

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

FINANCIAL STATEMENTS

March 31, 2016

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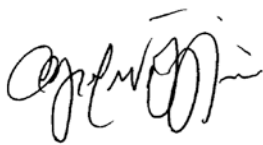
RESPONSIBILITY FOR FINANCIAL REPORTING

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
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 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)

Summary of Net Position	March 31, 2016	March 31, 2015	% change 2016-2015
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>		
Summary of Changes in Net Position	March 31, 2016	March 31, 2015	% change 2016-2015
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 operating 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.

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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
<u>ASSETS:</u>		
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
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	407	-
 <u>LIABILITIES:</u>		
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
 <u>NET POSITION:</u>		
Net position restricted for specific programs	\$212,575	216,300

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, 2016 (with comparative totals for March 31, 2015)
 (Amounts in thousands)

	March 31, 2016	March 31, 2015
<u>OPERATING REVENUES:</u>		
Closing fees	\$373	-
Undrawn fees	19	-
Administrative fees	10	-
Loans and financing receivables interest	126	-
Total operating revenues	528	-
<u>OPERATING EXPENSES:</u>		
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
OPERATING LOSS	(5,010)	(3,592)
<u>NON-OPERATING REVENUES:</u>		
Investment income	1,280	1,176
TRANSFERS	-	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
(A Division of the New York State Energy Research and Development Authority)
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
CASH FLOWS FROM OPERATING ACTIVITIES:		
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)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
System Benefits Charge	-	11,212
Transfers from other funds	-	500
Net cash provided by non-capital financing activities	-	11,712
CASH FLOWS FROM INVESTING ACTIVITIES:		
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)
Net change in cash and cash equivalents:	3,368	(1,890)
Cash and cash equivalents, beginning of period	-	1,890
Cash and cash equivalents, end of period	\$3,368	-
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
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
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- (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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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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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>

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(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. NYSEERDA maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to NYSEERDA. NYSEERDA 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 NYSEERDA'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.