077,020) | - | - | 3,423,006 | (3,423,006) | - |
| Prepaid expenses and other current assets | 122,053 | 60,460 | - | 182,513 | 122,265 | 63,338 | - | 185,603 |
| Total Current Assets | <u>1,502,781</u> | <u>3,741,311</u> | <u>(3,077,020)</u> | <u>2,167,072</u> | <u>2,506,131</u> | <u>3,833,783</u> | <u>(3,423,006)</u> | <u>2,916,908</u> |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 5) | 11,067,750 | 4,964,720 | (2,289,288) | 13,743,182 | 11,587,451 | 5,093,867 | (2,394,409) | 14,286,909 |
| Construction in progress | 159,579 | 265,024 | - | 424,603 | 122,656 | 258,624 | - | 381,280 |
| Security deposits | 6,517 | 12,000 | - | 18,517 | 14,017 | 12,000 | - | 26,017 |
| Obligation to satisfy contract requirements (Note 6) | - | 221,195 | (221,195) | - | - | 221,195 | (221,195) | - |
| Total Assets | <u>\$12,736,627</u> | <u>\$9,204,250</u> | <u>\$(5,587,503)</u> | <u>\$16,353,374</u> | <u>\$14,230,255</u> | <u>\$9,419,469</u> | <u>\$(6,038,610)</u> | <u>\$17,611,114</u> |

See notes to consolidating financial statements.

GREENPOINT MANUFACTURING AND DESIGN CENTER
LOCAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

| | 2005 | | | | 2004 | | | |
|--|---|----------------------------|--------------------------|------------------------|---|----------------------------|--------------------------|------------------------|
| | Greenpoint Manufacturing and Design Center Local Development Corporation | GMDC Two Corporation | Consolidating Entrees | Consolidated Totals | Greenpoint Manufacturing and Design Center Local Development Corporation | GMDC Two Corporation | Consolidating Entrees | Consolidated Totals |
| Liabilities and Net Assets | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Loans payable (Note 7) | \$ 61,875 | \$ - | \$ - | \$ 61,875 | \$ 810,828 | \$ - | \$ - | \$ 810,828 |
| Mortgages payable (Note 8) | 199,856 | 221,034 | - | 420,890 | 188,562 | 209,190 | - | 397,752 |
| Accounts payable and accrued expenses | 118,766 | 69,836 | - | 188,602 | 252,372 | 161,723 | - | 414,095 |
| Inter-company payable | 3,077,020 | - | (3,077,020) | - | 3,423,006 | - | (3,423,006) | - |
| Total Current Liabilities | 3,457,517 | 290,870 | (3,077,020) | 671,367 | 4,674,768 | 370,913 | (3,423,006) | 1,622,675 |
| Loans payable (Note 7) | 734,605 | - | - | 734,605 | 502,550 | - | - | 502,550 |
| Mortgages payable (Note 8) | 6,250,595 | 8,852,540 | - | 15,103,135 | 6,454,076 | 9,082,201 | - | 15,536,277 |
| Tenant security deposits | 299,725 | 188,568 | - | 488,293 | 306,635 | 151,479 | - | 458,114 |
| Obligation to MAHC sales contract (Note 6) | 221,195 | - | (221,195) | - | 221,195 | - | (221,195) | - |
| Total Liabilities | 10,963,637 | 9,331,978 | (3,298,215) | 16,997,400 | 12,159,224 | 9,604,593 | (3,644,201) | 18,119,616 |
| Commitments and Contingencies (Note 9) | | | | | | | | |
| Net Assets | | | | | | | | |
| Unrestricted (Deficit) | 1,104,101 | (127,728) | (2,289,288) | (1,312,915) | 1,352,142 | (185,124) | (2,394,409) | (1,227,391) |
| Temporarily restricted (Note 2) | 668,889 | - | - | 668,889 | 718,889 | - | - | 718,889 |
| Total Net Assets | 1,772,990 | (127,728) | (2,289,288) | (644,026) | 2,071,031 | (185,124) | (2,394,409) | (508,502) |
| Total Liabilities and Net Assets | \$12,736,627 | \$9,204,250 | \$(5,587,503) | \$16,353,374 | \$14,230,255 | \$9,419,469 | \$(6,038,610) | \$17,611,114 |

See notes to consolidating financial statements.

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

CONSOLIDATING STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2005 AND 2004

| | 2005 | | | | | 2004 | | | | |
|---|--|---------------------------|----------------------------|--------------------------|------------------------|--|---------------------------|----------------------------|--------------------------|------------------------|
| | Greenpoint Manufacturing and Design Center Local Development Corporation | | GMDC Two Corporation | Consolidating Entries | Consolidated Totals | Greenpoint Manufacturing and Design Center Local Development Corporation | | GMDC Two Corporation | Consolidating Entries | Consolidated Totals |
| | Unrestricted | Temporarily Restricted | | | | Unrestricted | Temporarily Restricted | | | |
| Changes in Net Assets | | | | | | | | | | |
| Revenue and Other Support | | | | | | | | | | |
| Rental income (Note 9b) | \$1,338,633 | \$ - | \$1,709,114 | \$ - | \$3,047,747 | \$1,207,076 | \$ - | \$1,724,291 | \$ - | \$2,931,367 |
| Electric income (net of credits) | 36,837 | - | 249,057 | - | 285,894 | 31,441 | - | 228,755 | - | 260,196 |
| Administrative & consulting fees | 360,000 | - | - | (360,000) | - | 420,000 | - | - | (420,000) | - |
| Contributions | - | - | - | - | - | 86,612 | - | - | - | 86,612 |
| Interest income | 90,330 | - | 1,700 | - | 92,030 | 77,036 | - | 1,308 | - | 78,344 |
| Miscellaneous income | 27,808 | - | 32,636 | - | 60,444 | 20,772 | - | 10,345 | - | 31,117 |
| Net assets released from restrictions | | | | | | | | | | |
| Satisfaction of time and program restrictions | 50,000 | (50,000) | - | - | - | 500,713 | (500,713) | - | - | - |
| Total Revenue and Other Support | 1,903,608 | (50,000) | 1,992,507 | (360,000) | 3,486,115 | 2,343,650 | (500,713) | 1,964,699 | (420,000) | 3,387,636 |
| Expenses | | | | | | | | | | |
| Program Service | | | | | | | | | | |
| Rental and project development | 1,749,202 | - | 1,935,111 | (465,121) | 3,219,192 | 1,964,594 | - | 1,903,903 | (525,121) | 3,343,376 |
| Supporting Services | | | | | | | | | | |
| Management and general | 199,335 | - | - | - | 199,335 | 229,983 | - | - | - | 229,983 |
| Fundraising | 203,112 | - | - | - | 203,112 | 156,673 | - | - | - | 156,673 |
| Total Supporting Services | 402,447 | - | - | - | 402,447 | 386,656 | - | - | - | 386,656 |
| Total Expenses | 2,151,649 | - | 1,935,111 | (465,121) | 3,621,639 | 2,351,250 | - | 1,903,903 | (525,121) | 3,730,032 |
| Increase (decrease) in net assets, prior to items below | (248,041) | (50,000) | 57,396 | 105,121 | (135,524) | (7,600) | (500,713) | 60,796 | 105,121 | (342,396) |
| Gain on extinguishment of debt (Note 10) | - | - | - | - | - | 60,784 | - | - | - | 60,784 |
| Increase (decrease) in net assets | (248,041) | (50,000) | 57,396 | 105,121 | (135,524) | 53,184 | (500,713) | 60,796 | 105,121 | (281,612) |
| Net assets, beginning of year | 1,352,142 | 718,889 | (185,124) | (2,394,409) | (508,502) | 1,298,958 | 1,219,602 | (245,920) | (2,499,530) | (226,890) |
| Net Assets, End of Year | \$1,104,101 | \$ 668,889 | \$ (127,728) | \$(2,289,288) | \$ (644,026) | \$1,352,142 | \$ 718,889 | \$ (185,124) | \$(2,394,409) | \$ (508,502) |

See notes to consolidating financial statements.

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

CONSOLIDATING STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2005 AND 2004

| | 2005 | | | | 2004 | | | |
|--|---|----------------------------|--------------------------|------------------------|---|----------------------------|--------------------------|------------------------|
| | Greenpoint Manufacturing and Design Center Local Development Corporation | GMDC Two Corporation | Consolidating Entrees | Consolidated Totals | Greenpoint Manufacturing and Design Center Local Development Corporation | GMDC Two Corporation | Consolidating Entrees | Consolidated Totals |
| Cash Flows From Operating Activities | | | | | | | | |
| Change in net assets | \$ (298,041) | \$ 57,396 | \$ 105,121 | \$ (135,524) | \$ (447,529) | \$ 60,796 | \$ 105,121 | \$ (281,612) |
| 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 | 568,186 | 228,675 | (105,121) | 691,740 | 564,338 | 220,131 | (105,121) | 679,348 |
| Allowance for doubtful accounts | 8,433 | 123,009 | - | 131,442 | 9,250 | 33,275 | - | 42,525 |
| 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 | 50,000 | - | - | 50,000 | 113,629 | - | - | 113,629 |
| Rent and other miscellaneous receivables | 12,346 | (185,078) | - | (172,732) | 20,384 | (24,854) | - | (4,470) |
| Inter-company receivables | - | 345,986 | (345,986) | - | - | 1,368,087 | (1,368,087) | - |
| Prepaid expenses and other current assets | 212 | 2,878 | - | 3,090 | 1,010 | (56,680) | - | (55,670) |
| Security deposits | 7,500 | - | - | 7,500 | (1,855) | - | - | (1,855) |
| Increase (decrease) in liabilities: | | | | | | | | |
| Accounts payable and accrued expenses | (133,606) | (91,887) | - | (225,493) | 99,124 | 104,306 | - | 203,430 |
| Inter-company payable | (345,986) | - | 345,986 | - | (1,368,087) | - | 1,368,087 | - |
| Tenant Security deposits | (6,910) | 37,089 | - | 30,179 | (51,997) | 4,399 | - | (47,598) |
| Net Cash Provided (Used) By Operating Activities | <u>(137,866)</u> | <u>518,068</u> | <u>-</u> | <u>380,202</u> | <u>1,785,923</u> | <u>209,460</u> | <u>-</u> | <u>1,995,383</u> |
| Cash Flows From Investing Activities | | | | | | | | |
| Equipment, renovations and fees | (85,408) | (105,928) | - | (191,336) | (439,124) | (313,119) | - | (752,243) |
| Purchase of certificate of deposit | - | (1,700) | - | (1,700) | - | (1,308) | - | (1,308) |
| Net Cash Used By Investing Activities | <u>(85,408)</u> | <u>(107,628)</u> | <u>-</u> | <u>(193,036)</u> | <u>(439,124)</u> | <u>(314,427)</u> | <u>-</u> | <u>(753,551)</u> |
| Cash Flows From Financing Activities | | | | | | | | |
| Proceeds from loans and mortgages | 312,000 | - | - | 312,000 | 359,501 | - | - | 359,501 |
| Principal repayments of loans and mortgages payable | (1,021,085) | (217,817) | - | (1,238,902) | (733,528) | (198,271) | - | (931,799) |
| Net Cash Used By Financing Activities | <u>(709,085)</u> | <u>(217,817)</u> | <u>-</u> | <u>(926,902)</u> | <u>(374,027)</u> | <u>(198,271)</u> | <u>-</u> | <u>(572,298)</u> |
| Net increase (decrease) in cash and cash equivalents | (932,359) | 192,623 | - | (739,736) | 972,772 | (303,238) | - | 669,534 |
| Cash and cash equivalents, beginning of year | 1,752,309 | 25,179 | - | 1,777,488 | 779,537 | 328,417 | - | 1,107,954 |
| Cash and Cash Equivalents, End of Year | <u>\$ 819,950</u> | <u>\$ 217,802</u> | <u>\$ -</u> | <u>\$1,037,752</u> | <u>\$ 1,752,309</u> | <u>\$ 25,179</u> | <u>\$ -</u> | <u>\$ 1,777,488</u> |
| Supplemental Disclosures of Cash Flow Information | | | | | | | | |
| Cash payments for: | | | | | | | | |
| Interest | <u>\$ 439,855</u> | <u>\$ 507,217</u> | <u>\$ -</u> | <u>\$ 947,072</u> | <u>\$ 456,299</u> | <u>\$ 518,562</u> | <u>\$ -</u> | <u>\$ 974,861</u> |
| Income taxes | <u>\$ 250</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 250</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See notes to consolidating financial statements.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

Note 1 - Organization and Summary of Significant Accounting Policies

a - Nature of Organization

Greenpoint Manufacturing and Design Center Local Development Corporation (GMDC) creates and sustains viable manufacturing sectors in urban neighborhoods through planning, developing and managing real estate and offering other related services.

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 subsidiary, 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 \$173,967 and \$42,525 has been established at December 31, 2005 and 2004, respectively, 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 SUBSIDIARY**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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 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.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are restricted for future programs.

Note 3 - Concentration of Credit Risk

The Organization maintains cash and cash equivalent balances in financial institutions, which from time to time exceed the Federal Depository Insurance Corporation limit and subject the Organization to concentration of credit risk. However, the Organization monitors this risk on a regular basis.

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 SUBSIDIARY**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

Note 5 - Property and Equipment

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

| | | 2005 | | | |
|---|-------------|---|-------------------------------------|----------------------------------|--------------------------------|
| | 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 | 1,099,729 | - | 5,834,729 |
| Loan Commitment Fee/Closing Costs | 7 years | 113,665 | 173,249 | - | 286,914 |
| Leasing commissions | 5 years | 81,257 | - | - | 81,257 |
| Deferred leasing costs | 13 years | 333,265 | - | - | 333,265 |
| | | <u>13,980,228</u> | <u>6,249,676</u> | <u>(2,920,014)</u> | <u>17,309,890</u> |
| Less: Accumulated depreciation and amortization | | <u>2,912,478</u> | <u>1,284,956</u> | <u>(630,726)</u> | <u>3,566,708</u> |
| | | <u>\$11,067,750</u> | <u>\$4,964,720</u> | <u>\$(2,289,288)</u> | <u>\$13,743,182</u> |
| | | 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 | 333,265 | - | - | 333,265 |
| | | <u>13,931,743</u> | <u>6,150,148</u> | <u>(2,920,014)</u> | <u>17,161,877</u> |
| 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> |

Depreciation and amortization expense for the years ended December 31, 2005 and 2004 was \$691,740 and \$679,348, respectively.

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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>2005 Total</u> | <u>2004 Total</u> |
|--|---|-------------------------------------|-----------------------|-----------------------|
| 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 \$3,222, including interest at 6% through April 2007, when the outstanding principal amount is due. | \$452,551 | \$ - | \$452,551 | \$ 463,690 |
| Loan payable (recoverable grant) totaling up to \$75,000. Loan is non-interest bearing, with a repayment of \$25,000 due during 2006, 2007 and 2008. | 75,000 | - | 75,000 | 50,000 |
| Loan payable, bearing interest at 3.5% per annum, requiring monthly payments of principal and interest of \$2,838 beginning May 1, 2005 through and including March 1, 2015, at which time a final payment of all outstanding principal plus accrued interest is due on April 1, 2015. | 268,929 | - | 268,929 | - |
| Note payable, bearing interest at 2.5% per annum, requiring semi-annual principal payments of \$150,000 until September 30, 2005 was secured by a \$200,000 collateral account. | - | - | - | 299,688 |
| Loan payable, interest at 4% per annum due quarterly, beginning July 1, 2002 through the maturity date of May 10, 2005, when the principal was paid in one installment. | - | - | - | 500,000 |
| Total Payable Amount | 796,480 | - | 796,480 | 1,313,378 |
| Less: Current portion | 61,875 | - | 61,875 | 810,828 |
| Long-Term Portion | <u>\$734,605</u> | <u>\$ -</u> | <u>\$734,605</u> | <u>\$ 502,550</u> |

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

Note 7 - Loans Payable (continued)

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

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2006 | \$ 61,875 |
| 2007 | 491,663 |
| 2008 | 51,862 |
| 2009 | 27,817 |
| 2010 | 28,806 |

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. (See Note 11(b)).

Sub-total (carried forward)

| <u>Greenpoint Manufacturing and Design Center Local Development Corporation</u> | <u>GMDC Two Corporation</u> | <u>2005 Total</u> | <u>2004 Total</u> |
|---|-------------------------------------|-----------------------|-----------------------|
| \$2,003,274 | \$ - | \$2,003,274 | \$2,045,576 |
| <u>963,550</u> | <u>-</u> | <u>963,550</u> | <u>986,920</u> |
| <u>2,966,824</u> | <u>-</u> | <u>2,966,824</u> | <u>3,032,496</u> |

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

Note 8 - Mortgages Payable (continued)

| | Greenpoint Manufacturing and Design Center Local Development Corporation | GMDC Two Corporation | 2005 Total | 2004 Total |
|--|---|-------------------------------------|-----------------------|-----------------------|
| Sub-total (brought forward) | \$2,966,824 | \$ - | \$ 2,966,824 | \$ 3,032,496 |
| 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. | 274,130 | - | 274,130 | 322,801 |
| 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. (See Note 11(b)). | 3,209,497 | - | 3,209,497 | 3,287,341 |
| 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>9,073,574</u> | <u>9,073,574</u> | <u>9,291,391</u> |
| Total Mortgages Payable | 6,450,451 | 9,073,574 | 15,524,025 | 15,934,029 |
| Less: Current portion | <u>199,856</u> | <u>221,034</u> | <u>420,890</u> | <u>397,752</u> |
| Long-Term Portion | <u>\$6,250,595</u> | <u>\$8,852,540</u> | <u>\$15,103,135</u> | <u>\$15,536,277</u> |

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

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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> |
|---------------------------------|---------------|
| 2006 | \$420,890 |
| 2007 | 445,379 |
| 2008 | 471,481 |
| 2009 | 498,738 |
| 2010 | 511,751 |

Total interest expense on loans and mortgages for the years ended December 31, 2005 and 2004 approximated \$950,000 and \$975,000, 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, 2005:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2006 | \$2,662,389 |
| 2007 | 2,482,078 |
| 2008 | 1,988,599 |
| 2009 | 1,829,237 |
| 2010 | 1,176,161 |

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, 2005 and 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 SUBSIDIARY**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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

Pursuant to a 2002 litigation settlement, GMDC entered a second mortgage payable. During 2004, the mortgage was satisfied for less than its then outstanding balance, resulting in a gain of \$60,784 on the extinguishment of the original debt.

Note 11 - Subsequent Events

- a) On May 10, 2006, the Organization entered into a contract to purchase the property located at 221 Mckibbin Street, Brooklyn, New York. The appraised value of the property is \$6,700,000. The Organization will pay \$5,500,000, consisting of a deposit made of \$550,000 and \$4,950,000 due at closing, and the seller will make an in kind donation of \$1,200,000.
- b) On May 31, 2006, the Organization satisfied its existing mortgages encumbering the properties at 7 Nicholas Avenue and 810 Humboldt Street and entered into a \$6,500,000 mortgage loan divided into two mortgages (\$1,550,000 - Nicholas Avenue and \$4,950,000 - Humboldt Street).

ADDITIONAL INFORMATION



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

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

Our report on our audits of the basic consolidating financial statements of Greenpoint Manufacturing and Design Center Local Development Corporation and subsidiary for 2005 and 2004 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The consolidating Schedule of Functional Expenses for the year ended December 31, 2005 with comparative totals for 2004 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, 2006

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

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2005 WITH COMPARATIVE TOTALS FOR 2004

| | Greenpoint Manufacturing and Design Center Local Development Corporation | | | | Total Expenses | GMDC Two Corporation | Consolidating Entries | 2005 | 2004 * |
|-----------------------------------|---|--------------------------------------|---------------------------|-------------------|--------------------|----------------------------|--------------------------|-----------------------------------|-----------------------------------|
| | Program Service | Supporting Services | | | | | | Total Consolidated Expenses | Total Consolidated Expenses |
| | | Rental and Project Development | Management and General | Fundraising | | | | Total | |
| Salaries | \$ 307,211 | \$ 93,230 | \$ 76,011 | \$ 169,241 | \$ 476,452 | \$ 139,665 | \$ - | \$ 616,117 | \$ 639,582 |
| Payroll taxes and fringe benefits | 79,742 | 24,200 | 19,730 | 43,930 | 123,672 | 28,647 | - | 152,319 | 155,466 |
| Repairs and Maintenance | 5,643 | - | - | - | 5,643 | 95,883 | - | 101,526 | 94,916 |
| Professional fees | 72,697 | 40,775 | 75,774 | 116,549 | 189,246 | 37,657 | - | 226,903 | 312,925 |
| Trash removal | 1,216 | - | - | - | 1,216 | 15,694 | - | 16,910 | 10,661 |
| Security | 6,228 | - | - | - | 6,228 | 57,981 | - | 64,209 | 61,148 |
| Building licenses and permits | 268 | - | - | - | 268 | 355 | - | 623 | 8,878 |
| Building filing fees | 380 | - | - | - | 380 | 615 | - | 995 | 1,703 |
| Building related penalties | 1,046 | - | - | - | 1,046 | 2,500 | - | 3,546 | - |
| Insurance | 37,768 | 11,462 | 9,345 | 20,807 | 58,575 | 81,248 | - | 139,823 | 201,543 |
| Utilities | 62,782 | - | - | - | 62,782 | 258,866 | - | 321,648 | 277,238 |
| Phone and internet | 10,364 | 3,145 | 2,564 | 5,709 | 16,073 | 1,108 | - | 17,181 | 19,231 |
| Bad debt | - | 2,375 | - | 2,375 | 2,375 | - | - | 2,375 | - |
| Interest | 439,855 | - | - | - | 439,855 | 507,217 | - | 947,072 | 974,861 |
| Real estate taxes | 99,392 | - | - | - | 99,392 | 118,556 | - | 217,948 | 216,099 |
| Office expenses | 63,594 | 19,299 | 15,735 | 35,034 | 98,628 | 444 | - | 99,072 | 71,180 |
| Administrative fees | - | - | - | - | - | 360,000 | (360,000) | - | - |
| Depreciation | 515,532 | 4,529 | 3,692 | 8,221 | 523,753 | 217,847 | (105,121) | 636,479 | 628,451 |
| Amortization | 44,434 | - | - | - | 44,434 | 10,828 | - | 55,262 | 50,897 |
| Miscellaneous | 1,050 | 320 | 261 | 581 | 1,631 | - | - | 1,631 | 5,253 |
| Total Expenses, 2005 | \$ 1,749,202 | \$ 199,335 | \$ 203,112 | \$ 402,447 | \$2,151,649 | \$1,935,111 | \$ (465,121) | \$3,621,639 | |
| Total Expenses, 2004 | \$ 1,964,594 | \$ 229,983 | \$ 156,673 | \$ 386,656 | \$2,351,250 | \$1,903,903 | \$ (525,121) | | \$3,730,032 |

* 2004 amounts have been adjusted to conform with 2005 presentation.

See independent auditor's report on additional information.