



**NY Green Bank**  
A Division of NYSERDA

# NY Green Bank

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Metrics, Reporting & Evaluation  
Annual Financial Metrics Report No. 2  
(April 1, 2015 - March 31, 2016)

Case 13-M-0412

June 29, 2016

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## 1 Introduction

This annual financial metrics report (“**Report**”) is filed by NY Green Bank (“**NYGB**”), a division of the New York State Energy Research and Development Authority (“**NYSERDA**”), with the New York State Public Service Commission (the “**Commission**”) pursuant to the Metrics, Reporting & Evaluation Plan (version 3.0) filed with the Commission on June 20, 2016<sup>1</sup> (the “**Metrics Plan**”).

The purpose of this Report is to provide the information identified in Table 1 (the “**Metrics**”) that is available annually on specific aspects of NYGB’s performance, generally tied to NYGB’s fiscal year (April 1 through March 31, “**FY**”) and the preparation of Audited Financials.

NYGB is executing to plan in a manner aimed at building a sizeable portfolio over the near and medium terms that meets its mission and key investment criteria. Doing so will deliver returns to NYGB’s investors across a fully-established Investment Portfolio, while simultaneously providing projected energy and environmental benefits and contributing to the transformation of the State’s energy landscape consistent with the objectives of the Clean Energy Fund, REV, State Energy Plan and Clean Energy Standard.

For the year ended March 31, 2016, NYGB built upon its prior year activities to materially grow its Investment Portfolio, while continuing to develop and advance all the fundamental components required to support the business. Details on NYGB’s activities over the past year are available in its 2016 Business Plan<sup>2</sup> and in other materials (including Quarterly Metrics Reports) – all available at [www.greenbank.ny.gov](http://www.greenbank.ny.gov).

*Defined terms used in the text of this Report but not separately described in it have the meanings respectively given to them in the Metrics Plan.*

## 2 Annual Financial Metrics

For this Report, information with respect to the required Metrics is provided for the fiscal years ending March 31, 2016 and March 31, 2015, respectively. Any restatements of prior year results, notable variances and changes in methodologies are discussed in Section 3.

Required Metrics for the period April 1, 2015 through March 31, 2016 are set out in Table 1.

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<sup>1</sup> Case 13-M-0412, “NY Green Bank – Metrics, Reporting & Evaluation Plan”, dated June 20, 2016.

<sup>2</sup> Case 13-M-0412, filed with the Commission on June 27, 2016.

Table 1. Annual Financial Metrics FY 2015 - 2016

Annual Metric	FY 2014 - 2015	FY 2015 - 2016
<b>Financial Position</b>		
▪ <b>Audited Financials</b>	See "Audited Financial Statements" available at <a href="http://www.greenbank.ny.gov/About/Public-Filings">www.greenbank.ny.gov/About/Public-Filings</a>	Included in Schedule 1 to this Report
<b>Investment Quality &amp; Risk</b>		
▪ <b>Portfolio Impairment</b>	0.00%	0.00%
<b>Investment Portfolio Benefits</b>		
▪ <b>Return on Investment (%)<sup>3</sup></b>		
▪ <b>Annual ROI</b>		
▪ <b>Gross</b>	0.54%	0.83%
▪ <b>Net</b>	-1.11%	-1.71%
▪ <b>Cumulative ROI</b>		
▪ <b>Gross</b>	0.64%	1.47%
▪ <b>Net</b>	-1.25%	-2.95%
▪ <b>Capital Redeployment Cycle Time</b>	Not Applicable	4.76 Years

### 3 Discussion

#### 3.1 General

All reported figures align with what is expected of NYGB in the period between start-up and becoming a mature operating entity. These Metrics are consistent with comparable new and growing investment organizations – private or public. NYGB remains on track as it progresses through a multi-year maturation period during which its initial Investment Portfolio is fully established (with investment of all Available Capital) and self-sufficiency is reached.

#### 3.2 Financial Position

##### 3.2.1 Audited Financials

The complete package of NYGB's Audited Financials is attached in Schedule 1, including the report of KPMG LLP as independent auditor, management's discussion and analysis and full financial statements (i.e., Statement of Net Position – Proprietary Funds; Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds; and Statement of Cash Flows – Proprietary Funds), together with all notes to the financial statements.

<sup>3</sup> Note that ROI calculations pursuant to the Metrics Plan – as set out in Table 1 – represent a return on the capital invested in NYGB – currently \$218.5 million – and not a return on capital at risk (i.e., funds invested by NYGB).

### 3.3 Investment Quality & Risk

#### 3.3.1 Portfolio Impairment

Over the past year, there was no change in Portfolio Impairment as none of NYGB's investments was Impaired.

### 3.4 Investment Portfolio Benefits

#### 3.4.1 Return on Investment - General

NYGB's ROI is a broad measure of return on the capital that NYGB held during the reporting period, such that the denominator of the ROI calculations presented in Table 1 (and discussed in Sections 3.4.2 and 3.4.3) is \$218.5 million.

NYGB's ROI is reported annually in two ways:

- (a) "Gross" meaning that overall return on investment in NYGB is calculated based on Revenue, plus any Capital Gains and net of any Capital Losses; and
- (b) "Net" meaning that all Operating Expenses are included in the calculation of return on investment in NYGB (as an offset against Revenues).

In addition, measurement and reporting of ROI is provided over two distinct timeframes:

- (a) Annual, for just the most recent fiscal year; and
- (b) Cumulative, for a period that is intended to cover Inception through the end of the most recent fiscal year.

#### *Treatment of Fair Market Value ("FMV") Adjustments*

NYGB's ROI is based on inputs which tie directly to the Audited Financials. In particular, this means that FMV adjustments are included in the calculation of Revenue. FMV adjustments relate to NYGB's unused capital balances from time to time that are generally invested in U.S. Treasury securities with laddered maturities. Those securities are largely held to maturity or liquidated closer to maturity to meet cash needs. FMV adjustments can be either positive or negative (i.e., with the effect of increasing Revenues or decreasing them, with corresponding effects on ROI). While FMV adjustments are omitted from Quarterly Metrics Reports<sup>4</sup>, they are included in year-end financial statements based on generally accepted accounting principles, and consequently are also included in the ROI calculations.

#### *Cumulative ROI – Change in Calculation Period*

In the first Annual Financial Metrics Report (for the fiscal year ending March 31, 2015), the cumulative ROI calculations (both gross and net) were for the period commencing on October 1, 2014, as required by the Metrics, Reporting & Evaluation Plan (version 1.0) filed with the Commission on June 19, 2014.<sup>5</sup> In the recent review and revision of NYGB's metrics, it was decided to remove the somewhat arbitrary start date of October 1, 2014 for calculation of cumulative ROIs and replace it with NYGB's Inception. This modification is reflected in the Metrics Plan (version 3.0) recently filed with the Commission. The effect of this change is to include in the cumulative ROI calculations \$0.60 million in Revenues and ~\$1.9 million in Operating Expenses, including NYGB pre-establishment expenses.

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<sup>4</sup> To give a clearer indication of Revenues derived from NYGB's business operations during the year, especially since such adjustments are anticipated to be largely temporary.

<sup>5</sup> Case 13-M-0412. See page 6, definition of "Return on Investment".

### 3.4.2 Annual ROI

Annual Gross ROI increased year-on-year from 0.54%<sup>6</sup> to 0.83%<sup>7</sup>, reflecting an increase in Revenue of ~\$0.6 million in FY 2015 - 2016. Annual Net ROI decreased from -1.11%<sup>8</sup> to -1.71%<sup>9</sup>, due principally to an increase in Operating Expenses of \$1.9 million, consisting of Direct Operating Expenses of ~\$0.9 million and Allocated Expenses of ~\$1.0 million.

### 3.4.3 Cumulative ROI

NYGB reported Cumulative Gross ROI last year of 0.37%. Recalculating this number to take into account a period beginning with NYGB's Inception as described in [Section 3.4.1](#), results in a FY 2014 – 2015 Cumulative Gross ROI of 0.64% due to an increase in Revenues during the period of ~\$0.6 million.

For FY 2015 - 2016, Cumulative Gross ROI increased from 0.64%<sup>10</sup> to 1.47%<sup>11</sup>, due to an increase in Cumulative Revenues of \$1.8 million.

NYGB reported Cumulative Net ROI last year of -0.63%. Recalculating this number to take into account a period beginning with NYGB's Inception as described in [Section 3.4.1](#), results in a FY 2014 – 2015 Cumulative Net ROI of -1.25%.

For FY 2015 – 2016, Cumulative Net ROI decreased from -1.25%<sup>12</sup> to -2.95%<sup>13</sup>, due principally to an increase in Cumulative Operating Expenses of \$5.5 million, consisting of Direct Operating Expenses of \$2.9 million and Allocated Expenses of \$2.6 million.

### 3.4.4 Capital Redeployment Cycle Time

Capital Redeployment Cycle Time appears as a reported measure for the first time in this Report, given the establishment and continuing growth of the Investment Portfolio during the fiscal year ending March 31, 2016. Capital Redeployment Cycle Time is broadly a measure of how long it will take for a dollar of NYGB funding to effectively pass from one investment into a new one and will vary over time, depending on the expected weighted average durations of investments in NYGB's portfolio from time to time. Based on the Investment Portfolio of \$54.5 million at fiscal year-end, Capital Redeployment Cycle Time at March 31, 2016 is approximately five years, relates to investments with a total project value of \$328.0 million, and represents an expected mobilization ratio of total project costs to NYGB funds of ~6:1.<sup>14</sup>

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<sup>6</sup> Includes a FMV adjustment of \$0.40 million to Revenue.

<sup>7</sup> Includes a FMV adjustment of -\$0.13 million to Revenue.

<sup>8</sup> Includes a FMV adjustment of \$0.40 million to Revenue.

<sup>9</sup> Includes a FMV adjustment of -\$0.13 million to Revenue.

<sup>10</sup> Includes a cumulative FMV adjustment of \$0.47 million to Revenue.

<sup>11</sup> Includes a cumulative FMV adjustment of \$0.35 million to Revenue.

<sup>12</sup> Includes a cumulative FMV adjustment of \$0.47 million to Revenue.

<sup>13</sup> Includes a cumulative FMV adjustment of \$0.35 million to Revenue.

<sup>14</sup> Reflecting the continued growth of the Investment Portfolio since March, both the Capital Redeployment Cycle Time and mobilization ratio are at 3.52 years and ~4:1 respectively, at the date of this Report.

## 4 Glossary & Definitions

**“Active Pipeline”** means, at any time and for any period, the sum (expressed in dollars) of the proposed NYGB investment amount in all NYGB active transactions in the Pipeline where, in relation to each transaction:

- (a) There is agreement in principle between the parties;
- (b) There is momentum in moving the transaction forward;
- (c) Conditions to investment are expected to be met; and
- (d) NYGB is dynamically proceeding towards and through “greenlight” recommendation, IRC approval and transaction execution.

Unlike other Metrics that are cumulative measures since NYGB Inception, “Active Pipeline” is a point in time measure. As momentum behind individual transactions fluctuates while advancing towards execution due to various factors, including many not under NYGB’s control, transactions may move in and out of the Active Pipeline at any given time.

**“Allocated Expenses”** means the aggregate of all costs allocated quarterly to NYGB by NYSERDA, generally based on the proportion which NYGB’s direct salary costs bear to the total salary costs of all NYSERDA program staff, expressed in dollars. Allocated Expenses fall into the following categories:

- (a) Indirect salary allocations, compensating NYSERDA for NYGB’s pro rata portion of all NYSERDA full-time non-program staff (e.g., executive, operations, regulatory, energy analytics, IT, legal, finance, marketing and communications, etc.);
- (b) Employee benefits allocation, a fringe benefits allocation including healthcare, pensions etc. in relation to NYSERDA’s indirect labor described in the preceding Clause (a);
- (c) Indirect cost allocation, compensating NYSERDA for NYGB’s pro rata portion of all non-program consultants, facilities, office equipment, software and IT upgrades, and similar items that are expensed;
- (d) Depreciation allocation, compensating NYSERDA for depreciation on all of its capital assets (e.g. owned real estate) and other capitalized items; and
- (e) New York State Cost Recovery Fee<sup>15</sup>, a charge levied by the State of New York on all of NYGB expenses (including Allocated Expenses).

**“Audited Financials”** means annual audited financial statements prepared in accordance with applicable accounting standards by a reputable, experienced and independent accounting firm, in consultation with NYGB and NYSERDA staff.

**“Available Capital”** means, at any time or for any period as the context may require, the aggregate amount of capital (expressed in dollars) that is both allocated to NYGB and fully available to it for investment at such time or during such period (i.e., not subject to the occurrence of any funding triggers, milestones or other contingencies). “Available Capital” includes Cumulative Revenues and any Capital Gains, and is net of Cumulative Operating Expenses, any Capital Losses, and Deployed Funds, all at the

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<sup>15</sup> The New York State Cost Recovery Fee is imposed on public authorities and public benefit corporations pursuant to Section 2975 of the Public Authorities Law. The fee is intended to reimburse the State for the cost attributable to provision of government services to authorities and public benefit corporations. The amount of the fee imposed on NYSERDA is periodically revised by the State. NYSERDA allocates the cost of the fee to each program it administers as a pass-through overhead cost. Currently, the fee is allocated among the programs in proportion to each program’s expenditures (including allocations).

relevant time.

**“Capital Gains”** means, in any year, the aggregate of all increases in Available Capital that are derived from realized gains on NYGB investments that occur in that year, expressed in dollars.

**“Capital Losses”** means, in any year, the aggregate amount of funding that has been Deployed by NYGB and become due and payable but that has not been repaid to, or recovered by, NYGB pursuant to the terms of the relevant transaction documents, expressed in dollars, and in respect of which NYGB has undertaken commercially reasonable legal remedies and other means of recovery.

**“Capital Redeployment Cycle Time”** means, for any period, the average length of time that it is expected to take for a dollar of Committed Funds or Deployed Funds to be made available to, and repaid<sup>16</sup> from, one NYGB investment and further Committed or Deployed to a subsequent NYGB investment, measured across the Current Portfolio in that period. “Capital Redeployment Cycle Time” is a point-in-time measure calculated based on the weighted average of the expected durations of each investment in the Current Portfolio at the end of the relevant period.

**“Commission”** has the meaning given to that term in Section 1.

**“Committed Funds”** means, in any period, the aggregate funds to be provided by NYGB pursuant to executed investment and financing agreements which remain in force during that period, without such funds having been Deployed, expressed in dollars. **“Committed”** has a corresponding meaning.<sup>17</sup>

**“Cumulative Operating Expenses”** means, in any period, the aggregate of all Direct Operating Expenses and Allocated Expenses since Inception.

**“Cumulative Revenues”** means, in any period, the aggregate of all Revenue since Inception.

**“Current Portfolio”** means, at any time, the sum of Committed Funds and Deployed Funds and represents the dollar value of the Investment Portfolio.

**“Deployed Funds”** means, in any period, the aggregate funds that have been advanced by NYGB pursuant to the terms of executed investment and financing agreements which remain in force during that period, expressed in dollars. **“Deployed”** has a corresponding meaning.<sup>18</sup>

**“Direct Operating Expenses”** means, during any period, the direct costs incurred by NYGB in day-to-day operations, including all business development, transaction, and general and administrative expenses, expressed in dollars.

**“FMV”** has the meaning given to that term in Section 3.4.1.

**“FY”** has the meaning given to that term in Section 1.

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<sup>16</sup> Or in the case of any contingent obligations or other unfunded commitments of NYGB, the termination of any commitment in accordance with its terms.

<sup>17</sup> Many NYGB investments involve product types where funds are Committed to support NYGB's contingent obligations to clean energy projects and which, by their nature, are not intended to be drawn upon other than in specifically identified circumstances. Thus, not every dollar of Committed Funds will be Deployed.

<sup>18</sup> Deployed Funds reflect only funds actually advanced. Many transactions involve provision of credit enhancements by NYGB that, by their nature, are contingent obligations not generally intended to be fully drawn against or funded. In addition, many NYGB investments are “delayed draw” in that funds are not Deployed until project sponsors meet certain development milestones over a time period necessary to originate, develop and construct a large number of smaller, distributed, clean energy projects.



“**Gross ROI**” refers to NYGB’s overall return on investment and for any period is calculated as follows:

$$\frac{\text{Revenue} + \text{Capital Gains} - \text{Capital Losses}}{\text{ROI Capital}}$$

“**Impaired**” refers to any NYGB asset where:

- (a) That asset has become non-performing, such that NYGB is no longer receiving all principal, interest, fees and other revenue due in connection with that asset in accordance with the terms of the applicable transaction documentation; and
- (b) NYGB reasonably expects to incur a Capital Loss on recovery of the amount of Deployed Funds representing that investment asset and has reserved in its accounts accordingly.

“**Inception**” means the inception of NYGB pursuant to, and as of the date of, the Commission’s “Order Establishing New York Green Bank and Providing Initial Capitalization”, issued and effective on December 19, 2013.<sup>19</sup>

“**Investment Portfolio**” means, at any time, collectively, the investment transactions that NYGB has executed with its counterparties that have not yet matured or otherwise expired in accordance with their respective terms.

“**Metrics**” has the meaning given to that term in Section 1.

“**Metrics Plan**” has the meaning given to that term in Section 1.

“**Net ROI**” refers to NYGB’s return on investment net of Direct Operating Expenses and Allocated Expenses and for any period is calculated as follows:

$$\frac{\text{Revenue} + (\text{Capital Gains} - \text{Capital Losses}) - (\text{Direct Operating Expenses} + \text{Allocated Expenses})}{\text{ROI Capital}}$$

“**NYGB**” has the meaning given to that term in Section 1.

“**NYSERDA**” has the meaning given to that term in Section 1.

“**Operating Expenses**” means, for any period, the sum of Direct Operating Expenses and Allocated Expenses.

“**Pipeline**” means, at any time, collectively, the investment transactions that are under development and negotiation between NYGB and its prospective counterparties but not yet closed, following NYGB’s receipt of an investment proposal that meets the requirements of its process (including, without limitation, the terms of any applicable investment solicitation issued by NYGB and in effect from time to time).

“**Portfolio Impairment**” means, at any time with respect to all assets within the Investment Portfolio, the dollar value that is recorded in NYGB’s books of all such assets that are Impaired, expressed as a percentage of the Current Portfolio at that time.

“**Portfolio ROI**” has the meaning given to that term in Section 3.4.2.

“**Report**” has the meaning given to that term in Section 1.

“**Return on Investment**” or “**ROI**” represents stakeholders’ and investors’ return on investment in NYGB

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<sup>19</sup> Case 13-M-0412.

and measures return on ROI Capital, expressed as a percentage, including Gross ROI and Net ROI. Both Gross ROI and Net ROI are calculated on a fiscal year basis and include:

- (a) ROI for the relevant year (gross and net of Direct Operating Expenses and Allocated Expenses); and
- (b) Cumulative ROI (gross and net of Direct Operating Expenses and Allocated Expenses).

**“Revenue”** means, in any period, NYGB revenue from all sources, including without limitation all fees, interest, penalties, dividends and other receivables related to Committed Funds and Deployed Funds (inclusive of such amounts as may be capitalized, accrued or paid-in-kind) due to NYGB during that period as remuneration for providing financial facilities in transactions and also includes interest received on cash held by NYGB<sup>20</sup>, all expressed in dollars. “Revenue” excludes fair market value adjustments (either increases or decreases) relating to Available Capital held in U.S. Treasury securities from time to time for the purposes of Quarterly Metrics Reports, but these adjustments are included in Revenue calculations in Audited Financials and Annual Financial Metrics Reports.

**“ROI Capital”** means, at any time, for the purposes of calculating ROI, the following:

$$\text{ROI Capital} = \text{Available Capital} + (\text{Deployed Funds} + \text{Cumulative Operating Expenses} + \text{any Capital Losses}) - (\text{Cumulative Revenues} + \text{any Capital Gains})$$

Where: (x) the values for the identified components of ROI Capital are all as at the end of the relevant period for which ROI is being calculated; and (y) Available Capital will reflect any necessary time-weighted adjustments to account for the timing of changes to NYGB’s Available Capital as a result of actual receipt of further installments of authorized capital during the relevant period.

**“State Energy Plan”** means the NYS 2015 State Energy Plan, available at [www.energyplan.ny.gov](http://www.energyplan.ny.gov).

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<sup>20</sup> It is NYGB’s practice to invest cash balances in low risk instruments.

**NYGB Audited Financial Statements – March 31, 2016**

[See Attached]

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

**FINANCIAL STATEMENTS**

**March 31, 2016**

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March 31, 2016

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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, 2016 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 21, 2016.

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  
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## 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 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, 2016, 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, 2016, 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 transactions of the Fund. They do not purport, and do not present fairly, the financial position of the Authority as of March 31, 2016, 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.

### ***Report on Comparative Information***

We have previously audited the 2015 financial statements of NY Green Bank, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2015. In our opinion, the comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***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 21, 2016 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 21, 2016



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, 2016  
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, 2016. The information contained in the MD&A should be considered in conjunction with the information in the accompanying financial statements and related notes. 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 deferred outflows of resources, and liabilities, and the difference between these 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.

NY Green Bank is a division of the New York State Energy Research and Development Authority (NYSERDA). The financial statements present the financial results of NY Green Bank and not the overall financial results of 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.

*(Amounts in thousands)*

<b>Summary of Net Position</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>	<b>% change 2016-2015</b>
Cash and investments	\$202,636	216,374	-6.3%
Other assets	10,105	-	100.0%
Total assets	<u>212,741</u>	<u>216,374</u>	-1.7%
Deferred outflows of resources	407	-	100.0%
Due to NYSERDA	-	74	-100.0%
Long-term liabilities	363	-	100.0%
Other liabilities	210	-	100.0%
Total liabilities	<u>573</u>	<u>74</u>	674.4%
Net position	<u>\$212,575</u>	<u>216,300</u>	-1.7%

For the year ended March 31, 2016, NY Green Bank built upon its prior year startup activities to commence transactional execution. It has received over \$1.2 billion in investment proposals through March 31, 2016, representing total proposed clean energy investment in the State exceeding \$4.0 billion. Its active pipeline of potential investments proceeding towards closing was \$501.3 million as of March 31, 2016, continuing to be diversified across technology, location, and end-user segments. During the fiscal year ended March 31, 2016, NY Green Bank entered into four investment transactions totaling \$54.0 million, supporting clean energy projects with a projected total cost of \$328.0 million, of which \$10.0 million was deployed through drawdowns under loan credit facility arrangements, and \$44.5 million is committed and available to be deployed and disbursed under the terms of credit agreements with various counterparties.

It is important to note that not all funds which NY Green Bank commits to clean energy development in the State is intended to be deployed and disbursed immediately or in some cases, at all, pursuant to executed contractual arrangements. Many NY Green Bank investments relate to distributed generation or energy efficiency finance - which is most commonly focused on funding portfolios of projects. Once an investment closes, developers begin implementing projects and drawing down on capital over time. These financings are "delayed draw" by design, in that funds are not deployed until project sponsors meet certain development milestones over a time period necessary to originate, develop and construct a large number of smaller, distributed clean energy projects. NY Green Bank also enters into transactions that are not

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expected to be funded, such as those involving credit enhancements that comprise a contingent obligation for NY Green Bank, and where NY Green Bank capital is only drawn if a contingency is triggered. As of March 31, 2016, NY Green Bank committed capital of \$46.5 million to additional transactions, which were subject to certain conditions and negotiation of final documentation and are anticipated to close during the fiscal year ending March 31, 2017.

Total assets and net position decreased by \$3.6 million and \$3.7 million, respectively, primarily as a result of startup operating expenses which exceeded operating revenues. NY Green Bank's available capital (net position) as of March 31, 2016 was \$212.6 million reflecting the initial capitalization of \$218.5 million approved by the Public Service Commission, less cumulative startup operating expenses (net of cumulative operating and non-operating revenues). The Public Service Commission has approved an additional \$150.0 million in capitalization to be transferred to NY Green Bank from uncommitted NYSERDA ratepayer program funds once a trigger amount of capital is committed pursuant to executed transaction documents from its initial capitalization. In addition, the Public Service Commission's Order approving the Clean Energy Fund established incremental ratepayer collections in varying amounts from 2016 through 2025 totaling \$631.5 million to complete NY Green Bank's \$1.0 billion capitalization.

	<i>(Amounts in thousands)</i>		
<b>Summary of Changes in Net Position</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>	<b>% change 2016-2015</b>
Operating Revenues:			
Fees	\$402	-	100.0%
Loans and financing receivables interest	126	-	100.0%
Total operating revenues:	528	-	100.0%
Operating Expenses:			
Salaries and benefits	4,053	2,497	62.3%
Investment related expenses	211	78	170.5%
Program operating costs	174	362	-51.9%
General & administrative expenses	889	518	71.6%
Depreciation	120	60	100.0%
NY State assessments	91	77	18.2%
Total operating expenses	5,538	3,592	54.2%
Non-operating revenues:			
Investment income	1,280	1,176	8.8%
Total non-operating revenues	1,280	1,176	8.8%
Transfers	-	500	-100.0%
Change in net position	(\$3,730)	(1,916)	94.7%

Operating revenues increased \$.5 million; there were no operating revenues in the prior year. Fees, which include closing fees, undrawn funds fees and administrative fees from investment transactions were \$.4 million and interest on loan receivables was \$.1 million.

Operating expenses increased \$1.9 million (54.2%). Salaries and benefits, which includes NY Green Bank staff salary expenses (\$1.7 million), allocated fringe benefit expenses (\$1.4 million), and NYSERDA allocated administrative salary expenses (1.0 million), increased \$1.6 million (62.3%) from the prior year due to an increase in NY Green Bank's staffing and a related increase its pro-rata share of allocated expenses. Investment related expenses, which include legal and other costs incurred for various NY Green Bank financial transactions, increased \$.1 million (170.5%) based on investment transactions consummated during the year. Program operating costs decreased \$.2 million (51.9%) due to a decrease in professional service expenses. General and administrative costs, which include allocable costs such as rent, utilities, and insurance increased \$.4 million (71.6%) 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 pro-rata share for the year.

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Non-operating investment income revenues increased \$.1 million (8.8%) principally as a result of slightly higher average yields on investments held.

**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, 2016, in comparison to amounts included in the 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	\$402	1,263	(861)
Loans and financing receivables interest	126	-	126
Total operating revenues	528	1,263	(735)
<u>Operating expenses:</u>			
Salaries and benefits	4,053	4,018	35
Investment related expenses	211	562	(351)
Program operating costs	174	831	(657)
General and administrative costs	889	870	19
Depreciation	120	109	11
NY State assessments	91	100	(9)
Total operating expenses	5,538	6,490	(952)
<u>Non-operating revenues</u>			
Investment income	1,280	834	446
Total non-operating revenues	1,280	834	446
Transfers	-	500	(500)
Change in net position	(3,730)	(4,393)	663
Net position, beginning of year	216,305	216,305	-
Net position, end of year	\$212,575	211,912	663

Fees were budgeted assuming a larger portion of NY Green Bank's capital would be committed pursuant to executed transaction documents 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. Loan interest was not separately budgeted, but included in the budget established for fees.

Total operating expenses were \$1.0 million (14.7%) below budget. Investment related expenses, including legal services for financial transactions, were less than budgeted by \$.4 million due to the timing transactions closing. Program operating costs were less than budgeted by \$.7 million primarily due to lower than anticipated third party fund administrator costs.

Investment income (non-operating revenue) was \$.5 million (53.5%) higher than budget primarily from higher than anticipated yields on available investment balances.

**ECONOMIC FACTORS**

Funding clean energy projects 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.

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**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  
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 Statement of Net Position  
 March 31, 2016 (with comparative totals for March 31, 2015)  
 (Amounts in thousands)

	March 31, 2016	March 31, 2015
<b><u>ASSETS:</u></b>		
Current assets:		
Cash and investments	\$101,898	97,622
Third-party billings receivable	9	-
Interest receivable on loans	83	-
Total current assets	101,990	97,622
Non-current assets:		
Investments	100,738	118,752
Loans and financing receivables- long term	10,013	-
Total non-current assets	110,751	118,752
Total assets	212,741	216,374
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
	407	-
 <b><u>LIABILITIES:</u></b>		
Current liabilities:		
Escrow deposits	210	-
Due to governmental activities	-	74
Total current liabilities	210	74
Non-current liabilities:		
Net pension liability	363	-
Total liabilities	573	74
 <b><u>NET POSITION:</u></b>		
Net position restricted for specific programs	\$212,575	216,300

*See accompanying notes to the basic financial statements.*

NY Green Bank  
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 Statement of Revenues, Expenses and Changes in Fund Net Position  
 For the year ended March 31, 2016 (with comparative totals for March 31, 2015)  
 (Amounts in thousands)

	March 31, 2016	March 31, 2015
<b><u>OPERATING REVENUES:</u></b>		
Closing fees	\$373	-
Undrawn fees	19	-
Administrative fees	10	-
Loans and financing receivables interest	126	-
Total operating revenues	528	-
<b><u>OPERATING EXPENSES:</u></b>		
Salaries and benefits	4,053	2,497
Investment related expenses	211	78
Program operating costs	174	362
General & administrative expenses	889	518
Depreciation	120	60
NY State assessments	91	77
Total operating expenses	5,538	3,592
<b>OPERATING LOSS</b>	(5,010)	(3,592)
<b><u>NON-OPERATING REVENUES:</u></b>		
Investment income	1,280	1,176
<b>TRANSFERS</b>		
Change in net position	-	500
Change in net position	(3,730)	(1,916)
Net position, beginning of period	216,300	218,216
Cumulative effect of change in accounting principle (GASB 68)	5	-
Net position, end of period	\$212,575	216,300

*See accompanying notes to the basic financial statements.*

NY Green Bank  
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Statement of Cash Flows  
For the year ended March 31, 2016 (with comparative totals for March 31, 2015)  
(Amounts in thousands)

	March 31, 2016	March 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Closing fees collected	\$373	-
Administrative fees collected	10	-
Undrawn fees collected	10	-
Loans and financing receivables interest collected	43	-
Receipt of escrow deposits	210	-
Payments to employees & employee benefit providers	(4,092)	(2,497)
Payments to suppliers	(1,274)	(958)
Payment for allocated depreciation	(120)	(60)
Payments to NYS	(91)	(77)
Loans and financing receivables made	(10,013)	-
Advance from governmental activities	(74)	74
Net cash used in operating activities	(15,018)	(3,518)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
System Benefits Charge	-	11,212
Transfers from other funds	-	500
Net cash provided by non-capital financing activities	-	11,712
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(93,605)	(104,460)
Proceeds from sale of investments	111,047	94,282
Investment income	944	94
Net cash provided by (used in) investing activities	18,386	(10,084)
<b>Net change in cash and cash equivalents:</b>	3,368	(1,890)
Cash and cash equivalents, beginning of period	-	1,890
Cash and cash equivalents, end of period	\$3,368	-
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	(\$5,010)	(3,592)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Increase in third party billings receivable	(9)	-
Increase in interest receivable	(83)	-
Increase in loans and financing receivables	(10,013)	-
Increase in escrow deposits	210	-
(Decrease) increase in due to NYSERDA	(74)	74
Net change in pension related accounts	(39)	-
Net cash used in operating activities	(15,018)	(3,518)

*See accompanying notes to the basic financial statements.*

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**Notes to Basic Financial Statements**  
**March 31, 2016**

**(1) GENERAL**

NY Green Bank, a state-sponsored, specialty finance entity working in collaboration 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 collaboration with the private sector to transform financing markets. The key elements of NY Green Bank's mission are working 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, reduce environmental impacts and create 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 \$165.6 million was made available from uncommitted NYSERDA and utility clean energy funds. In addition to the Commission Order, NYSERDA transferred \$52.9 million of its Regional Greenhouse Gas Initiative revenues to NY Green Bank for a total initial capitalization of \$218.5 million.

In July 2015, the Commission issued an Order providing an additional \$150.0 million of capitalization, to be funded from certain uncommitted ratepayer program funds, to be available once NY Green Bank has committed at least \$150.0 million of its initial capitalization.

Pursuant to a January 2016 Order (CEF Order), the Commission authorized a ten-year commitment through 2025 of approximately \$5.3 billion to clean energy programs through a newly created Clean Energy Fund (CEF). The CEF Order authorized incremental collections in varying amounts from 2016 through 2025 for the remaining \$631.5 million of NY Green Bank's \$1.0 billion planned capitalization. The CEF Order also authorizes the establishment of an external Credit Facility with a pledge of the incremental collections if necessary to meet future liquidity and capital deployment.

**(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 NY Green Bank and are not intended to present fairly the financial position of NYSERDA and the results of its operations in conformity with U.S. generally accepted accounting principles (GAAP). These financial statements include certain prior year comparative information but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with NY Green Bank's financial statements for the year ended March 31, 2015 from which the information was derived.

**(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.



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**Notes to Basic Financial Statements**  
**March 31, 2016**

- (c) **Program operating costs**  
Program operating costs consist of certain costs that can be directly attributed to the NY Green Bank function. Program operating costs include expenses such as professional service costs and staff travel.
- (d) **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 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 costs include expenses such as rent, equipment and facility costs, and information technology costs allocated to NY Green Bank.
- (e) **Investments**  
Investments are recorded at fair value, which reflects quoted market prices for U.S. government obligations.
- (f) **Capital assets**  
NY Green Bank does not maintain capital assets on its balance sheet, but instead is allocated depreciation expense on NYSERDA capital assets. Depreciation is allocated in proportion to direct salary expenses of each NYSERDA function/program, including NY Green Bank.
- (g) **NY State assessments**  
NY State assessments represent 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.
- (h) **Deferred outflows of resources**  
Deferred outflows of resources are defined as a consumption of net assets applicable to a future reporting period. Deferred outflows of resources include differences between expected projected results and actual results related to NYSERDA's proportionate share of the New York State and Local Retirement System cost sharing retirement plan.
- (i) **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.
- (j) **Adoption of new accounting pronouncement**  
During 2015, NYSERDA and NY Green Bank implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68). NYSERDA and NY Green Bank participate in the New York State and Local Retirement System cost-sharing retirement plan. NY Green Bank has recorded a participating proportion of the net pension liability of the plan and pension-related deferred outflows of resources as a result of adopting this pronouncement. The impact of this adoption has a cumulative effect of \$5,000 on beginning net position at April 1, 2015.

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**Notes to Basic Financial Statements**  
**March 31, 2016**

	<i>(Amounts in thousands)</i>
Net position as previously reported at March 31, 2015	\$216,300
Net pension liability (measurement date as of March 31, 2014)	(313)
Deferred outflows of resources	<u>318</u>
Cumulative effect on net position	<u>5</u>
Net position, April 1, 2015, as adjusted	<u>\$216,305</u>

**(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, 2016.

	<i>(Amounts in thousands)</i>		
	<u>March 31, 2016</u>		
	<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>
Cash and money market	\$3,368	1.7	n/a
U.S. Treasury Bills	5,241	2.6	0.9
U.S. Treasury Strips	<u>194,027</u>	<u>95.7</u>	<u>13.7</u>
Total	<u>\$202,636</u>	<u>100.0</u>	<u>13.4</u>
Current Portion	<u>\$101,898</u>		

*Interest Rate Risk.* NYSERDA investment policy limits investment maturities to no longer than five years 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, 2016, 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

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**Notes to Basic Financial Statements  
March 31, 2016**

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 including those held on behalf of NY Green Bank, 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, 2016:

*(Amounts in thousands)*

<u>Cash and Investments</u>	<u>Investments</u>		<u>Operating Expenses</u>		<u>Total</u>
	<u>Committed Capital</u>	<u>Approved Investments</u>	<u>Contractual Obligations</u>	<u>Pre-Contractual Obligations</u>	<u>Commitments</u>
\$202,636	44,487	46,489	299	3,430	94,705

Committed Capital reflects investments NY Green Bank has legally executed, but where capital has not been deployed. Approved Investments reflects NY Green Bank investment transactions, which have been approved through its Investment and Risk Committee. Contractual obligations are executed agreements where a legal obligation to provide the agreed financial participation pursuant to the terms of the agreement exists. Pre-contractual obligations consist of planned funding for contracts awarded and under negotiation, and planned funding under active development through open solicitations with upcoming proposal due dates.

NY Green Bank's investment portfolio at any time consists of two components: committed capital and deployed capital. At March 31, 2016 NY Green Bank committed capital was \$44.5 million and deployed capital was \$10.0 million. See footnote 4.

**(4) LOANS AND FINANCING RECEIVABLES**

NY Green Bank loans and financing receivables are used to make investments into eligible technologies consistent with its mission and investment criteria. These loans and financing transactions aim to mobilize private sector capital during the lifecycle of each investment, accelerate the deployment of economically and technically feasible clean energy projects in the State, provide financial returns to NY Green bank, and contribute to New York's clean energy policy outcomes. NY Green Bank offers the following categories of capital solutions: loans and financing receivables (warehousing/aggregation, asset lending and investments and composite products) and credit enhancements. NY Green Bank prices its products to reflect its credit underwriting, its risk position in the capital structure and pricing for comparable transactions, as well as internal portfolio return needs taking into account current market rates as well as commercial expectations of rates.

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**Notes to Basic Financial Statements  
March 31, 2016**

Loans and financing receivables at March 31, 2016 include the following:

	<u>Number of Transactions</u>	<i>(Amounts in thousands)</i> <u>Loans and Financing Receivables Outstanding</u>	<u>Undrawn Balance</u>
Asset Loans & Investments	2	\$1,227	\$22,773
Warehousing/Aggregation	<u>1</u>	<u>8,786</u>	<u>16,214</u>
Total	<u>3</u>	<u>\$10,013</u>	<u>\$38,987</u>

Loans receivable at March 31, 2016 mature as follows:

<u>Fiscal year ending March 31,</u>	<u>Asset Loans</u>	<u>Warehousing/ Aggregation</u>	<u>Total</u>
2017	-	-	-
2018	1,227	-	1,227
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	<u>8,876</u>	<u>8,786</u>
Total Proprietary Funds	<u>1,227</u>	<u>8,876</u>	<u>10,013</u>

**(5) LONG-TERM LIABILITIES**

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 “Accounting and Financial Reporting for Pensions” in June 2012 and required its provisions be effective in financial statements issued for fiscal years beginning after June 15, 2014. NYSERDA and NY Green Bank have adopted this standard for the fiscal year ended March 31, 2016. GASB 68 requires the recognition by NYSERDA and NY Green Bank of its proportionate share of the net pension liability of the New York State and Local Employees’ Retirement System (defined as the total pension liability less the plan’s fiduciary net position).

NYSERDA’s financial statements should be referred to for full disclosure of the effect of implementing this GASB Standard. NY Green Bank financial statements include the share of NYSERDA’s long-term net pension liability which is expected to be paid by NY Green Bank. Pension related Deferred Outflows/Inflows of Resources are included in NY Green Bank financials to the extent they relate to NY Green Bank’s share of the total of these amounts for NYSERDA as a whole.

Long-term liability activity for the year ended March 31, 2016 was as follows:

	<u>Beginning Balance</u>	<i>(Amounts in thousands)</i> <u>Cumulative effect of GASB 68</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Net pension liability	<u>—</u>	<u>313</u>	<u>368</u>	<u>(318)</u>	<u>363</u>	<u>—</u>

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

**Notes to Basic Financial Statements**  
**March 31, 2016**

**(6) 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.

Credit Enhancements

As of March 31, 2016 NY Green Bank has entered into two credit enhancement contracts totaling \$5.5 million which, consistent with their terms, have not been funded but contain contingent obligations. NY Green Bank capital is only drawn if a contingent obligation under either agreement is triggered.

**(7) TRANSFERS**

Transfers represents \$0.5 million 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.