

**NY GREEN BANK**  
**(A Division of the New York State Energy Research and Development Authority)**

**FINANCIAL STATEMENTS**

**March 31, 2015**

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## RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, integrity and objectivity of the financial statements of NY Green Bank, a division of the New York State Energy Research and Development Authority (the Authority), as well as all other information contained in the Authority's Annual Report. The financial statements of NY Green Bank for the fiscal year ending March 31, 2015 were prepared in conformity with U.S. generally accepted accounting principles. Financial information contained elsewhere in the Annual Report is consistent with the financial statements. The Board of the Authority (the Board) adopted these financial statements and the Annual Report at a meeting on June 18, 2015.

The Authority maintains a system of internal controls, the objectives of which are to provide reasonable assurance as to the proper authorization and recording of transactions, the safeguarding of Authority assets, the compliance with applicable laws and regulations, and the reliability of financial records for preparing financial statements. The internal control structure is subject to periodic review by management, internal audit staff and the independent auditors. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived.

NY Green Bank's financial statements have been audited by KPMG LLP, independent auditors appointed by the Members of the Board. Management has made available to the independent auditors all the financial records and related data of NY Green Bank, as well as providing access to all the minutes of the meetings of the Board and its standing committees. The independent auditors periodically meet directly with the Audit and Finance Committee of the Board, which is comprised of Members who are not employees of the Authority.

The independent audit included obtaining an understanding of the internal control structure, tests of accounting records, and other procedures which the independent auditors considered necessary in order to express an opinion as to the fairness of the presentation of the financial statements. No material weaknesses in internal control or any condition of non-compliance with applicable laws, regulations or policy were noted by the independent auditors. The unmodified independent auditors' report attests that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.



Alfred W. Griffin  
President of  
NY Green Bank



Jeffrey J. Pitkin  
Treasurer and  
Chief Financial Officer  
NYSERDA



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

Members of the Authority  
New York State Energy Research and Development Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of The NY Green Bank, an enterprise fund of the New York State Energy Research and Development Authority (the Fund), as of and for the year ended March 31, 2015, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of March 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



***Emphasis of Matter***

As discussed in Note 2(a) to the financial statements, the financial statements of the Fund are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities and proprietary fund type of the New York State Energy Research and Development Authority (a component unit of the State of New York) (the Authority) that is attributable to the transaction of the Fund. They do not purport, and do not present fairly, the financial position of the Authority as of March 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

U.S. generally accepted accounting principles require that management’s discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

The Responsibility for Financial Reporting section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 on our consideration of the Fund’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund’s internal control over financial reporting and compliance.

**KPMG LLP**

Albany, New York  
June 19, 2015

**NY Green Bank**  
**(A Division of the New York State Energy Research and Development Authority)**  
**Management's Discussion and Analysis**  
**For the Year Ended March 31, 2015**  
**Unaudited**

The following Management's Discussion and Analysis (MD&A) of NY Green Bank's financial performance provides an overview of NY Green Bank's financial activities for the fiscal year ended March 31, 2015. The information contained in the MD&A should be considered in conjunction with the information in the accompanying financial statements and notes to financial statements. Following this MD&A are the basic financial statements of NY Green Bank with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NY Green Bank's basic financial statements have the following components: (1) proprietary fund financial statements and (2) notes to the financial statements.

Proprietary fund financial statements are designed to provide readers with a broad overview of NY Green Bank's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on NY Green Bank's assets and liabilities, and the difference between the two is reported as *net position*. The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how NY Green Bank's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

The financial statements present the financial results of NY Green Bank and not the overall financial results of the New York State Energy Research and Development Authority (NYSERDA). A complete set of NYSERDA's audited financial statements is available upon request.

**CONDENSED FINANCIAL INFORMATION**

The following condensed financial information is presented from NY Green Bank's financial statements.

	<i>(Amounts in thousands)</i>		
	<b>March 31,</b>	<b>March 31,</b>	<b>% change</b>
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015-2014</u></b>
<b>Summary of Net Position</b>			
Cash and investments	\$216,374	207,004	4.5%
Third-party billings receivable	-	11,212	-100.0%
Total assets	<u>216,374</u>	<u>218,216</u>	<u>-0.8%</u>
Due to NYSERDA	<u>74</u>	-	100.0%
Total liabilities	<u>74</u>	-	100.0%
Net Position	<u><u>\$216,300</u></u>	<u><u>218,216</u></u>	<u><u>-0.9%</u></u>

For the fiscal year ended March 31, 2015, NY Green Bank engaged in several start-up activities including: hiring additional staff; developing systems, policies and procedures; and making a number of critical filings with the Public Service Commission, including those relating to NY Green Bank's business plan and metrics. NY Green Bank issued a solicitation in February 2014 seeking ongoing proposals from private sector capital providers and clean energy industry participants to propose transactions involving partnerships with NY Green Bank. In March 2015, NY Green Bank committed capital to counterparties for its first four transactions totaling \$56,400,000. These commitments are subject to certain conditions and negotiating final documentation. The transactions will close upon conclusion of documentation and confirmations that conditions have been met. NY Green Bank anticipates finalizing the agreements and deploying capital for these transactions during the fiscal year ending March 31, 2016. Several other potential financing transactions are also subject to due diligence as of March 31, 2015. As a result, no operating revenues were earned in the fiscal year ended March 31, 2015, and operating expenses were greater than non-operating revenues, resulting in a decrease of total assets and net position by \$1,916,000 (0.9%).

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Unaudited

*(Amounts in thousands)*

	<u>March 31,</u> <u>2015</u>	<u>March 31,</u> <u>2014</u>	<u>% change</u> <u>2015-2014</u>
<b>Summary of Changes in Net Position</b>			
Operating Expenses:			
Salaries and benefits	\$2,497	427	484.8%
Investment related expenses	78	-	100.0%
Other operating costs	880	72	1,122.2%
Depreciation	60	18	233.3%
NY State assessments	77	13	492.3%
Total operating expenses	<u>3,592</u>	<u>530</u>	<u>577.7%</u>
Non-operating revenues:			
Investment income	1,176	219	437.0%
System Benefits Charge	-	90,000	-100.0%
Total non-operating revenues	<u>1,176</u>	<u>90,219</u>	<u>-98.7%</u>
Transfers	500	128,527	-99.6%
Change in net position	<u>(\$1,916)</u>	<u>218,216</u>	<u>-100.9%</u>

Operating expenses increased \$3,062,000 (577.7%). As noted above, the fiscal year ended March 31, 2015 principally reflected start-up activities for NY Green Bank. Salaries and benefits includes: \$1,059,000 in NY Green Bank salary expenses, an increase of \$885,000 over the prior year due to an increase in staff; and \$838,000 in allocated fringe benefit expenses and \$601,000 in NYSERDA allocated administrative salary expenses, an increase of \$682,000 and \$503,000, respectively, from the prior year due to an increase in NY Green Bank's pro-rata share. Investment related expenses include legal costs incurred for pending NY Green Bank financial transactions, which for certain transactions may be subject to reimbursement from the counterparty. There were no investment related expenditures in the prior fiscal year. Other operating costs includes: \$362,000 in direct program operating costs, which increased \$354,000 from the prior year primarily due to increases in professional service and travel expenses; and \$518,000 in allocable NYSERDA general and administrative costs, which increased \$455,000 from the prior year due to an increase in NY Green Bank's pro-rata share. Depreciation and NY State assessments reflect NY Green Bank's allocable share of NYSERDA's Depreciation and Cost Recovery Fee assessment from the State of New York, which increased reflecting NY Green Bank's growth in headcount for the year.

Non-operating revenues decreased \$89,043,000 (98.7%). Investment income increased as a result of increases in the average cash and investment balances and as a result of increases in the fair value of investments. System Benefits Charge revenue in the fiscal year ended March 31, 2014 was a one-time item reflecting the portion of NY Green Bank's initial capitalization provided from uncommitted utility System Benefits Charge funds.

During the fiscal year ended March 31, 2015, NY Green Bank received a transfer from NYSERDA of \$500,000 in federal grant funds to provide a letter of credit to support Energy Improvement Corporation's Energize NY commercial property assessed clean energy financing program. During the fiscal year ended March 31, 2014, NY Green Bank received a transfer from NYSERDA of \$128,527,000 from uncommitted funds from NYSERDA's Energy Efficiency Portfolio Standard, Renewable Portfolio Standard, and System Benefits Charge programs used to fund a portion of NY Green Bank's initial capitalization.

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets are purchased and owned by NYSERDA. NY Green Bank does not maintain capital assets on its balance sheet, but instead is allocated depreciation expense on capital assets from NYSERDA.

**BUDGETARY INFORMATION**

The following table summarizes actual revenues and expenses, as reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, for the fiscal year ended March 31, 2015, in comparison to amounts included in the final Budget approved by NYSERDA's Board:

	<i>(Amounts in thousands)</i>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Operating revenues:</u>			
Fees and other income	-	2,217	(2,217)
Total operating revenues	-	2,217	(2,217)
<u>Operating expenses:</u>			
Salaries and benefits	\$2,497	2,653	(156)
Investment related expenses	78	156	(78)
Other operating costs	880	1,200	(320)
Depreciation	60	64	(4)
NY State assessments	77	94	(17)
Total operating expenses	3,592	4,167	(575)
<u>Non-operating revenues</u>			
Investment income	1,176	787	389
Total non-operating revenues	1,176	787	389
Transfers	500	-	500
Change in net position	(1,916)	(1,163)	(753)
Net position, beginning of year	218,216	218,216	-
Net position, end of year	\$216,300	217,053	(753)

Fees and other income were originally budgeted assuming a portion of NY Green Bank's capital would be deployed during the fiscal year. Since NY Green Bank is focused on mobilizing private capital into clean energy investments in the State that are not addressed in the current commercial market, it is by definition operating in new areas, seeking to create precedent where little to none has so far existed- all involving considerable time and effort; therefore, funding for the first transactions was committed in March 2015, and capital was not deployed during the fiscal year.

Total operating expenses were approximately \$575,000, or 13.8%, below the approved Budget. Salaries and benefits were lower than anticipated principally due to vacancies not filled as early as anticipated, which resulted in a lower than anticipated allocation of fringe benefit and allocated administrative salary expenses. Investment related expenses, including legal services for pending financial transactions, were less than budgeted due to the timing of capital commitment and deployment. Other operating costs were less than budgeted primarily due to lower than anticipated general and administrative operating costs incurred by NYSERDA and from lower than anticipated pro-rata share for NY Green Bank. NY State Assessments was lower than budgeted principally due to lower total expenses than anticipated.

Investment income (non-operating revenue) was approximately \$389,000, or 49.4%, higher than Budget primarily from higher than anticipated average investment balances and from an increase in fair market value of investments held, which was not budgeted.

The transfer of \$500,000 of federal funding was not budgeted during the fiscal year.

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Management's Discussion and Analysis  
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Unaudited

**ECONOMIC FACTORS**

Funding clean energy projects and future capitalization of NY Green Bank may be impacted by a number of factors including, but not limited to, general economic conditions, energy prices, energy system reliability, and energy technology advancements.

**CONTACT FOR NY GREEN BANK'S FINANCIAL MANAGEMENT**

This report is designed to provide a general overview of the finances of NY Green Bank, a division of NYSERDA, for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Jeffrey J. Pitkin, Treasurer & Chief Financial Officer, NYSERDA, 17 Columbia Circle, Albany NY 12203.

NY Green Bank  
 (A Division of the New York State Energy Research and Development Authority)  
 Statement of Net Position  
 March 31, 2015  
 (with comparative totals for March 31, 2014)  
 (Amounts in thousands)

	March 31, 2015	March 31, 2014
<b><u>ASSETS:</u></b>		
Current assets:		
Cash and investments	\$97,622	92,872
Third-party billings receivable	-	11,212
Total current assets	97,622	104,084
Non-current assets:		
Investments	118,752	114,132
Total non-current assets	118,752	114,132
Total assets	216,374	218,216
 <b><u>LIABILITIES:</u></b>		
Current liabilities:		
Due to NYSERDA	74	-
Total current liabilities	74	-
Total liabilities	74	-
 <b><u>NET POSITION:</u></b>		
Net position restricted for specific programs	\$216,300	218,216

*See accompanying notes to the basic financial statements.*

NY Green Bank  
 (A Division of the New York State Energy Research and Development Authority)  
 Statement of Revenues, Expenses and Changes in Fund Net Position  
 For the year ended March 31, 2015  
 (with comparative totals for March 31, 2014)  
 (Amounts in thousands)

	March 31, 2015	March 31, 2014
<b><u>OPERATING EXPENSES:</u></b>		
Salaries and benefits	\$2,497	427
Investment related expenses	78	-
Other operating costs	880	72
Depreciation	60	18
NY State assessments	77	13
Total operating expenses	3,592	530
<b><u>NON-OPERATING REVENUES:</u></b>		
Investment income	1,176	219
System Benefits Charge	-	90,000
Total non-operating revenues	1,176	90,219
Transfers	500	128,527
Change in net position	(1,916)	218,216
Net position, beginning of period	218,216	-
Net position, end of period	\$216,300	218,216

*See accompanying notes to the basic financial statements.*

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)  
Statement of Cash Flows  
For the year ended March 31, 2015  
(with comparative totals for March 31, 2014)  
(Amounts in thousands)

	March 31, 2015	March 31, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Payments to employees & employee benefit providers	(\$2,497)	(427)
Payments to suppliers	(958)	(72)
Payment for allocated depreciation	(60)	(18)
Payments to NYS	(77)	(13)
Advance from governmental activities	74	-
Net cash used in operating activities	(3,518)	(530)
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
System Benefits Charge	11,212	78,788
Transfers from other funds	500	128,527
Net cash provided by non-capital financing activities	11,712	207,315
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(104,460)	(204,895)
Proceeds from sale of investments	94,282	-
Investment income	94	-
Net cash used in investing activities	(10,084)	(204,895)
 <b>Net change in cash and cash equivalents:</b>		
	(1,890)	1,890
Cash and cash equivalents, beginning of period	1,890	-
Cash and cash equivalents, end of period	\$ -	1,890
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	(\$3,592)	(530)
Adjustments to reconcile operating loss to net cash used by operating activities:	-	-
Advance from governmental activities	74	-
Net cash used in operating activities	(\$3,518)	(530)

*See accompanying notes to the basic financial statements.*

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**Notes to Basic Financial Statements**  
**March 31, 2015**

**(1) GENERAL**

NY Green Bank, a state-sponsored, specialty finance entity working in partnership with the private sector to increase investments into New York's clean energy markets, creating a more efficient, reliable and sustainable energy system, is a division of the New York State Energy Research and Development Authority (NYSERDA). NYSERDA is a public benefit corporation established in 1975 pursuant to Title 9 of Article 8 of the Public Authorities Law of the State of New York (the State). NYSERDA is included in the State's basic financial statements as a component unit.

NY Green Bank's mission is to accelerate clean energy deployment in New York State by working in partnership with the private sector to transform financing markets. The key elements of NY Green Bank's mission are partnering with private sector participants, implementing structures that overcome market barriers and address financing gaps in current clean energy financing markets, and transforming those markets by enabling greater scale, new and expanded asset classes and increased liquidity. These activities are expected to motivate faster and more extensive implementation of clean energy assets within New York State, foster greater energy choices, reduced environmental impacts and more green energy benefits per public dollar spent for all New Yorkers.

Pursuant to a December 2013 Order of the Public Service Commission ("Commission"), initial funding of \$165,600,000 was made available to NY Green Bank. The funding consisted of \$3,500,000 in uncommitted NYSERDA Energy Efficiency Portfolio Standard I (EEPS I) funds; \$22,100,000 in uncommitted NYSERDA System Benefits Charge (SBC) funds; \$50,000,000 in NYSERDA Renewable Portfolio Standard (RPS) funds; and \$90,000,000 in uncommitted utility EEPS I funds. In addition to the Commission Order, NYSERDA transferred \$52,926,434 of its Regional Greenhouse Gas Initiative revenues to NY Green Bank for a total initial capitalization of \$218,526,434.

On October 30, 2014, NYSERDA filed a petition with the Commission to complete the capitalization of NY Green Bank, seeking an order authorizing the balance of the intended \$1 billion capitalization of NY Green Bank. The petition requested that the Commission authorize the remaining capitalization in two stages: (i) funds to be made available in 2015 in a stand-alone NY Green Bank order; and (ii) funds to be made available as part of NYSERDA's Clean Energy Fund proposal, pursuant to which an Information Supplement setting forth annual allocations is scheduled to be filed with the Commission on June 25, 2015. No decision regarding the NY Green Bank Petition has been made by the Commission as of June 18, 2015.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation**

NY Green Bank is presented as a Proprietary Fund. Proprietary funds are used to report business-type activities for which a fee is charged to external users for goods or services, and consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The accompanying financial statements present only the activities of the fund and are not intended to present fairly the financial position of the NYSERDA and the results of its operations in conformity with U.S. generally accepted accounting principles.

**(b) Basis of accounting**

Proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues resulting from non-exchange transactions are recognized when all eligibility requirements (if any) have been met.

**(c) Indirect cost allocation method**

NYSERDA incurs certain indirect costs (administrative salary expense, fringe benefit expense, and general and administrative expense) which are not directly associated with a specific function/program, therefore, these costs are allocated in proportion to direct salary expenses of each NYSERDA function/program, including NY Green

NY Green Bank  
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**Notes to Basic Financial Statements  
March 31, 2015**

Bank.

Administrative salary expense is comprised of an allocation of NYSERDA's administrative and support unit salaries, and fringe benefit expenses commonly including, but not limited to health insurance, compensated absence, and postemployment benefits. The administrative salary expense and fringe benefit expenses allocated to NY Green Bank are included in salaries and benefits expense. General and administrative expenses include expenses such as rent, equipment and facility costs, and information technology costs, and the amount allocated to NY Green Bank is included in other operating costs expense.

**(d) Investments**

Investments are recorded at fair value, which reflects quoted market prices for U.S. government obligations.

**(e) Capital assets**

NY Green Bank does not maintain capital assets on its balance sheet, but instead is allocated depreciation expense on general NYSERDA capital assets, which is allocated in proportion to direct salary expenses of each NYSERDA function/program, including NY Green Bank.

**(f) NY state assessments**

NY state assessments represents NY Green Bank's pro-rata share of fees assessed to NYSERDA by the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services, which are allocated in proportion to total expenses of each NYSERDA function/program, including NY Green Bank.

**(g) Use of estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(3) CASH AND INVESTMENTS**

Pursuant to Public Authorities Law Section 1859(1), the Commissioner of the New York State Department of Taxation and Finance (the Department) serves as fiscal agent for NYSERDA's cash and investments, maintaining such funds on NYSERDA's behalf and implementing investments subject to the Department's policies and with direction and authorization from NYSERDA. NYSERDA has a written investment policy that applies to all its investments. The policy permits deposits with financial institutions approved by the fiscal agent and permits investments in: certificates of deposit of bank or trust companies located in New York State; obligations of New York State and the United States government and certain of their agencies; repurchase agreements subject to certain limitations; and money market funds subject to certain limitations. NY Green Bank follows NYSERDA's investments policy.

The following schedule presents NY Green Bank's cash and investments as of March 31, 2015.

*(Amounts in thousands)*

	<u>Fair Value</u>	% of <u>Total</u>	Weighted Average Maturity <u>(months)</u>
U.S. Treasury Bills	10,717	5.0	1.1
U.S. Treasury Strips	<u>205,657</u>	<u>95.0</u>	<u>15.4</u>
Total	<u>\$216,374</u>	<u>100.0</u>	<u>14.7</u>
Current Portion	<u>\$97,622</u>		

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**Notes to Basic Financial Statements  
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*Interest Rate Risk.* NYSERDA investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investment maturities are selected based on anticipated cash flow needs.

*Concentration of Credit Risk.* NYSERDA's investment policy limits investments with any single eligible banking institution to no more than 35% of its total investment portfolio, except as otherwise required by any policies and practices of the Commissioner of Taxation and Finance. As of March 31, 2015, NYSERDA did not have any investments with institutions that were individually in excess of 5% of total investments.

*Custodial Credit Risk for Deposits.* Deposits are exposed to custodial credit risk if the deposits are not covered by depository insurance or deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging institution's trust department or agent, but not in the name of NYSERDA.

In accordance with existing policies and procedures, the Commissioner of the New York State Department of Taxation and Finance, as Fiscal Agent for NYSERDA, monitors deposit balances for the purpose of determining collateralization levels. Collateral sufficient to cover all uninsured deposits is held at the New York State Department of Taxation and Finance's custodial bank.

*Custodial Credit Risk for Investments.* Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of NYSERDA and are held either by the counterparty or the counterparty's trust department or agent.

Fixed income investments owned directly by NYSERDA, which trade in the United States (U.S.) markets, are held at NYSERDA's Fiscal Agent's custodian, in separate accounts, in the name of the Comptroller of the State of New York in Trust for NYSERDA. These securities are typically held in electronic form through the Federal Book Entry System and by the Depository Trust Company (DTC) and its subsidiaries acting as an agent of NYSERDA's Fiscal Agent's custodian bank.

The following is a summary of cash and investments and related contractual commitments as of March 31, 2015:

*(Amounts in thousands)*

	<u>Investments</u>		<u>Operating Expenses</u>		
<u>Cash and Investments</u>	<u>Committed Capital</u>	<u>Approved Investments</u>	<u>Contractual Obligations</u>	<u>Pre- Contractual Obligations</u>	<u>Total Commitments</u>
\$216,374	500	56,400	281	3,081	60,262

**(4) LIABILITIES**

As of March 31, 2015, the amount due NYSERDA is approximately \$74,000, which represents NY Green Bank's allocated costs not yet reimbursed to NYSERDA.

**(5) CONTINGENCIES**

Risk Management

NYSERDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYSERDA maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to NYSERDA. NYSERDA has not experienced any reductions in coverage and has not had any insurance settlements exceeding the coverage in the past three years. NY Green Bank is covered by NYSERDA's insurance policies.

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)

**Notes to Basic Financial Statements**  
**March 31, 2015**

**(6) TRANSFERS**

Transfers represents \$500,000 in federal grant funds transferred to NY Green Bank to provide a letter of credit to support Energy Improvement Corporation's Energize NY commercial property assessed clean energy financing program.